

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

OIL AND GAS DOCKET NO. 03-0223478

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CHAIN OIL & GAS, INC. (142250), AS TO THE TRELFOED, G.C.O.-A.K. UNIT (11046) LEASE, ALTA LOMA, S. (FRIO SD) FIELD, GALVESTON COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 3, 2000 and that the respondent, Chain Oil & Gas, Inc. (142250), failed to appear or respond to the notice. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Chain Oil & Gas, Inc. (142250), ("respondent") was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 (Organization Report) address, which was signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing Opportunity, was signed and returned to the Commission on February 22, 2000. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On January 8, 1999, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Robert Chain; President.
4. Respondent designated itself to the Commission as the operator of the Trelford, G.C.O.-A.K. Unit (11046) Lease ("subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective on January 1, 1995.
5. A Commission district office inspection was conducted on July 28, 1999 for the Trelford, G.C.O.-A.K. Unit (11046) Lease. There was oil soaked soil in an 8' radius around the wellhead of Well No. 1.

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6. Commission district office inspections were conducted on August 17, 1999, September 8, 1999, September 30, 1999 and October 7, 1999 for the Trelford, G.C.O. -A.K. Unit (11046) Lease. There was dried oil soaked soil covering over 50% of the firewall and tank no. 21801 was slowly leaking produced water (tested at 25,000 ppm chlorides) from the corroded bottom of the tank. The leaking tank was 90% full to capacity. The soil around the tank was soaked with produced water in a 2' radius at the base. Soil samples were collected on October 7, 1999 and submitted for lab analysis. The oil-soaked soil around the wellhead of Well No. 1 tested 6.6% (TPH Total Petroleum Hydrocarbon). The soil inside the firewall tested at 6.0% TPH.
7. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
8. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach into the ground and percolate through soils into groundwater supplies.
9. The respondent did not demonstrate good faith since it failed to place the subject lease in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
10. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 03-0216712; Rule 14; Final Order Served: May 25, 1999;
Docket No. 03-0219604; Rule 14; Final Order Served: May 25, 1999;
Docket No. 03-0219769; Rule 14; Final Order Served: May 25, 1999;
Docket No. 03-0220113; Rule 14; Final Order Served: May 25, 1999;
Docket No. 03-0215103; Rule 8; Final Order Served: May 25, 1999; and
Docket No. 03-0217857; Rule 8; Final Order Served: May 25, 1999.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed or have occurred
3. Respondent is in violation of Commission Statewide Rule 8(d)(1).
4. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
5. Respondent is responsible for maintaining the subject lease in compliance with all

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applicable Statutes and Commission rules, specifically Statewide Rules 8, 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.

6. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531(c) (Vernon 1993).

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Chain Oil & Gas, Inc. (142250), shall place the Trelford, G.C.O.-A.K. Unit (11046) Lease, Alta Loma, S. (Frio SD) Field, Galveston County, Texas in compliance with applicable Commission rules and regulations; and
2. Chain Oil & Gas, Inc. (142250), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHT THOUSAND FIVE HUNDRED DOLLARS (\$8,500.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Noncompliance with the provisions of this order is subject to enforcement by the Attorney General and subject to civil penalties of up to \$10,000.00 per day per violation.

Done this 6th day of June, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated June 6, 2000)

MT/sa