

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

OIL AND GAS DOCKET NO. 03-0235020

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CORE E&P CORP. (178381), AS TO THE STEELE-SCHMUCKER UNIT O/A (09019) LEASE, WELL NO. 3H, STOWELL (STEWART U-3) FIELD, STEELE-SCHMUCKER UNIT O/A (21460) LEASE, WELL NO 3F, STOWELL (SCHMUCKER) FIELD, AND THE KOCH, T F. NCT-1 LEASE, WELL NO. 4 (113052), STOWELL (ENGLIN-MARG) FIELD, JEFFERSON COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 9, 2003, and that the respondent, Core E&P Corp. (178381), 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. Core E&P Corp. (178381), ("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, which was signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the First Amended Original Complaint and the Notice of Opportunity for Hearing was signed and returned to the Commission on July 10, 2003. 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 July 11, 2001, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Michael Keith Hahn; President.
4. Respondent designated itself to the Commission as the operator of Well No. 3H on the Steele-Schmucker Unit O/A (09019) Lease, Well No. 3F on the Steele-Schmucker Unit O/A (21460) Lease and Well No. 4 (113052) on the Koch, T.F. NCT-1 Lease ("subject wells"/"subject leases") by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on January 1, 2002 for all of the subject leases and subject wells.

5. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on July 1, 2002. Respondent had a \$250,000.00 Letter of Credit as its Financial Assurance at the time of its last Form P-5 renewal.
6. Well No. 3H on the Steel-Schmucker Unit O/A (09019) Lease ceased production on or before January 1993. Well No. 3F on the Steele-Schmucker Unit O/A (21460) Lease ceased production on or before February 1993. Well No. 4 (113052) on the Koch, T.F. NCT-1 Lease ceased production on or before January 1993.
7. The subject wells have not properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
8. Usable quality groundwater in the area is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
9. The estimated cost to the State of plugging Well Nos. 3H and 3F on the Steele-Schmucker Unit O/A (09019) and the (21460) Leases is \$37,200.00 and \$11,800.00 for Well No. 4 (113052) on the Koch, T.F. NCT-1 Lease.
10. Commission district office inspections were conducted on August 16, 2001, February 7, 2002, August 23, 2002, October 8, 2002 and November 27, 2002 for the Steele-Schmucker Unit O/A (09019) and (21460) Leases. The signs or identification required to be posted at the well sites were missing.
11. A Commission district office inspection was conducted on November 27, 2002 for the Koch, T.F. NCT-1 Lease. The sign or identification required to be posted at the well site was missing.
12. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
13. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to 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 Rules 3(a) and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with Rule 3(a),

which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.

5. Respondent is responsible for maintaining the subject leases in compliance with all applicable Commission rules and for properly plugging the subject wells according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the 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 2001).

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

1. Core E&P Corp. (178381), shall plug the Steele-Schmucker Unit O/A (09019) Lease, Well No. 3H, Stowell (Stewart U-3) Field, the Steele-Schmucker Unit O/A (21460) Lease, Well No. 3F, Stowell (Schmucker) Field, and the Koch, T.F. NCT-1 Lease, Well No. 4 (113052), Stowell (Englin-Marg) Field, Jefferson County, Texas with applicable commission rules and regulations; and
2. Core E&P Corp. (178381), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND FIVE HUNDRED DOLLARS (\$4,500.00)**.

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 22nd day of December 2003.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated December 22, 2003)

MH/sa