

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 03-0273240

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ARRIOLA OPERATING & CONSLTG, INC. (033181), AS TO THE WALTON, J.C. "B" (20691) LEASE, WELL NO. 2, RACCOON BEND (GUTOWSKY) FIELD, AUSTIN, COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 15, 2012 and that the respondent, Arriola Operating & Consltg, Inc. (033181), failed to appear or respond to the Notice of Opportunity for Hearing. 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. Arriola Operating & Consltg, Inc. (033181), ("Respondent") was given a Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 Organization Report.
2. The returned certified receipt attached to the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address, was signed and verified by the electronic return on January 17, 2012. The certified electronic verification has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On October 4, 2011, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Robert B. Ruston, III; President.
4. Robert B. Ruston, III, was in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
6. Respondent designated itself to the Commission as the operator of Well No. 2 on the Walton, J.C. "B" (20691) Lease ("subject well"/"subject lease") by filing a P-4 Form (Producer's Transportation Authority and Certificate of Authority) effective on April 1, 2008.

7. Commission records indicate that Respondent's Form P-5 (Organization Report) is active. Respondent has \$50,000.00 cash as its financial assurance.
8. Commission District inspections were conducted on June 30, 2011, July 1, 2011, August 2, 2011, September 8, 2011 and February 15, 2012 for the Walton, J.C. "B" (20691) Lease. The signs or identification required to be posted at the lease entrance, well and tank battery, either display incorrect information or are missing.
9. 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.
10. A Commission District inspection was conducted on June 30, 2011 for the Walton, J.C. "B" (20691) Lease. There were five barrels of free standing oil on the ground at the well and oil-saturated soil at an empty tank across from the battery. Oil was also found to be leaking onto the ground at the pipeline connection near the empty tank. Inspections made on July 1, 2011, August 2, 2011 and September 8, 2011 show that although the free-standing oil had been picked up, the oil-saturated soil at the affected areas had not been cleaned. An inspection made on February 15, 2012, show the soil around the well was still saturated with oil and there was oil saturated soil across from the tank battery next to an empty 210 barrel steel tank. There was no free oil and no oil leaking, and there was an oil sheen on top of rain water in oil saturated areas.
11. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
12. 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.
13. The Respondent did not demonstrate good faith since it failed to plug or otherwise place the subject lease and well in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
14. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 01-0259511; Final Order Served: December 16, 2008; and
Docket No. 01-0264894; Final Order Served: February 8, 2011.

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 responsible for maintaining the subject lease in compliance with Statewide Rules 3 and 8(d)(1).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, 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 lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
6. Respondent is responsible for maintaining the subject lease and subject well in compliance with all applicable Commission rules according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
7. 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.
8. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Robert B. Ruston, III, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 91.114(a)(2) for a period of no more than seven years from the date the order entered in this matter becomes final, or until the conditions that constituted the violations herein are corrected or are being corrected in accordance with a schedule to which the Commission and the organization have agreed; and all administrative, civil, and criminal penalties and all cleanup and plugging costs incurred by the State relating to those conditions are paid or are being paid in accordance with a schedule to which the Commission and the organization have agreed, whichever is earlier.

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

1. Arriola Operating & Consltg, Inc. (033181), shall place the Walton, J.C. "B" (20691) Lease, Well No. 2, Raccoon Bend (Gutowsky) Field, Austin County, Texas in compliance with applicable Commission rules and regulations;
2. Arriola Operating & Consltg, Inc. (033181), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THREE THOUSAND TWO HUNDRED FIFTY DOLLARS (\$3,250.00)**.

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. GOVT. 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 parties are notified of the order.

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 7th day of August 2012.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated August 7, 2012)

MFE/sa