

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

OIL AND GAS DOCKET NO. 04-0244167

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ALACIA OPERATING COMPANY (009769), AS TO THE BISHOP-DUVAL LAND CO. -B- (01536) LEASE, WELL NOS. 3 AND 12, THE HUBBARD, WM. (01525) LEASE, WELL NOS. 5 AND 7, AND THE HUBBARD, WILLIAM -D- (10977) LEASE, WELL NOS. 2 AND 3, LOMA NOVIA FIELD, DUVAL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 9, 2006, and that the respondent, Alacia Operating Company (009769), 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. Alacia Operating Company (009769), ("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 returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was returned to the Commission marked "unclaimed" on November 31, 2005. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Deborah Gayle Garcia, was a person 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.
4. George Raymond Rusling, was a person 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 Nos. 3 and 12 on the Bishop-Duval Land Co. -B- (01536) Lease, Well Nos. 5 and 7 on the Hubbard, Wm. (01525) Lease and Well Nos. 2 and 3 on the Hubbard, William -D- (10977) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producers Transportation of Authority and Certificate of Compliance) with the Commission effective on August 1, 1996 for all of the subject wells and leases.
7. According to Commission records the Respondent's Form P-5 (Organization Report) has been delinquent since July 1, 2005. At the time of Respondent's last P-5 filing, Respondent had a \$50,000 Letter of Credit as its financial assurance.
8. Well Nos. 3 and 12 on the Bishop-Duval Land Co. -B- (01536) Lease ceased production on or before September 2001. Well Nos. 5 and 7 on the Hubbard, Wm. (01525) Lease ceased production on or before July 2003. Well Nos. 2 and 3 on the Hubbard, William -D- (10977) Lease ceased production on or before January 2004.
9. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
10. 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.
11. The estimated cost to the State of plugging the subject wells is \$7,600.00 for Well Nos. 3 and 12 on the Bishop-Duval Land Co. -B- (01536) Lease, \$7,600.00 for Well Nos. 5 and 7 on the Hubbard, Wm. (01525) Lease, and \$7,100.00 for Well Nos. 2 and 3 on the Hubbard, William -D- (10977) Lease.
12. A Commission district office inspection was conducted on July 21, 2005 for the Bishop-Duval Land Co. -B- (01536) Lease. The signs or identification required to be posted at the lease entrance and the wells were missing.
13. 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.
14. A Commission district office inspection was conducted on July 21, 2005 for the Bishop-Duval Land Co. -B- (01536) Lease. Well No. 3 has casing open to the atmosphere.
15. A Commission district office inspection was conducted on July 12, 2005 for the Hubbard, Wm. (01525) Lease. Well No. 7 has casing open to the atmosphere.

16. A Commission district office inspection was conducted on July 12, 2005 for the Hubbard, William -D- (10977) Lease. Well No. 2 has tubing open to the atmosphere.
17. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.
18. 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, 13(b)(1)(B) and 14(b)(2).
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 leases in compliance with Statewide Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
6. Respondent is responsible for maintaining the subject leases and wells 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(c).

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, Deborah Gayle Garcia, and any other organization in which she 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.
9. 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, George Raymond Rusling, 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. Alacia Operating Company (009769), shall plug Well Nos. 3 and 12, on the Bishop-Duval Land Co. -B- (01536) Lease, Loma Novia Field, Duval County, Texas in compliance with applicable Commission rules and regulations;
2. Alacia Operating Company (009769), shall plug or otherwise place the Hubbard, Wm. (01525) Lease, Well Nos. 5 and 7, and the Hubbard, William -D- (10977) Lease, Well Nos. 2 and 3, Loma Novia Field, Duval County, Texas in compliance with applicable Commission rules and regulations;
3. Alacia Operating Company (009769), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTEEN THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$15,750.00)**.

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 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 6th day of June 2006.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated June 6, 2006)

ME/sa