

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

OIL AND GAS DOCKET NO. 04-0244866

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ERNESTO L. MORALES D/B/A L.A.M. (479245), AS TO THE CARLOS ROGERS (10515) LEASE, WELL NO. 5, BRIDWELL (HOCKLEY) 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, Ernesto L. Morales d/b/a L.A.M. (479245), 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. Ernesto L. Morales d/b/a L.A.M. (479245), ("Respondent") was given Notice of 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 Original Complaint and the Notice of Hearing mailed to Respondent's most recent P-5 address was signed and returned to the Commission on February 2, 2006. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Ernesto L. Morales, as sole proprietor, 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. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
5. Respondent designated itself to the Commission as the operator of Well No. 5 on the Carlos Rogers (10515) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producers Transportation of Authority and Certificate of Compliance) with the Commission effective on September 1, 2001.

6. According to Commission records the Respondent's Form P-5 (Organization Report) has been delinquent since January 1, 2006. At the time of Respondent's last P-5 filing, Respondent had a \$25,000 Letter of Credit as its financial assurance.
7. Commission records indicate that the P-4 for the Carlos Rogers (10515) Lease has been severed since January 2004 and that no new certificate of compliance has been issued.
8. Commission district office inspections were conducted on June 23, 2005 and August 8, 2005 for the Carlos Rogers (10515) Lease. Well No. 5 was equipped to produce. Commission records show that no W1-X extension has been granted for this lease and well. Commission records further show that Respondent filed production reports with the Commission for the months of February and March 2004, May through December 2004, and January through April 2005, after the certificate of compliance had been cancelled and before a new certificate of compliance has been issued.
9. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and subject well 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 the Tex. Nat. Res. Code Ann. §85.166 and Commission Statewide Rule 73(i).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(i), which requires the operator of such well shall not produce oil, gas, or geothermal resources from that well until a new certificate of compliance with respect to the well has been issued by the Commission.
5. 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.
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).

7. 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, Ernesto L. Morales, 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. Ernesto L. Morales d/b/a L.A.M. (479245), shall plug or otherwise place the Carlos Rogers (10515) Lease, Well No. 5, Bridwell (Hockley) Field, Duval County, Texas in compliance with applicable Commission rules and regulations;
2. Ernesto L. Morales d/b/a L.A.M. (479245), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ONE THOUSAND DOLLARS (\$1,000.00)**.

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