

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

OIL AND GAS DOCKET NO. 04-0257157

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY LONE STAR E&P, LLC (507498), AS TO THE ROOS LEASE, WELL NO. 16 (068985), LABBE (PETTUS) FIELD, AND THE ROOS (08926) LEASE, WELL NO. 17, LABBE (GOVT WELLS) FIELD, DUVAL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 25, 2008 and that the respondent, Lone Star E&P, LLC (507498), 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. Lone Star E&P, LLC (507498), ("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 tracked and delivered to Respondent on August 20, 2008.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was not returned to the Commission.
3. On October 8, 2007, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Bruce Ray McDonald, Manager.
4. Bruce Ray McDonald, 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's Form P-5 (Organization Report) became delinquent as of May 1, 2008. Respondent had a \$25,000.00 Bond as its financial assurance at the time of its last P-5 renewal.
7. The Roos Lease, Well No. 16 (068985) was plugged with State Funds on February 19, 2008.
8. On the occasion of a District Office inspection on December 11, 2007, a pole rig was rigged up on the Roos Lease, Well No. 16 (068985) and workover operations were being performed by Respondent.
 - a. An open top tank present on the lease had been contracted for by Respondent.
 - b. The pole rig rigged up on the lease had been contracted for by Respondent.
 - c. Respondent had contracted with Austin Energy Operations, Inc., and Black Warrior Wireline Corp. to enter and perform work on Well No. 16, and Respondent paid invoices for the services.
 - d. The well previously had been plugged, and Respondent, through its contractors, drilled out plugs from the well and re-entered the well.
9. Respondent did not file a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) or obtain a permit to enter and workover the Roos Lease, Well No. 16 (068985), although a permit was required, and did not obtain a Form P-4 (Certificate of Compliance and Transportation Authority) for this lease and well.
10. The Roos (08926) Lease, Well No. 17 was plugged with State funds on January 13, 1998. The designated operator at the time of plugging was Texco Operating Co.
11. On the occasion of a District Office inspection on December 21, 2007, Respondent had contracted to place a 400 barrel open top tank on the Roos (08926) Lease and through contracts with Austin Energy Operations, Inc., and Black Warrior Wireline Corp., Respondent had entered and performed work on the Roos (08926) Lease, Well No. 17. Through its contractor, Respondent drilled out plugs previously placed in the well and re-entered the well.
12. Respondent did not file a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) or obtain a permit to enter and workover the Roos (08926) Lease, Well No. 17, although such a permit was required, and did not obtain a Form P-4 (Certificate of Compliance and Transportation Authority) for this lease and well.
13. Respondent intentionally re-entered the Roos Lease, Well No. 16 (068985) and the Roos (08926) Lease, Well No. 17 without notifying the Commission, without obtaining a certificate of compliance for the leases, and without obtaining re-entry permits as required by Statewide Rule 5.

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 Rule 5(c).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 5(c), which requires that the operations of drilling, deepening, plugging back or re-entering shall not be commenced until a permit has been granted by the Commission.
5. Respondent is responsible for maintaining the subject leases and subject 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, Bruce Ray McDonald, 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. Lone Star E&P, LLC (507498), shall place the Roos Lease, Well No. 16 (068985), Labbe (Pettus) Field, and the Roos (08926) Lease, Well No. 17, Labbe (Govt Wells) Field, Duval County, Texas in compliance with applicable Commission rules and regulations; and
2. Lone Star E&P, LLC (507498), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTY THOUSAND DOLLARS (\$30,000.00)**.

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 15th day of January 2009.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 15, 2009)

JD/sa