

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

OIL AND GAS DOCKET NO. 04-0261957

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY DAKOTA OIL COMPANY (197406), AS TO THE 51 PENN LEASE, WELL NO. 1 (177792), THOMPSONVILLE, NE (13700) FIELD, JIM HOGG COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 2, 2010, and that the respondent, Dakota Oil Company (1974096), 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. Dakota Oil Company (197406), ("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) attached to Original Complaint and the Notice of Opportunity for Hearing mailed to Respondents, most recent P-5 address, was signed and returned to the Commission on October 27, 2009. 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 September 12, 2008, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Tabya Lynn Ramirez; Owner.
4. Tabya Lynn Ramirez, 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 No. 1 (177792) on the 51 Penn Lease ("subject well"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission that became effective on September 1, 2006.
7. According to Commission records the Respondent's Form P-5 (Organization Report) is active. Respondent has \$25,000.00 cash as its financial assurance at the time.
8. Commission records reflect that the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation of or the production of oil or gas from the 51 Penn Lease, Well No. 1 (177792), that appeared to the Commission to violate the oil and gas conservation laws of this state or rules or orders of the Commission adopted under those laws to warrant the cancellation of the certificate of compliance and gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
9. Commission records reflect that Respondent did not show compliance with all requirements of law for retention of the certificate of compliance and that the certificate of compliance for the 51 Penn Lease was cancelled on March 17, 2008 and that the Commission gave Respondent notice of such cancellation of the certificate of compliance on that date.
10. A Commission District Inspection Report made on October 21, 2008, and no production reports filed by the Respondent with the Commission for April 2008, through January 2009 and March 2009, showed Respondent produced 4097 barrels of oil from the 51 Penn Lease, Well No. 1 (177792) after the certificate of compliance had been cancelled and before a new certificate of compliance had been issued. Respondent did not pay re-connect fees after resolving the delinquent production report issues. Respondent continued to produce the well during the period of April 2008 through March 2009, during which time a total of 4097 mcf of gas was produced and sold.
11. By producing the 51 Penn Lease, Well No. 1 (177792) after notice from the Commission that the certificate of compliance had been cancelled and before a new certificate of compliance had been issued, Respondent violated Statewide Rule 73(l) and TEX. NAT. RES. CODE ANN. §91.706.
12. At the time of this complaint, Respondent had corrected the above violations, but did not pay the re-connect fees and was not producing the subject well. An Inspection Report on August 21, 2009 shows the subject well to be shut in and sealed. At this date, the well has been transferred to a new operator.
13. The Respondent has not demonstrated good faith since it failed to timely 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 Commission Statewide Rules 73(i), Tex. Nat. Res. Code Ann. §85.166.
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(i), which provides that upon cancellation of the certificate of compliance for a well, 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 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.
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©.
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, Tabya Lynn Ramirez, 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.

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

1. Dakota Oil Company (197406), shall place the 51 Penn Lease, Well No. 1 (177792), Thompsonville, NE (13700) Field, Jim Hogg County, Texas in compliance with applicable Commission rules and regulations; and

2. Dakota Oil Company (197406), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND DOLLARS (\$2,000.00)**.

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 22nd day of February 2011.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated February 22, 2011)

CH/sa