

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

OIL AND GAS DOCKET NO. 04-0280386

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY TURNKEY E&P CORPORATION (874265), AS TO THE GENESIS LEASE, WELL NO. 1 (232287), MAGNOLIA CITY (5600) FIELD, JIM WELLS COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 4, 2013, and that the respondent, Turnkey E&P Corporation (874265), 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. Turnkey E&P Corporation (874265), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was signed and returned to the Commission.
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was signed and returned to the Commission on March 1, 2013. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
4. Respondent designated itself to the Commission as the operator of Well No. 1 (232287) on the Genesis Lease ("subject well"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance), effective on December 3, 2007.
5. Respondent's P-5 (Organization Report) became delinquent on November 1, 2010. Respondent had a \$25,000 bond as its financial assurance at the time of its last P-5 renewal.

6. The subject well has never produced.
7. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with Statewide Rule 14.
8. The Statewide 14(b)(2) plugging extension for Well No. 1 (232287) on the Genesis Lease was denied on October 31, 2010 for an inactive P-5 (Organization Report).
9. Usable quality groundwater is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the potential for pollution.
10. The estimated cost to the State for plugging the subject well is \$34,216.00.
11. Commission District inspections were conducted on June 7, 2010, July 26, 2010, November 15, 2010 and April 3, 2013 for the Genesis Lease, Well No. 1 (232287). The signs or identification required to be posted at the lease entrance and the well were missing.
12. 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.
13. According to Commission records, drilling operations on Well No. 1 (232287) of the Genesis Lease were completed on October 20, 2004. Commission District inspections were conducted on June 7, 2010, July 26, 2010, November 15, 2010 and April 3, 2013 for the Genesis Lease, Well No. 1 (232287). There is an open drilling pit next to the well measuring approximately 120' x 120' x 4' deep that has not been backfilled and compacted.
14. Unfilled pits constitute a hazard to public health and safety because of the potential for illegal dumping in the pits and the potential for surface run-off to collect in the pit and seep into subsurface waters.
15. 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.
16. On December 5, 2008, Turnkey E&P Corporation (874265) filed for Chapter 11 bankruptcy Case No. 08-37358, on June 17, 2010, the case was converted to Chapter 7.

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, 8(d)(4)(G)(i)(I) 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 lease in compliance with Statewide Rule 8(d)(4)(G)(i)(I), which requires reserve pits and mud circulation pits to be dewatered, backfilled and compacted within one year of cessation of drilling operations.
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.

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

1. Turnkey E&P Corporation (874265), shall plug the Genesis Lease, Well No. 1 (232287), Magnolia City (5600) Field, Jim Wells County, Texas in compliance with applicable Commission rules and regulations; and
2. Turnkey E&P Corporation (874265), shall assess to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTEEN THOUSAND THREE HUNDRED AND FIFTY DOLLARS (\$15,350.00)**.

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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 10th day of September 10, 2013.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated September 10, 2013)

MFE/sa