

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

OIL AND GAS DOCKET NO. 05-0221857

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CHIT'S, INC. (149481), AS TO THE UNIVERSAL-RUNDLE (02380) LEASE, WELL NO. 18, CORSICANA (SHALLOW) FIELD, NAVARRO COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on July 26, 1999, and that the respondent, Chit's, Inc.(149481), 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. Chit's, Inc. (149481), ("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) address, 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 Opportunity for Hearing, was signed and returned to the Commission on June 21, 1999. The certified receipts have been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On September 30, 1998, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Alvin Hudnal Gibert; President.
4. Respondent designated itself to the Commission as the operator of Well No. 18 on the Universal-Rundle (02380) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission, effective on November 1, 1997.
5. On August 12, 1998, Respondent was notified by letter that Well No. 18, on the Universal-Rundle (02380) Lease, was not permitted as an injection well. Respondent was instructed in that letter to obtain an injection permit. A Commission District inspection report made on November 25, 1998, for the Universal- Rundle (02380) Lease showed that Well No. 18 was being used as an injection well but Respondent had not obtained a permit.

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6. The respondent has not demonstrated good faith since it failed to place the subject well and subject lease 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 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 46(a).
4. Respondent is responsible for maintaining the subject lease in compliance with Rule 46(a), which requires that any person who engages in fluid injection operations in reservoirs productive of oil, gas or geothermal resources must obtain a permit from the Commission.
5. Respondent is responsible for maintaining the subject well and lease in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, 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) (Vernon 1993).

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

1. Chit's, Inc. (149481), shall place the Universal-Rundle (02380) Lease, Well No. 18, Corsicana (Shallow) Field, Navarro County, Texas in compliance with applicable Commission rules and regulations; and
2. Chit's, Inc. (149481), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THREE THOUSAND DOLLARS (\$3,000.00)**.

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It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing is filed by any party at interest within such 20-day period, this order shall not become final and effective until such motion is overruled, or if rehearing 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 order is served on the parties.

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 19th day of October, 1999.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated October 19, 1999)

MFK/sa