

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 05-0281713

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY USA SUPERIOR ENERGY, LLC (879269), AS TO THE CRAIG LEASE, WELL NOS. 1 (603351) AND 2 (603355), REITER, N. (750) FIELD, NAVARRO COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 1, 2013, and that the respondent, USA Superior Energy, LLC (879269), 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. USA Superior Energy, LLC (879269), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was returned to Commission.
2. The returned certified receipt envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was returned to the Commission marked "unclaimed" on July 15, 2013. The returned certified envelope is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On June 12, 2009, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): George Rowland Carey, Manager.
4. George Rowland Carey, 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 Nos. 1 (603351) and 2 (603355) on the Craig Lease ("subject wells"/"subject lease") by filing W-1 Forms (Application to Drill, Re-Complete or Re-Enter) received and issued July 13, 2005.
7. Respondent's P-5 (Organization Report) is inactive. Respondent had \$3,932 cash as its financial assurance at the time of its last P-5 renewal.
8. According to Commission records Well Nos. 1 (603351) and 2 (603355) on the Craig Lease have never produced.
9. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with Statewide Rule 14.
10. Usable quality groundwater is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the potential for pollution.
11. The estimated cost to the State for plugging Well Nos. 1 (603351) and 2 (603355) on the Craig Lease is \$3,200.00.
12. Commission District inspections were conducted on September 10, 2012, October 24, 2012 and May 7, 2013 for the Craig Lease. The signs or identification required to be posted at Well Nos. 1 (603351) and 2 (603355) were missing.
13. 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.
14. Commission District inspections were conducted on September 10, 2012, October 24, 2012 and May 7, 2013 for the Craig Lease. Well Nos. 1 (603351) and 2 (603355) have casing open to the atmosphere.
15. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.
16. Commission records for the Craig Lease indicate that Well Nos. 1 (603351) and 2 (603355) have been completed with casing. Despite completion of the wells, Respondent has failed to file the required completion reports for the subject wells.
17. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject leases and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
18. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 01-0259492; Final Order Served: May 19, 2009; and
Docket No. 01-0261417; Final Order Served: July 14, 2009.

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, 13(b)(1)(B), 14(b)(2) and 16(b).
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 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty days (30) after completion of such well, or the plugging of such well, if the well is a dry hole, shall file with the Commission the appropriate completion or plugging report.
7. Respondent is responsible for maintaining the subject lease 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.
8. 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.
9. 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, George Rowland Carey, 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. USA Superior Energy, LLC (879269), shall plug the Craig Lease, Well Nos. 1 (603351) and 2 (603355), Reiter, N. (750) Field, Navarro County, Texas;
2. USA Superior Energy, LLC (879269), shall place in compliance the Craig Lease, Reiter, N. (750) Field, Navarro County, Texas; and
3. USA Superior Energy, LLC (879269), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHTEEN THOUSAND DOLLARS (\$18,000.00)**.

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 25th day of March 2014.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated March 25, 2014)

MRC/sa