

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

**OIL AND GAS DOCKET NO. 06-0233562**

---

**ENFORCEMENT ACTION AGAINST CARLESS RESOURCES (TEXAS) INC. TO DETERMINE PURSUANT TO TEXAS NATURAL RESOURCES CODE §89.041 WHETHER WELL NO. 2A ON THE KENNEDY, C. W. & J. C. LEASE, (RRC PERMIT NO. 328567), NAVARRO CROSSING/WILDCAT FIELD, HOUSTON COUNTY, TEXAS IS PROPERLY PLUGGED.**

---

**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 5, 2003 and February 4, 2004, and that the respondent, Carless Resources (Texas) Inc., 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. Carless Resources (Texas) Inc. , ("respondent") was given Notice of Opportunity for Hearing by certified mail, addressed to its successor in interest Kelt Resources (Texas), Inc. through the Citations Unit for the Texas Secretary of State by certified mail return receipt requested. A return acknowledgment of receipt dated December 31, 2003 is on file with the Commission.
2. Certified records from the State of Texas Secretary of State's Office and the State of Delaware Secretary of State's Office to establish that Kelt Texas, Inc. was the successor in interest to Carless Resources (Texas), Inc.
  - A. On December 10, 1990, Carless filed documentation with the Texas Secretary of State showing that it had changed its name to Kelt Resources (Texas), Inc.
  - B. Additional certified documentation from the State of Delaware Secretary of State shows that Kelt Resources (Texas) Inc. merged with Kelt Texas Inc. on August 4, 1993.
  - C. Certified records from the Texas Secretary of State records show that Kelt Texas, Inc. voluntarily dissolved on June 28, 2002.
3. Carless does not have a current organization report on file with the Commission. Carless last filed an organization report on February 18, 1992, and has been listed as an inactive company since January 31, 1997.

4. Respondent designated itself to the Commission as the operator of Well No. 2A on the Kennedy, C. W. & J. C. Lease, (RRC Permit No. 328567), Navarro Crossing/Wildcat Field, Houston County, Texas ("subject well"/"subject lease") by filing a Commission Form W-1 (Application for Permit to Drill, Deepen, Plug-Back or Re- Enter) on April 2, 1987. Permit No. 328567 was issued on April 6, 1987.
5. On April 26, 1987, during drilling operations, the subject well experienced a blow out. The subject well was plugged on May 29, 1987. Commission personnel witnessed the plugging and approved the Commission Form W-3 (Plugging Report) filed by Carless.
6. Commission personnel performed an inspection on January 5, 2001 that found an unidentified plugged well was leaking natural gas on the subject lease. A follow up inspection on January 12, 2001 found the casing filled with 4" of rainwater and gas bubbling up through the rainwater, but the well still was not identified. A further inspection on January 24, 2001 identified the well as the Kennedy No. 2A.
7. On February 13, 2001, Commission personnel dug out the cellar, capped the surface casing and installed a valve for pressure monitoring equipment. The inspector found 450 psig on the surface casing. A line run into the well encountered no resistance to a depth of 300 feet. The pressure was bled off the well, but no further action was recommended.
8. On May 14, 2001, Commission personnel ran a wire line to a depth of 400 feet before encountering any resistance. The inspection report did not refer to any pressure on the wellhead prior to running the wire line. No further monitoring or inspections of the well were reported for the next ten months.
9. On March 27, 2002, an inspection found no pressure on the casing, but reported a weak blow down in approximately 5 seconds. On April 25, 2002, a fence was installed to secure the well and a Commission State Funded Plugging sign was posted.
10. Monitoring inspections on May 23, 2002, July 10, 2002, August 12, 2002, October 2, 2002, October 29, 2002, and November 14, 2002, observed a pressure build up on the well between 5 and 8 psig which was blown down on each inspection.
11. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Texas Natural Resources Code §89.041.
12. Usable quality groundwater in the area is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject well. Improperly plugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
13. The Commission has expended \$2,488.60 to abate pollution on the subject lease.
14. The estimated cost to the State of plugging the subject well is \$250,000.00.

15. The respondent has not demonstrated good faith since it failed to place the 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 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 Texas Natural Resources Code §89.041.
4. Respondent is responsible for properly plugging the subject well pursuant to Texas Natural Resources Code §89.041.
5. 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. Carless Resources (Texas) Inc., shall place Well No. 2A on the Kennedy, C. W. & J. C. Lease, (RRC Permit No. 328567), Navarro Crossing/Wildcat Field, Houston County, Texas in compliance with Texas Natural Resources Code §89.041;
2. Carless Resources (Texas) Inc., shall remit 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)**; and
3. Carless Resources (Texas) Inc., shall reimburse the Railroad Commission of Texas in the amount of **TWO THOUSAND FOUR HUNDRED EIGHTY EIGHT DOLLARS AND SIXTY CENTS (\$2,488.60)** expended to abate pollution on the Kennedy, C. W. & J. C. Lease, (RRC Permit No. 328567), Navarro Crossing/Wildcat Field, Houston County, Texas.

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 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 11th day of March, 2004.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated March 11, 2004)

MH/sa