

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

OIL AND GAS DOCKET NO. 6E-02332597

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ENERGY 2000, INC. (251740), AS TO THE ELDER (07482) LEASE, WELL NO. 7, EAST TEXAS FIELD, GREGG COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 5, 2003, and that the respondent, Energy 2000, Inc. (251740), 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. Energy 2000, Inc. (251740), ("Respondent") was given Notice of 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 containing the First Amended Original Complaint and the Notice of Hearing was signed and returned to the Commission on May 9, 2003. The receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On March 26, 2002, Respondent, a Corporation filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Rick Dickerson; President.
4. Respondent designated itself to the Commission as the operator of Well No. 7 on the Elder (07482) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on April 1, 2002.
5. According to Commission records the Respondent's Form P-5 (Organization Report) is active. Respondent has a \$250,000 Letter of Credit on file as its financial assurance at the time of its last Form P-5 renewal.

6. A Commission district office inspection was conducted on June 10, 2002 for the Elder (07482) Lease. Well No. 7 showed that Respondent had caused or allowed the unauthorized discharge of approximately 5 barrels of oil at the said well, affecting an undetermined area. Commission follow up inspections were conducted on June 14, 2002 and July 2, 2002, indicating incomplete remediation of the 5 barrel discharge at the well. A Commission inspection conducted on August 12, 2002 showed that Respondent had caused or allowed the unauthorized discharge of an additional ½ barrel of oil, affecting an undetermined area in the firewall. The inspection report also showed remediation still incomplete at the site of the 5 barrel spill at the well.
7. A Commission district office inspection conducted on August 21, 2002, showed that Respondent had caused or allowed the unauthorized discharge of oil, affecting an area measuring 30' x 10' at the wellhead. This inspection report also showed no remediation of the ½ barrel discharge and incomplete remediation of the 5 barrel discharge at the site. A follow up inspection conducted on September 30, 2002, showed no remediation of the ½ barrel discharge or the 30' x 10' discharge, the report further showed an unauthorized discharge of approximately 2 quarts of oil, affecting an undetermined area around the casing of Well No. 7.
8. A followup district office inspection was conducted on October 2, 2002, showed no remediation at the 30' x 10' discharge, nor at the site of the ½ barrel discharge. The Respondent had caused or allowed Well No. 7 to “blow out again”, with an unauthorized discharge of approximately 2-3 barrels of oil affecting an undetermined area around the wellhead. Followup inspection reports conducted on October 3, 2002, October 23, 2002, December 3, 2002 and December 19, 2002 showed some remediation.
9. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
10. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination, leaching into the ground, and percolation through soils into groundwater supplies.
11. Commission district office inspections were conducted on September 30, 2002, October 2, 2002, October 3, 2002 and October 23, 2002 for the Elder (07482) Lease. Respondent had caused or allowed the well casing of Well No. 7 to leak oil. Follow up inspections were conducted on December 3, 2002 and December 19, 2002, indicated that Respondent had not yet provided the Commission with TPH samples from the casing leak and had not yet proven the integrity of Well No. 7, despite having restarted pumping of the well on or before November 26, 2002.
12. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the 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.

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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 8(d)(1) and 13(b)(1)(B).
4. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
5. Respondent is responsible for maintaining the subject lease in compliance with 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 all applicable Commission rules and for properly plugging the subject wells 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(c) (Vernon 2001).

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

1. Energy 2000, Inc. (251740), shall place Well No. 7, Elder (07482) Lease, East Texas Field, Gregg County, Texas in compliance with applicable Commission rules and regulations; and
2. Energy 2000, Inc. (251740), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ONE THOUSAND SIX HUNDRED DOLLARS (\$1,600.00)**.

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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 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 August 2003.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated August 19, 2003)

MT/sa