

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

OIL AND GAS DOCKET NO. 7B-0236272

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY NANCE ENGINEERING, INC. (599319), AS TO THE SIDELL/JOHN CLARK LEASE, WELL NO. 1 (517967), WILDCAT FIELD, PARKER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 11, 2003, and that the respondent, Nance Engineering, Inc. (599319), 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. Nance Engineering, Inc. (599319), ("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, 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 November 17, 2003. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On December 12, 2001, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Richard Scott Millard; President.
4. Respondent designated itself to the Commission as the operator of Well No. 1 (517967) on the Sidell/John Clark Lease ("subject well"/"subject lease") by filing a Form W-1 (Application to Drill, Deepen, Plug Back or Re-enter) with the Commission on February 28, 2002.
5. According to Commission records the Respondent's Form P-5 (Organization Report) became inactive on April 30, 2002. Respondent had a \$50,000.00 Bond as its Financial Assurance at the time of its last Form 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. 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. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
9. The estimated cost to the State of plugging the subject well is \$22,700.00.
10. Commission district office inspections were conducted on March 5, 2003, April 21, 2003 and July 7, 2003 for the Sidell/John Clark Lease. The signs or identification required to be posted at the lease entrance and at Well No. 1 were missing.
11. 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.
12. Commission district office inspections were conducted on March 5, 2003, April 21, 2003 and July 7, 2003 for the Sidell/John Clark Lease. Respondent had caused or allowed reserve pits to remain open. A 135' x 120' x 3' dry pit and a 75' x 10' x 3' dry pit remained open for more than one year after drilling had ceased. Commission records indicate that the last activity on the associated well was the setting of surface casing on March 17, 2002.
13. 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.
14. Commission district office inspections were conducted on March 5, 2003, April 21, 2003 and July 7, 2003 on the Sidell/John Clark Lease. Well No. 1 (517967) has been completed with tubing and casing. Respondent has not filed the required completion report. Commission records indicate that the last activity on the subject well was the setting of surface casing on March 17, 2002.
15. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and subject well in compliance with Commission rules 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 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(a), 8(d)(4)(G)(i)(I), 14(b)(2) and 16(a).

4. Respondent is responsible for maintaining the subject lease in compliance with Rule 3(a), 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 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 in compliance with Rule 16(a), which requires that the owner or operator of an oil, gas or geothermal resource well, within 30 days after the 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 in compliance with all applicable Commission rules and for properly plugging the subject well 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(c) (Vernon 2001).

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

1. Nance Engineering, Inc. (599319), shall plug or otherwise place the Sidell/John Clark Lease, Well No. 1 (517967), Wildcat Field, Parker County, Texas in compliance with applicable Commission rules and regulations; and
2. Nance Engineering, Inc. (599319), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND DOLLARS (\$4,000.00)**.

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 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 24th day of February 2004.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated February 24, 2004)

JD/sa