

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

OIL AND GAS DOCKET NO. 7B-0266050

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY COKAMO OPERATING, LLC (167004), AS TO THE SCHROEDER LEASE, WELL NO. 1 (227158), THE DECAMP UNIT LEASE, WELL NO. 1 (227499), AND THE BARNES UNIT (29844) LEASE, WELL NO. 1, WILDCAT FIELD, CORYELL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 21, 2010 and that the respondent, Cokamo Operating, LLC (167004), 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. Cokamo Operating, LLC (167004), ("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 mailed to Respondent's most recent P-5 address, was signed and returned to the Commission on July 2, 2010. 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 April 14, 2008, Respondent filed an Organization Report (Form P-5) with the Commission reporting that its members consisted of: David W. Coker and Coker Companies, LLC.
4. David W. Coker, was 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. Coker Companies, LLC, was 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.
6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
7. Respondent designated itself to the Commission as the operator of Well No. 1 (227158) on the Schroeder Lease, Well No. 1 (227499) on the DeCamp Unit Lease and Well No.1 on the Barnes Unit (29844) Lease ("subject wells"/"subject leases") by filing P-4 Forms (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on April 15, 2008 for all of the subject leases and subject wells.
8. Commission records indicate that Respondent's Form P-5 (Organization Report) became delinquent on April 1, 2009. Respondent had a \$25,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. Well No 1 (227158) on the Schroeder Lease ceased production on or before April 2007.
10. Well No. 1 (227499) on the DeCamp Unit Lease ceased production on or before May 2007.
11. Well No. 1 on the Barnes Unit (29844) Lease ceased production on or before December 2006.
12. The Statewide Rule 14(b)(2) extension for Well No. 1 (227158) on the Schroeder Lease was denied on March 31, 2009 for Respondent's inactive P-5.
13. The Statewide Rule 14(b)(2) extension for Well No. 1 (227499) on the DeCamp Unit Lease was denied on March 31, 2009 for Respondent's inactive P-5.
14. The Statewide Rule 14(b)(2) extension for Well No. 1 on the Barnes Unit (29844) Lease was denied on February 29, 2008 for Respondent's inactive P-5.
15. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
16. 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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
17. The estimated cost to the State of plugging Well No. 1 (227158) on the Schroeder Lease is \$14,900.00.
18. The estimated cost to the State of plugging Well No. 1 (227499) on the DeCamp Unit Lease is \$15,600.00.
19. The estimated cost to the State of plugging Well No. 1 on the Barnes Unit (29844) Lease is \$15,600.00.

20. Commission District inspection were conducted on March 25, 2010 and April 26, 2010 for the DeCamp Unit Lease. The sign or identification required to be posted at the lease entrance was missing.
21. Failure to properly identify a lease, well or tank battery 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.
22. According to Commission records, drilling operations on Well No. 1 (227158) of the Schroeder Lease were completed on June 25, 2006. Commission District inspections conducted on March 25, 2010 and April 26, 2010 for the Schroeder Lease indicate the presence of an open reserve pit measuring approximately 14' x 8' x 4' deep and containing fluids.
23. According to Commission records, drilling operations on Well No. 1 of the Barnes Unit (29844) Lease were completed on January 23, 2006. Commission District inspections conducted on March 25, 2010, April 26, 2010 and July 23, 2010 for the Barnes Unit (29844) Lease indicated the presence of an open reserve pit measuring approximately 10' x 10' x 5' deep and containing fluids.
24. 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.
25. Commission District inspections were conducted on March 25, 2010, April 26, 2010 and July 23, 2010 for the DeCamp Unit Lease show that Well No. 1 (227499) has casing open to the atmosphere.
26. 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.
27. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases and wells 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 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, 8(d)(4)(G)(i)(I), 13(b)(1)(B) and 14(b)(2).

4. Respondent is responsible for maintaining the subject leases 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 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 Statewide Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
7. Respondent is responsible for maintaining the subject leases 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, David W. Coker 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.
10. 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, Coker Companies, LLC and any other organization in which they 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. Cokamo Operating, LLC (167004), shall plug the Schroeder Lease, Well No.1 (227158), the DeCamp Unit Lease, Well No. 1 (227499) and the Barnes Unit (29844) Lease, Well No. 1, Wildcat Field, Coryell County, Texas in compliance with applicable Commission rules and regulations;
2. Cokamo Operating, LLC, (167004), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$10,250.00)**.

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. GOVT. 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 30th day of November 2010.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated November 30, 2010)

CSH/sa