

RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
HEARINGS SECTION

OIL AND GAS DOCKET NO. 7B-0269817

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ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CORYELL- QUACHITA GROUP, INC. (851492), AS TO THE BARNHILL LEASE, WELL NO. 1 (677659), WILDCAT FIELD, CORYELL COUNTY, TEXAS

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 11, 2012 and that the respondent, Coryell - Quachita Group, Inc. (851492), 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. Coryell - Quachita Group, Inc. (851492), ("Respondent") was given a Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 Organization Report.
2. The returned certified receipt attached to the Original Complaint and the Notice of Opportunity for Hearing was mailed to Respondent's most recent P-5 address, which was signed and returned to the Commission on August 31, 2012. The certified electronic verification has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On December 28, 2010, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Shannon Terry; President.
4. Shannon Terry, 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. 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 No. 1 (677659) on the Barnhill Lease ("subject well"/"subject lease") by filing a W-1 Form (Application to Drill, Deepen, Plug Back or Re-Enter) received on January 21, 2009 and issued on January 26, 2009.

7. Commission records indicate that Respondent's Form P-5 (Organization Report) became delinquent on November 1, 2011. Respondent has a \$25,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Commission records indicate that Well No. 1 (677659) on the Barnhill Lease has never produced.
9. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with Statewide Rule 14.
10. Usable quality groundwater in the area could have been 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.
11. The estimated cost to the State of plugging Well No. 1 (677659) on the Barnhill Lease is \$69,000.00.
12. A Commission District inspection was conducted on August 11, 2010 for the Barnhill Lease. Well No. 1 (677659) is inactive and not producing, drilling operations on the well have been completed. Follow up inspections conducted on September 28, 2010, November 4, 2010, December 3, 2010 and April 17, 2012 show the presence of an open reserve pit measuring approximately 140' x 72' x 6' deep with standing fluids.
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. A Commission District inspection was conducted on August 11, 2010 for the Barnhill Lease indicating that Well No. 1 (677659) is inactive and not producing, drilling operations on the well have been completed. An April 17, 2012 inspection indicates the well is equipped with casing. Despite finalization of drilling operations and completion of the well, Respondent has failed to file the requisite completion report.
15. The Respondent did not demonstrate good faith since it failed to plug or otherwise place the subject lease and 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 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 responsible for maintaining the subject lease in compliance with Statewide Rules 8(d)(4)(G)(i)(I), 14(b)(2) and 16(b).
4. 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.

5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires that the owner, or operator of any well more than 25 years old that becomes inactive shall plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
6. Respondent is responsible for maintaining the subject lease and subject well 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.
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.
8. 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, Shannon Terry, 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. Coryell - Quachita Group, Inc. (851492), shall plug the Barnhill Lease, Well No. 1 (677659), Wildcat Field, Coryell County, Texas in compliance with applicable Commission rules and regulations;
2. Coryell - Quachita Group, Inc. (851492), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND FIVE HUNDRED DOLLARS (\$4,500.00)**.

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 26<sup>th</sup> day of March 2013.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated March 26, 2013)

MFE/sa