

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

OIL AND GAS DOCKET NO. 7B-0269860

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CENTRAL BASIN OIL INV., INC. (141188), AS TO THE KINDLER (30078) LEASE, WELL NO. 1, AND THE THOMAS LEASE, WELL NO. 2CB (652024), WILDCAT FIELD, CORYELL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 20, 2012, and that the respondent, Central Basin Oil Inv., Inc. (141188), failed to appear or respond to the Notice of 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. Central Basin Oil Inv., Inc. (141188), ("Respondent"), was given Notice of Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was signed and returned to the Commission.
2. The returned certified receipt containing the Original Complaint and the Notice of Hearing, was signed and returned to the Commission on August 20, 2012. The electronic receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On October 21, 2009, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Jason Halek; President.
4. Jason Halek, was a person 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. Central Basin Oil Inv., Inc. (141188), ("Respondent") filed for bankruptcy in January 2010. The Bankruptcy Trustee for Central Basin Oil Inv., Inc. (141188), ("Respondent") is Shawn K. Brown.
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 on the Kindler (30078) Lease and Well No. 2CB (652024) on the Thomas Lease ("subject wells"/"subject leases") by filing Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on February 13, 2008 for the Kindler (40078) Lease and by filing Form G-1 (Gas Well Completion Report) with the Commission on April 13, 2009 for the Thomas Lease, Well No. 2CB (652024).
8. Respondent's P-5 (Organization Report) became delinquent on October 1, 2010. Respondent had a \$50,000 Bond as its financial assurance at the time of its last P-5 renewal.
9. According to Commission records Well No. 1 on the Kindler (30078) Lease and Well No. 2CB (652024) on the Thomas Lease have never produced.
10. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with Statewide Rule 14.
11. The Statewide 14b2 plugging extension for Well No. 1 on the Kindler (30078) Lease was denied on September 30, 2009 for a non active P-5 status.
12. Usable quality groundwater 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 potential for pollution.
13. The estimated cost to the State of plugging Well No. 1 on the Kindler (30078) Lease is \$10,900.00.
14. The estimated cost to the State of plugging Well No. 2CB (652024) on the Thomas Lease is \$14,900.00.
15. Commission District inspections were conducted on August 11, 2010, September 28, 2010 and November 4, 2010 for the Kindler (30078) Lease. The sign or identification required to be posted at the lease entrance was missing.
16. Commission district inspections were conducted on October 22, 2010 and December 2, 2010 for the Thomas Lease. The signs or identification required to be posted at the well did not display the information required.

17. 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.
18. Commission District inspections were conducted on October 22, 2010 and December 2, 2010 for the Thomas Lease, Well No. 2CB (652024). Respondent has failed to maintain surface control of the well as evidenced by the fact that a bubbly fluid is on top of the well's casing bowl. A follow up inspection conducted on February 9, 2012 and August 9, 2012 show fluids on the top of the casing bowl, with no bubbles during this inspection.
19. 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.
20. Commission District inspections were conducted on October 22, 2010 and December 2, 2010 for the Thomas Lease, Well No. 2CB (652024). The bradenhead is not piped to the surface thereby making it impossible to verify the pressure on the well.
21. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
22. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 7B-0238809; Final Order Served: April 2005.

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, 13(b)(1)(B), 14(b)(2) and 17(a).
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 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 Statewide Rule 17(a), which requires that all wells shall be equipped with a Bradenhead.
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, Jason Halek, 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. Central Basin Oil Inv., Inc. (141188), shall plug Well No. 1, Kindler (30078) Lease, and shall plug or otherwise place Well No. 2CB (652024), Thomas Lease, Wildcat Field, Coryell County, Texas in compliance with applicable Commission rules and regulations; and
2. Central Basin Oil Inv., Inc. (141188), shall be assessed by the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHT THOUSAND DOLLARS (\$8,000.00)**.

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 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 26th day of February 2013.

RAILROAD COMMISSION OF TEXAS

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

TJJ/sa