

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

OIL AND GAS DOCKET NO. 7C-0233301

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY REGAL OPERATING CORPORATION (698749), AS TO THE YAN-KEE (CANYON SAND) FIELD MA (12308) LEASE, YAN-KEE (CANYON SAND) FIELD, TOM GREEN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 22, 2003, and that the respondent, Regal Operating Corporation (698749), 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. Regal Operating Corporation (698749), ("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 returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission marked "unclaimed" on May 6, 2003. The receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Respondent designated itself to the Commission as the operator of the Yan-kee (Canyon Sand) Field Ma (12308) Lease ("subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on October 1, 1987.
4. According to Commission records the Respondent's Form P-5 (Organization Report) became inactive on June 26, 2001. Respondent paid a fee of \$100.00 as its financial assurance at the time of its last Form P-5 renewal.
5. A Commission district office inspection was conducted on September 13, 2002 for the Yan-kee (Canyon Sand) Field Ma (12308) Lease. There was oil saturated soil at Well No. 502 in a 6' x 15' area and at Well No. 903 in a 4' x 4' area. In addition, free standing oil and oil saturated soil were found at Well No. 610 in a 30' x 40' area. An inspection conducted on September 23, 2002 revealed there had been no clean up of the affected areas. On October 17, 2002, a Commission inspection indicated that the stuffing box at Well No. 502 had leaked oil over a 100' x 50' area.

6. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
7. 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.
8. 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.

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 Rule 8(d)(1).
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 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.
6. 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. Regal Operating Corporation (698749), shall place the Yan-Kee (Canyon Sand) Field Ma (12308) Lease, Yan-Kee (Canyon Sand) Field, Tom Green County, Texas in compliance with applicable Commission rules and regulations; and
2. Regal Operating Corporation (698749), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND SEVEN HUNDRED DOLLARS (\$2,700.00)**.

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 19th day of August 2003.

RAILROAD COMMISSION OF TEXAS

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

MT/sa