

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

OIL AND GAS DOCKET NO. 7C-0254787

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY BAGLEY, ROY, SOLE PROPRIETOR (042685), AS TO THE JONES, J.G. ET AL (11618) LEASE, WELL NO. 2, JONES RANCH (CADDO) FIELD, MCCULLOUGH COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 6, 2008, and that the respondent, Bagley, Roy, Sole Proprietor (042685), 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. Bagley, Roy, Sole Proprietor (042685), ("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 February 7, 2007. 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 May 31, 2007, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Roy Bagley, Owner.
4. Roy Bagley, as sole proprietor, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource 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. 2 on the Jones, J.G. Et Al (11618) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on December 1, 1988.
7. The Respondent's Form P-5 (Organization Report) is active. Respondent has a \$50,000.00 Bond as its Financial Assurance.
8. Well No. 2 on the Jones, J.G. Et Al (11618) Lease is a permitted injection well.
9. The subject well ceased injection on or before April 2004.
10. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
11. 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 potential of pollution.
12. The estimated cost to the State of plugging the subject well is \$3,200.00.
13. The Statewide Rule 14(b)(2) extension for Well No. 2 on the Jones, J.G. Et Al (11618) Lease was denied on December 6, 2006, for failure to file a Form H-5 (Mechanical Integrity Test).
14. Respondent has failed to file Commission Forms H-10 (Annual Disposal/Injection Well Monitoring Reports) for the Jones, J.G. Et Al (11618) Lease, Well No. 2, for the months of October 2005 through November 2007.
15. Well No. 2 on the Jones, J.G. Et Al (11618) Lease was due for a pressure test on January 30, 2006. Respondent has failed to test the well and file an approved Commission Form H-5 with the Commission.
16. On October 11, 2005, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production of oil or gas from the Jones, J.G. Et Al (11618) Lease that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
17. Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificate of compliance for the Jones, J.G. Et Al (11618) Lease was cancelled, and Respondent given notice of such cancellation, on November 10, 2005.
18. From November 2005 through April 2006, Respondent produced an approximate total of 254 barrels from the Jones, J.G. Et Al (11618) Lease, after the certificate of compliance had been cancelled and before a new certificate had been issued.

19. The respondent has not demonstrated good faith since it failed to place the subject lease and subject 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 has violated Statewide Rules 14(b)(2), 46(i)(2), 46(j) and 73(i) and the Tex. Nat. Res. Code §85.166.
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(i)(2), which requires that the results of the monitoring injection pressure and injection rate shall be reported annually to the Commission on the prescribed form.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires that the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity to meet performance standards.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(i), which makes it unlawful for an operator of wells to produce oil, gas, or geothermal resources from the wells after notice from the Commission has been provided to the operator that the certificate of compliance for the wells has been cancelled and before a new certificate of compliance with respect to the wells has been issued by the Commission.
7. Respondent violated Tex. Nat. Res. Code §85.166, by producing the Jones, J.G. Et Al (11618) Lease, after notice from the Commission that the certificate of compliance had been cancelled and before a new certificate of compliance had been issued.
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, Roy Bagley, 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 sooner, if 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.
9. Respondent is responsible for maintaining the subject lease and 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.

10. 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. §85.166.

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

1. Bagley, Roy, Sole Proprietor (042685), shall plug the Jones, J.G. Et Al (11618) Lease, Well No. 2, Jones Ranch (Caddo) Field, McCullough County, Texas in compliance with applicable Commission rules and regulations; and
2. Bagley, Roy, Sole Proprietor (042685), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND FIVE DOLLARS (\$5,500.00)**.

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. 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 29th day of July 2008.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated July 29, 2008)

JD/sa