

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

OIL AND GAS DOCKET NO. 08-0216306

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CUATRO OIL AND GAS CORPORATION (191905), AS TO THE DEAN, M.B. (07962) LEASE, WELL NO. 1, WHEAT FIELD, LOVING COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 23, 1999, and that the respondent, Cuatro Oil and Gas Corporation (191905), 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. Cuatro Oil and Gas Corporation (191905), ("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) address, which was returned to the Commission marked "unable to forward return to sender."
2. The returned certified receipt containing the First Amended Original Complaint and the Notice of Hearing Opportunity, was returned to the Commission marked "unable to forward return to sender" on June 24, 1999. 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 23, 1996, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Patrick Hyer; Secretary.
4. Respondent designated itself to the Commission as the operator of Well No. 1 on the Dean, M.B. (07962) Lease ("subject well"/subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission, effective on April 1, 1993.
5. The subject well has been dry or inactive for a period in excess of one year. Commission inspection and/or production reports indicate that the subject well ceased production on or before January 1, 1993.

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6. The subject well has not properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
7. Usable quality water 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 public health and safety because of the probability of pollution.
8. The estimated cost to the State of plugging the well is \$4,900.00.
9. Commission district office inspections were conducted on November 14, 1996, May 13, 1997, July 16, 1997 and September 30, 1997 for the Dean, M.B. (07962) Lease. An active oil discharge from a manhole cover on the back side of a 210 barrel tank had affected an area approximately 4' x 3' x 5". Additionally, the gun barrel was found to be actively discharging produced water, saturating an area approximately 6' x 6' x 4". On December 19, 1997, a follow up inspection revealed that there was no change in area at the tank, the area surrounding the gun barrel was found to be slowly drying and salting over.
10. Commission district office inspections were conducted on February 11, 1998, April 15, 1998, June 16, 1998, August 20, 1998, October 19, 1998, December 8, 1998 and January 20, 1999 for the Dean, M.B. (07962) Lease. The manhole cover on the tank continued to actively leak oil and affect an area approximately 6' x 3' x 4". The affected area at the gun barrel was still shown as having dried up and salted over, although no remedial action had been taken by Respondent. An inspection conducted on March 15, 1999 indicated that the oil affected soil at the manhole cover had been removed and replaced with fresh dirt. However, the manhole cover continued to leak and the soil again became saturated with oil. On May 10, 1999 an inspection revealed that the manhole cover continued to actively discharge oil, affecting an area approximately 6' x 3' x 4".
11. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
12. 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 or can leach into the ground and percolate through soils into groundwater supplies.
13. The respondent did not demonstrate good faith since it failed to plug or otherwise place the subject well and 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

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1. Proper notice was issued by the Railroad Commission to respondent and 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 8(d)(1) and 14(b)(2).
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 well and the subject lease in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, 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 1993).

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

1. Cuatro Oil and Gas Corporation (191905), shall plug and or otherwise place the Dean, M.B. (07962) Lease, Well No. 1, Wheat Field, Loving County, Texas in compliance with applicable Commission rules and regulations; and
2. Cuatro Oil and Gas Corporation (191905), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND FIVE HUNDRED DOLLARS (\$5,500.00)** less **TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00)** already received.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing is filed by any party at interest within such 20-day period, this order shall not become final and effective until such motion is overruled, or if rehearing 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.

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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 5th day of November, 1999.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated November 5, 1999)

MFE/sa