

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

OIL AND GAS DOCKET NO. 08-0222554

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY GRAYSTONE EXPLORATION CORP. (328346), AS TO THE PETRO STATE (35536) LEASE, WELL NO. 1, GERALDINE (FORD) FIELD, CULBERSON COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 20, 2000 and that the respondent, Graystone Exploration Corp. (328346), 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. Graystone Exploration Corp. (328346), ("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 "not deliverable as addresses, unable to forward."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was returned to the Commission marked "not deliverable as addressed, unable to forward" on November 22, 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 September 5, 1997, Respondent, a Corporation, filed an Organization Report with the Commission reporting that its officers consisted of the following individual: John Brown Sanford; President.
4. Respondent designated itself to the Commission as the operator of Well No. 1 on the Petro State (35536) Lease ("subject well"/"subject lease") by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance), effective on August 12, 1997.
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 November 30, 1997.
6. The subject well has not been properly plugged in accordance with, and is not otherwise

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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 subject well is \$16,000.00.
9. 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

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 Rule 14(b)(2).
4. 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.
5. 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. Graystone Exploration Corp. (28346), shall plug or otherwise place in compliance the Petro State (35536) Lease, Well No. 1, Geraldine (Ford) Field, Culberson County, Texas in compliance with applicable Commission rules and regulations; and
2. Graystone Exploration Corp. (328346), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THREE THOUSAND DOLLARS (\$3,000.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until

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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 23rd day of May, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated May 23, 2000)

MFK/sa