

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

OIL AND GAS DOCKET NO. 08-0223479

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY PEGCO OPERATORS, A PARTNERSHIP (650750), AS TO THE JENKINS, B.F. (03269) LEASE, WELL NO. 2, KEYSTONE (COLBY) FIELD, WINKLER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 27, 2000 and that the respondent, Pegco Operators, A Partnership (650750), 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. Pegco Operators, Sole Proprietorship (650750), ("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 signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing Opportunity, was signed and returned to the Commission on March 20, 2000. The certified 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 Well No. 2 on the Jenkins, B.F. (03269) 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.
4. A Commission district office inspection was conducted on February 23, 1999 for the Jenkins, B.F. (03269) Lease. An area approximately 20' x40' was inside the firewall at the tank battery covered with oil and produced water. Follow up inspections conducted on April 15, 1999, June 6, 1999, July 29, 1999, September 21, 1999 and November 24, 1999 indicated that the area had not been remediated.
5. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
6. The unpermitted discharges of oil and gas wastes or other substances or materials on the

OIL AND GAS DOCKET NO. 08-0223479

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.

7. On March 4, 1991, a Permit to Inject Fluid into a Reservoir Productive of Oil & Gas was issued for Well No. 2 of the Jenkins, B.F. (03269) Lease. Pursuant to Special Condition No. 5, an annual annulus pressure test was required to be performed and the results submitted in accordance with the instructions of Form H-5. At no point thereafter did the Commission grant authority to alter the permit and reduce the frequency of pressure tests to less than once a year. According to Commission records, the last H-5 test performed on the subject well was on December 29, 1994.
8. The respondent did not demonstrate good faith since it failed to plug the subject well or 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 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 46(j).
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 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 the performance standards.
6. 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.
7. 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:

OIL AND GAS DOCKET NO. 08-0223479

1. Pegco Operators, A Partnership (650750), shall plug and place the Jenkins, B.F. (03269) Lease, Well No. 2, Keystone (Colby) Field, Winkler County, Texas in compliance with applicable Commission rules and regulations; and
2. Pegco Operators, A Partnership (650750), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND FIVE HUNDRED DOLLARS (\$4,500.00)**.

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 11th day of July, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated July 11, 2000)

MFK/sa