

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

OIL AND GAS DOCKET NO. 08-0234815

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CUATRO OIL AND GAS CORPORATION (191905), AS TO THE CLAY, H.R. -G- (18725) LEASE, WELL NO. 5, HOWARD GLASSCOCK FIELD, HOWARD COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 7, 2003, 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, ("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 signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Opportunity for Hearing was signed and returned to the Commission on June 23, 2003. 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(s): Patrick Hyer; Secretary.
4. Respondent designated itself to the Commission as the operator of Well No. 5 on the Clay, H.R. -G- (18725) 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. According to Commission records the Respondent's Form P-5 (Organization Report)

became delinquent on September 1, 1997. Respondent paid a fee of \$100.00 as its Financial Assurance at the time of its last Form P-5 renewal.

6. A Commission district office inspection was conducted on April 17, 2002 for the Clay, H.R. -G- (18725) Lease. One of the tanks was seeping produced water from the bottom. Affecting a 10' x 4' x 1" deep area at the front of the tank. The produced water was found flowing to the west of the tank and soaking into the ground in a 15' x 8' 1' deep area. Follow up inspections made on May 23, 2002 and October 22, 2002 found the affected areas remained and had not been cleaned. Commission inspections conducted on December 17, 2002 and July 8, 2003 show a 4' x 2' oil affected area which is located next to the northern wooden storage tank.
7. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
8. 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.
9. Commission district office inspections were conducted on February 13, 2002, April 17, 2002, May 23, 2002, October 22, 2002 and December 17, 2002 for the Clay, H.R. -G- (18725) Lease show Well No. 5 was plugged and abandoned on or about January 24, 2000. Despite plugging of the well, Respondent has failed to file with the commission the requisite plugging report (form W-3) and cementing report (W-15).
10. Commission district office inspections were conducted on February 13, 2002, April 17, 2002, October 22, 2002 and December 17, 2002 for the Clay, H.R. -G- (18725) Lease revealed that although Well No. 5 was plugged and abandoned on or about January 24, 2000, the pumping unit, wellhead equipment, associated piping and two wooden storage tanks which had not been emptied remained on the lease.
11. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and the 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.
12. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 08-0216306; Rules 8 and 14; Final Order Served: November 5, 1999;
Docket No. 08-0217994; Rules 8 and 14; Final Order Served: January 26, 2001.

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 Rules 8(d)(1), 14(b)(1) and 14(d)(12).
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 14(b)(1), which requires that the operator shall complete and file in the district office a duly verified plugging record, in duplicate, on the appropriate form within 30 days after plugging operations are completed.
6. Respondent is responsible for maintaining the subject lease in compliance with Rule 14(d)(12), which requires that the operator shall empty and remove all tanks, vessels, related piping and flowlines within 120 days after plugging work is completed.
7. Respondent is responsible for maintaining the subject lease 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.
8. 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. Cuatro Oil and Gas Corporation (191905), shall place the Clay, H.R. -G- (18725) Lease, Well No. 5, Howard Glasscock Field, Howard 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 **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 7th day of October 2003.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated October 7, 2003)

MH/sa