

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 08-0275652

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY PHARAOH OIL & GAS, INC. (661322), AS TO THE BELDING STATE - 29- (25650) LEASE, WELL NO. 1 AND TANK BATTERY, BELDING, E. (YATES) FIELD, PECOS COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on July 11, 2013, and that the respondent, Pharaoh Oil & Gas, Inc. (661322), 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. Pharaoh Oil & Gas, Inc. (661322), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was signed.
2. The certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was signed on July 10, 2013. The electronic certified receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On April 19, 2013, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Gary O. Bolen, President; and Elden Trent Miller, Vice President.
4. Gary O. Bolen, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

5. Elden Trent Miller, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
7. Respondent designated itself to the Commission as the operator of Well No. 1 and Tank Battery on the Belding State -29- (25650) Lease ("subject well"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on February 1, 2002.
8. Respondent's P-5 (Organization Report) is active. Respondent has \$250,000 cash as its financial assurance.
9. Well No. 1 on the Belding State -29- (25650) Lease ceased production in 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. The Statewide 14b2 plugging extension for Well No. 1 on the Belding State -29- (25650) Lease was denied on January 29, 2010 for an inactive P-5 status.
12. 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 probability of pollution.
13. The total estimated cost to the State of plugging the subject well is \$11,900.00.
14. Commission District inspections were conducted on March 31, 2010, May 13, 2010, June 14, 2010, July 22, 2010, September 7, 2010 and October 5, 2010 for the Belding State -29- (25650) Lease. The hydrogen sulfide concentration of the Belding State -29- (25650) Lease, is in excess of 500 ppm. Respondent has failed to post the required "Caution - Poisonous Gas" sign on the subject lease or within 50 feet of the facility.
15. Commission District inspections were conducted on March 31, 2010, May 13, 2010, June 14, 2010, July 22, 2010, September 7, 2010 and October 5, 2010 for the Belding State -29- (25650) Lease. Well No. 1 is inactive and Commission records show that no H-9 has been filed by Respondent for Well No. 1 since the effective date of its P-4 Form. There is not an H2S sign posted at the lease, although the lease is located in a documented H2S field. Commission records further show that Respondent has failed to notify the Commission of cessation of abandonment of operations at Well No. 1 on the certificated area.

16. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise 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.
17. The Respondent has a prior history of Commission Rule violations including the following docket:

Docket No. 08-0260211; Final Order Served: June 18, 2009; and
Docket No. 7C-0263597; Final Order Served: November 22, 2011.

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 14(b)(2), 36(c)(5)(B) and 36(d)(1)(M).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 36(c)(5)(B), which requires that a warning sign shall be posted on or within 50 feet of the facility to alert the general public of the potential danger.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 36(d)(1)(M), which provides that Certificates are nontransferable, and a new operator of a system or any acquired element of a system or operation shall be required to certificate that operation. A operator of a certificated system shall notify the Commission in writing when the system or any operating part has been transferred to another operator. An amended certificate shall be required should any change occur that would add or delete a Railroad Commission identification number covered by the certificate.
6. Respondent is responsible for maintaining the subject lease and subject 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.
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.

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, Gary O. Bolen, 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 until 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, whichever is earlier.
9. 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, Elden Trent Miller, 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 until 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, whichever is earlier.

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

1. Pharaoh Oil & Gas, Inc. (661322), shall plug the Belding State -29- (25650) Lease, Well No. 1 and Tank Battery, Belding, E. (Yates) Field, Pecos County, Texas in compliance with applicable Commission rules and regulations; and
2. Pharaoh Oil & Gas, Inc. (661322), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND DOLLARS (\$5,000.00)**.

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 parties are notified of the order.

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 4th day of February 2014.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated February 4, 2014)

TJJ/sa