

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

OIL AND GAS DOCKET NO. 09-0238299

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY MULTIBRANDS LTD. CO. (593089), AS TO THE JANE S. GALT (29690) LEASE, WELL NOS. 1 AND 2 (492613), WILDCAT FIELD, COOKE COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 14, 2004, and that the respondent, Multibrands Ltd. Co. (593089), 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. Multibrands Ltd. Co. (593089), ("Respondent") was given Notice of 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 First Amended Original Complaint and the Notice of Hearing mailed to Respondent's most recent P-5 address was signed and returned to the Commission on October 4, 2004. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Kenneth R. Couch, Manager, 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.
4. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
5. Respondent designated itself to the Commission as the operator of Well Nos. 1 and 2 (Drilling Permit No. 49213), on the Jane S. Galt (29690) Lease ("subject wells"/"subject lease") by filing a Form W-2 (Completion Report) for Well No. 1 with a completion date of July 15, 1999 and a Form W-1 (Permit to Drill, Deepen, Plug Back or Re-Enter) for Well No. 2 (Drilling Permit No. 492613) issued March 1, 2000.

6. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on December 1, 2002. Respondent paid a fee of \$750.00 as its financial assurance at the time of its last P-5 renewal.
7. The subject wells have never produced.
8. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
9. 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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
10. The total estimated cost to the State of plugging the subject wells is \$16,100.00.
11. Commission district office inspections were conducted on November 13, 2003, December 12, 2003 and December 17, 2003 for the Jane S. Galt (29690) Lease. The signs or identification required to be posted at the lease entrance and at Well Nos. 1 and 2 were missing.
12. Failure to properly identify a lease and well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
13. Commission district office inspections were conducted on October 15, 2003, November 13, 2003, December 12, 2003 and December 17, 2003 for the Jane S. Galt (29690) Lease. Respondent had cause or allowed open reserve and circulation pits to remain on lease more than one year after cessation of drilling.
14. Unfilled pits constitute a hazard to public health and safety because of the potential for illegal dumping in the pits and the potential for surface run-off to collect in the pit and seep into subsurface waters.
15. Commission district office inspections were conducted on October 15, 2003, November 13, 2003, December 12, 2003 and December 17, 2003 for the Jane S. Galt (29690) Lease. Well No. 2 has casing open to the atmosphere.
16. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate onto surface or subsurface waters.
17. Commission district office inspections were conducted on October 15, 2003, November 13, 2003, December 12, 2003 and December 17, 2003 on the Jane S. Galt (29690) Lease. Well No. 2 (Drilling Permit No. 492613) had casing set on March 20, 2000 but Respondent has not filed the required completion reports.

18. Commission district office inspections were conducted on October 15, 2003 and December 17, 2003 on the Jane S. Galt (29690) Lease, Well No. 1. Respondent caused or allowed the Bradenhead valve to not be exposed above the ground surface.
19. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and subject wells 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 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 3(a), 8(d)(4)(G)(i)(I), 13(b)(1)(B), 14(b)(2), 16(a) and 17(a).
4. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 3(a), which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(G)(i)(I), which requires reserve pits and mud circulation pits to be dewatered, backfilled and compacted within one year of cessation of drilling operations.
6. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(a), which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty days (30) after the completion of such well, or the plugging of such well, if the well is a dry hole, file with the Commission the appropriate completion or plugging report.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 17(a), which requires that all wells shall be equipped with a Bradenhead.
9. Respondent is responsible for maintaining the subject leases 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.

10. 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).
11. 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, Kenneth R. Couch, 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. Multibrands Ltd. Co. (593089), shall plug Well Nos. 1 and 2 (Drilling Permit No. 492613), Jane S. Galt (29690) Lease, Wildcat Field, Cooke County, Texas in compliance with applicable Commission rules and regulations; and
2. Multibrands Ltd. Co. (593089), shall place the Jane S. Galt (29690) Lease, Wildcat Field, Cooke County, Texas in compliance with applicable Commission rules and regulations; and
3. Multibrands Ltd. Co. (593089), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND TWO HUNDRED FIFTY DOLLARS (\$9,250.00)**.

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 21st day of December 2004.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated December 21, 2004)