

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

OIL AND GAS DOCKET NO. 09-0238783

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY DERRAL MACON HODGKINS D/B/A H&W OIL (341592), AS TO THE SHELDON (22686) LEASE, WELL NOS. 1, 2, 3, 5, 6 AND 7, AND THE SHELDON A (05489) LEASE, WELL NOS. 1 AND 2W, WICHITA COUNTY REGULAR FIELD, WICHITA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 15, 2005, and that the respondent, Derral Macon Hodgkins d/b/a H&W Oil (341592), 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. Derral Macon Hodgkins d/b/a H&W Oil (341592), ("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 mailed to Respondent's most recent P-5 address was signed and returned to the Commission on October 26, 2005. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Derral Macon Hodgkins, as sole proprietor, 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, 2, 3, 5, 6 and 7 on the Sheldon (22686) Lease and Well Nos. 1 and 2W on the Sheldon A (05489) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producers Transportation of Authority and Certificate of Compliance) with the Commission effective on February 1, 1997 for both of the subject leases and wells.
6. According to Commission records the Respondent's Form P-5 (Organization Report) became inactive on December 3, 1998. Respondent paid a \$1,500.00 fee as its financial assurance at the time of its last P-5 renewal.
7. Well Nos. 2, 3, 5, 6 and 7 on the Sheldon (22686) Lease ceased production on or before October 31, 1999. Well No. 1 on the Sheldon (22686) Lease ceased injection on or before May 31, 1999. Well No. 1 on the Sheldon A (05489) Lease ceased production on or before October 31, 1999. Well No. 2W on the Sheldon A (05489) Lease ceased injection on or before May 31, 1999.
8. The subject wells were not properly plugged in accordance with, and were not otherwise in compliance with, Statewide Rule 14.
9. Usable quality groundwater in the area could have been 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 Respondent did not demonstrate good faith since it failed to plug or otherwise place the subject leases 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.
11. The Railroad Commission has spent \$9,825.00 plugging Well Nos. 1, 2, 3, 5, 6 and 7 on the Sheldon (22686) Lease and \$3,350.00 plugging Well Nos. 1 and 2W on the Sheldon A (05489) Lease.
12. The Commission was authorized to plug the subject wells and is entitled to reimbursement for State Funds expended pursuant to TEX. NAT. RES. CODE §89.043, 89.046 and 89.083.

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 was in violation of Commission Statewide Rule 14(b)(2).
4. Respondent was responsible for maintaining the subject leases and wells 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.

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).
6. 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, Derral Macon Hodgkins, 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. Derral Macon Hodgkins d/b/a H&W Oil (341592), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)** and Reimburse State Funds in the amount of **THIRTEEN THOUSAND ONE HUNDRED SEVENTY FIVE DOLLARS (\$13,175.00)**.

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 28th day of March 2006.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated March 28, 2006)

MH/sa