

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

OIL AND GAS DOCKET NO. 09-0246005

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY KTC OIL ENTERPRISES, LLC (478412), AS TO THE CULLERS -A- (07690) LEASE, WELL NOS. 1W, 2, 2A, 3, 4, 5, 5A, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 16A, 17, 18, 19, 20, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 57 AND B1, YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 18, 2008, and that the respondent, KTC Oil Enterprises, LLC (478412), 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. KTC Oil Enterprises, LLC (478412), ("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 September 26, 2008. 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 March 21, 2007, Respondent filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Kenneth E. Weaver, CEO; and Billy Marcum, General Manager.
4. Kenneth E. Weaver, 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. Billy Marcum, 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 Nos. 1W, 2, 2A, 3, 4, 5, 5A, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 16A, 17, 18, 19, 20, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 57 and B1 on the Cullers -A- (07690) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on January 25, 2004.
8. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on January 1, 2008. Respondent had a \$25,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. Well Nos. 35 and 50 on the Cullers -A- (07690) Lease are permitted injection wells. Injection for Well Nos. 35 and 50 ceased in November 2004.
10. Production from Well Nos. 1W, 2, 2A, 3, 4, 5, 5A, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 16A, 17, 18, 19, 20, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 57 and B1 on the Cullers -A- (07690) Lease ceased on or before February 2005.
11. The Statewide 14(b)(2) plugging extensions for all of the wells on the Cullers -A- (07690) Lease were denied due to respondent's delinquent P-5.
12. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with Statewide Rule 14.
13. 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 potential for pollution.
14. The estimated cost to the State of plugging the subject wells is \$114,500.00.
15. The Respondent did not demonstrate 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.
16. KTC Oil Enterprises, LLC (478412), is in Chapter 11 bankruptcy.

17. Respondent has a history of prior Commission rule violations including the following docket(s).

Docket No. 09-0246008; Rules 3, 13(b)(1)(B), 8(d)(1), 14(b)(2) and 14(b)(3); Final Order Served: March 30, 2007.

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 Rule 14(b)(2).
4. Respondent is responsible for maintaining the subject lease and subject 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, Kenneth E. Weaver, 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.

7. 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, Billy Marcum, 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.
8. As partners in KTC Oil Enterprises, LLC at the time of the violations Commission rules related to safety and the control of pollution, Kenneth E. Weaver and Billy Marcum and any other organization in which they may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resources Code §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 sooner, if the conditions that constituted the violations herein are corrected or are having being corrected in accordance with a schedule to which the Commission and the organization have agreed.

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

1. KTC Oil Enterprises, LLC (478412), shall be assessed by the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ONE HUNDRED FIFTEEN THOUSAND DOLLARS (\$115,000.00)**.

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 31st day of March 2009.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated March 31, 2009)

MH/sa