

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

**OIL AND GAS DOCKET NO. 09-0254790**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY HARRISON LEE HUGHES D/B/A H.L. HUGHES OIL (411978), AS TO THE FINCH (07487) LEASE, WELL NOS. 1W, 2, 4W, 8, 9, 10, 12W, 14, 15, 16, 16S, 17, 18, 19, 25, 29, 30, 31, A, C, D, E, F AND TANK BATTERY, YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on February 7, 2007, and that the respondent, Harrison Lee Hughes d/b/a H.L. Hughes Oil (411978), 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. Harrison Lee Hughes d/b/a H.L. Hughes Oil (411978), ("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 January 7, 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 June 26, 2007, Respondent filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Harrison Lee Hughes; Owner.
4. Harrison Lee Hughes, as sole proprietor, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

6. Respondent designated itself to the Commission as the operator of Well Nos. 1W, 2, 4W, 8, 9, 10, 12W, 14, 15, 16, 16S, 17, 18, 19, 25, 29, 30, 31, A, C, D, E, F, and Tank Battery on the Finch (07487) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on March 1, 2005.
7. According to Commission records the Respondent's Form P-5 (Organization Report) is active. Respondent has a \$50,000.00 Letter of Credit as its Financial Assurance.
8. Commission District inspections were conducted on August 21, 2007, September 26, 2007, September 27, 2007, October 8, 2007 and January 9, 2008 for the Finch (07487) Lease. The sign or identification required to be posted at the lease entrance was missing.
9. Commission District inspections were conducted on August 21, 2007, September 26, 2007, September 27, 2007, October 8, 2007 and January 9, 2008 for the Finch (07487) Lease. The signs or identification required to be posted at Well Nos. 1W, 2, 4W, 8, 9, 10, 14, 15, 16, 25, 29, 31, A, C, D, E and F were either missing or displayed incorrect information.
10. Commission District inspections were conducted on August 21, 2007, September 26, 2007, September 27, 2007, October 8, 2007 and January 9, 2008 for the Finch (07487) Lease. The sign or identification required to be posted at Tank battery was illegible.
11. Failure to properly identify wells by the posting of the signs 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.
12. Commission District inspections were conducted on August 21, 2007 and October 8, 2007 for the Finch (07487) Lease. Respondent had caused or allowed an unauthorized discharge of oil, affecting an area measuring 25' x 1' x 5-1/2" from Well No. B to an open pit at the well. Further, Respondent caused or allowed an unauthorized discharge of oil, affecting an area measuring 10' x 8' x 1/4 - 1/2" from Well No. C into the ground at the well.
13. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
14. 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 or can leach into the ground and percolate through soils into groundwater supplies.

15. A Commission District inspection was conducted on August 21, 2007 for the Finch (07487) Lease. Respondent was using and maintaining two unauthorized pits, open and dry, measuring 20' x 25' x 3' and 20' x 20' x 4', respectively, at Well No. A on the subject lease; that Respondent was using and maintaining an open, unauthorized pit, measuring 20' x 10' x 4', at Well No. B; and that Respondent was using and maintaining an open, unauthorized pit, measuring 25' x 30' x 3', at Well No. E on the subject lease. A follow up District inspection conducted on October 8, 2007, indicated Respondent was using and maintaining an open and wet, unauthorized pit, measuring 10' x 10' x 2", at Well No. D, and that Respondent was using and maintaining a second open, unauthorized pit, measuring 25' x 30' x 5' at Well No. E on the subject lease.
16. Respondent did not have a permit to dispose of or store oilfield fluids or oil and gas wastes in a pit on the subject lease.
17. Commission District inspections were conducted on August 21, 2007, September 26, 2007 and September 27, 2007 for the Finch (07487) Lease, showed that Well Nos. 2, 9, 16W, 31, A and E have casing and/or tubing open to the atmosphere.
18. 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 the land surface can migrate into surface or subsurface waters.
19. Commission District inspections conducted on August 21, 2007, September 26, 2007 and September 27, 2007, as well as Commission records for the Finch (07487) Lease, showed that Well Nos. 12W, 15, 16S, 17, 18, 19 and 30 are currently on Respondent's proration schedule; however, the wells are not found on the lease, using either operator plat, Commission mapping data or Global Positioning System data. No plugging reports have been filed with the Commission for the subject wells.
20. A Commission District inspection conducted on September 26, 2007, for the Finch (07487) Lease, Well No. 4W, indicated that the well was not equipped with a tubing observation valve and the casing observation valve on the well is inoperable. The subject well is permitted as a saltwater secondary recovery well under UIC No. 37320, permit dated February 9, 1972. This permit requires pressure tests on the well at least every five years, with test results and any significant pressure changes to be reported to the Commission.
21. The respondent has not demonstrated good faith since it failed to plug or otherwise place the subject wells and subject lease 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 Statewide Rules 3, 8(d)(1), 8(d)(2), 13(b)(1)(B), 14(b)(1) and 46(g)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, 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)(1), which prohibits the discharge of oil and gas wastes without a permit.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(2), which prohibits a person from maintaining or using any pit for storage of oilfield fluids without a permit.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide 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. A cementing report made by the party cementing the well shall be attached to, or made a part of, the plugging report. If the operator is plugging a dry hole, an electric log status report shall be filed with the plugging record.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which requires the wellhead to be equipped with a pressure observation valve on the tubing and for each annulus of the well.
10. 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, Corey Mack Hughes, 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 sooner, if 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.

11. 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.
12. 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. §85.166.

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

1. Harrison Lee Hughes d/b/a H.L. Hughes Oil (411978), shall place the Finch (07487) Lease, Well Nos. 1W, 2, 4W, 8, 9, 10, 12W, 14, 15, 16, 16S, 17, 18, 19, 25, 29, 30, 31, A, C, D, E, F and Tank Battery, Young County Regular Field, Young County, Texas in compliance with applicable Commission rules and regulations; and
2. Harrison Lee Hughes d/b/a H.L. Hughes Oil (411978), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY TWO THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$22,750.00)**.

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 29th day of July 2008.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated July 29, 2008)

ME/sa