

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

OIL AND GAS DOCKET NO. 09-0255069

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY OAK HILLS DRILLING & OPER. , LLC (617088), AS TO THE GILBERT LEASE, WELL NO. 1H (621321), EAST NEWARK (BARNETT SHALE) FIELD, PALO PINTO COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 15, 2008, and that the respondent, Oak Hills Drilling & Oper., LLC (617088), 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. Oak Hills Drilling & Oper., LLC (617088), ("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 April 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 February 23, 2007, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Brent Pierce, Manager.
4. Brent Pierce, 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. 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 No.1H (621321) on the Gilbert Lease ("subject well"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on June 20, 2006.
7. Respondent's P-5 (Organization Report) is delinquent. Respondent had a \$25,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Commission inspections were conducted on June 19, 2007, August 8, 2007 and May 7, 2008 for the Gilbert Lease indicated that Respondent left open an unlined, freshwater makeup pit, the size of which is approximately 300' long x 125' wide, by 8' deep. Field tests indicated a chloride level of 50 mg/liter. The subject well was completed on or before November 3, 2006, the date of the first inspection.
9. 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.
10. Commission inspections were conducted on November 3, 2006, January 30, 2007, April 25, 2007, June 19, 2007, August 8, 2007 and May 7 2008 on the Gilbert Lease. Well No. 1H (621321) has been completed with casing and tubing, but Respondent has not filed the required completion report.
11. A Commission inspection was conducted on January 30, 2007, for the Gilbert Lease, Well No. 1H (621321), indicating that produced water appeared to be flowing from the Bradenhead, and the Bradenhead valve was not piped to the surface. A Commission inspection conducted on April 25, 2007, indicated that the Bradenhead valve had been piped to the surface, and there was approximately 20 pounds of pressure on the valve. A Commission inspection conducted on June 19, 2007, indicated that the pressure on the Bradenhead had increased to 50 pounds of pressure. A Commission inspection conducted on August 8, 2007 indicated that the pressure on the Bradenhead had again increased, this time to 65 pounds of pressure.
12. 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.

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 8(d)(4)(G)(i)(III), 16(b) and 17(b).

4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(G)(i)(III), which requires workover pits to be dewatered, filled and compacted within 120 days from completion of workover operations.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), 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, shall file with the Commission the appropriate completion or plugging report.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 17(b), which requires that any well showing pressure on the Bradenhead, or leaking gas, oil, or geothermal resource between the surface and the production or oil string shall be tested. The well shall be killed and the pump pressure applied through the tubing head. Should the pressure gauge on the Bradenhead reflect the applied pressure, the casing shall be condemned and a new production or oil string shall be run and cemented. This method shall be used when the origin of the pressure cannot be determined otherwise.
7. 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.
8. 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).
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, Brent Pierce, 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. Oak Hills Drilling & Oper., LLC (617088), shall place the Gilbert Lease, Well No. 1H (621321), East Newark (Barnett Shale) Field, Palo Pinto County, Texas in compliance with applicable Commission rules and regulations; and

2. Oak Hills Drilling & Oper., LLC (617088), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00)**.

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 23rd day of September 2008.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated September 23, 2008)

ME/sa