

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

OIL AND GAS DOCKET NO. 09-0260793

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY OAK HILLS DRILLING & OPER., LLC (617088), AS TO THE OLIVER LEASE, WELL NO. 1H (DRILLING PERMIT NO. 613349), NEWARK, EAST (BARNETT SHALE) FIELD, TARRANT COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 30, 2009, 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 returned to the Commission marked "return to sender, unable to forward."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was returned to the Commission marked "return to sender, unable to forward" on February 17, 2009. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance. The certified receipt for the copy of the complaint and notice mailed to the P-5 address for Respondent's registered agent was signed and returned to the Commission on February 11, 2009.
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; and Douglas Humphreys, 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. Douglas Humphreys, 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 No. 1H (Drilling Permit No. 613349) on the Oliver Lease ("subject well"/"subject lease") by filing a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) with the Commission on January 31, 2006, approved on February 1, 2006.
8. According to Commission records the Respondent's Form P-5 (Organization Report) became inactive on October 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 No. 1H (Drilling Permit No. 613349) on the Oliver Lease has never produced.
10. 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 well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
11. The total estimated cost to the State of plugging the subject well is \$25,523.00.
12. Commission District inspections were conducted on December 14, 2007, February 13, 2008, June 23, 2008, July 17, 2008 and July 25, 2008 for the Oliver Lease. Respondent left open a lined frac pit, approximately 100' by 100' in size. The pit is filled with water, and the water is clear. Respondent failed to provide all the forms required for the completion packet, but there has been no activity on the lease since December 14, 2007.
13. 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.
14. Commission District inspections were conducted on December 14, 2007, February 13, 2008, June 23, 2008, July 17, 2008 and July 25, 2008 on the Oliver Lease. Well No. 1H (Drilling Permit No. 613349) has been completed, but Respondent has not filed the required completion report.
15. The Respondent has not demonstrated 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), 14(b)(2) and 16(a).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(G)(i)(III), which requires completion or workover pits to be dewatered, filled and compacted within 120 days from the completion date or completion of workover operations.
5. 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 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.
6. 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.
7. 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).
8. 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.

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, Douglas Humphreys, 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 plug or otherwise place the Oliver Lease, Well No. 1H (Drilling Permit No. 613349), Newark, East (Barnett Shale) Field, Tarrant 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 **THREE THOUSAND FIVE HUNDRED DOLLARS (\$3,500.00)**.

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 18th day of June 2009.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated June 18, 2009)

JD/sa