

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

OIL AND GAS DOCKET NO. 10-0263491

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY GRAVES OPERATING, L.L.C. (325799), AS TO THE BORTH UNIT (022981) LEASE, WELL NO. 1U, MAMMOTH CREEK (MORROW) FIELD, AND THE MARTIN (148113) LEASE, WELL NO. 1, MAMMOTH CREEK, NORTH (CLEVELAND) FIELD, LIPSCOMB COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 21, 2012, and that the respondent, Graves Operating, L.L.C. (325799), 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. Graves Operating, L.L.C. (325799), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was signed and returned to the Commission.
2. The returned electronic certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was signed and returned to the Commission on March 22, 2012. The electronic receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On January 23, 2012, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its Officers consisted of the following individual(s): Jimmy Randolph Graves, Manager.

4. Jimmy Randolph Graves, 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. 1U on the Borth Unit (022981) Lease and Well No. 1 on the Martin (148113) Lease ("subject wells"/"subject leases") by filing Forms P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on August 1, 2005 for both of the leases and wells.
7. Respondent's P-5 (Organization Report) is active. Respondent has a \$50,000 Letter of Credit as its financial assurance.
8. Production from Well No. 1U on the Borth Unit (022981) Lease ceased in May 2001.
9. Production from Well No. 1 on the Martin (148113) Lease ceased in February 2010.
10. The Statewide Rule 14b2 plugging extension for Well No. 1U on the Borth Unit (022981) Lease was denied on August 6, 2003 for failure to file an H-15.
11. The Statewide Rule 14b2 plugging extension for Well No. 1 on the Martin (148113) Lease was denied on June 15, 2009 for failure to file an H-15.
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 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 Well No. 1U on the Borth Unit (022981) is \$55,785.00 and for Well No.1 on the Martin (148113) Lease is \$46,215.00.
15. Commission District inspections were conducted on September 17, 2009 and March 28, 2012 for the Borth Unit (022981) Lease. The sign or identification required to be posted at the lease entrance was missing. The signs or identification required to be posted at Well No. 1U and the tank battery displayed incorrect information.
16. Failure to properly identify a well by the posting of the sign 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.

17. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Borth Unit (022981) Lease, Well No. 1U. Commission records further show that the Borth Unit (022981) Lease, Well No. 1U, has a Historic Well Date of February 25, 1963, and that an H-15 test was due in May 2006. Records also indicate that the well has not been plugged.
18. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Martin (148113) Lease, Well No. 1. Commission records further show that the Martin (148113) Lease, Well No. 1, has a Historic Well Date of January 5, 1982, and that an H-15 test was due in May 2009. Records also indicate that the well has not been plugged.
19. A Commission District inspection was conducted on September 17, 2009 for the Martin Lease. Respondent had caused or allowed an unauthorized discharge of saltwater to affect an area measuring approximately 10' x 12' x 2' between a fiberglass tank and the East steel tank. The unauthorized discharge also affected an area extending North under the fence, measuring approximately 3' x 12' x 2'. A follow up inspection conducted on April 4, 2012 indicated that Respondent had caused or allowed unauthorized discharges of produced water to affect areas measuring approximately 3' x 25' x 3" out side of the barbed wire fence and 6' x 20' x 3" between the stock tank and the produced water tank.
20. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
21. 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.
22. 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 3, 8(d)(1), 14(b)(2) and 14(b)(3).

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 14(b)(3), requires the operator of any wells more than 25 years old that becomes inactive shall plug the wells or successfully conduct a fluid level or hydraulic pressure test establishing that the wells do not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
7. Respondent is responsible for maintaining the subject leases 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.
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©.
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, Jimmy Randolph Graves, 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. Graves Operating, L.L.C. (325799), shall plug Well No. 1U , Borth Unit (022981) Lease, Mammoth Creek, North (Cleveland) Field, Lipscomb County, Texas in compliance with applicable Commission rules and regulations;
2. Graves Operating, L.L.C. (325799), shall plug or otherwise place the Martin (148113) Lease, Well No. 1, Mammoth Creek, North (Cleveland) Field, Lipscomb County, Texas in compliance with applicable Commission rules and regulations; and
3. Graves Operating, L.L.C. (325799), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND TWO HUNDRED FIFTY HUNDRED DOLLARS (\$9,250.00)**.

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 15th day of January 2013.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 15, 2013)

TJJ/sa