

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

OIL AND GAS DOCKET NO. 7B-0241746

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ENERGY 2000, INC. (251740), AS TO THE TRACY (05806) LEASE, WELL NOS. 1, 2, 3, 4 AND 5W, PANHANDLE HUTCHINSON COUNTY FIELD, AND THE JOHNSON LEASE, WELL NO. Q1Q (024948), WEST PANHANDLE FIELD, HUTCHINSON COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 7, 2005, and that the respondent, Energy 2000, Inc. (251740), failed to appear or respond to the notice. 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. Energy 2000, Inc. (251740), ("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 "addressee unknown."
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 "addressee unknown" on March 16, 2005. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's Resident Agent, Dekota Development, LLC, was signed and returned to the Commission on February 16, 2005. The certified receipts have been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On July 9, 2004, Respondent, a Corporation, filed a Form P-5 (Organization Report) with the Commission reporting its officers consisted of the following individual(s): Jimmy E. Morrisett; President/Secretary.
4. Jimmy E. Morrisett, 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 Nos. 1, 2, 3, 4 and 5W on the Tracy (05806) Lease and Well No. Q1Q (024948) on the Johnson Lease ("subject wells"/"subject leases") by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on January 1, 2004 for both of the subject leases and all of the subject wells.
7. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on July 9, 2004. Respondent had a \$250,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Well Nos. 1, 2, 3 and 4 on the Tracy (05806) Lease ceased production on or before January 31, 2002. Well No. 5W on the Tracy (05806) Lease is a permitted disposal well which ceased disposal activity on or before December 31, 1992. Well No. Q1Q (024948) on the Johnson Lease ceased production on or before October 31, 2001.
9. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
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 estimated cost to the State of plugging the subject wells is \$46,500.00 for Well Nos. 1, 2, 3 4 and 5W on the Tracy (05806) Lease and \$9,300.00 for Well No. Q1Q (024948) on the Johnson Lease.
12. Commission district office inspections were conducted on April 7, 2004, June 22, 2004, October 19, 2004, November 23, 2004 and January 3, 2005 for the Tracy (05806) Lease. The signs or identification required to be posted at Well Nos. 1, 2, 3, 4 and 5W were either missing or displayed incorrect information.
13. 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.
15. Commission district office inspections were conducted on October 19, 2004, November 23, 2004 and January 3, 2005 for the Tracy (05806) Lease. Respondent had caused or allowed an unauthorized discharge of oil, affecting an area measuring 20' x 80' x 4-10" at a 210 barrel storage tank. Respondent has not remediated the spill.
14. No Permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
15. 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.

16. Commission district office inspections were conducted on April 7, 2004, May 11, 2004, June 22, 2004 and January 3, 2005 for the Tracy (05806) Lease. Well No. 5W has no operable valve to maintain surface control.
17. 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 land surface can migrate into surface or subsurface waters.
18. Commission district office inspections were conducted on April 7, 2004, June 22, 2004, October 19, 2004, November 23, 2004 and January 3, 2005 for the Tracy (08506) Lease. Respondent had failed to properly screen a produced water tank.
19. Commission district office inspections were conducted on October 19, 2004, November 23, 2004 and January 3, 2005 for the Tracy (05806) Lease. Respondent had caused or allowed unauthorized venting of gas from a separated 2" poly flowline, 92' south of Well No. 4.
20. A Commission district office inspection was conducted on January 3, 2005 for the Tracy (05806) Lease. Well No. 4 is venting H₂S gas and is an inactive well. Commission records show that an H-9 was filed and approved by the Commission on November 29, 1999, by prior operator C&C Oil Co., showing a maximum H₂S gas concentration of 19786 ppm. However, there has not been an H-9 filed by Respondent for Well No. 4 since the effective date of its Form P-4 filed with the Commission. Respondent has failed to notify the Commission of cessation or abandonment of operations in a certificated area.
21. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases and subject wells 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(a), 8(d)(1), 13(b)(1)(B), 14(b)(2), 22(b), 36(a) and 36(d).
4. Respondent is responsible for maintaining the subject lease in compliance with Rule 3(a), 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 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 Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead

assemblies.

7. Respondent is responsible for maintaining the subject lease in compliance with Rule 22(b), which requires that an operator must screen, net, cover, or otherwise render harmless to birds all open top tanks and pits associated with exploration, development, and production of oil and gas.
8. Respondent is responsible for maintaining the subject lease in compliance with Rule 36(a), which requires that each operator who conducts operations shall provide safeguards to protect the general public from the harmful effects of hydrogen sulfide.
9. Respondent is responsible for maintaining the subject lease in compliance with Rule 36(d), which requires that a certificate of compliance shall be submitted for operations in Hydrogen Sulfide areas..
10. Respondent is responsible for maintaining the subject leases 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.
11. 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) (Vernon 2001).
12. 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 E. Morrisett, 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. Energy 2000, Inc. (251740), shall plug or otherwise place the Tracy (05806) Lease, Well Nos. 1, 2, 3 and 4, Panhandle Hutchinson County Field, and the Johnson Lease, Well No. Q1Q (024948), West Panhandle Field, Hutchinson County, Texas in compliance with applicable Commission rules and regulations; and
2. Energy 2000, Inc. (251740), shall plug Tracy (05806) Lease, Well No. 5W, Panhandle Hutchinson County Field, Hutchinson County, Texas in compliance with applicable Commission rules and regulations; and
3. Energy 2000, Inc. (251740), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$18,250.00)**.

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 21st day of June 2005.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated June 21, 2005)

JD/sa