

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

OIL AND GAS DOCKET NO. 10-0263493

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY MAGIC CITY OIL & GAS D/B/A DORIS ANN TAYLOR (521365), AS TO THE PARROTT (01453) LEASE, WELL NO. 1, HARVEY (01756) LEASE, WELL NOS. 1, 1W AND TANK BATTERY, AND THE A.N. MANN (04389) LEASE, WELL NOS. 1A, 2 AND TANK BATTERY, PANHANDLE WHEELER COUNTY FIELD, WHEELER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on February 4, 2010 and that the respondent, Magic City Oil & Gas d/b/a Doris Ann Taylor (521365), 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. Magic City Oil & Gas d/b/a Doris Ann Taylor (521365), ("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 December 10, 2009. 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 May 10, 1990, Respondent filed an Organization Report (Form P-5) with the Commission reporting that its partners consisted of the following individual(s): Doris Ann Taylor; Owner.
4. Doris Ann Taylor, is 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. 1 on the Parrott (01453) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on May 10, 1990.
7. Respondent designated itself to the Commission as the operator of Well Nos. 1, 1W and Tank Battery on the Harvey (01756) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on November 1, 1991.
8. Respondent designated itself to the Commission as the operator of Well Nos. 1A, 2 and Tank Battery on the A.N.Mann (04389) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on June 1, 1991.
9. Commission records indicate that Respondent's Form P-5 (Organization Report) became delinquent on April 1, 2010. Respondent had a \$25,000.00 Letter of Credit as its financial assurance at the time of its ast P-5 renewal.
10. Well No 1 on the Parrott (01453) Lease ceased production on or before August 31, 2005.
11. Well No. 1 on the Harvey (01756) Lease ceased production on or before November 30, 1994.
12. Well No. 1W on the Harvey (01756) Lease ceased injection on or before November 30, 1994.
13. Well No. 1A on the A.N. Mann (04389) Lease ceased production on or before April 30, 1993.
14. Well No. 2 on the A.N. Mann (04389) Lease ceased injection on or before September 30, 2007.

15. The Statewide Rule 14(b)(2) extension for Well No. 1 on the Parrott (01453) Lease was denied on August 4, 2009 for failure to file an H-15 test.
16. The Statewide Rule 14(b)(2) extension for Well No. 1 on the Harvey (01756) Lease was denied on August 6, 2003 for failure to file an H-15 test.
17. The Statewide Rule 14(b)(2) extension for Well No. 1W on the Harvey (01756) Lease was denied on October 26, 2002 for an H-5 issue.
18. The Statewide Rule 14(b)(2) extension for Well No. 1A on the A.N. Mann (04389) Lease was denied on August 6, 2004 for failure to file an H-15 test.
19. The Statewide Rule 14(b)(2) extension for Well No. 2 on the A.N. Mann (04389) Lease was denied on October 13, 2009 for other well violations.
20. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
21. 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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
22. The estimated cost to the State of plugging Well No. 1 on the Parrott (01453) Lease is \$11,500.00.
23. The estimated cost to the State of plugging Well Nos. 1 and 1W on the Harvey Lease is \$22,300.00.
24. The estimated cost to the State of plugging Well Nos. 1A and 2 on the A.N. Mann (04389) Lease is \$38,600.00.
25. A Commission District inspection was conducted on October 12, 2009 for the Parrott (01453) Lease. The signs or identification required to be posted at the well and the tank battery were missing.
26. A Commission District inspection was conducted on October 12, 2009 for the Harvey (01756) Lease. The signs or identification required to be posted at Well Nos. 1 and 1W were illegible.
27. A Commission District inspection was conducted on October 12, 2009 for the A.N. Mann (04389) Lease. The signs or identification required to be posted at the lease entrance, at Well Nos. 1A and 2 and the tank battery were missing.
28. 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.

29. A Commission District inspection was conducted on October 12, 2009 for the Harvey (01756) Lease. There was an area beginning at the west end of the tank battery extending around the tank to the east end of the tank battery affected with oil saturated soil, measuring approximately 21' x 10' x 2".
30. A Commission District inspection was conducted on October 12, 2009 for the A.N. Mann (04389) Lease. An area located at an abandoned heater treater is affected with oil saturated soil, measuring approximately 12' x 25' x 2".
31. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
32. 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.
33. A Commission District inspection was conducted on October 12, 2009 for the A.N. Mann (04389) Lease. There was no control on Well No. 1A, the nipple had a rag stuffed in it with visible vapor escaping from the tubing.
34. 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.
35. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Parrott (01453) Lease, Well No. 1. An H-15 test was due in July 2009 on the Parrott (01453) Lease, Well No. 1, and that the well has not been plugged. Well No. 1 on the Parrott (01453) Lease has a January 1984 built date, but lacks the completion dates and data. The Commission computer program for monitoring wellbore data was put into operation on or around January 12, 1984. All wells on the proration schedule at that time were listed with a January 1984 built date and subsequently staff initiated entering completion information for all wells which such data was available. For wells which such data was unavailable, the January 1984 built date remains. Therefore, any wells with a January 1984 built date are at least 25 years old and require an H-15 test. Although a historic date is not listed for the Parrott (01453) Lease, Well No. 1, an H-15 test is due since such well is at least 25 years old.
36. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Harvey (01756) Lease, Well No. 1. An H-15 test was due in May 2003 on the Harvey (01756) Lease, Well No. 1. The subject well has not been plugged. Well No. 1 on the Harvey (01756) Lease has a January 1984 built date, but lacks the completion dates and data. The Commission computer program for

monitoring wellbore data was put into operation on or around January 12, 1984. All wells on the proration schedule at that time were listed with a January 1984 built date and subsequently staff initiated entering completion information for all wells for which such data was available. For wells which such data was unavailable, the January 1984 built remains. Therefore, all wells with a January 1984 built date are at least 25 years old and require an H-15 test. Although a historic date is not listed for the Harvey (01756) Lease, Well No. 1, an H-15 test is due since such well is at least 25 years old.

37. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the A.N. Mann (04389) Lease, Well No. 1A. The A.N. Mann (04389) Lease, Well No. 1A has a historic well date Of February 21, 1979, an H-15 test was due in May 2004. The subject well has not been plugged.
38. Commission records indicate that the Harvey (01756) Lease, Well No. 1W was permitted as a saltwater disposal well on April 4, 1984 (Permit No. 04444). A Commission District inspection was conducted on October 12, 2009 for the Harvey (01756) Lease, Well No. 1W indicates no injection, vacuum or pressure activity. Commission records further show the most recent Commission Form H-5 (Pressure Test) on the Harvey (01756) Lease, Well No. 1W was performed on June 4, 1994, that a Form H-5 (Pressure Test) was due on June 30, 1995, and the well has not been plugged.
39. Commission records indicate the Harvey (01756) Lease, Well No. 1W was permitted as a saltwater disposal well on April 4, 1984 (Permit No. 04444). A Commission District inspection conducted on October 12, 2009 for the Harvey (01756) Lease showed that Well No. 1W had no pressure observation valve on the tubing of the injection well.
40. Disposal wells must pass a pressure test at least once every five years to show that the well is not leaking, that waste is being confined to the permitted injection interval, and that useable quality water zones are properly isolated. Any injection of fluid down a wellbore could be a potential source of pollution. Without testing and supporting documentation, the Commission cannot determine if a well poses a threat to natural resources.
41. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases and 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, 8(d)(1), 13(b)(1)(B), 14(b)(2), 14(b)(3), 46(j) and 46(g)(2).
4. Respondent is responsible for maintaining the subject leases 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 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 Statewide Rule 14(b)(3), which requires the operator of any well more than 25 years old that becomes inactive shall plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j) which requires that the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which requires that the wellhead shall be equipped with a pressure observation valve on the tubing and for each annulus of the well.
10. 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.

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).
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, Doris Ann Taylor, and any other organization in which she 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. Magic City Oil & Gas d/b/a Doris Ann Taylor (521365), shall plug the Parrott (01453) Lease, Well No. 1, the Harvey (01756) Lease, Well Nos. 1, 1W and Tank Battery, the A.N. Mann (04389) Lease, Well No. 1A and Tank Battery, Panhandle Wheeler County Field, Wheeler County, Texas in compliance with applicable Commission rules and regulations;
2. Magic City Oil & Gas d/b/a Doris Ann Taylor (521365), shall plug or otherwise place the A.N. Mann (04389) Lease, Well No. 2, Panhandle Wheeler County Field, Wheeler County, Texas in compliance with applicable Commission rules and regulations; and
3. Magic City Oil & Gas d/b/a Doris Ann Taylor (521365), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THREE THOUSAND EIGHT HUNDRED FIFTY DOLLARS (\$23,850.00)**.

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. GOVT. 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 9th day of June 2010.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated June 9, 2010)

JMD/sa