

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

OIL AND GAS DOCKET NO. 09-0218812

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY NRG RESERVES CONSOLIDATED INC. (613564), AS TO THE HOFF, B.K. (29199) LEASE, WESLEY (STRAWN) FIELD, AND THE J.A.C.C.S. #8 LEASE, WELL NO. 8 (460185), YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 18, 1999 and that the respondent, NRG Reserves Consolidated Inc. (613564), 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. NRG Reserves Consolidated Inc. (613564), ("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) address, which was returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the First Amended Original Complaint and the Notice of Hearing Opportunity, was returned to the Commission marked "unclaimed" on August 26, 1999. 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 March 21, 1997, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individuals: Rick Jiles; President and Walter Wiggins, Jr.; Treasurer.
4. Respondent designated itself to the Commission as the operator of the Hoff, B.K. (29199) Lease ("subject lease") for the period beginning February 1, 1997 and ending November 30, 1997 by filing a Commission Form P-4 effective February 1, 1997, approved April 29, 1997. Respondent designated itself to the Commission as the operator of Well No. 8 (460185) on the J.A.C.C.S. #8 Lease ("subject well"/"subject lease") by filing a Form W-1 (Permit to Drill, Deepen, Plug Back or Re-Enter) with the Commission, on or about March 21, 1997.
5. The subject well has been dry or inactive for a period in excess of one year. Commission inspection reports indicate that Well No. 8 (460185) ceased drilling operations on or before

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May 1, 1997 and no completion or production reports were ever filed.

6. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
7. Usable quality water 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 public health and safety because of the probability of pollution.
8. The estimated cost to the State of plugging all of the subject well is \$6,000.00.
9. Commission district office inspections were conducted on October 14, 1997, October 15, 1997 and October 17, 1997 for the Hoff, B.K. (29199) Lease. There was a discharge of more than 30 barrels of oil wastes into and over the retaining wall at the tank battery.
10. The Commission spent a total of \$363.50 in State Funds cleaning up pollution on the Hoff, B.K. Lease.
11. No permit was issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
12. 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.
13. Commission district office inspections were conducted on October 22, 1998, December 4, 1998 and May 19, 1999 for the J.A.C.C.S. #8 Lease. Respondent had maintained or used in conjunction with drilling Well No. 8 (460185), two side by side drilling pits measuring approximately 65' x 10' x 3' and a mud circulation pit measuring approximately 45' x 65' x 6', and failed to dewater, backfill and compact the pits within one year of the cessation of drilling operations. A Commission district inspection report was made on September 23, 1998 for the J.A.C.C.S. #8 Lease. Well No. 8 was drilled in March thru April of 1997.
14. 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.
15. A Commission district office inspection was conducted on September 23, 1998 for the J.A.C.C.S. #8 Lease. Well No. 8 (460185) was drilled in March thru April 1997. Respondent never filed the required completion report.
16. The respondent did not demonstrate good faith since it failed to plug or otherwise place the subject well and subject leases 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 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)(I), 14(b)(2) and 16(a).
4. Respondent was in violation of Commission Statewide Rule 8(d)(1).
5. The Commission spent State funds cleaning up the Hoff, B.K. (29199) Lease on or about October 16, 1997.
6. Respondent was 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.
7. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(4)(G)(i)(I), which requires reserve pits and mud circulation pits to be dewatered, backfilled and compacted within one year of cessation of drilling operations.
8. Respondent is responsible for maintaining the subject lease in compliance with Rule 16(a), which requires that the owner, 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.
9. Respondent is responsible for maintaining the subject well and the subject leases in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.
10. 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 1993).

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. NRG Reserves Consolidated Inc. (613564), shall plug and or otherwise place the

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J.A.C.C.S. #8 Lease, Well No. 8 (460185), Young County Regular Field, Young County, Texas in compliance with applicable Commission rules and regulations; and

2. NRG Reserves Consolidated Inc. (613564), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TEN THOUSAND FIVE HUNDRED DOLLARS (\$10,500.00)** and **REIMBURSE** State Funds in the amount of **THREE HUNDRED SIXTY THREE DOLLARS AND FIFTY CENTS (\$363.50)**.

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 order is served on the parties.

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 25th day of January, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 25, 2000)

MT/sa