

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 04-0286003

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ORPHAN WELLS, LLC (627006), AS TO THE HINOJOSA, MEDARDO -B- ROY A/C #2 (02317) LEASE, WELL NOS. 10, 11, 13B, 14B AND 23B, RICABY FIELD, STARR COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 6, 2014, and that the respondent, Orphan Wells, LLC (627006), 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. Orphan Wells, LLC (627006), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was returned on January 31, 2014 marked "return to sender, unable to forward." The certified receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On August 2012, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Jose Oscar Diaz, Vice-President; and Anthony Johnson, Vice President.
4. Jose Oscar Diaz, 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. Anthony Johnson, 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.

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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 Nos. 10, 11, 13B, 14B and 23B on the Hinojosa, Medardo -B- Roy A/C #2 (02317) Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on March 1, 2011.
8. Respondent's P-5 (Organization Report) became delinquent on August 1, 2013. Respondent had a \$50,000 Bond as its financial assurance at the time of its last P-5 renewal.
9. Production from Well Nos. 10, 11, 14B and 23B on the Hinojosa, Merdardo -B- Roy A/C #2 (02317) Lease ceased on or before November 2001.
10. Production from Well No. 13B ceased on or before June 2002.
11. The Statewide 14b2 plugging extension for Well No. 10 on the Hinojosa, Medardo -B- Roy A/C #2 (02317) Lease was denied on August 1, 2007 for failure to file an H-15 Test.
12. The Statewide 14b2 extensions for Well Nos. 11 and 23B were denied on October 2, 2009 for failure to file H-15 Tests.
13. The Statewide 14b2 plugging extensions for Well Nos. 13B and 14B on the Hinojosa, Merdardo -B- Roy A/C #2 (02317) Lease were denied on January 31, 2008 for a non active P-5.
14. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
15. The total estimated cost to the State for plugging the subject wells is \$56,681.00.
16. 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.
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 Hinojosa, Medardo -B- Roy A/C #2 (02317) Lease, Well No. 23B. The H-15 Forms were not filed and approved for the Hinojosa, Medardo -B- Roy A/C #2 (02317) Lease, Well Nos. 10, 11, 13B and 14B, until October 17, 2013. Commission records further show that the Hinojosa, Medardo -B- Roy A/C #2 (02317) Lease, Well Nos. 10, 11, 14B and 23B were completed on January 12, 1984, and Well No. 13B was completed on May 15, 1964. A H-15 test was due in 2009 for Well No. 23B, in 2010 for Well Nos. 10, 11 and 13B and in 2011 for Well No. 14B. The subject wells have not been plugged.

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18. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease 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 14(b)(2) and 14(b)(3).
4. 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.
5. Respondent is responsible for maintaining the subject lease 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.
6. 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.
7. 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, Jose Oscar Diaz, 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.

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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, Anthony Johnson, 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. Orphan Wells, LLC (627006), shall plug the Hinojosa, Medardo -B- Roy A/C #2 (02317) Lease, Well Nos. 10, 11, 13B, 14B and 23B, Ricaby Field, Starr County, Texas in compliance with applicable Commission rules and regulations; and
2. Orphan Wells, LLC (627006), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY TWO THOUSAND THREE HUNDRED FORTY TWO DOLLARS (\$22,342.00)**.

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.

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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 December 2014.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated December 9, 2014)

TJJ/sa