

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0287586

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY RHOADES, PAT M., SOLE PROPRIETOR, ROCKING R DRILLING & PROD. CO. (723440) FOR VIOLATIONS ON THE SCHROEDER (17920) LEASE, WELL NOS. 1, 2, 3, 4, 6 AND 1W, AND THE COWAN-MCKINNEY -A- (18705) LEASE, WELL NOS. 2 AND 3, ARCHER COUNTY REGULAR FIELD , ARCHER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 30, 2014 and that the respondent, Rhoades, Pat M., Sole Proprietor, Rocking R Drilling & Prod. Co. (723440), 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. Rhoades, Pat M., Sole Proprietor, Rocking R Drilling & Prod. Co. (723440), ("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 signed on September 15, 2014 by the Respondent. The electronic 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 October 2, 2012, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its sole proprietor consisted of the following individual(s): Pat M. Rhoades, Sole Proprietor.
4. Pat M. Rhoades, was a 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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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, 6 and 1W on the Schroeder (17920) Lease and Well Nos. 2 and 3 on the Cowan-McKinney -A- (18705) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producers Transportation Authority) effective on December 1, 1990 for Well Nos. 1, 2, 3, 4, 6 and 1W and effective on September 15, 2005 for Well Nos. 2 and 3 on the Cowan-McKinney -A- (18705) Lease.
7. Respondent's P-5 (Organization Report) became delinquent on October 1, 2013. Respondent had \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Well Nos. 1, 2, 3, 4 and 6 on the Schroeder (17920) Lease ceased production in December 2007.
9. Well No. 1W on the Schroeder (17920) Lease ceased injection in December 2004.
10. Production from Well No. 2 on the Cowan-McKinney -A- (18705) Lease ceased in October 2011.
11. Injection from Well No. 3 on the Cowan-McKinney -A- (18705) Lease ceased in November 2011.
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 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.
14. The total estimated cost to the State for plugging Well Nos. 1, 2, 3, 4, 6 and 1W on the Schroeder (17920) Lease is \$27,400.00.
15. The total estimated cost to the State for plugging Well Nos. 2 and 3 on the Cowan-McKinney -A- (18705) Lease is \$9,600.00.
16. The 14b2 plugging extensions for Well Nos. 1 and 2 on the Schroeder (17920) Lease were denied on March 4, 2009 for failure to file H15's.
17. The 14b2 plugging extensions for Well Nos. 3 and 4 on the Schroeder (17920) Lease were denied on March 3, 2010 for failure to file H-15's.
18. The 14(b)(2) plugging extensions for Well Nos. 6 and 1 W on the Schroeder (17920) Lease were denied on September 29, 2006 for a non active P-5.

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19. The 14(b)(2) plugging extensions for Well No. 2 on the Cowan-McKinney -A- (18705) Lease was denied on October 28, 2011 for a non active P-5.
20. The 14(b)(2) plugging extension for Well No. 3 on the Cowan-McKinney -A- (18705) Lease expired in September 30, 2012 for an H-5 issue and a non active P-5 status.
21. Commission District inspections were conducted on September 11, 2013, October 2, 2013 and September 8, 2014 for the Schroeder (17920) Lease. The signs or identification required to be posted at the lease entrance and Well Nos. 1, 2, 3 and 4 were missing.
22. Commission District inspections were conducted on August 6, 2013, September 9, 2013, September 25, 2013 and October 9, 2013 for the Cowan-McKinney -A- (18705) Lease. The signs or identification required to be posted at Well Nos. 2 and 3 were missing. A followup inspection conducted on September 5, 2014 indicates that the signs are posted making time out of compliance from August 6, 2013 to September 5, 2014.
23. 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.
24. Well No. 3 on the Cowan-McKinney (18705) Lease is a permitted disposal well. According to Commission records, Respondent was required to conduct a pressure test of the well by July 30, 2013. Respondent failed to test the well and file the requisite Commission Form H-5.
25. Commission District inspections were conducted on September 11, 2013, October 2, 2013 and September 8, 2014 for the Schroeder (17920) Lease. Well Nos. 1 and 2 have tubing open to the atmosphere.
26. 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.
27. Well No. 1W on the Schroeder (17920) Lease is a permitted injection well. According to Commission records, Respondent was required to conduct a pressure test of the subject well by July 30, 2010. Respondent has failed to test the well and file the requisite Commission Form H-5.
28. The Respondent has not demonstrated good faith since it failed to timely 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.
29. The Respondent has a prior history of Commission rule violations including the following docket(s):

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Docket No. 09-0274314; Agreed Order Served: September 11, 2012;
Docket No. 09-0269725; Agreed Order Served: July 17, 2012;
Docket No. 09-0269193; Agreed Order Served: September 11 2012;
Docket No. 09-0269185; Order Served: November 8, 2011; and
Docket No. 09-0269182; Order Served: November 8. 2011.

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, 9(12)(A)&(B), 13(b)(1)(B) , 14(b)(2) and 46(j).
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 9(12)(A)&(B), which requires that the mechanical integrity of a disposal well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity. The mechanical integrity shall be tested periodically.
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 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.
8. 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.
9. 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.

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10. 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, Pat M. Rhoades, and any other organization in which he/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. Rhoades, Pat M., Sole Proprietor, Rocking R Drilling & Prod. Co. (723440), shall plug the Schroeder (17920) Lease, Well Nos. 1, 2, 3, 4, 6 and 1 W, and the Cowan-McKinney -A- (18705) Lease, Well Nos. 2 and 3, Archer County Regular Field, Archer County, Texas in compliance with applicable Commission rules and regulations; and
2. Rhoades, Pat M., Sole Proprietor, Rocking R Drilling & Prod. Co. (723440), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FORTY NINE THOUSAND TWO HUNDRED SEVENTY NINE DOLLARS (\$49,279.00)**.

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 14 day of July 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated July 14, 2015)

TJJ/sa