

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 04-0287189

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY PIERCO ENERGY CORP. (665422) ON THE CUELLAR, F. "A" (13303) LEASE, WELL NOS. 1WS & 5, JENNINGS, W. (3000 SAND) FIELD, ZAPATA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on November 13, 2014 and that the respondent, Pierco Energy Corp. (665422), 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. Pierco Energy Corp. (665422), ("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 and returned to the Commission on July 25, 2014. 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 January 7, 2013, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Brent Pierce.
4. Brent Pierce, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource 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.

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6. Respondent designated itself to the Commission as the operator of Well Nos. 1WS and 5 on the Cuellar, F. "A" (13303) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority) effective on August 1, 2007.
7. Respondent's P-5 (Organization Report) became delinquent on December 1, 2014. Respondent had \$50,000 cash as its financial assurance at the time of its last P-5 renewal.
8. Well Nos. 1WS and 5 on the Cuellar, F. "A" (13303) Lease ceased production on or before June 2013.
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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
11. The total estimated cost to the State for plugging Well Nos. 1WS and 5 on the Cuellar, F. "A" (13303) Lease is \$35,211.00.
12. Statewide 14b2 plugging extensions for Well Nos. 1WS and 5 on the Cuellar, F. "A" (13303) Lease were denied on March 17, 2008 for an H-5 issue.
13. Commission records reflect that the Respondent was scheduled to perform the five-year mechanical integrity (pressure) test on the Cuellar, F. "A" (13303) Lease, Well No. 1WS and 5 by July 30, 2010. Respondent failed to conduct the required test and report the test results on the Commission Form H-5.
14. 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 9(12)(A)&(B) and 14(b)(2).

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4. 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.
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, Brent Pierce, 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. Pierco Energy Corp. (665422), shall plug or place the Cuellar, F. "A" (13303) Lease, Well Nos. 1WS and 5, Jennings, W. (3000 Sand) Field, Zapata County, Texas in compliance with applicable Commission rules and regulations; and
2. Pierco Energy Corp. (665422), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOURTEEN THOUSAND FIVE HUNDRED SIXTY ONE DOLLARS (\$14,561.00)**.

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.

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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 of August 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated August 25, 2015)

TJJ/sa

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0263421

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY RODEO H2O DISPOSAL, LP (723589) FOR VIOLATIONS OF STATEWIDE RULES ON THE TAYLOR (30557) LEASE, WELL NO. 1, NEWARK, EAST (BARNETT SHALE) FIELD, ERATH COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on November 13, 2014 and that the respondent, Rodeo H2O Disposal, LP (723589), 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. Rodeo H2O Disposal LP (723589), ("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 receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was signed and returned to the Commission on October 14, 2014 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 5, 2009, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Stanton E. Ross; President; and Daniel F. Hutchins, Vice-President.
4. Stanton E. Ross, 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.
5. Daniel F. Hutchins, 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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6. Respondent designated itself to the Commission as the operator of Well No. 1 on the Taylor (30557) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producers Transportation of Authority and Certificate of Compliance) effective on April 1, 2006.
7. Respondent's P-5 (Organization Report) became delinquent on April 1, 2010. Respondent had a \$25,000.00 Bond as its financial assurance at the time of its last P-5 renewal.
8. Commission District inspections were conducted on February 6, 2009 for the Taylor (30557) Lease indicated an area approximately 12' x 8' x 3-6'. Located at the south end of the old tank battery was polluted with hydrocarbon. An Inspection conducted on April 27, 2009 indicated an area approximately 130' x 60' x 3". Located inside the firewall of the new tank battery was polluted with hydrocarbons. The inspections conducted on June 11, 2009, January 25, 2010, January 26, 2010 and January 27, 2010 indicated the Respondent buried pollution, covered with pea gravel, approximately 3' under the ground, in two areas approximately 12' x 8' x 3-6' and 12' x 10' x 11'. Inspection report from October 3, 2014, indicated two areas of pollution, approximately 20' x 30' x 2" of hydrocarbon soaked soil along east, west and north containment walls, with standing oil and water mix in areas and an area of hydrocarbon soaked soil, approximately 8' x 10' x 2", coming from the west fiberglass tank and running towards the north containment wall.
9. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
10. 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.
11. The Respondent has not demonstrated good faith since it failed to place the subject lease in compliance after being notified of the violation 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 Rule 8(d)(1).

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4. 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.
5. Respondent is responsible for maintaining the subject lease 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, Stanton E. Ross, 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
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, Daniel F. Hutchins, 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. Rodeo H20 Disposal, LP (723589), shall place the Taylor (30557) Lease, Well No. 1, Newark, East (Barnett Shale) Field, Erath County, Texas in compliance with applicable Commission rules and regulations; and
2. Rodeo H20 Disposal, LP (723589), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND FOUR HUNDRED DOLLARS (\$9,400.00)**.

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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 25th day of August 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated August, 2015)

TJJ/sa