

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0296209

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ANDALUCIA OIL COMPANY (020781) FOR VIOLATIONS OF STATEWIDE RULES ON THE SLIGER, G.B. (02925) LEASE, WELL NOS. 1, 3U AND 3L, HAT TOP MOUNTAIN (FRY SAND) FIELD, NOLAN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 11, 2015 and that the respondent, Andalucia Oil Company (020781), 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. Andalucia Oil Company (020781), ("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 to the Commission marked "return to sender, unable to forward" on May 5, 2015. The certified envelope 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 December 15, 2011, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Scott A. Monette, President; and Mirta F. Monette, Vice-President.
4. Scott A. Monette 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.

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5. Mirta F. Monette 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.
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. 1, 3U and 3L on the Sliger, G.B. (02925) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) effective on November 1, 2008.
8. Respondent's P-5 (Organization Report) became delinquent on October 1, 2012. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. Commission District inspections were conducted on July 17, 2014, August 27, 2014 and October 14, 2014 for the Sliger, G.B. (02925) Lease. The signs or identification required to be posted at Well No. 1 was missing and Well No. 3U did not display the required information.
10. 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.
11. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
12. Production from Well Nos. 1 and 3U on the Sliger, G.B. (02925) Lease ceased on or before December 2011.
13. Injection into Well No. 3L on the Sliger, G.B. (02925) Lease ceased on or before November 2002.
14. The total estimated cost to the state for plugging Well Nos. 1, 3U and 3L on the Sliger, G.B. (02925) Lease is \$65,200.00.
15. No plugging extensions are in effect for any of the subject wells as allowed by Statewide Rule 14.
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.

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17. A Commission District inspection was conducted on July 17, 2014 for the Sliger, G.B. (02925) Lease. There were three spills at the tank battery measuring 216 square feet, 180 square feet, and 72 square feet respectively, and one oil spill at Well No. 1 measuring 72 square feet.
18. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
19. 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 through soils into groundwater supplies.
20. A Commission District inspection was conducted on July 7, 2014 for the Sliger, G.B. (02925) Lease, Well No. 3L. Respondent failed to install an operable bradenhead valve.
21. Commission District inspections were conducted on July 17, 2014, August 27, 2014 and October 14, 2014 for the Sliger, G.B. (02925) Lease. The inspections indicated that the north side of the firewall at the tank battery was breached.
22. Commission District inspections were conducted on July 17, 2014, August 27, 2014 and October 14, 2014 for the Sliger, G.B. (02925) Lease. Respondent had failed to properly screen an open-topped fiberglass container. Although a net was in place, it was submerged beneath oil in the tank.
23. The Respondent has not demonstrated good faith since it failed to properly plug 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 3, 8(d)(1), 9(9)(B), 14(b)(2), 21(j) and 22(b).
4. Respondent is responsible for maintaining the subject lease 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.

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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 9(9)(B), which requires that the wellhead shall be equipped with a pressure observation valve on the tubing and for each annulus of the well.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(2), which requires that plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease and shall proceed with due diligence until completed.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 21(j), which requires that fire walls must be erected and kept around all permanent oil tanks, or battery of tanks.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 22(b), which requires that an operator must screen, net, cover or otherwise render harmless to birds open top tanks and pits associated with exploration, development and production of oil and gas .
10. Respondent is responsible for maintaining the subject lease and subject well 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.
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, Scott A. Monette, 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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13. 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, Mirta F. Monette, 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. Andalucia Oil Company (020781), shall plug the Sliger, G.B. (02925) Lease, Well Nos. 1, 3U and 3L, Hat Top Mountain (Fry Sand) Field, Nolan County, Texas in compliance with applicable Commission rules and regulations; and
2. Andalucia Oil Company (020781), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THOUSAND ONE HUNDRED THIRTY EIGHT DOLLARS (\$20,138.00)**.

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 12th of January 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated January 12, 2016)

MFE/sja