

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0297360

**ENFORCEMENT ACTION AGAINST BOMCO USA, INC. (OPERATOR NO. 081566)
FOR VIOLATIONS OF STATEWIDE RULES ON THE SISK 40 ACRES (LEASE NO.
02994) LEASE, WELL NOS. 2, 3 AND 6, MARKHAM FIELD, MATAGORDA COUNTY,
TEXAS**

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on October 15, 2015 and the respondent, Bomco USA, Inc. (Operator No. 081566) 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. Bomco USA, Inc. (Operator No. 081566), (“Respondent”), was given Notice of Opportunity for Hearing by certified and first class mail, addressed to the most recent Form P-5 (Organization Report) address. Anson Zheng Yao was given Notice of Opportunity for Hearing by certified and first class mail, addressed to the most recent Form P-5 (Organization Report) address. Mae Hongmei Wu was given Notice of Opportunity for Hearing by certified and first class mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified mail envelope containing the Original Complaint and the Notice of Opportunity for Hearing was delivered to Respondent on August 25, 2015 and to Mae Hongmei Wu on August 24, 2015. Confirmation of delivery is included in the file and has been on file with the Commission for at least 15 days, exclusive of the day of receipt and day of issuance. The certified mail and first class mail envelopes sent to Anson Zheng Yao were both returned to the Commission and have been on file with the Commission for at least 15 days, exclusive of the day of receipt and day of issuance.
3. On September 14, 2015, Respondent filed a Form P-5 (Organization Report) with the Commission identifying itself as a corporation and reporting that its officers consist of the following individuals: Anson Zheng Yao, President; and Mae Hongmei Wu, Secretary.

4. Anson Zheng Yao was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
5. Mae Hongmei Wu was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
6. Respondent's P-5 (Organization Report) is active. Respondent has a \$50,000 cash deposit as its financial assurance.
7. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
8. Respondent designated itself to the Commission as the operator of the Sisk 40 Acres Lease, Lease No. 02994 (the "Lease"), Well Nos. 2, 3 and 6 ("Wells 2, 3 and 6"), in the Markham Field by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective January 1, 2014, approved January 6, 2014.
9. Commission District inspection reports made on September 26, 2014 and January 6, 2015, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports being filed with the Commission, show Wells 2, 3 and 6 have been inactive for a period greater than one year. Production from the subject wells ceased in September 2011.
10. No work-overs, re-entries, or subsequent operations have taken place on any of the subject wells within the last twelve months; none of the subject wells have been properly plugged in accordance with Statewide Rule 14 [Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE § 3.14]; no plugging extensions are in effect for any of the subject wells as allowed by Statewide Rule 14 [Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE § 3.14]. The subject wells are not otherwise in compliance with Statewide Rule 14 [Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE § 3.14].
11. Usable quality groundwater in the area may become 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 potential of pollution.
12. The total estimated cost to the State for plugging Wells 2, 3 and 6 is \$64,762.00 (\$32,790 for Well 2, \$31,972 for Well 3, and Commission staff was unable to estimate the amount for Well 6).

13. A Commission District inspection report made on January 6, 2015 for the Lease shows the presence of approximately five (5) barrels of free-standing oil around the wellhead of Well 2.
14. Respondent did not have a permit for this discharge nor was it authorized under Statewide Rule 8(d)(3), 8(e), 9, 46 or 98.
15. Unpermitted discharges of oil and gas waste can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.
16. Respondent has no prior history of violations of Commission rules.

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 Respondent have been performed or have occurred.
3. Respondent is responsible for maintaining the Lease in compliance with all applicable Commission rules and chapters 89 and 91 of the Texas Natural Resources Code.
4. Respondent is in violation of Statewide Rules 14(b)(2) and 8(d)(1).
5. Respondent is responsible for maintaining the 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.
6. Respondent is responsible for maintaining the Lease in compliance with Statewide Rule 8(d)(1), which prohibits operators from disposing oil and gas waste without a permit.
7. The documented violations committed by Respondent constitute acts deemed serious, and a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE § 81.0531(c).
8. A total administrative penalty against Respondent in the amount of SEVENTEEN THOUSAND SIX HUNDRED NINETY-FIVE DOLLARS (\$17,695.00) is justified considering the facts and violations at issue.

9. As persons in a position of ownership or control of Respondent at the time of the violations, Anson Zheng Yao and Mae Hongmei Wu, and any other organization in which either or both may hold a position of ownership or control, are subject to the restrictions in section 91.114 of the Texas Natural Resources Code.

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

1. Respondent shall plug Wells 2, 3 and 6 in compliance with Statewide Rule 14 and any other applicable Commission rules.
2. Respondent shall place the Lease into compliance with Statewide Rules 14(b)(2) and 8(d)(1), and any other applicable Commission rules.
3. Respondent is assessed, and shall pay to the Railroad Commission of Texas, an administrative penalty in the amount of SEVENTEEN THOUSAND SIX HUNDRED NINETY-FIVE DOLLARS (\$17,695.00).

It is further **ORDERED** that as persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Anson Zheng Yao and Mae Hongmei Wu, and any other organization in which either or both may hold a position of ownership or control, shall be subject to the restrictions in section 91.114(a)(2) of the Texas Natural Resource Code 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.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after a party is notified of the Commission's order. If a timely motion for rehearing of an application 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 this order in accordance with TEX. GOV'T CODE § 2001.144.

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 3rd day of May, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated May 3, 2016)

JNC / rnf