

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0265907

ENFORCEMENT ACTION AGAINST ALCOR ENERGY, INC. (OPERATOR NO. 011260) FOR VIOLATIONS OF STATEWIDE RULES ON THE WELLS, J.W. (11951) LEASE, WELL NO. 1 AND THE LAMBECK (12832) LEASE, WELL NO. 1, NIXON FIELD, WILSON COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas (“Commission”) finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on April 23, 2015 and that the respondent, Alcor Energy, Inc., 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, 16 TEX. ADMIN. CODE § 1.49, and after being duly submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Alcor Energy, Inc. (“Respondent”), Operator No. 011260, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to the most recent Commission Form P-5 (Organization Report) address.
2. The certified mail envelope was returned to the Commission on April 13, 2015. The first class mail was not returned. Record of the return of certified mail has been on file with the Commission for more than 15 days, exclusive of the day of receipt and day of issuance. Respondent was given more than 30 days’ notice of the Original Complaint and Notice of Opportunity for Hearing. Respondent has not entered into an agreed settlement order, filed an answer, or requested a hearing.
3. Respondent’s P-5 (Organization Report) is active. Respondent has a \$50,000 letter of credit as its financial assurance.
4. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
5. Respondent designated itself to the Commission as the operator of the Wells, J. W. (11951) Lease, Well No. 1 by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective July 6, 2009, approved July 14, 2009.

6. Respondent designated itself to the Commission as the operator of the Lambeck (12832) Lease, Well No. 1 by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective July 6, 2009, approved July 14, 2009.
7. Commission inspection reports made on April 29, 2010 and August 14, 2014 for the Lambeck (12832) Lease, show that the sign or identification required to be posted at Well No. 1 was missing.
8. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3(2), may cause confusion as to the responsible operator to be contacted and the actual location of the violation or emergency, which can result in delays in remedying a violation or emergency.
9. Commission inspection reports made on April 29, 2010, and December 13, 2010, and either reports filed by Respondent with the Commission showing zero production, or the absence of production reports filed by Respondent show that the Wells J.W. (11951) Lease, Well No. 1, had been inactive for a period greater than one year. Production from the subject well ceased in November 2008.
10. Commission inspection reports made on April 29, 2010 and August 14, 2014, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports filed by Respondent show that the Lambeck (12832) Lease, Well No. 1, had been inactive for a period greater than one year. Production from the well ceased in May 2008.
11. 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, 16 TEX. ADMIN. CODE § 3.14; and no plugging extensions are in effect for any of the subject wells as allowed by Statewide Rule 14. The subject wells are not otherwise in compliance with Statewide Rule 14.
12. 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, in violation of Statewide Rule 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
13. On February 14, 2014, the Wells J.W. (11951) Lease, Well No. 1 was plugged at the State's expense of \$21,660.00.
14. The total estimated cost to the State for plugging the Lambeck (12832) Lease, Well No. 1 is \$11,300.00.

15. Respondent has a prior history of violations of Commission rules in the following Oil & Gas Docket Nos.: 01-0265695, 01-0265903 and 01-0265905.

CONCLUSIONS OF LAW

1. Proper notice was issued by the 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 the parties have been performed or have occurred.
3. Respondent is responsible for maintaining the subject 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 3(2) and 14(b)(2). 16 TEX. ADMIN. CODE §§ 3.3(2) and 3.14(b)(2).
5. 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).
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(2), which requires that each well site that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, name of the operator and the well number.
7. Respondent is responsible for maintaining the subject leases 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, unless the operator is eligible for and obtains an extension of the plugging deadline.
8. An assessed administrative penalty in the amount of SEVEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$7,250.00) is justified considering the facts and violations at issue.
9. Pursuant to TEX. NAT. RES. CODE §§ 89.043, 89.046 and 89.083, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000 per day for each violation, with each day such violations continued constituting a separate violation.
10. Pursuant to TEX. NAT. RES. CODE § 81.0531, the Commission may assess reimbursement

against Respondent for the costs incurred by the State in plugging the Wells J.W. (11951) Lease, Well No. 1.

11. An assessed reimbursement cost in the amount of TWENTY-ONE THOUSAND SIX HUNDRED SIXTY DOLLARS (\$21,660.00) is justified considering the facts and violations at issue.

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

1. Alcor Energy, Inc. shall plug the Lambeck (12832) Lease, Well No. 1, Nixon Field, Wilson County, Texas in accordance with Statewide Rules.
2. Alcor Energy, Inc. shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SEVEN THOUSAND TWO HUNDRED FIFTY DOLLARS (\$7,250.00)**.
3. Alcor Energy, Inc. shall pay to the Railroad Commission of Texas, for disposition as provided by law, reimbursement costs in the amount of **TWENTY-ONE THOUSAND SIX HUNDRED SIXTY DOLLARS (\$21,660.00)**.

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. A party is presumed to have been notified of the Commission's order three days after the date 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 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 9th day of August, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated August 9, 2016)

JNC/pbm