

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0297198

ENFORCEMENT ACTION AGAINST KEC ENTERPRISES, INC. (OPERATOR NO. 448461) FOR VIOLATIONS OF STATEWIDE RULES ON THE WREN UNIT LEASE (LEASE ID. NO. 078868), WELL NO. 3, BOONESVILLE (BEND CONGL., GAS) FIELD, WISE 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 December 10, 2015 and that the respondent, KEC Enterprises, 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. KEC Enterprises, Inc., Operator No. 448461, (“Respondent”) 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. Vicki Palmour, Resident Agent for Respondent, was provided the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to her last known address. Keith Edward Chadwell, Respondent’s President and Director, was provided the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to his last known address. Kevin Earl Chadwell, Respondent’s Secretary, Treasurer and Director, was provided the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to his last known address.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing was received by the Respondent, Kevin Earl Chadwell and Keith Edward Chadwell on October 28, 2015, and by Vicki Palmour on October 19, 2015. The first class mail was not returned. Record of the delivery of certified mail has been on record 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. On April 1, 2013, Respondent, a corporation, filed a Form P-5 (Organization Report) with the Commission reporting that its officers consist of the following individuals: Kevin Earl Chadwell and Keith Edward Chadwell.
4. Kevin Earl Chadwell 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. Keith Edward Chadwell 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 delinquent. Respondent had a \$25,000 letter of credit for its financial assurance at the time of the last P-5 annual renewal submission.
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 Wren Unit Lease (Lease ID. No. 078868), Well No. 3, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective October 1, 2008, approved October 10, 2008.
9. Commission inspection reports made on December 23, 2014, January 23, 2015, and April 22, 2015 for the Wren Unit Lease show that the sign or identification required to be posted at the lease entrance was missing.
10. Commission District inspection reports made on December 23, 2014, January 23, 2015, and April 22, 2015 for the Wren Unit Lease show that the sign or identification required to be posted at the well was missing.
11. Commission District inspection reports made on December 23, 2014, January 23, 2015, and April 22, 2015 for the Wren Unit Lease show that the sign or identification required by Statewide Rule 3(3), to be posted at the tank was missing.
12. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(1), 3(2) and 3(3), 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.
13. Commission inspection reports made on December 23, 2014, January 23, 2015 and April 22, 2015 show that two workover pits were next to the well. The pits are 10 feet in diameter and 4 to 5 feet deep. Commission records indicate that the well, Well No. 3 on the Wren Unit Lease, was completed on October 1, 1978.

14. All completion/workover pits used when completing or working over a well that are not maintained, emptied and backfilled, as set forth in Statewide Rule 8(d)(4)(H)(i)(III), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.
15. Commission inspection reports made on December 23, 2014, January 23, 2015 and April 22, 2015 for the Wren Unit Lease state the well was left open to the atmosphere.
16. Wells left uncontrolled or open to the atmosphere, in violation of Statewide Rule 13(a)(6)(A), may discharge oil and gas waste onto the land surface and affect the health of humans and animals; these discharges may eventually make their way to surface or subsurface waters, causing pollution.
17. Commission inspection reports made on December 23, 2014, January 23, 2015, and April 22, 2015, and zero production reported by Respondent from May 2004 (with no production reports filed thereafter with the Commission), show that the Wren Unit Lease, Well No. 3, has been inactive for a period greater than one year. Production from the subject well ceased on or before April 2004.
18. No work-overs, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has not been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14 and no plugging extension is in effect for the subject well as allowed by Statewide Rule 14. The subject well is not otherwise in compliance with Statewide Rule 14.
19. 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 well. 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.
20. The total estimated cost to the State for plugging the Wren Unit Lease, Well No. 3 is \$16,700.00.
21. Respondent has no prior history of violations of Commission rules.

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(1), 3(2), 3(3), 8(d)(4)(H)(i)(III), 13(a)(6)(A) and 14(b)(2). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.8(d)(4)(H)(i)(III), 3.13(a)(6)(A) 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(1) which requires that for 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, a sign shall be posted at the principal entrance which shall show the name by which the property is carried on the records of the Commission, the name of the operator, and the number of acres in the property.
7. 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.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(3), which requires that each tank battery that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property and if commingled, include the commingling permit number.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(H)(i)(III), which requires a person who maintains or uses a completion or workover pit in conjunction with completing or working over a well to dewater the pit within 30 days and backfill and compact the pit within 120 days of completion of the well.
10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(a)(6)(A), which requires that surface control of all wells be maintained with wellhead assemblies.
11. 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, unless the operator is eligible for and obtains an extension of the plugging deadline.

12. Pursuant to TEX. NAT. RES. CODE § 81.0531, 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.
13. An assessed administrative penalty in the amount of SEVENTEEN THOUSAND EIGHT HUNDRED TWENTY DOLLARS (\$17,820.00) is justified considering the facts and violations at issue.
14. 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, Kevin Earl Chadwell and Keith Edward Chadwell, and any other organization in which either or both may hold a position of ownership or control, are subject to the restriction in section 91.114(a)(2) 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. KEC Enterprises, Inc. shall place the Wren Unit Lease, Well No. 3 in compliance with Statewide Rules 3(1), 3(2), 3(3), 8(d)(4)(H)(i)(III), 13(a)(6)(A) and 14(b)(2), and any other applicable Commission rules and statutes.
2. KEC Enterprises, Inc. shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SEVENTEEN THOUSAND EIGHT HUNDRED TWENTY DOLLARS (\$17,820.00)**.

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, Kevin Earl Chadwell and Keith Edward Chadwell and any other organization in which either or both may hold a position of ownership or control, shall be subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources 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. 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 / rnf