

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0280156

ENFORCEMENT ACTION AGAINST AMBASSADOR OIL COMPANY, LLC (OPERATOR NO. 016879) FOR VIOLATIONS OF STATEWIDE RULES ON THE MORGAN LEASE (LEASE ID NO. 26187), WELL NO. 1A AND THE MORGAN "A" LEASE (LEASE ID NO. 26448), WELL NO. 2, JONES COUNTY REGULAR FIELD, JONES 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 June 18, 2015 and that the respondent, Ambassador Oil Company, LLC, 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. Ambassador Oil Company, LLC ("Respondent"), Operator No. 016879, 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) ("Form P-5") address. Respondents' officers and agents as identified on the Form P-5—Gary D. McLeod, Eddie Bumpass and Edwin Bumpass—were each sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known address.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing were returned to the Commission. The first class mail envelope to Respondent was returned with a change of address, which was the same address of Gary D. McLeod's address on file with the Commission. No other first class mail was returned. Record of the delivery 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. On October 27, 2010, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Gary D.

McLeod, CEO and Manager; Eddie Bumpass, Chief Exploration Officer and Manager; and Edwin Bumpass, CFO and Manager.

4. Gary D. McLeod 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. Eddie Bumpass 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. Edwin Bumpass 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.
7. Respondent's P-5 (Organization Report) is inactive. Respondent had a \$25,000 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
8. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
9. Respondent designated itself to the Commission as the operator of Morgan Lease (Lease ID No. 26187), Well No. 1A by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective November 1, 2003, approved November 24, 2003.
10. Respondent designated itself to the Commission as the operator of Morgan "A" Lease (Lease ID No. 26448), Well No. 2 by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective November 1, 2003, approved November 24, 2003.
11. Commission inspection reports made on October 3, 2012 and November 12, 2012 for the Morgan Lease and the Morgan "A" Lease, show that the sign or identification required to be posted at the lease entrances were missing.
12. Commission inspection reports made on October 3, 2012 and November 12, 2012 for the Morgan Lease and the Morgan "A" Lease show that the sign or identification required to be posted at Well Nos. 1A and 2 were missing.
13. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(1) and 3(2), may cause confusion as to the responsible operator to be contacted and the actual location of a violation or emergency, which can result in delays in remedying a violation or emergency.

14. Commission inspection reports made on October 3, 2012 and November 12, 2012, and either reports filed by Respondent with the Commission reflecting zero injection, or the absence of injection reports being filed show that the Morgan Lease, Well No. 1A has been inactive for a period greater than one year. Production from the subject well ceased in October 2001.
15. Commission inspection reports made on October 3, 2012 and November 12, 2012, and either reports filed by Respondent with the Commission reflecting zero injection, or the absence of injection reports being filed show that the Morgan "A" Lease, Well No. 2 has been inactive for a period greater than one year. Production from the subject well ceased in June 2001.
16. 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.
17. 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 Rules 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
18. The total estimated cost to the State for plugging the Morgan Lease, Well No. 1A is \$21,200.00. The total estimated cost to the State for plugging the Morgan "A" Lease, Well No. 2 is \$50,800.00.
19. Commission inspection reports made on October 3, 2012 and November 12, 2012, for the Morgan Lease show that Respondent failed to backfill and compact a workover pit measuring 70' x 10' x 6' at Well No. 1.
20. Commission inspection reports made on October 3, 2012 and November 12, 2012, for the Morgan "A" Lease show that Respondent failed to backfill and compact an workover pit measuring 25' x 8' x 4' at Well No. 2.
21. Pits that are not maintained, emptied, closed, backfilled and/or compacted as required in Statewide Rule 8(d)(4)(G)(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.
22. 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), 14(b)(2) and 8(d)(4)(G)(i)(III). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.14(b)(2) and 3.8(d)(4)(G)(i)(III).
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 leases 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 leases 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 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.
9. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 8(d)(4)(G)(i)(III), which contains requirements for the dewatering, filling, backfilling and/or compacting of pits.
10. 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.

11. An assessed administrative penalty in the amount of TWENTY THOUSAND FOUR HUNDRED TWENTY-TWO DOLLARS (\$20,422.00) is justified considering the facts and violations at issue.
12. 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, Gary D. McLeod, Eddie Bumpass, Edwin Bumpass and any other organization in which any of them 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. Ambassador Oil Company, LLC shall place the Morgan Lease, Well No. 1A and the Morgan "A" Lease, Well No. 2 in compliance with Statewide Rules 3(1), 3(2), 14(b)(2) and 8(d)(4)(G)(i)(III), and any other applicable Commission rules and statutes.
2. Ambassador Oil Company, LLC shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THOUSAND FOUR HUNDRED TWENTY-TWO DOLLARS (\$20,422.00)**.

It is further **ORDERED** that as 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, Gary D. McLeod, Eddie Bumpass, Edwin Bumpass and any other organization in which any of them 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 24th day of August, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated August 24, 2016)

JNC/pbm