

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 7B-0300635**

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**ENFORCEMENT ACTION AGAINST KEC ENTERPRISES INC. (OPERATOR NO. 448461) FOR VIOLATIONS OF STATEWIDE RULES ON THE BURKHALTER-RENO UNIT LEASE, WELL NO. 1 (RRC ID NO. 114441), RENO (CONGL) FIELD, PARKER COUNTY, TEXAS**

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**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 November 3, 2016 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. (“Respondent”), Operator No. 448461, 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. Respondent’s officers and agents as identified on the Form P-5—Vicki Palmour and Kevin Earl Chadwell—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 addressed to the Respondent, Vicki Palmour, and Keith Edward Chadwell were all returned to the Commission between August 26, 2016 and September 16, 2016. 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. On April 1, 2013, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individual: Kevin Earl Chadwell, Secretary.
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. Respondent’s Form P-5 is delinquent. Respondent had a \$25,000 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
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 the Burkhalter-Reno Unit Lease, Well No. 1 (RRC ID No. 114441), by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective and approved October 1, 2008.
8. Commission records show that Respondent began plugging operations on July 17, 2013, and that downhole problems were encountered, after which no further communication regarding plugging operations were received from Respondent. District inspection reports made on January 8, 2016, February 16, 2016, and March 30, 2016, on the Burkhalter-Reno Unit Lease failed to locate the subject well, indicating that it has been plugged. However, no plugging report has been filed.
9. Unverified plugging of wellbores, in violation of Statewide Rule 14(b)(1), may result in pollution to ground water and surface water because if wells are improperly plugged, they may serve as a conduit for the passage of oil, gas, saltwater or other substance.
10. 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 Rule 14(b)(1). 16 TEX. ADMIN. CODE § 3.14(b)(1).
5. The documented violation 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 14(b)(1), which requires a plugging report to be completed, duly verified, and filed in duplicate on the appropriate Commission W-3 form in the District Office within 30 days after plugging operations were received from Respondent.
7. 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.
8. An assessed administrative penalty in the amount of EIGHT THOUSAND THREE-HUNDRED DOLLARS (\$8,300.00) is justified considering the facts and violations at issue.
9. 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, Kevin Earl Chadwell and any other organization in which he 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 Burkhalter-Reno Unit Lease, Well No. 1 in compliance with Statewide Rule 14(b)(1) 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 **EIGHT THOUSAND THREE-HUNDRED DOLLARS (\$8,300.00)**.

It is further **ORDERED** that 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, Kevin Earl Chadwell and any other organization in which he 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 the Commission's order is signed, unless the time for filing a motion for rehearing has been extended under TEX. GOV'T CODE § 2001.142, by agreement under TEX. GOV'T CODE § 2001.147, or by written Commission Order issued pursuant to TEX. GOV'T CODE § 2001.146(e). 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 24<sup>th</sup> day of January, 2017.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated  
January 24, 2017)

JNC/rmf