

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0300569

**ENFORCEMENT ACTION AGAINST GROTHE BROS., INC. (OPERATOR NO. 335430)
FOR VIOLATIONS OF STATEWIDE RULES ON THE DILLER, MILDRED ET AL
(05964) LEASE, WELL NOS. 3, 5, 6, 8, AND 10, SHACKLEFORD COUNTY REGULAR
FIELD, SHACKLEFORD 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 October 27, 2016 and that the respondent, Grothe Bros., 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. **GROTHE BROS., INC.** ("Respondent"), Operator No. 335430, 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, Nancy Grothe Pracht, President and Owner and Steven James Pracht, Director and Secretary, 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 envelope containing the Original Complaint and the Notice of Opportunity for Hearing was received by the Respondent on October 21, 2016. Nancy Grothe Pracht, Grothe Bros., Inc., 121 S. 9th Street, Slaton, TX 79364 and Steven James Pracht, Grothe Bros., Inc., P. O. Box 555, Slaton, TX 79364. The first-class mail was not returned to the Commission. 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 July 23, 2014, Respondent filed a Form P-5 with the Commission reporting that its officers consist of the following individual(s): Nancy Grothe Pracht and Steven James Pracht.

4. **NANCY GROTHE PRACT** 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.

STEVEN JAMES PRACT 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 in Delinquent Status. Respondent had a \$50,000.00 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 Diller, Mildred et al (05964) Lease, Well Nos. 3, 5, 6, 8, and 10, Shackelford County Regular Field, Shackelford County, Texas, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective June 1, 2011, approved August 4, 2011.
8. Commission District inspection reports made on January 26, 2016; March 11, 2016 and April 25, 2016, and reports filed by Respondent with the Commission (reflecting zero production) since January 2014, showed that the Diller, Mildred et al (05964) Lease, Well Nos. 3, 5, 8, and 10 have been inactive for a period greater than one year. Production from the subject wells ceased on or before December 2013.
9. Commission inspection reports made on January 26, 2016, March 11, 2016, and April 25, 2016, and reports filed by the Respondent with the Commission (reflecting zero production) since January 2014, showed that the Diller, Mildred et al (05964) Lease, Well No. 6 has been inactive for a period greater than one year. Injection into the subject well ceased before March 2014.
10. 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.
11. 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.
12. The total estimated cost to the State for plugging the Diller, Mildred et al (05964) Lease, Well No. 3, 5, 6, 8, and 10 is \$33,300.00.

13. Well No. 6 of the Diller, Mildred et al (05964) Lease is a permitted injection well. Commission District inspection reports made on January 26, 2016; March 11, 2016; and April 25, 2016 for the Diller, Mildred et al (05964) Lease show that Well No. 6 is not equipped with operable pressure observation valves on either the tubing or the casing. Commission District inspections show the observation valves to be rusted and inoperable.
14. By failing to equip Well No. 6 of the Diller, Mildred et al (05964) Lease with operable pressure observation value assemblies, Respondent violated Statewide Rule 46(g)(2) [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE §3.46(g)(2)].
15. Respondent's violations of Statewide Rule 46(g)(2) are serious and a hazard to the public health and safety because undetected and significant pressure of the annulus of an injection/disposal well indicates a possible pollution hazard to usable water if leaks in the wellbore allow communication between the injected saltwater and the useable saltwater. Without proper observation valves, pressure on the annulus cannot be detected.
16. The Respondent charged with the violation herein recited has a history of violations of Commission rules. Oil and Gas Docket No. 7B-0291098, Final Order signed June 21, 2016, ordering Respondent to pay \$39,851.00 and bring the violations into compliance. Respondent was also found in default of a P-5 docket, Docket No. 20-0292154, Final Order signed October 14, 2014.

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 14(b)(2) and 46(g)(2). 16 TEX. ADMIN. CODE §§ 3.14(b)(2) and 3.46(g)(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 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.

7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which requires a passing mechanical integrity test every five years.
8. 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.
9. An assessed administrative penalty in the amount of **FOURTEEN THOUSAND THREE HUNDRED FIFTY-THREE DOLLARS (\$14,353.00)** is justified considering the facts and violations at issue.
10. 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, Nancy Grothe Pracht and Steven James Pracht, and any other organization in which they 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. **GROTHER BROS., INC.** (Operator No. 335430) shall place the Diller, Mildred et al (05964) Lease, Well Nos. 3, 5, 6, 8, and 10 in compliance with Statewide Rules 14(b)(2) and 46(g)(2) by plugging the subject wells, and any other applicable Commission rules and statutes.
2. **GROTHER BROS., INC.** (Operator No. 335430) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOURTEEN THOUSAND THREE HUNDRED FIFTY-THREE DOLLARS (\$14,353.00)**.

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, Nancy Grothe Pracht and Steven James Pracht and any other organization in which they 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 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 Commission Order is signed.

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 January, 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated [conference date, such as January 24, 2017])

RML/see