

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0265904

ENFORCEMENT ACTION AGAINST ALCOR ENERGY, INC. (OPERATOR NO. 011260) FOR VIOLATIONS OF STATEWIDE RULES ON THE J. W. UNIT LEASE (LEASE NO. 13566), WELL NO. 1, PANDORA, NW (AUSTIN CHALK) 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) (“Form P-5”) address.
- 2.
3. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing was returned to the Commission on April 7, 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.
4. Respondent’s Form P-5 is delinquent. Respondent had a \$50,000 letter of credit as its financial assurance at the time of Respondent’s last Form P-5 annual renewal submission.
5. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
6. Respondent designated itself to the Commission as the operator of the J. W. Unit Lease (Lease No. 13566), 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, May 3, 2010, December 13, 2010 and April 4, 2011, and either reports filed by Respondent with the Commission reflecting zero production or the absence of production reports filed by Respondent with the Commission since July 2009 shows the J. W. Unit Lease, Well No. 1, had been inactive for a period greater than one year. Production from the subject well ceased in October 2005.
8. 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.
9. Usable quality groundwater in the area is likely to become 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.
10. On February 6, 2014, the J. W. Unit Lease, Well No. 1, the subject well was plugged at state expense. The Railroad Commission spent \$32,397.50 plugging the subject well.
11. Respondent is responsible for prior violations of Commission statutes and rules as documented in the enforcement final orders for 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 Rule 14(b)(2). 16 TEX. ADMIN. CODE §§ 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 well 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. Pursuant to TEX. NAT. RES. CODE ANN. §§89.043, 89.046 and 89.083, the Commission may assess reimbursement for actual costs incurred plugging wells which until plugged by the Commission, caused or was likely to cause a serious threat of pollution or injury to the public health.
8. Assessed reimbursement costs in the amount of **THIRTY-TWO THOUSAND THREE-HUNDRED NINETY-SEVEN DOLLARS AND FIFTY CENTS (\$32,397.50)** is appropriate.
9. 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.
10. An assessed administrative penalty in the amount of **FIVE THOUSAND DOLLARS (\$5,000.00)** 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 pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIVE THOUSAND DOLLARS (\$5,000.00)**, less \$1,500.00 previously paid toward the penalty in this matter.
2. Alcor Energy, Inc. shall reimburse the Railroad Commission of Texas, for disposition as provided by law, **THIRTY-TWO THOUSAND THREE-HUNDRED NINETY-SEVEN DOLLARS AND FIFTY CENTS (\$32,397.50)**, or such other amount as may be established by the evidence, for the state-funded plugging of the subject well.

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 28th day of February, 2017

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated February 28, 2017)

JNC/rmf