

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0298491

ENFORCEMENT ACTION AGAINST DINOCO OIL, INC. (OPERATOR NO. 220721) FOR VIOLATIONS OF STATEWIDE RULES ON THE JACKS -B- LEASE (LEASE ID NO. 07544), WELL NOS. 4, 5W, 6MB, 7, 7MB, 8W, 10, 11W, 12MB, 12W, 14, 16, 17MB, 18, 19W, 20W, 56, 100, 101, 102, AND D1, YOUNG COUNTY REGULAR FIELD, YOUNG 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 March 10, 2016 and that the respondent, Dinoco Oil, 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. Dinoco Oil, Inc. (“Respondent”), Operator No. 220721, 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 Respondent’s Form P-5—Dorothy Scaringe, Joseph Lacome, and Joseph Lacome—were provided the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to her last known address.
2. The certified mail envelopes containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent, John Hefferman, and Joseph Lacome, were returned to the Commission on February 4, 9 and 16, 2016. The certified mail envelope mailed to Dorothy Scaringe was received on January 16, 2016. There was no certified mail envelope containing the Original Complaint and the Notice of Opportunity for Hearing was addressed to Sonya Torti. There is no record as the status of the first class envelopes addressed to the parties. Record of the return and 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, 2015, Respondent, a corporation, filed a Form P-5 (Organization Report) with the Commission reporting that its officers consist of the following individuals: Dorothy Scaringe, President and CEO; Joseph Lacome, Secretary/Treasurer/Director; and Patrick Maloy, COO.
4. Dorothy Scaringe 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. Joseph Lacome 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. Patrick Maloy 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 delinquent. Respondent had a \$50,000 bond 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 the Jacks -B- Lease (Lease ID No. 07544), Well Nos. 4, 5W, 6MB, 7, 7MB, 8W, 10, 11W, 12MB, 12W, 14, 16, 17MB, 18, 19W, 20W, 56, 100, 101, 102 and D1 by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective November 11, 2014, approved January 8, 2015.
10. Commission inspection reports made on August 26, 2015 and September 14, 2015 for the Jacks -B- Lease, show that the sign or identification required to be posted at the lease entrance did not display the correct operator's information.
11. Commission inspection reports made on August 26, 2015 and September 14, 2015 for the Jacks -B- Lease, show that the sign or identification required to be posted at the wells displayed the incorrect operator's information for Well Nos. 4, 5W, 6MB, 7, 7MB, 8W, 10, 11W, 12MB, 12W, 14, 16, 17MB, 18, 19W, 20W, 56, 100, 101, 102, and D1.
12. Commission District inspection reports made on August 26, 2015 and September 14, 2015 for the Jacks -B- Lease, show that the sign or identification required to be posted at the crude oil and produced water facilities displayed the incorrect operator's information.
13. 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 a violation or emergency, which can result in delays in remedying a violation or emergency.
14. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 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.
 15. Commission inspection reports made on August 26, 2015 and September 14, 2015 for the Jacks -B- Lease, show that Well Nos. 6MB, 7 and 8W were found to have production casing open to the atmosphere, and Well No. 19W was found with both tubing and production casing 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 August 26, 2015 and September 14, 2015 and zero production reported by Respondent from November 2014 to July 2015 (including no production reports filed with the Commission from February 2014 to October 2014 or after July 2014) show that the Jacks -B- Lease, Well Nos. 4, 5W, 6MB, 7, 7MB, 8W, 10, 11W, 12MB, 12W, 14, 16, 17MB, 18, 19W, 20W, 56, 100, 101, 102 and D1 have been inactive for a period greater than one year. Production from the subject wells ceased during or before February 2014.
 18. 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.
 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 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.
 20. The total estimated cost to the State for plugging the Jacks -B- Lease, Well Nos. 4, 5W, 6MB, 7, 7MB, 8W, 10, 11W, 12MB, 12W, 14, 16, 17MB, 18, 19W, 20W, 56, 100, 101, 102 and D1 is \$100,100.00.

21. A Commission inspection report made on August 26, 2015 and September 14, 2015 for the Jacks -B- Lease show the following areas contained oil stained and saturated soil: a 6' x 5' x 4" area adjacent to Well No. 5W, a 20' x 10' x 6" area adjacent to Well No. 6MB, a 6' x 6' x 4" area adjacent to Well No. 7MB, a 12' x 6' x 6" area adjacent to Well No. 10, a 4' x 3' x 4" area adjacent to Well No. 11W, a 15' x 6' x 6" area adjacent to Well No. 12MB, a 15' x 8' x 6" area adjacent to Well No. 17MB, a 10' x 5' x 6" area adjacent to Well No. 100, a 15' x 8' x 6" area adjacent to Well No. 101, a 20' x 20' x 6" area adjacent to Well No. 102, and a 15' x 10' x 6" area adjacent to Well No. D1.
22. Respondent did not have a permit for said discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
23. Unpermitted discharges of oil and gas waste, in violation of Statewide Rule 8(d)(1), can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.
24. Commission District inspection reports made on August 26, 2015 and September 14, 2015 on the Jacks -B- (07544) Lease showed that Well Nos. 4, 7MB, 16, 17MB, 18 and 56 have been completed and have not been plugged. Commission District inspection reports state that Well No. 7MB is a completed producer equipped to pump crude and the power is off, Well No. 17MB is a completed producer equipped with rods and tubing and is shut in, Well No. 56 is a completed producer equipped with rods and tubing and is shut in, Well No. 16 is a completed producer equipped with production casing and tubing only and is shut in, Well No. 4 is a completed producer equipped with casing, tubing, and shut in, and Well No. 18 is a completed producer equipped with 4.5" casing and shut in. Respondent has not filed the required completion reports for any of those wells according to Commission records.
25. Should a well need to be re-entered for any reason, the wellbore documentation provided in those reports as set forth in Statewide Rule 16(b) is necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.
26. A Commission District inspection report made on August 26, 2015 and September 14, 2015 for the Jacks -B- (07544) Lease indicated the H-5 test for Well Nos. 8W and 11W are past due and presently delinquent. According to Commission Records for Well No. 8W the last mechanical integrity test was completed February 25, 2010 and a test was due April 30, 2015. According to Commission Records for Well No. 11W the last mechanical integrity test was completed January 22, 2007 and a test was due October 30, 2006.
27. 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), 13(a)(6)(A), 14(b)(2), 8(d)(1), 16(b), and 46(j)(3)(A). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.13(a)(6)(A), 3.14(b)(2), 3.8(d)(1), 3.16(b), and 3.46(j)(3)(A).
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 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 13(a)(6)(A), which requires that surface control of all wells be maintained with wellhead assemblies.

10. 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.
11. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
12. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires proper completion reports to be filed within ninety days after completion of the well or within one hundred fifty days after the date on which the drilling operation is completed, whichever is earliest, or within thirty days of plugging a dry hole.
13. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j)(3)(A), which requires that the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity at least once every five years.
14. 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.
15. An assessed administrative penalty in the amount of NINETY-SEVEN THOUSAND, ONE HUNDRED SEVENTY FOUR DOLLARS (\$97,174.00) is justified considering the facts and violations at issue.
16. 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, Dorothy Scaringe and Joseph Lacome, and any other organization in which they either 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. Dinoco Oil, Inc. (Operator No. 220721) shall place the Jacks –B- (07544) Lease, Well Nos. 4, 5W, 6MB, 7, 7MB, 8W, 10, 11W, 12MB, 12W, 14, 16, 17MB, 18, 19W, 20W, 56, 100, 101, 102 and D1 in compliance with Statewide Rules 3(1), 3(2), 3(3), 13(a)(6)(A), 14(b)(2), 8(d)(1), 16(b), and 46(j)(3)(A), and any other applicable Commission rules and statutes.

2. Dinoco Oil, Inc. (Operator No. 220721) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of NINETY-SEVEN THOUSAND, ONE HUNDRED SEVENTY FOUR DOLLARS (\$97,174.00).

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, Dorothy Scaringe and Joseph Lacome, 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 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 January, 2017.

RAILROAD COMMISSION OF TEXAS

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

JNC / rnf