

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 06-0275870

ENFORCEMENT ACTION AGAINST CONQUEST ENERGY, INC. (OPERATOR NO. 172237) FOR VIOLATIONS OF STATEWIDE RULES ON THE ARCO NO. 1 LEASE (LEASE NO. 074228), WELL NO. 1, STOCKMAN (TRAVIS PEAK) FIELD, SHELBY 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 30, 2017 and that the respondent, Conquest 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. Conquest Energy, Inc. (“Respondent”), Operator No. 172237, 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—Allen Price Kauffman and Al Kauffman—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. All certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing were returned to the Commission on about February 16, 2017. All first class mail envelopes were also returned to the Commission. 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 December 8, 2011, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individual: Allen Price Kauffman, President/Secretary/Treasurer.

4. Allen Price Kauffman 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 \$25,000.00 letter of credit as its financial assurance at the time of Respondent's 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 Arco No. 1 Lease (Lease No. 074228), Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 1, 1997, approved December 22, 1997.
8. Commission inspection reports made on August 17, 2010, September 22, 2010, October 18, 2010, November 23, 2010, December 14, 2010, January 17, 2011, March 10, 2011, April 8, 2011, June 28, 2011, August 10, 2011, December 21, 2011, November 2012, October 4, 2016 and zero production reported by Respondent from November 2003 through March 2015 (with no production reports filed thereafter with the Commission), show that the Arco No. 1 No. Lease (Lease No. 074228), Well No. 1, has been inactive for a period greater than one year. Production from the subject well ceased on October 2003.
9. 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.
10. Usable quality groundwater in the area can 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.
11. The total estimated cost to the State for plugging the Arco No. 1 Lease, Well No. 1 is \$72,210.00.
12. Commission inspection reports made on August 17, 2010, September 22, 2010, October 19, 2010, November 23, 2010, December 14, 2010, January 17, 2011,

March 10, 2011, April 8, 2011, June 28, 2011, August 10, 2011, and December 21, 2011 for the Arco No. 1 Lease, Well No. 1, show that Respondent caused or allowed an oil leak inside the firewall. In addition, hogs and erosion have destroyed the firewall on the backside allowing oil to leak from the firewall and affect an area measuring 6' x 30'.

13. 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.
14. 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.
15. Commission records indicate no Form H-15 (Test on an Inactive Well More Than 25 Years Old) has been filed and approved for the Arco No. 1 Lease, Well No. 1. The well was completed on May 15, 1992, and an H-15 test was due in January 2009. The well has not been plugged.
16. Unplugged and inactive wells over twenty-five years old, in violation of Statewide Rule 14(b)(3), may develop holes or leaks in the casing, allowing oil or saltwater to communicate with usable quality water zones or to flow to the surface.
17. Respondent is responsible for prior violations of Commission statutes and rules as documented in Oil & Gas Docket No. 06-0260881.

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), 8(d)(1) and 14(b)(3). 16 TEX. ADMIN. CODE §§ 3.14(b)(2), 3.8(d)(1) and 3.14(b)(3).
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 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), which requires the operator of any well more than 25 years old that becomes inactive to plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
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 FIVE HUNDRED DOLLARS (\$5,500.00) is justified considering the facts and violations at issue.
11. 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, Allen Price Kaufman, 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. Conquest Energy, Inc. shall plug the Arco No. 1 Lease, Well No. 1 in compliance with Statewide Rule 14(b)(2), and any other applicable Commission rules and statutes.
2. Conquest Energy, Inc. shall place the Arco No. 1 Lease, in compliance with Statewide Rules 8(d)(1) and 14(b)(3), and any other applicable Commission rules and statutes.

3. Conquest 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 FIVE HUNDRED DOLLARS (\$5,500.00)**.

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, Allen Price Kaufman 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 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 Commission Order is signed. All pending motions and request for relief not previously granted or granted herein are denied.

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 10th day of May 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated May 10, 2017)

JNC/rmf