

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0304151

ENFORCEMENT ACTION AGAINST MIOCENE OIL & GAS, LTD. (OPERATOR NO. 570315) FOR VIOLATIONS OF STATEWIDE RULES ON THE FULLER "A" (01760) LEASE, WELL NO. 1, FULLER FIELD, SCURRY COUNTY; AND FULLER "A" (67904) LEASE, WELL NO. 2, COGDELL (4900) FIELD, SCURRY 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 June 29, 2017, and that the respondent, Miocene Oil & Gas, Ltd., 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. Miocene Oil & Gas, Ltd. ("Respondent"), Operator No. 570315, 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 agent and officer as identified on the Form P-5—Mayfield Document Services LLC, Resident Texas Agent and Munoz, Manuel J., President/Secretary/Treasurer—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address.
2. The United States Postal Service was unable to verify delivery of the certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent or the Resident Agent, Mayfield Document Services LLC. The envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Munoz, Manuel J. was returned to the Commission unopened on June 20, 2017. The first-class mail envelope addressed to Respondent was returned to the Commission on May 16, 2007. The first-class mail envelopes addressed to Mayfield Document Services LLC and Munoz, Manuel J. were not returned. Record of the delivery and 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 June 20, 2014, Respondent, a Corporation, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Munoz, Manuel J.
4. Manuel J. Munoz was in a position of ownership or control of Respondent, as defined in TEX. NAT. RES. CODE § 91.114, during the time period of the violations of Commission rules committed by Respondent.
5. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 cash deposit 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 Fuller "A" (01760) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 1, 2001, approved December 28, 2001.
8. Respondent designated itself to the Commission as the operator of the Fuller "A" (67904) Lease, Well No. 2, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 1, 2001, approved January 9, 2002.
9. Commission inspection reports made on February 10, 2017, March 8, 2017, and March 31, 2017 for the Fuller "A" (67904) Lease, show that the signs or identification required to be posted at the tank battery was missing required information.
10. 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 a violation or emergency, which can result in delays in remedying a violation or emergency.
11. Commission inspection reports made on February 10, 2017, March 8, 2017, and March 31, 2017, and the absence of reported production since October 2010, showed that the Fuller "A" (01760) Lease, Well No. 1 has been inactive for a period greater than one year. Production from the subject lease ceased on or before September 2010.
12. Commission inspection reports made on February 10, 2017, March 8, 2017, and March 31, 2017, and the absence of reported production since December 2000, showed that the Fuller "A" (67904) Lease, Well No. 2 has been inactive for a period greater than one year. Production from the subject lease ceased on or before November 2000. There is a disposal permit (UIC No. 000101960, issued June 17, 2016) on file for this well under the Fuller "A" (01760) Lease. However, no injection has ever been reported.

13. No workovers, 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 extensions are in effect for the subject well as allowed by Statewide Rule 14.
14. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas waste 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.
15. The total estimated cost to the State for plugging the Fuller "A" (01760) Lease, Well No. 2 is \$24,100.00. The total estimated cost to the State for plugging the Fuller "A" (67904) Lease, Well No. 2 is \$39,800.00.
16. Commission records indicate that the Fuller "A" (01760) Lease, Well No. 2 and the Fuller "A" (67904) Lease, Well No. 2 are the same wellbore. There is a disposal permit (UIC No. 000101960, issued June 17, 2016) on file for this well under the Fuller "A" (01760) Lease. Commission District inspection reports conducted on February 10, 2017, March 8, 2017, and March 31, 2017 for the fuller "A" (01760) Lease, Well No. 2 indicate that the tubing valve and Bradenhead valve are not operable.
17. Undetected and significant pressure on the annulus of an injection or disposal well, in violation of Statewide Rule 9(9)(B), indicates a possible pollution hazard to usable water if leaks in the wellbore allow communication between the injected saltwater and usable water.
18. The Respondent charged with the violation herein recited has previous violations documented under Docket Nos 7B-0267676 for violations of Statewide Rule 46(j) and 7B-0275201 for violations of Statewide Rules 3(1) and 14(b)(2).

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 TEX. NAT. RES. CODE, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 3(3), 9(9)(B), and 14(b)(2). 16 TEX. ADMIN. CODE §§ 3.3(3), 3.9(9)(B), and 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 leases 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.
7. 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.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 9(9)(B), which requires operators who engage in disposal operations in reservoirs productive of oil, gas, or geothermal resources must equip the wellhead with a pressure observation valve on the tubing and for each annulus.
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 continue constituting a separate violation.
10. An assessed administrative penalty in the amount of **SEVENTEEN THOUSAND, SEVEN HUNDRED SEVENTY-ONE DOLLARS (\$17,771.00)** 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, Manuel J. Munoz, and any other organization in which this individual may hold a position of ownership or control, is subject to the restriction in TEX. NAT. RES. CODE § 91.114(a)(2).

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

1. Respondent shall plug the Fuller "A" (01760) Lease, Well No. 1; and Fuller "A" (67904) Lease, Well No. 2, and place the subject leases in compliance with Statewide Rules 3(3), 9(9)(B), and 14(b)(2), and any other applicable Commission rules and statutes.

2. Respondent shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SEVENTEEN THOUSAND, SEVEN HUNDRED SEVENTY-ONE DOLLARS (\$17,771.00)**.

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, Manuel J. Munoz, and any other organization in which this individual may hold a position of ownership or control, **shall be subject to the restriction in TEX. NAT. RES. CODE § 91.114(a)(2) 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 15th day of August 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated August 15, 2017)

CJH/dac