

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0304385

**ENFORCEMENT ACTION AGAINST OIL MANAGEMENT CORPORATION
(OPERATOR NO. 620480) FOR VIOLATIONS OF STATEWIDE RULES ON THE
COBLE "C" (03566) LEASE, WELL NOS. 3, 8, AND 10W, LEVELLAND FIELD,
HOCKLEY 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 August 3, 2017, and that the respondent, Oil Management Corporation, failed to appear or respond to the **Notice of Hearing**. Pursuant to § 1.45 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.45, 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. Oil Management Corporation ("Respondent"), Operator No. 620480, was sent the Original Complaint and Notice of 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 as identified on the Form P-5—Scott Brooks Hinckley, President and Donna Sue Spivey, Secretary—were sent the Original Complaint and Notice of Hearing by certified and first-class mail, addressed to their last known address.
2. The certified mail envelope containing the Original Complaint and Notice of Hearing addressed to the Respondent was returned to the Commission unopened on July 27, 2017. The Certified Mail envelope addressed to Scott Brooks Hinckley was received on July 21, 2017. The United States Postal Service was unable to verify receipt of the Certified Mail envelope addressed to Donna Sue Spivey. The first-class mail was 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 April 12, 2016, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Scott Brooks Hinckley and Donna Sue Spivey.

4. Scott Brooks Hinckley 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. Donna Sue Spivey 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.
6. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 bond as its financial assurance at the time of the last Form P-5 annual renewal submission.
7. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
8. Respondent designated itself to the Commission as the operator of the Coble "C" (03566) Lease, Well Nos. 3, 8, and 10W, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective November 1, 1995, approved November 13, 1995.
9. Commission district inspection reports made on March 7, 2017 and March 15, 2017 for the Coble "C" (03566) Lease show the stuffing box at Well No. 8 has leaked oil and produced water affecting an area of about 2,054 square feet; the well head at Well No. 3 is continuously leaking oil and produced water and has affected an area of about 2,392 square feet as of March 15, 2017; and Well No. 10W has leaked affecting an area of about 16 square feet.
10. 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.
11. 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.
12. A Commission district inspection report made on March 15, 2017 for the Coble "C" (03566) Lease shows an unauthorized pit measuring approximately 25' x 8' x 8' with a freeboard of approximately 2.5' remaining. The pit is unlined and contains oil and produced water.
13. Continued maintenance of unpermitted pits, in violation of Statewide Rule 8(d)(2), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.
14. Commission district inspection reports made on March 7, 2017 and March 15, 2017 for the Coble "C" (03566) Lease show the stuffing box at Well No. 8 is actively leaking oil; the wellhead at Well No. 3 is leaking; and the wellhead tubing casing at Well No. 10W is leaking.
15. 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.

16. The 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 TEX. NAT. RES. CODE, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 8(d)(1), 8(d)(2), and 13(a)(6)(A). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), 3.8(d)(2), and 3.13(a)(6)(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 lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(2), which requires that pits not otherwise authorized by rule, be permitted.
8. Respondent is responsible for maintaining surface control of a well by using wellhead assemblies in compliance with Statewide Rule 13(a)(6)(A). Maintenance of surface control is necessary not only to prevent fluids from being discharged from the wellbore onto the ground surface, but also to prevent any oil and gas wastes present in the wellbore from being displaced to surface by influxes of surface water into the open wellbore.
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 **TWENTY THOUSAND, FOUR HUNDRED EIGHTY-EIGHT DOLLARS (\$20,488.00)** is justified considering the facts and violations at issue.
11. As persons in positions of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Scott Brooks Hinckley, and Donna Sue Spivey, and any other organization in which these individuals 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. Oil Management Corporation (Operator No. 620480) shall place the Coble "C" (03566) Lease, Well Nos. 3, 8, and 10W, in compliance with Statewide Rules 8(d)(1), 8(d)(2), and 13(a)(6)(A), and any other applicable Commission rules and statutes.
2. Oil Management Corporation (Operator No. 620480) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THOUSAND, FOUR HUNDRED EIGHTY-EIGHT DOLLARS (\$20,488.00)**.

It is further **ORDERED** that as persons in positions of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Scott Brooks Hinckley, and Donna Sue Spivey, and any other organization in which these individuals 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 19th day of September 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated September 19, 2017)

CJH/dac