

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0307786

ENFORCEMENT ACTION AGAINST GAMBILL ENERGY, LLC (OPERATOR NO. 293413) FOR VIOLATIONS OF STATEWIDE RULES ON THE SMITH, JODIE D. (05453) LEASE, WELL NOS. 1, 3, 4, 5, 8, 9, 12, 16, AND 18; THE SMITH, JODIE D. LEASE, WELL NO. 1G (PERMIT NO. 819767); AND THE SMITH, J. D. (04996) LEASE, WELL NOS. 1, 2, 3, AND 4, WICHITA COUNTY REGULAR FIELD, WICHITA 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 5, 2018, and that the respondent, Gambill Energy, LLC, failed to appear or respond to the **Notice of Opportunity for Hearing**. Pursuant to § 1.25 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.25, 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. Gambill Energy, LLC ("Respondent"), Operator No. 293413, 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. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent on E Campbell was returned to the Commission unopened on March 27, 2018. The first-class mail envelope addressed to Respondent on E Campbell was returned to the Commission on March 12, 2018. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent on N Collins was returned to the Commission unopened on March 2, 2018. The first-class mail envelope addressed to Respondent on N Collins was returned to the Commission on February 22, 2018. 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. 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.

4. Respondent designated itself to the Commission as the operator of the Smith, Jodie D. Lease, Well No. 1G (Drilling Permit No. 819767), by filing a Commission Form W-1 (Application for Permit to Drill), received October 26, 2016, issued November 7, 2016.
5. Respondent designated itself to the Commission as the operator of the Smith, J. D. (04996) Lease, Well Nos. 1, 2, 3, and 4, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective June 1, 2016, approved July 14, 2016.
6. Respondent designated itself to the Commission as the operator of the Smith, Jodie D. (05453) Lease, Well Nos. 1, 3, 4, 5, 8, 9, 12, 16, and 18, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective June 1, 2016, approved July 14, 2016.
7. Commission inspection reports made on June 14, 2017 and August 10, 2017 for the Smith, Jodie D. (05453) Lease show that the signs or identification required to be posted at the lease entrance was missing.
8. Commission inspection reports made on June 14, 2017 and August 10, 2017 for the Smith, Jodie D. (05453) Lease, Well Nos. 1, 3, 4, 5, 8, 9, 12, 16, and 18, show that the signs or identification required to be posted at the well locations were missing.
9. A Commission inspection report made on August 10, 2017 for the Smith, Jodie D. Lease, Well No. 1G (Drilling Permit No. 819767), show that the signs or identification required to be posted at the well location was missing.
10. Commission inspection reports made on July 5, 2017 and October 6, 2017 for the Smith, J. D. (04996) Lease, Well Nos. 3, and 4, show that the signs or identification required to be posted at the well locations were missing.
11. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(1) and 3(2), 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.
12. Commission District inspection reports made on June 14, 2017 and August 10, 2017 for the Smith, Jodie D. (05453) Lease show that Well Nos. 1, 3, 4, 5, 8, 9, 12, 16 and 18 have casing open to the atmosphere.
13. Commission District inspection reports made on June 14, 2017 and August 10, 2017 for the Smith, Jodie D. Lease, Well No. 1G (Drilling Permit No. 819767) show that subject well has casing open to the atmosphere.
14. 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.

15. Commission District inspection reports made on June 14, 2017 and August 10, 2017, and the absence of reported production since December 2007, show that the Smith, Jodie D. (05453) Lease, Well Nos. 1, 3, 4, 5, 8, 9, 12, 16 and 18, have been inactive for a period greater than one year. Production from the subject lease ceased in November 2007.
16. According to Commission records, Respondent called in to report that Well No. 1G (Drilling Permit No. 819767) of the Smith, Jodie D. Lease was completed by cementing longstring production casing on December 1, 2016. Commission District inspection reports made on June 14, 2017 and August 10, 2017, and the total absence of reported production since the well was completed in December 2016, show that the Smith, Jodie D. Lease, Well No. 1G (Drilling Permit No. 8197670), has been inactive for a period greater than one year. According to Commission records, the subject well has never produced.
17. Commission records show Well Nos. 3 and 4 of the Smith, J. D. (04996) Lease are permitted injection wells. Commission District inspection reports made on July 15, 2017 and October 16, 2017, and either reports filed reflecting zero production, or the absence of reported production since December 2007, and either reports filed reflecting zero injection, or the absence of reported injection since June 2012, show that the Smith, J. D. (04996) Lease, Well Nos. 1, 2, 3 and 4, have been inactive for a period greater than one year. Production from Well Nos. 1 and 2 ceased in November 2007 and injection into Well Nos. 3 and 4 ceased in May 2012.
18. 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.
19. 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.
20. The total estimated cost to the State for plugging the Smith, Jodie D. (05453) Lease, Well Nos. 1, 3, 4, 5, 8, 9, 12, 16 and 18, is \$75,800.00; the Smith, Jodie D. Lease, Well No. 1G (Permit No. 819767); is \$10,100.00; the Smith, J. D. (04996) Lease, Well Nos. 1, 2, 3 and 4, is \$16,800.00.
21. According to Commission records, Respondent called in to report that Well No. 1G (Permit No. 819767) of the Smith, Jodie D. Lease was completed by cementing longstring production casing on December 1, 2016. Despite completion of the well, Respondent has failed to file the requisite completion report.
22. Should a well need to be re-entered for any reason, the wellbore documentation provided in completion and plugging reports as set forth in Statewide Rule 16(b) is

necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.

23. Well Nos. 3 and 4 of the Smith, J. D. (04996) Lease are permitted injection wells. According to Commission records, Well No. 3 of the Smith, J. D. (04996) Lease was due for a disposal/injection well pressure test on December 30, 2016 and Well No. 4 of the Smith, J. D. (04996) Lease was due for a disposal/injection well pressure test on September 30, 2017. Commission records show Respondent has failed to pressure test both wells.
24. Disposal/injection wells must pass a pressure test at least once every five years, or as required by permit, to show that the well is not leaking, the at waste is being confined to the permitted injection interval, and that the usable quality water zones are properly isolated. Any injection of fluid down a wellbore could be a potential source of pollution. Without testing and supporting documentation, as required by Statewide Rule 46(j), the Commission cannot determine if a well poses a threat to natural resources.
25. 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, chs. 89 and 91.
4. Respondent is in violation of Statewide Rules 3(1), 3(2), 13(a)(6)(A), 14(b)(2), 16(b), and 46(j)(3)(A). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.13(a)(6)(A), 3.14(b)(2), 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 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.
7. Respondent is responsible for maintaining the subject leases 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 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. 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.
10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires proper completion and plugging reports to be filed timely.
11. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires a passing mechanical integrity test every five years.
12. 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.
13. An assessed administrative penalty in the amount of **NINETY-ONE THOUSAND, THREE HUNDRED FIFTY DOLLARS (\$91,350.00)** is justified considering the facts and violations at issue.

ORDERING PROVISIONS

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

1. Gambill Energy, LLC (Operator No. 293413) shall bring the Smith, Jodie D. Lease, Well No. 1G (Drilling Permit No. 819767); Smith, J. D. (04996) Lease, Well Nos. 1, 2, 3, and 4; and Smith, Jodie D. (05453) Lease, Well Nos. 1, 3, 4, 5, 8, 9, 12, 16, and 18, into compliance with Statewide Rule 14(b)(2) by plugging the wells and place the subject leases in compliance with Statewide Rules 3(1), 3(2), 13(a)(6)(A), 16(b), and 46(j)(3)(A), and any other applicable Commission rules and statutes.

2. Gambill Energy, LLC (Operator No. 293413) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINETY-ONE THOUSAND, THREE HUNDRED FIFTY DOLLARS (\$91,350.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the 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 100 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 per day per violation.

Done this 22nd day of May, 2018.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated May 22, 2018)

CJH/dac