

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 10-0310293

ENFORCEMENT ACTION AGAINST MORRED, INC. (OPERATOR NO. 586760) FOR VIOLATIONS OF STATEWIDE RULES ON THE INGERTON (04207) LEASE, WELL NOS. 3, 4, 5, 6, AND 9D, PANHANDLE HUTCHINSON COUNTY FIELD, HUTCHINSON 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 May 10, 2018, and that the respondent, Morred, Inc., 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. Morred, Inc. ("Respondent"), Operator No. 586760, 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 was received on April 9, 2018. 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 February 3, 2015, Respondent, a corporation, filed a Form P-5 with the Commission.
4. Respondent's Form P-5 is delinquent. Respondent had a \$25,000.00 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.

5. Respondent designated itself to the Commission as the operator of the Ingerton (04207) Lease, Well Nos. 3, 4, 5, 6, and 9D, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective January 1, 2002, approved February 8, 2002.
6. A Commission inspection report made on March 15, 2018, and the absence of reported production since January 2016, and the absence of reported injection since September 2015, showed that the Ingerton (04207) Lease, Well Nos. 3, 4, 5, 6, and 9D have been inactive for a period greater than one year. Production from the subject lease ceased on or before October 2015. Injection at the subject lease ceased on or before October 2015.
7. 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.
8. 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.
9. The total estimated cost to the State for plugging the Ingerton (04207) Lease Well Nos. 3, 4, 5, 6, and 9D is \$114,542.00.
10. 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 Rule 14(b)(2). 16 TEX. ADMIN. CODE § 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 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. 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.
8. An assessed administrative penalty in the amount of **TWENTY-SIX THOUSAND, SIX HUNDRED SIX DOLLARS (\$26,606.00)** 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. Morred, Inc. (Operator No. 586760) shall plug the Ingerton (04207) Lease, Well Nos. 3, 4, 5, 6, and 9D, and place the subject lease in compliance with Statewide Rule 14(b)(2), and any other applicable Commission rules and statutes.
2. Morred, Inc. (Operator No. 586760) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-SIX THOUSAND, SIX HUNDRED SIX DOLLARS (\$26,606.00)**.

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 5th day of June 2018.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated June 5, 2018)

CJH/dac