



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

PROPOSAL FOR DECISION

OIL AND GAS DOCKET No. 10-0309130

**ENFORCEMENT ACTION AGAINST PRODUCERS OPERATING CO. INC.
(OPERATOR NO. 680540) FOR VIOLATIONS OF STATEWIDE RULES ON THE
ZUEB LEASE (04747), WELL NO. 7, PANHANDLE GRAY COUNTY FIELD, GRAY
COUNTY, TEXAS**

APPEARANCES

FOR THE RAILROAD COMMISSION OF TEXAS:

Melissa Glaze, Staff Attorney, Enforcement Section
David Randle, Engineering Specialist, Field Ops

FOR PRODUCERS OPERATING CO. INC.

William Stewart, President

PROCEDURAL HISTORY:

Notice of Hearing:	March 5, 2018
Hearing on the merits:	March 22, 2018
Record closed:	March 22, 2018
Proposal for Decision issued:	June 7, 2018
Heard by:	Clayton J. Hoover, Administrative Law Judge

SUMMARY

In Docket No. 10-0309130, the Railroad Commission of Texas ("Staff") alleges Producers Operating Co. Inc. (Operator No. 680540), ("Producers Operating Co.") is in violation of Statewide Rule 14(b)(2) at Producers Operating Co.'s Zueb Lease in Gray County, Texas.

Producers Operating Co.'s President, William Stewart, appeared at hearing, recounted the various operations and the current status of the well, but failed to present evidence sufficient to demonstrate that Producers Operating Co. is not in violation of Commission Rules and the Texas Natural Resources Code, as alleged by Staff.

The record evidence supports the violation as alleged by Staff. Staff seeks an administrative penalty of \$5,180.00 and requests that the well be plugged and the Lease be brought into compliance with all Commission Statewide Rules.

APPLICABLE AUTHORITY

SWR 14(b)(2), addressing *Plugging*:

(2) 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 Commission or its delegate approves a plugging extension under §3.15 of this title (relating to Surface Equipment Removal Requirements and Inactive Wells).

EVIDENCE PRESENTED

ENFORCEMENT STAFF'S CASE

Enforcement Staff offered into evidence five exhibits and the testimony of Mr. David Randle—a Railroad Commission of Texas Engineering Specialist. Staff presented exhibits showing Producers Operating Co.'s delinquent P-5 and information on the Zueb Lease, Well No. 7, including a series of District Office inspection reports (accompanied by photographic evidence) of the Lease—each prepared on various dates by the Commission's Oil and Gas Division, District 10.¹ Each District Office inspection report summarily describes conditions found at the Lease on the date that the inspection took place.²

¹ Staff Exh. 1 - 5

² Staff Exh. 3

Staff states that Railroad Commission records and the above-described Inspection Reports (accompanied by photographic evidence) demonstrated violation of Statewide Rule 14(b)(2) and that the Lease has not been brought into compliance.

Staff maintains that Producers Operating Co. violated Statewide Rule 14(b)(2) by not plugging the well. Staff requests that Producers Operating Co. be assessed administrative penalties in the amount of \$5,180.00 and ordered to plug the Well and place the Lease and Well into compliance with all Commission rules and regulations.

PRODUCERS OPERATING CO.'S CASE

Producers Operating Co.'s President, William Stewart, appeared at hearing, but failed to provide evidence, or otherwise articulate a legal basis, to contradict proof that it is responsible for a violation of Statewide Rule 14(b)(2).

ADMINISTRATIVE LAW JUDGE OPINION

While Producers Operating Co.'s, William Stewart, did appear at the hearing, discussed the planned operations and the current status of the well, Producers Operating Co. offered no evidence to contradict proof that it is responsible for a violation of Statewide Rule 14(b)(2). Without evidence to the contrary, the record in this case consists of undisputed evidence that Producers Operating Co. committed the violation as alleged by Staff.

Producers Operating Co. has no history of violations of Commission rules and regulations.

The Administrative Law Judge recommends that the Commission assess Producers Operating Co. an administrative penalty in the amount of \$5,180.00, and to order Producers Operating Co. to plug the well and bring the Lease into compliance with all Commission rules and regulations. The maximum penalty available under Tex. Admin. Code §83.051(b)(1) would be \$10,000 per violation per day with each day constituting a separate violation under §83.051(b-1). Staff used the Penalty Guidelines of Rule 107 to arrive at the recommended penalty contained herein of \$5,180.00.

CONCLUSION

The Administrative Law Judge agrees with Staff that Producers Operating Co. has violated Statewide Rule 14(b)(2) and makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Producers Operating Co. (Operator Number 680540) was given at least ten (10) days notice of this hearing by certified mail sent to its most recent Form P-5 address.
2. Producers Operating Co. appeared at the hearing through William Stewart, President.
3. As established by Producers Operating Co.'s most recent Form P-5 *Organization Report*, Producers Operating Co. is a corporation, with William Stewart as its President.
4. Producers Operating Co. designated itself as the operator of the Zueb Lease, Well No. 7, by filing a Commission Form P-4, dated December 14, 2009.
5. The violation in this docket is a violation of Commission rules related to safety and the prevention or control of pollution.
6. Producers Operating Co. violated Statewide Rule 14(b)(2) by not plugging the well.
7. Producers Operating Co. Inc. has no prior history of violations of Commission rules.
8. For purposes of TEX. NAT. RES. CODE § 91.114, at all times relevant hereto, William Stewart, as President, was the person who held a position of ownership or control in Producers Operating Co.

CONCLUSIONS OF LAW

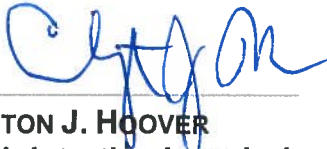
1. Proper notice of hearing was timely issued to the appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. Producers Operating Co. violated Statewide Rule 14(b)(2) by not plugging the subject well.
4. The documented violation committed by Producers Operating Co. constitutes an act deemed serious and a hazard to the public health and safety within the meaning of Texas Natural Resources Code § 81.0531.
5. Producers Operating Co. did not demonstrate good faith within the meaning of Texas Natural Resources Code § 81.0531.

RECOMMENDATIONS

The Administrative Law Judge recommends that the above Findings of Fact and Conclusions of Law be adopted and that Producers Operating Co. be assessed an administrative penalty of \$5,180.00, as discussed above.

The Administrative Law Judge also recommends that Producers Operating Co. be directed to plug Well No. 7 and place the Zueb Lease, Well No. 7 fully into compliance with all Commission rules and regulations within 30 days of the date this order becomes final.

RESPECTFULLY SUBMITTED,



CLAYTON J. HOOVER
Administrative Law Judge