

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL & GAS DOCKET NO. 01-0307654**

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**ENFORCEMENT ACTION AGAINST BELLOWS OPERATING CO., L. C. (OPERATOR NO. 063857) FOR VIOLATIONS OF STATEWIDE RULES ON THE BURKS RANCH "D" LEASE, WELL NO. 5W (RRC GAS ID NO. 254818), JOHN T. SAUNDERS (WILCOX 5380) FIELD, LA SALLE COUNTY, TEXAS**

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**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 28, 2018, and that the respondent, Bellows Operating Co., L. C., 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. Bellows Operating Co., L. C. ("Respondent"), Operator No. 063857, 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 officers as identified on the Form P-5—Dana Seal; Deborah Perez Bellows; and Gary L. Bellows—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the last known addresses.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission unopened on May 6, 2018. The Certified Mail envelopes addressed to L. C. Bellows Operating Co. and Dana Seal were returned to the Commission unopened on May 6, 2018 and May 10, 2018 respectively. 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 September 1, 2016, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Deborah Perez Bellows, President and Gary L. Bellows, Manager/Member/VP.

4. Deborah Perez Bellows 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. Gary L. Bellows 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 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
7. Respondent designated itself to the Commission as the operator of the Burks Ranch "D" Lease, Well No. 5W (Gas ID No. 254818), by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective November 10, 2009, approved March 3, 2010.
8. The Commission inspected the Lease on July 27, 2017, after a water tank was struck by lightning and was later disconnected from the poly line manifold while being moved. Eight tanks were connected to the manifold and each spilled when the damaged tank was moved. The firewall did not contain the spill. Oil and gas wastes were inside the firewall and outside the firewall in a nearby ditch.
9. The Commission conducted a second inspection on July 28, 2017. The inspector reported that the firewalls have been rebuilt but remained insufficient to contain fluids from all the tanks. The inspector also reported that contamination outside of the firewall had been cleaned, but thick fluids and sediment from the tanks remained inside the firewall.
10. A third inspection conducted on August 7, 2017 also showed the firewall remained insufficient to contain fluids from all the tanks. The inspector again reported thick fluids and sediment from the tanks remained inside the firewall. The Commission notified Respondent in writing on August 11, 2017, that its P-4 could be canceled if the stated violations of Statewide Rules 8(d)(1) and 21(j) were not resolved in ten days.
11. A fourth inspection conducted on September 8, 2017, showed the contamination and the insufficient firewalls remained in violation of Commission rules.
12. Respondent did not have a permit for the discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
13. 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.
14. 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.

15. 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.
16. Commission records indicate that the well has been inactive since October 2015. Respondent's failure to resolve previous violations renders it ineligible for a plugging extension or to renew its expired Form P-5.
17. 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.
18. 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.
19. The total estimated cost to the State for plugging the Burks Ranch "D" Lease, Well No. 5W (Gas ID No. 254818), Well No. 5W is \$37,572.50.
20. Commission inspection reports made on July 27, 2017, July 28, 2017, August 7, 2017, and September 8, 2017 on the Burks Ranch "D" Lease show the firewall was inadequate. Specifically, the firewall failed to hold the July 27, 2017 spill has not been properly rebuilt since that incident.
21. Failing to erect a dike or fire wall as required by Statewide Rule 21(j) can cause fires.
22. Commission records indicate Well No. 5W (RRC ID No. 254818) on the Burks Ranch Lease was permitted as a salt water disposal well by Permit No. 18089 on April 4, 2017. This permit requires a mechanical integrity pressure test be conducted every five years. The last approved test was conducted on April 12, 2010. There is no record of subsequent testing.
23. 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 8(d)(1), 14(b)(2), 21(j), and 9(12)(C)(i). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), 3.14(b)(2), 3.21(j), and 3.9(12)(C)(i).
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 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 21(j), which requires that dikes or fire walls be erected and kept around all permanent oil tanks or battery of tanks that are within the corporate limits of any city, town or village or where such tanks are closer than 500 feet to any highway or inhabited dwelling or closer than 1,000 feet to any school or church, or where such tanks are located as to be deemed by the Commission to be an objectionable hazard.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 9(12)(C)(i), which requires the Respondent to test to subject well and maintain the lease in compliance with the terms and conditions of the injection permit dated December 28, 2000.
10. 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.
11. An assessed administrative penalty in the amount of **TWENTY-TWO THOUSAND DOLLARS (\$22,000.00)** is justified considering the facts and violations at issue.
12. 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, Deborah Perez Bellows and Gary L. Bellows, 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).

## ORDERING PROVISIONS

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

1. Bellows Operating Co., L. C. (Operator No. 063857) shall plug the Burks Ranch "D" (254818) Lease, Well No. 5W, and place the subject lease in compliance with Statewide Rules 8(d)(1), 14(b)(2), 21(j), and 9(12)(C)(i), and any other applicable Commission rules and statutes.
2. Bellows Operating Co., L. C. (Operator No. 063857) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY-TWO THOUSAND DOLLARS (\$22,000.00)**.

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, Deborah Perez Bellows and Gary L. Bellows, 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 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 16<sup>th</sup> day of October 2018.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master  
Order dated October 16, 2018)

CJH/dac