

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 04-0309647

ENFORCEMENT ACTION AGAINST BELLOWS OPERATING CO., L. C. (OPERATOR NO. 063857) FOR VIOLATIONS OF STATEWIDE RULES ON THE ROOTS, MAYO LEASE, WELL NO. 1 (RRC ID NO. 075660), ROMUR (HOUGHTON, LO.) FIELD, SAN PATRICIO 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 July 26, 2018, and that Bellows Operating Co., L. C. ("Respondent"), 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 Texas Administrative Code § 1.25, and after being duly submitted to the Commissioners 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. 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.
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 July 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 September 1, 2016, Respondent, a limited liability company, filed a Form P-5 with the Commission.
4. 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.
5. Respondent designated itself to the Commission as the operator of the Roots, Mayo Lease, Well No. 1 (RRC ID No. 075660), by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective February 1, 2010, approved February 16, 2010.

6. Commission records show the Roots, Mayo Lease, Well No. 1 (RRC ID No. 075660), was permitted as a saltwater disposal well by Permit No. 10972 on October 22, 1997. This permit requires a mechanical integrity pressure test be conducted every five years. The last approved test was conducted on December 16, 2010. There is no record of subsequent testing.
7. Failure to conduct the mechanical integrity pressure test on the subject well, as required by Statewide Rule 9(12)(c)(i) and the terms and conditions of the injection permit, may lead to fluid leaks and water pollution.
8. Commission inspection reports made on October 25, 2017 and December 5, 2017, and the absence of reported injection since July 2012, show the Roots, Mayo Lease, Well No. 1 (RRC ID No. 075660), has been inactive for a period greater than one year. Injection into the subject lease ceased in June 2012.
9. No workovers, re-entries, or subsequent operations have taken place on the subject well within the last twelve months and the subject well has not been properly plugged in accordance with Statewide Rule 14, 16 Texas Administrative Code § 3.14. No plugging extensions are in effect for the subject well.
10. 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.
11. The total estimated cost to the State for plugging the Roots, Mayo Lease, Well No. 1 (RRC ID No. 075660), is \$59,545.00.
12. A Commission inspection report dated October 25, 2017, shows that five fiberglass tanks blew over and were destroyed during Hurricane Harvey and impacted the adjacent property. Respondent did not notify the Commission of the spill as required by Statewide Rule 20(a)(1).
13. Respondent has five previous dockets in which agreed orders have been entered under Docket Nos. 01-0296536, 04-0298766, 04-0296537, 04-0296535, and 01-0298150.

CONCLUSIONS OF LAW

1. The Commission properly noticed 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 Texas Natural Resource Code chapters 89 and 91.
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 9(12)(c)(i), which requires that each disposal well be pressure-tested once every five years to determine whether well tubing, packer, and casing have sufficient mechanical integrity to meet performance standards. Failure to timely conduct pressure testing may result in water pollution.
5. 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.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 20(a)(1), which requires the operator to immediately notify the appropriate Commission district office of a fire, leak, spill, or break and subsequently provide the Commission with a written description that fully describes the event and includes the volume of crude oil, gas geothermal resources, other well liquids, or associated products lost.
7. Respondent is in violation of Statewide Rules 9(12)(c)(i), 14(b)(2) and 20(a)(1). See 16 Tex. Admin. Code §§ 3.9(12)(c)(i), 3.14(b)(2), and 3.20(a)(1).
8. 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 Texas Natural Resource Code § 81.0531(c).
9. Pursuant to Texas Natural Resource 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.
10. An assessed administrative penalty in the amount of **TWENTY-THREE THOUSAND, EIGHT HUNDRED THIRTY-THREE DOLLARS (\$23,833.00)** 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. Bellows Operating Co., L. C. (Operator No. 063857) shall plug the Roots, Mayo Lease, Well No. 1 (RRC ID 075660) and place the subject lease in compliance with Statewide Rules 14(b)(2), 9(12)(c)(i), and 20(a)(1), and any other applicable Commission rules and statutes.
2. Bellows Operating Co., L. C. (Operator No. 063857) is hereby assessed administrative penalties owed to the Railroad Commission of Texas, for disposition as provided by law, in the amount of **TWENTY-THREE THOUSAND, EIGHT HUNDRED THIRTY-THREE DOLLARS (\$23,833.00)**.

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 Texas Government Code § 2001.142, by agreement under Texas Government Code § 2001.147, or by written Commission order issued pursuant to Texas Government 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 Texas Government 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 16th day of October 2018.

RAILROAD COMMISSION OF TEXAS

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

CJH/dac