

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL**

OIL AND GAS DOCKET NO. 7B-0316686

ENFORCEMENT ACTION AGAINST ESCONDIDO OPERATING, INC. (OPERATOR NO. 254252) FOR VIOLATIONS OF STATEWIDE RULES ON THE RANGER BOOM LEASE, WELL NO. 1 (DRILLING PERMIT NO. 733085), EASTLAND COUNTY REGULAR FIELD, EASTLAND COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that statutory notice of the captioned enforcement proceeding was provided pursuant to Commission rules, and that the respondent, Escondido Operating, 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 Texas Administrative 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. Escondido Operating, Inc. ("Respondent"), Operator No. 254252, 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 First Amended Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission on July 3, 2019. 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 November 6, 2012, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Donald Cunningham, President and James C. Allen, Secretary.
4. Donald Cunningham was in a position of ownership or control of Respondent, as defined in Texas Natural Resources Code § 91.114, during the time period of the violations of Commission rules committed by Respondent.
5. James C. Allen was in a position of ownership or control of Respondent, as defined in Texas Natural Resources 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 Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter, effective February 23, 2012, approved February 2, 2012.
8. A Commission inspection report made on October 25, 2018 for the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), shows that the signs or identification required to be posted at the lease entrance was missing.
9. A Commission inspection report made on October 25, 2018 for the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), shows that the signs or identification require to be posted at the well was missing.
10. A Commission inspection report made on October 25, 2018 for the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), shows that the signs or identification required to be posted at the tank battery was missing.
11. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(1), 3(2), 3(3), 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. A Commission inspection report made on October 25, 2018 for the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), and the absence of reported production since June 2012, show that the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), has been inactive for a period greater than one year. Production from the subject well has never been reported.
13. Continued maintenance of unpermitted pits, in violation of Statewide Rule 8(d)(2), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.
14. A Commission inspection report made on October 25, 2018 for the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), showed an open partially lined reserve pit measuring approximately 20,000 square feet and containing approximately 300 barrels of fluid.
15. No permit exists for the referenced pit.
16. 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 15.
17. 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.
18. The total estimated cost to the State for plugging the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), is \$24,920.00.

19. A Commission inspection report made on October 25, 2018 for the Ranger Boom Lease, Well No. 1 (Drilling Permit No. 733085), shows that the well was completed but Respondent has not filed the required completion report.
20. 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.
21. 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 Texas Natural Resources Code, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 3(1), 3(2), 3(3), 8(d)(2), 14(b)(2), and 16(b). 16 Texas Administrative Code § 3.3(1), 3.3(2), 3.3(3), 3.8(d)(2), 3.14(b)(2), and 3.16(b).
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 Texas Natural Resources Code § 81.0531(c).
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(1), which requires that a sign be posted at the principal entrance of each property that produces oil, gas, or geothermal resources, which shall show the name by which the property is commonly known and is carried on the records of the commission, the name of the operator, and the number of acres in the property.
7. Respondent is responsible for maintaining the subject lease 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 the subject lease in compliance with Statewide Rule 3(3), which requires that each tank battery that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property and if commingled, include the commingling permit number.
9. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(2), which requires that pits not otherwise authorized by rule, be permitted.

10. 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.
11. 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.
12. Pursuant to Texas Natural Resources 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 **EIGHTEEN THOUSAND FIVE HUNDRED DOLLARS (\$18,500.00)** is justified considering the facts and violations at issue.
14. Respondent violated Commission rules related to safety and the control of pollution. Any other organization in which an officer of this organization holds a position of ownership or control, is subject to the restriction in Texas Natural Resources Code § 91.114.

ORDERING PROVISIONS

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

1. Escondido Operating, Inc. (Operator No. 254252) shall plug the Ranger Boom Lease, Well No. 1 (Drilling Permit 733085), and place in compliance with Statewide Rules 3(1), 3(2), 3(3), 8(d)(2), 14(b)(2), and 16(b), and any other applicable Commission rules and statutes.
2. Escondido Operating, Inc. (Operator No. 254252) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHTEEN THOUSAND FIVE HUNDRED DOLLARS (\$18,500.00)**.

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.

Any other organization in which an officer of this organization holds a position of ownership or control at the time Respondent violated Commission rules related to safety and the control of

pollution, **shall be subject to the restriction in Texas Natural Resources 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.

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 11th day of September 2019

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated September 11, 2019)

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