

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DOCKET NO. 7B-0314721

ENFORCEMENT ACTION AGAINST CHAPMAN OIL COMPANY (OPERATOR NO. 145860) FOR VIOLATION OF STATEWIDE RULES ON THE TERRY, O. H. LEASE, WELL NO. 1 (GAS RRC ID 017499), CAMP COLORADO (MARBLE FALLS) FIELD, COLEMAN COUNTY, TEXAS; AND ON THE TERRY UNIT LEASE, WELL NO. 1 (GAS RRC ID 113182), HENLEY (DUFFER 2740) FIELD, COLEMAN 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, Chapman Oil Company, 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 an open meeting held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Chapman Oil Company ("Respondent"), Operator No. 145860, 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. Respondent was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the Resident Agent.
3. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission. The first-class mail was not returned.
4. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Resident Agent was delivered but never claimed. The first-class mail was not returned.
5. 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.

6. On March 10, 2016, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officer(s) consisted of the following individual(s): Ann C. Thurmond, President, and Karen T. O'Neill, Executive Vice-President and Secretary.
7. Ann C. Thurmond and Karen T. O'Neill were in positions of ownership or control of Respondent, as defined in Texas Natural Resources Code § 91.114, during the time when the violations of Commission rules were committed by Respondent.
8. Respondent's Organization Report is delinquent. Respondent had a \$25,000.00 cash deposit on file as financial assurance when it last renewed its Organization Report.

Terry, O.H. Lease, Well No. 1 (Gas RRC ID 017499)

9. Respondent is the operator of record of the Terry, O.H. Lease, Well No. 1 (Gas RRC ID 017499), Camp Colorado (Marble Falls) Field, Coleman County, Texas (the "O.H. Well"), pursuant to a Commission Form P-4 (Certificate of Compliance and Transportation Authority) on file with the Commission: effective August 1, 1972, and approved August 14, 1972.
10. Commission inspections conducted on May 17, 2018, June 26, 2018, June 27, 2018, and August 10, 2018, show no sign posted at the property entrance.
11. Commission inspections conducted on May 17, 2018, June 26, 2018, June 27, 2018, and August 10, 2018, show that the sign posted at the well site was illegible.
12. Commission inspections conducted on May 17, 2018, June 26, 2018, June 27, 2018, and August 10, 2018, show that no sign was posted at the tank battery.
13. The lack of signs and identification may cause confusion in the event of a pollution or safety violation, or another emergency; without correct operator or location information, efforts to contain and/or remediate the violation or emergency may be substantially delayed.
14. The O.H. Well's Certificate of Compliance was cancelled on May 5, 2017. The certificate was never reissued. Commission inspections conducted on May 17, 2018, June 26, 2018, and June 27, 2018, show the well producing gas during the inspections—while the Certificate of Compliance was cancelled.
15. Section 85.3855(a)(1) of the Texas Natural Resources Code authorizes the Commission to assess an administrative penalty for production when a Certificate of Compliance is cancelled.

Terry Unit, Well No. 1 (Gas RRC ID 113182)

16. Respondent is the operator of record of the Terry Unit Lease, Well No. 1 (Gas RRC ID 113182), Henley (Duffer 2740) Field, Coleman County, Texas (the "Terry Well"), pursuant to a Commission Form P-4 (Certificate of Compliance and Transportation Authority) on file with the Commission: effective June 1, 1985, and approved December 10, 1985.

17. Commission inspections conducted on May 17, 2018, June 26, 2018, June 27, 2018, and August 10, 2018, show no sign posted at the property entrance.
18. Commission inspections conducted on May 17, 2018, June 26, 2018, June 27, 2018, and August 10, 2018, show that the sign posted at the well site was illegible.
19. The lack of signs and identification may cause confusion in the event of a pollution or safety violation, or another emergency; without correct operator or location information, efforts to contain and/or remediate the violation or emergency may be substantially delayed.
20. Commission inspections conducted on May 17, 2018, June 26, 2018, June 27, 2018, and August 6, 2018, and the absence of reported production since January 1993 indicate that the Terry Well has been inactive for more than one year. Respondent has not notified the Commission of any workovers or reentries on the Terry Well. The Terry Well has no valid plugging extension.
21. Unplugged wellbores are likely to cause pollution of usable quality ground water and surface water by serving as a conduit for the passage of oil, gas, saltwater, and other substances from one stratum or formation to another, or to the surface, or from the surface downward.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Commission to Respondent and all other persons legally entitled to notice.
2. All things necessary for the Commission to attain jurisdiction over the subject matter and the parties have been performed or have occurred.
3. Respondent is responsible for maintaining the captioned properties in compliance with all applicable Commission rules and statutes, found in Title 16 of the Texas Administrative Code, Chapter 3, and Texas Natural Resources Code, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 3(1), 3(2), 3(3), 14(b)(2), and 73(i) at the captioned properties. 16 Tex. Admin. Code §§ 3.3(1), 3.3(2), 3.3(3), 3.14(b)(2), and 3.73(i)
5. The documented violations committed by Respondent constitute acts deemed serious, a hazard to the public health and safety, and demonstrate a lack of good faith pursuant to Texas Natural Resources Code § 81.0531(c).
6. Respondent is responsible for maintaining the subject properties in compliance with Statewide Rule 3(1), 16 Texas Administrative Code § 3.3(1), which requires that a sign be posted at the principal entrance to each property productive of oil, gas, or geothermal resources. The sign must display the Commission lease name, the name of the operator, and the number of acres in the property. The sign must be in English, clearly legible, written in letters and numbers at least one inch in height.

7. Respondent is responsible for maintaining the subject properties in compliance with Statewide Rule 3(2), 16 Texas Administrative Code § 3.3(2), which requires that each well site productive of oil, gas, or geothermal resources post a sign showing the name of the property, the name of the operator, and the well number. The sign must be in English, clearly legible, written in letters and numbers at least one inch in height.
8. Respondent is responsible for maintaining the subject properties in compliance with Statewide Rule 3(3), 16 Texas Administrative Code § 3.3(3), which requires that a sign be posted at or painted on each oil stock tank, remotely located satellite tank, or approved crude oil measuring facility (where tanks are not utilized). The sign must display the Commission lease name, the name of the operator, and the number of acres in the property. The sign must be in English, clearly legible, written in letters and numbers at least one inch in height.
9. Respondent is responsible for maintaining the subject properties in compliance with Statewide Rule 14(b)(2), 16 Texas Administrative Code § 3.14(b)(2), which requires that each dry or inactive well be plugged no later than one year after drilling or operations cease unless the Commission approves a plugging extension under Statewide Rule 15.
10. Respondent is responsible for maintaining the subject properties in compliance with Statewide Rule 73(i), 16 Texas Administrative Code § 3.73(i), which prohibits use of a well for production, injection, or disposal while its Certificate of Compliance is cancelled.
11. Pursuant to Texas Natural Resources Code § 81.0531, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000.00 per day for each violation, each day of continuing violations constituting a separate violation.
12. An assessed administrative penalty in the amount of **ELEVEN THOUSAND NINE HUNDRED NINETY-SEVEN DOLLARS (\$11,997.00)** is justified considering the facts and violations at issue.
13. As persons in positions of ownership or control of Respondent at the time the violations related to safety and the control of pollution occurred, Ann C. Thurmond and Karen T. O'Neill, and any other organization in which these individuals may hold positions of ownership or control, is subject to the restriction detailed in Texas Natural Resources 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. Chapman Oil Company (Operator No. 145860) shall place the Terry, O.H. Lease, Well No. 1 (Gas RRC ID 017499) and the Terry Unit Lease, Well No. 1 (Gas RRC ID 113182) into

compliance with 16 Texas Administrative Code §§ 3.3(1), 3.3(2), 3.3(3), 3.14(b)(2), and 3.73(i), by plugging the captioned wells.

2. Chapman Oil Company (Operator No. 145860) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ELEVEN THOUSAND NINE HUNDRED NINETY-SEVEN DOLLARS (\$11,997.00)**.

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 \$10,000.00 per day per violation.

RAILROAD COMMISSION OF TEXAS

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