

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

OIL AND GAS DOCKET NO. 09-0316359

ENFORCEMENT ACTION AGAINST GENEPA PETROLEUM COMPANY (OPERATOR NO. 299369) FOR VIOLATIONS OF STATEWIDE RULES ON THE COWAN & MCKINNEY-50- LEASE, WELL NO. S 1 (DRILLING PERMIT NO. 835883), ARCHER COUNTY REGULAR FIELD, ARCHER COUNTY; COWAN & MCKINNEY-50- LEASE, WELL NO. A 1 (DRILLING PERMIT NO. 835885), ARCHER COUNTY REGULAR FIELD, COUNTY; AND COWAN & MCKINNEY -50- LEASE, WELL NO. M 2 (DRILLING PERMIT NO. 835884), ARCHER COUNTY REGULAR FIELD, ARCHER 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, Genepa Petroleum Company, failed to appear or respond to the **Notice 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. Genepa Petroleum Company ("Respondent"), Operator No. 299369, was sent the Original Complaint and Notice of Hearing by certified and first-class mail, addressed to the most recent Commission Form P-5 (Organization Report) ("Form P-5") address. The Notice of Hearing notified Respondent of a hearing scheduled to be conducted on July 30, 2019, at 2:00 pm at the Railroad Commission of Texas at the William B. Travis Building, 1701 N. Congress Avenue, Austin, Texas.
2. The certified mail envelope containing the Original Complaint and Notice of Hearing addressed to the Respondent was returned to the Commission on July 11, 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.
3. On July 30, 2019, at approximately 2:00 pm, a hearing was convened at the Railroad Commission of Texas for the captioned docket. No representative from Respondent appeared at the hearing.
4. On November 7, 2018, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officer consists of the following individual:
5. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.

6. Respondent designated itself to the Commission as the operator of the Cowan & McKinney-50- Lease, Well No. S 1 (Drilling Permit No. 835883), by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter) approved February 7, 2018, submitted February 1, 2018.
7. Respondent designated itself to the Commission as the operator of the Cowan & McKinney-50- Lease, Well No. A 1 (Drilling Permit No. 835885), by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter), approved February 2, 2018, submitted February 1, 2018.
8. Respondent designated itself to the Commission as the operator of the Cowan & McKinney -50- Lease, Well No. M 2 (Drilling Permit No. 835884), by filing a Commission Form W-1 (Application for Permit to Drill, Recomplete, or Re-Enter), approved July 12, 2014, submitted July 11, 2014.
9. Commission records show that Respondent's application to drill the Cowan & McKinney-50- Lease, Well No. A 1 (Drilling Permit No. 835885), was approved on February 2, 2018. As part of this permit, under Conditions and Instructions, During Drilling, the permit states: "Notification of Setting Casing. The operator MUST call in notification to the appropriate district office (phone number shown on the permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the drilling permit number."
10. Commission records show that Respondent failed to notify the District Office prior to spudding the well, setting casing, and cementing casing in the subject wellbore, as required. Commission District inspection reports conducted on July 12, 2018, August 22, 2018, and September 18, 2018, indicated that Respondent had completed the well.
11. Without notification by the operator, prior to the commencement of cementing operations, as required in the operator's drilling permit, the Commission is without sufficient information to determine if proper safety measures and safety equipment will be in place at a well.
12. Commission district inspection reports made on July 12, 2018, August 22, 2018, and September 18, 2018 for the Cowan & McKinney -50- Lease, Well No. M 2 (Drilling Permit No. 835884), show that the well is open to the atmosphere.
13. Wells left uncontrolled or open to the atmosphere, in violation of Statewide Rule 13(a)(6)(A), may discharge oil and gas waste onto the land surface and affect the health of humans and animals; these discharges may eventually make their way to surface or subsurface waters, causing pollution.
14. Commission district inspection reports made on July 12, 2018, August 22, 2018, and September 18, 2018 for the Cowan & McKinney-50- Lease, Well No. S 1 (Drilling Permit No. 835883), as well as Commission records show that the well was completed but Respondent has not filed the required completion report, did not file the completion report within ninety days after completion of the well or within one hundred fifty days after the date on which the drilling operation was completed, whichever is earliest, or within thirty days of plugging a dry hole.

15. Commission district inspection reports made on July 12, 2018, August 22, 2018, and September 18, 2018 for the Cowan & McKinney-50- Lease, Well No. A 1 (Drilling Permit No. 835885), as well as Commission records show that the well was completed but Respondent has not filed the required completion report, did not file the completion report within ninety days after completion of the well or within one hundred fifty days after the date on which the drilling operation was completed, whichever is earliest, or within thirty days of plugging a dry hole.
16. Commission district inspection reports made on July 12, 2018, August 22, 2018, and September 18, 2018 for the Cowan & McKinney -50- Lease, Well No. M 2 (Drilling Permit No. 835884), as well as Commission records, show that the well was completed but Respondent has not filed the required completion report, did not file the completion report within ninety days after completion of the well or within one hundred fifty days after the date on which the drilling operation was completed, whichever is earliest, or within thirty days of plugging a dry hole.
17. 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.
18. The Respondent charged with the violation herein recited has a history of violations of Commission rules as set forth in Oil & Gas Docket Nos. 03-0310333, 06-0304443 and 06-0313945.

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 5(a), 13(a)(6)(A), and 16(b). 16 Texas Administrative Code §§ 3.5(a), 3.13(a)(6)(A), 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 complying with all requirements set forth in drilling permits in the course of drilling wells.
7. Respondent is responsible for maintaining surface control of a well by using wellhead assemblies in compliance with Statewide Rule 13(a)(6)(A). Maintenance of surface control is

necessary not only to prevent fluids from being discharged from the wellbore onto the ground surface, but also to prevent any oil and gas wastes present in the wellbore from being displaced to surface by influxes of surface water into the open wellbore.

8. 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.
9. 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.
10. An assessed administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)** is justified considering the facts and violations at issue.
11. 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. Genepa Petroleum Company (Operator No. 299369) shall place the Cowan & McKinney-50- Lease, Well No. S 1 (Drilling Permit 835883); Cowan & McKinney-50- Lease, Well No. A 1 (Drilling Permit 835885); and Cowan & McKinney -50- Lease, Well No. M 2 (Drilling Permit 835884), in compliance with Statewide Rules 5(a), 13(a)(6)(A), and 16(b), and any other applicable Commission rules and statutes.
2. Genepa Petroleum Company (Operator No. 299369) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)**.

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.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order

dated DEC 17 2019)

MAG/wcd