

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

OIL AND GAS DOCKET NO. 01-0221151

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CRYSTAL RESOURCES, INC. (191682), AS TO THE MARIA (12788) LEASE, WELL NO. 1, THE HEISER (05535) LEASE, WELL NOS. 1, 2 AND 3, PEARSALL (AUSTIN CHALK) FIELD, FRIO COUNTY; AND THE NELSON -C- (12353) LEASE, WELL NO. 1, PEARSALL (AUSTIN CHALK) FIELD, LA SALLE COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 9, 1999, and that the respondent, Crystal Resources, Inc. (191682), failed to appear or respond to the notice. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Crystal Resources, Inc. (191682), ("respondent") was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 (Organization Report) address, which was returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Hearing Opportunity, was returned to the Commission marked "unclaimed" on July 26, 1999. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On May 11, 1998, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: Michael A. Furr; President.

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4. Respondent designated itself to the Commission as the operator of Well No. 1 on the Maria (12788) Lease, Well Nos. 1, 2 and 3 on the Heiser (05535) Lease and Well No. 1 on the Nelson -C- (12353) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission, effective on August 17, 1998 for Well No. 1 on the Maria (12788) Lease and Well Nos. 1, 2 and 3 on the Heiser (05535) Lease and May 1, 1998 for Well No. 1 on the Nelson -C- (12353) Lease.
5. The subject wells have been dry or inactive for a period in excess of one year. Commission inspection and/or production reports indicate that the subject wells ceased production on or before March 31, 1997 for Well No. 1 on the Maria (12788) Lease, injection into Well No. 1 on the Heiser (05535) Lease ceased on or before February 28, 1998, Well Nos. 2 and 3 on the Heiser (05535) Lease ceased production on or before January 31, 1997 and Well No. 1 on the Nelson -C- (12353) Lease ceased production on or before May 31, 1997. .
6. The subject wells have not properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
7. Usable quality water in the area is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to public health and safety because of the probability of pollution.
8. The estimated cost to the State of plugging Well No. 1 on the Maria (12788) Lease is \$8,500.00, Well Nos. 1, 2 and 3 on the Heiser (05535) Lease is \$28,500.00 and Well No. 1 on the Nelson -C- (12353) Lease is \$10,000.00.
9. A Commission district office inspection was conducted on January 8, 1999 for the Heiser (05535) Lease. A PVC line at the tank battery was leaking produced water affecting an area approximately 38' x 3'.
10. A Commission district office inspection was conducted on January 21, 1999 for the Nelson -C- (12353) Lease. Oil saturated soil at Well No. 1 had affected an area approximately 50' x 20'.
11. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject leases.
12. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or an leach into the ground and percolate through soils into groundwater supplies.
13. The respondent did not demonstrate good faith since it failed to plug or otherwise place the subject wells and subject leases in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

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14. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 01-0219092; Final Order Served: February 12, 1999;
Docket No. 01-0219149; Final Order Served: March 26, 1999;
Docket No. 01-0219202; Final Order Served: March 12, 1999;
Docket No. 01-219575; Final Order Served: March 12, 1999;
Docket No. 01-0219770; Final Order Served: March 26, 1999;
Docket No. 01-0219941; Final Order Served: February 12, 1999; and
Docket No. 01-0220413; Final Order Served: January 29, 1999.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad 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 in this hearing have been performed or have occurred.
3. Respondent is in violation of Commission Statewide Rules 8(d)(1) and 14(b)(2).
4. Respondent is responsible for maintaining the subject leases in compliance with Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
5. Respondent is responsible for maintaining the subject wells and subject leases in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.
6. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531(c) (Vernon 1993).

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

1. Crystal Resources, Inc. (191682), shall plug and or otherwise place the Maria (12788) Lease, Well No. 1, the Heiser (05535) Lease, Well Nos. 1, 2 and 3, Pearsall (Austin Chalk) Field, Frio County; and the Nelson -C- (12353) Lease, Well No. 1, Pearsall (Austin Chalk) Field, La Salle County, Texas in compliance with applicable Commission rules and regulations; and
2. Crystal Resources, Inc. (191682), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY TWO**

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THOUSAND DOLLARS (\$22,000.00).

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing is filed by any party at interest within such 20-day period, this order shall not become final and effective until such motion is overruled, or if rehearing 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 90 days from the date the order is served on the parties.

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.

Done this 5th day of November, 1999.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated November 5, 1999)

MFE/sa