

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

OIL AND GAS DOCKET NO. 01-0232366

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY THRALL OPERATING COMPANY (857150), AS TO THE MCEVER, C.D. -B- (07193) LEASE, WELL NOS. 2, 3, 4 AND 10, THE MCEVER, C.D. -C- (08248) LEASE, WELL NOS. 5, 8 AND 12, AND THE MCEVER, C.D. -D- (09068) LEASE, WELL NOS. 6, 7, 9, 13 AND 15, KENS (SERPENTINE) FIELD, GUADALUPE COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 9, 2002, and that the respondent, Thrall Operating Company (857150), 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. Thrall Operating Company (857150), ("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, which was returned to the Commission marked "return to sender, attempted not known."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission marked "return to sender, attempted not known" on October 24, 2002. 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 June 2, 2000, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Rodney F. Hughes; President and Harry E. Whitsitt; Vice-President.
4. Respondent designated itself to the Commission as the operator of Well Nos. 2, 3, 4 and

- 10 on the McEver, C.D. -B- (07193) Lease, Well Nos. 5, 8 and 12 on the McEver, C.D. -C- (08248) Lease and Well Nos. 6, 7, 9, 13 and 15 on the McEver, C.D. -D- (09068) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on February 1, 2000 for all of the subject wells and subject leases.
5. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on May 1, 2001. Respondent paid a fee of \$100.00 as its financial assurance at the time of its last Form P-5 renewal.
 6. The subject wells ceased production on or before July 31, 1998 for Well Nos. 2, 3 and 4 and injection into Well No. 10 ceased on or before November 30, 1994 for the McEver, C.D. -B- (07193) Lease, Well Nos. 5, 8 and 12 ceased production on the McEver, C.D. -C- (08248) Lease or before July 31, 1998 and Well Nos. 6, 7, 9, 13 and 15 on the McEver, C.D. -D- (09068) Lease ceased production on or before July 31, 1998.
 7. The subject wells have not been properly plugged in accordance with, or otherwise placed in compliance with, Statewide Rule 14.
 8. Usable quality groundwater 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 the public health and safety because of the probability of pollution.
 9. The estimated cost to the State of plugging the subject wells is \$15,000.00 for Well Nos. 2, 3, 4 and 10 on the McEver, C.D. -B- (07193) Lease, \$12,000.00 for Well Nos. 5, 8 and 12 on the McEver, C.D. -C- (08248) Lease and \$18,000.00 for Well Nos. 6, 7, 9, 13 and 15 on the McEver, C.D. -D- (09068) Lease.
 10. Commission district office inspections were conducted on March 28, 2002 and June 4, 2002 for the McEver, C.D. -B- (07193) Lease. The signs and or identification required to be posted at the lease entrance, well sites and tank battery all displayed the incorrect information.
 11. Commission district office inspection reports were conducted on March 28, 2002 and June 4, 2002 for the McEver, C.D. -C- (08248) Lease. The signs and or identification required to be posted at the lease entrance, well sites and tank battery all displayed the incorrect information.
 12. Commission district office inspections were conducted on March 28, 2002 and June 4, 2002 for the McEver, C.D. -B- (07193) Lease. There was oil saturation at the tank battery affecting an area approximately 10' x 30'.
 13. Commission district office inspections were conducted on March 28, 2002 and June 4, 2002 for the McEver, C.D. -C- (08248) Lease. There was oil saturation at the tank battery affecting an area approximately 10' x 10'.
 14. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
 15. Unpermitted discharges of oil and gas wastes or other substances or materials on the

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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, leaching into the ground, and percolation through soils into groundwater supplies.

16. The Respondent did not demonstrate good faith since it failed to plug or otherwise place the subject leases and the subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to 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 3(a), 8(d)(1) and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with Rule 3(a), which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. 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.
6. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and for properly plugging the subject wells according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
7. 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 2001).

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

1. Thrall Operating Company (857150), shall plug and place the McEver, C.D. -B- (07193) Lease, Well Nos. 2, 3, 4 and 10, the McEver, C.D. -C- (08248) Lease, Well Nos. 5, 8 and 12, and the McEver, C.D. -D- (09068) Lease, Well Nos. 6, 7, 9, 13 and 15, Kens (Serpentine) Field, Guadalupe County, Texas in compliance with applicable Commission rules and regulations; and

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2. Thrall Operating Company (857150), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY SEVEN THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$27,750.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing 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 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 25th day of March 2003.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated March 25, 2003)

SP/sa