

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

OIL AND GAS DOCKET NO. 01-0246711

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY LEASE ROLLOVER OPERATIONS, INC. (491890), AS TO THE J.M. RIGGAN, JR. (09786) LEASE, WELL NO. 1D, PEARSALL (OLMOS -A-) FIELD, AND THE RIPPEY -A- (14376) LEASE, WELL NOS. 13, 14, 16, 17, 111, 112 AND 113, BIG FOOT FIELD, FRIO COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 29, 2006, and that the respondent, Lease Rollover Operations, Inc. (491890), 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. Lease Rollover Operations, Inc. (491890), ("Respondent") was given a First Amended 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 signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the First Amended Original Complaint and the First Amended Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was signed and returned to the Commission on May 22, 2006. 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 December 16, 2005, Respondent, a Corporation, filed a Form P-5 (Organization Report) with the Commission reporting that its officers consisted of the following individual(s): Gregory Clinton Sander; President.
4. Gregory Clinton Sander, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.
5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

6. Respondent designated itself to the Commission as the operator of Well No. 1D on the J.M. Riggan, Jr. (09786) Lease and Well Nos. 13, 14, 16, 17, 111, 112 and 113 on the Rippey -A- (14376) Lease ("subject wells"/"subject leases") by filing Forms P-4 (Producers Transportation of Authority and Certificate of Compliance) with the Commission effective on August 1, 2005.
7. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on August 1, 2006. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Well No. 1D on the J.M. Riggan, Jr (09786) Lease was a permitted injection well. The permit was cancelled on November 10, 2005. Well No. 1D on the J.M. Riggan, Jr. (09786) Lease ceased injection on or before February 28, 2003. A Plugging extension for Well No. 1D was denied on July 24, 2006, based on failure to perform a required H-15 test.
9. Well Nos. 13, 14, 16, 17, 111 and 113 on the Rippey -A- (14376) Lease ceased production on or before April 30, 2004. Plugging extensions for Well Nos. 13, 14, 17, 111 and 113 were denied on July 24, 2006, based on the failure to perform required H-15 test. A plugging extension for Well No. 16 was denied August 26, 2005, based on the failure to perform a required H-15 test.
10. Well No. 112 on the Rippey -A- (14376) Lease was permitted as a fresh water disposal well. Well No. 112 ceased injection activity on or before June 30, 1996. The last plugging extension for Well No. 112 expired July 31, 2006, and could not be renewed thereafter due to delinquency of Respondent's Form P-5.
11. The estimated cost to the State for plugging Well Nos. 13, 14, 16, 17, 111, 112 and 113 on the Rippey -A- (14376) is \$36,500.00 and \$8,800.00 for Well No. 1D on the J.M. Riggan, Jr. (09786) Lease.
12. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
13. 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.
14. Commission records indicate that no Form H-15 (Test on An Inactive Well More Than 25 Years Old) has been filed and approved for the Rippey -A- (14376) Lease, Well No. 16. Commission records further show that Rippey -A- (14376) Lease, Well No. 16 was completed on February 5, 1954, an H-15 test was due in 2005, and the well has not been plugged.

15. Commission district office inspections were conducted on October 13, 2005, November 22, 2005, December 22, 2005, January 19, 2006 and February 9, 2006 for the J.M. Riggan, Jr. (09786) Lease. The sign or identification required to be posted at Well No. 1D displayed incorrect information.
16. Commission district office inspections were conducted on September 28, 2005, October 4, 2005, October 31, 2005, November 28, 2005 and December 28, 2005 for the Rippey -A- (14376) Lease. The signs or identification required to be posted at the lease entrance and the tank battery were missing or displayed incorrect information and the signs or identification at Well Nos. 16 and 112 displayed incorrect information.
17. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
18. Commission district office inspections were conducted on October 13, 2005 and November 22, 2005 for the J.M. Riggan, Jr. (09786) Lease. The ground in and around the tank battery was polluted. Commission inspection reports dated December 22, 2005, January 19, 2006 and February 9, 2006 indicate a 12' x 1' strip of land at or around the tank battery was saturated with a fourth to a half of a barrel of "live oil", and that heavy salt crystallization had occurred at the tank battery area at the base of the tanks near the firewall.
19. Commission district office inspections were conducted on September 28, 2005, October 4, 2005, October 31, 2005 and November 28, 2005 for the Rippey -A- (14376) Lease. These inspections indicate no pollution or spillage. A Commission district office inspection was conducted on December 28, 2005 disclosed that there was severe pollution at the Rippey -A- (14376) Lease. Surface pollution, combined of "live oil" and heavy saturated soil were located at Well No. 113. Additionally, there was a flowline leak of live oil with a heavily saturated area of 30' x 30' plus runoff of 60' toward the flowline. There was another flowline leak, west of Well No. 14, affecting two areas, each 3' x 4', with runoff and a saturated area of approximately 30' x 20'.
20. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
21. 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 can leach into the ground and percolate through soils into groundwater supplies.
22. The Respondent has not demonstrated good faith since it failed to place the subject leases and 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, 8(d)(1), 14(b)(2) and 14(b)(3).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, 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 lease in compliance with Statewide 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 Rule 14(b)(3), which requires the operator of any well more than 25 years old that becomes inactive shall plug or test such well to determine whether the well poses a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
7. Respondent is responsible for maintaining the subject leases and wells in compliance with all applicable Commission rules according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
8. 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).
9. As a person in a position of ownership or control of respondent at the time respondent violated Commission rules related to safety and the control of pollution, Gregory Clinton Sander, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 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, whichever is earlier.

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

1. Lease Rollover Operations, Inc. (491890), shall plug or place the J.M. Riggan, Jr. (09786) Lease, Well No. 1D, Pearsall (Olmos -A-) Field, and the Rippey -A- (14376) Lease, Well Nos. 13, 14, 16, 17, 111 and 113, Big Foot Field, Frio County, Texas in compliance with Commission rules and regulations;
2. Lease Rollover Operations, Inc. (491890), shall plug the Rippey -A- (14376) Lease, Well No. 112, Big Foot Field, Frio County, Texas in compliance with all Commission rules and regulations;
3. Lease Rollover Operations, Inc. (491890), shall place the J.M. Riggan, Jr. (09786) Lease and the Rippey -A- (14376) Lease, Frio County, Texas, into compliance with Commission rules, including Statewide Rules 3, 8(d)(1), and 14(b)(3); and
4. Lease Rollover Operations, Inc. (491890), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY TWO THOUSAND SEVEN HUNDRED DOLLARS (\$22,700.00)**.

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 parties are notified of the order.

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 30th day of October 2006.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated October 30, 2006)

JD/sa