

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

OIL AND GAS DOCKET NO. 01-0262300

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY SIGNAL OIL AND GAS COMPANY (780310), AS TO THE DOWDY, A. E. (02711) LEASE, WELL NOS. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 AND 18, THE PARISH, R.A. NCT-1 (02760) LEASE, WELL NOS. 6, 7, 8, 9, 10, 11, 13 AND 14, DARST CREEK (BUDA) FIELD, AND THE DOWDY, A. E. (14358) LEASE. WELL NO. 19, DARST CREEK (EDWARDS) FIELD, GUADALUPE COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 1, 2011 and that the respondent, Signal Oil and Gas Company (780310), failed to appear or respond to the Notice of Opportunity for Hearing. 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. Signal Oil and Gas Company (780310), ("Respondent") was given a Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 Organization Report.
2. The returned certified receipt attached to the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address, was signed and returned to the Commission on July 27, 2011. The certified electronic verification has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On January 12, 2009, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): James Van Blaricum; President.
4. James Van Blaricum, was 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 Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18 on the Dowdy, A. E. (02711) Lease, Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14 on the Parish, R.A. NCT-1 (02760) Lease and Well No. 19 on the Dowdy, A. E. (14358) Lease ("subject wells"/"subject leases") by filing P-4 Forms (Producer's Transportation Authority and Certificate of Authority) effective October 4, 2008 for all of the subject leases.

7. Commission records indicate that Respondent's Form P-5 (Organization Report) became delinquent on July 1, 2009. Respondent had a \$50,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Production from Well Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18 on the Dowdy, A. E. (02711) Lease ceased in April 2004.
9. Production from Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14 on the Parish, R.A. NCT-1 (02760) Lease ceased in April 2004.
10. Production from Well No. 19 on the Dowdy, A. E. (14358) Lease ceased in July 2004.
11. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
12. The Statewide Rule 14b2 extensions for Well Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18 on the Dowdy, A. E. (02711) Lease were denied on August 6, 2004 for failure to file H-15 tests.
13. The Statewide Rule 14b2 extensions for Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14 on the Parish, R.A. NCT-1 (02760) Lease were denied on August 5, 2005 for failure to file H-15 tests.
14. The Statewide Rule 14b2 extension for Well No. 19 on the Dowdy, A. E. (14358) Lease was denied on August 6, 2004 for failure to file an H-15 test.
15. Usable quality groundwater in the area could have been 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.
16. The estimated cost to the State of plugging Well Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18 on the Dowdy, A. E. (02711) Lease is \$69,000.00.
17. The estimated cost to the State of plugging Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14 on the Parish, R.A. NCT-1 (02760) Lease is \$36,800.00.
18. The estimated cost to the State of plugging Well No. 19 on the Dowdy, A. E. (14358) Lease is \$4,600.00.
19. Commission District inspections were conducted on June 2, 2009 and June 13, 2011 for the Dowdy, A. E. (02711) Lease, Well Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18; the Parish, R.A. NCT-1 (02760) Lease, Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14; and the Dowdy, A.E. (14358) Lease, Well No. 19. The signs or identification required to be posted at each well displayed incorrect information.
20. 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.

21. According to Commission records, Well Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18 on the Dowdy, A.E. (02711) Lease; Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14 on the Parish, R.A. NCT-1 (02760) Lease; and Well No. 19 on the Dowdy, A.E. (14358) Lease are more than 25 years old, inactive, unplugged and subject to testing requirements. Commission records further show each of the subject wells were due for a fluid level or hydraulic pressure test in January 2009. Respondent failed to test the wells and file an approved Commission Form H-15.
22. The Respondent did not demonstrate good faith since it failed to plug or otherwise place the subject leases and wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
23. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 02-0252081; Final Order Served: January 28, 2008; and
Docket No. 7B-0267814; Final Order Served: March 29, 2007.

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 responsible for maintaining the subject lease in compliance with Statewide Rules 3, 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 was responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), in effect at the time of the violations, which required the operator of any well more than 25 years old that becomes inactive to plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
6. Respondent is responsible for maintaining the subject leases and subject 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.
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.

8. 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, James Van Blaricum, 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. Signal Oil and Gas Company (780310), shall plug the Dowdy, A.E. (02711) Lease, Well Nos. 1, 2, 4, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17 and 18, the Parish, R.A. NCT-1 (02760) Lease, Well Nos. 6, 7, 8, 9, 10, 11, 13 and 14, Darst Creek (Buda) Field, and the Dowdy, A.E. (14358) Lease, Well No. 19, Darst Creek (Edwards) Field, Guadalupe County, Texas in compliance with applicable Commission rules and regulations;
2. Signal Oil and Gas Company (780310), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ONE HUNDRED AND FOUR THOUSAND DOLLARS (\$104,000.00)**.

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. GOVT. 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 13th day of March 2012.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated March 13, 2012)

JMD/sa