

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

OIL AND GAS DOCKET NO. 02-0263481

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY PI ENERGY, INC. (664190), AS TO THE STATE TRACT 102 (076545) LEASE, WELL NO. 1U, AND STATE TRACT 102 (06972) LEASE, WELL NO. 1LT, SAN ANTONIO BAY S. (7600) FIELD, CALHOUN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 21, 2012, and that the respondent, PI Energy, Inc. (664190), 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. PI Energy, Inc. (664190), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was signed and returned to the Commission.
2. The returned electronic certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was signed and returned to the Commission on March 19, 2012. The electronic receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On August 21, 2007, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its Officers consisted of the following individual(s): Richard L. Saied, President; and Susan Rowland Saied, Vice-President..
4. Richard L. Saied, 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. Susan Rowland Saied, 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.
6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
7. Respondent designated itself to the Commission as the operator of Well No. 1U on the State Tract 102 (076545) Lease and the State Tract 102 (06972) Lease ("subject wells"/"subject leases") by filing Form P-4s (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on August 15, 1991 for the State Tract 102 (076545) and September 1, 1991 for the State Tract 102 (06972) Lease.
8. Respondent's P-5 (Organization Report) became delinquent on September 1, 2008. Respondent had a \$170,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. Production from Well No. 1U on the State Tract 102 (076545) Lease ceased in June 2006.
10. Production from Well No. 1LT on the State Tract 102 (06972) Lease ceased in January 1993.
11. The Statewide Rule 14b2 plugging extension for Well No. 1U on the State Tract 102 (076545) Lease was denied on August 29, 2008 for an inactive P-5 status.
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 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 potential for pollution.
14. The total estimated cost to the State of plugging Well Nos. 1U and 1L on the State Tract 102 (076545) and the State Tract 102 (06972) Leases is \$250,000.00.
15. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the State Tract 102 (076545) Lease, Well No. 1U. Commission records further show that the State Tract 102 (076545) Lease, Well No. 1U, was completed on January 3, 1978, that an H-15 test was due in January 2009, and that the well has not been plugged.
16. Commission records indicated that no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the State Tract 102 (06972) Lease, Well No. 1LT. Commission records further show that the State Tract 102 (06972) Lease, Well No. 1LT, was completed on January 3, 1978, that an H-15 test was due in January 2009, and that the well had not been plugged.

17. On August 27, 2012, Well No. 1LT on the State Tract 102 (06972) Lease was plugged with State Funds totaling \$541,768.24.
18. The Respondent did not demonstrated good faith since it failed to timely plug or otherwise place Well No. 1U on the State Tract 102 (076545) Lease 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 14(b)(2) and 14(b)(3).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), requires the operator of any well more than 25 years old that becomes inactive shall plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not poses a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
5. Respondent is responsible for maintaining Well No. 1U on the State Tract 102 (076545) Lease 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.
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©.
7. 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, Richard L. Saied, 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.

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, Susan Rowland Saied, and any other organization in which she 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. PI Energy, Inc. (664190), shall plug the State Tract 102 (076545) Lease, Well No. 1U, San Antonio Bay S. (7600) Field, Calhoun County, Texas in compliance with applicable Commission rules and regulations; and
2. PI Energy, Inc. (664190), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTEEN THOUSAND DOLLARS (\$13,000.00)**.

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. 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 15th day of January 2013.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated January 15, 2013)

TJJ/sa