

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

OIL AND GAS DOCKET NO. 05-0242013

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ENERGY 2000, INC. (251740), AS TO THE I.L. CRIM (03310) LEASE, WELL NO. 1, VAN (AUSTIN CHALK) FIELD, VAN ZANDT COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 5, 2005, and that the respondent, Energy 2000, Inc. (251740), 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. Energy 2000, Inc. (251740), ("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 "refused."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address, was returned to the Commission marked "refused" on April 1, 2005. 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 8, 2003, Respondent, a Corporation, filed a Form P-5 (Organization Report) with the Commission reporting that its officers consisted of the following individual(s): Rick Dickerson; President.
4. On July 9, 2004, Respondent, a Corporation, filed a Form P-5 (Organization Report) with the Commission reporting its officers consisted of the following individual(s): Jimmy E. Morrisett; President.

5. Rick Dickerson, 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. Jimmy E. Morrisett, 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.
7. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
8. Respondent designated itself to the Commission as the operator of Well No. 1 on the I.L. Crim (03310) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on October 1, 2003.
9. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on July 9, 2004. Respondent paid had a \$250,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
10. The subject well ceased production on or before June 30, 2002.
11. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
12. 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 well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
13. The estimated cost to the State of plugging the subject well is \$10,600.00.
14. A Commission district office inspection was conducted on March 5, 2004 for the I.L. Crim (03310) Lease. Respondent had caused or allowed an unauthorized discharge of several gallons of oil, affecting an undetermined area around the wellhead. A followup inspection conducted on April 29, 2004 showed that a portion of the discharged oil had been covered with dirt. However, an area of oil-soaked soil measuring approximately 10' x 15' remained around the wellhead of Well No. 1. On June 21, 2004 a Commission inspection showed approximately 5 yards of sand had been placed near Well No. 1, covering some of the discharged oil at that site. The 10' x 15' area of discharged oil still remained around the wellhead of Well No. 1. On October 11, 2004 and November 15, 2004, Commission district office inspections indicated that the oil-soaked soil remained and that there was also a undetermined amount of oil floating on water around the wellhead of Well No. 1.
15. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
16. 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 of the 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.

17. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and subject well 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 Statewide Rules 8(d)(1) and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease 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 lease and plugging subject well 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(c) (Vernon 2001).
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, Rick Dickerson, 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, Jimmy E. Morrisett, 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. Energy 2000, Inc. (251740), shall plug or otherwise place the I.L. Crim (03310) Lease, Well No. 1, Van (Austin Chalk) Field, Van Zandt County, Texas in compliance with applicable Commission rules and regulations; and
2. Energy 2000, Inc. (251740), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND SIX HUNDRED DOLLARS (\$2,600.00)**.

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 22nd day of July 2005.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated July 22, 2005)

MH/sa