

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

OIL AND GAS DOCKET NO. 06-0231568

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY C&R OIL INC. D/B/A C&R OIL CO., INC. (120762), AS TO THE EARL LEE UNIT (04396) LEASE, WELL NOS. 102, 201, 202, 203, 204, 302, 303, 401, 501, 603 AND 605, EARL LEE FIELD, AND THE PINE MILLS BLENDING FACILITY, PINE MILLS FIELD, WOOD COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 23, 2002, and that the respondent, C&R Oil, Inc. d/b/a C&R Oil Co., Inc. (120762), 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. C&R Oil Inc. d/b/a C&R Oil Co., Inc. (120762), ("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 "not deliverable as addressed, unable to forward."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission marked "not deliverable as addressed, unable to forward" on July 23, 2002. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing Opportunity sent to Diana Pretus; Vice-President, was signed and returned to the Commission on July 22, 2002. The certified receipts have been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On July 27, 2000, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Diana Pretus; Vice-President, Ron Priestly; President and Cindy Priestly; Secretary.

4. Respondent designated itself to the Commission as the operator of Well Nos. 102, 201, 202, 203, 204, 302, 303, 401, 501, 603 and 605 on the Earl Lee Unit (04396) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on February 15, 2000 and a Form R-5 (Certificate of Compliance, Gasoline Plants and Refineries) with the Commission approved on April 27, 1999.
5. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on May 1, 2001. Respondent paid a fee of \$750.00 as financial assurance at the time of its last Form P-5 renewal.
6. A Commission district office inspection was conducted on February 12, 2002 for the Earl Lee Unit (04396) Lease. Approximately 1 barrel of oil with oil stained vegetation affected an area measuring 20' x 10' at Well No. 303. Also observed approximately 20' from Well No. 303 was about 1/4 barrel of oil with oil stained vegetation affecting an area measuring 15' x 8'. The inspector reported that at Well No. 501 there was an oil stained area measuring 7' x 4'. Approximately 12' from Well No. 204 there was oil saturated soil in an area measuring 6' x 8'.
7. A Commission follow up district office inspection conducted on March 28, 2002 indicated that at Well No. 203 there was about 1 barrel of oil affecting an area measuring approximately 18' x 8' in front of the well and there was another area with about 1/2 barrel of oil and oil stained vegetation affecting an area measuring approximately 50' x 4' in a low area near an intermittent creek. The report stated that 12' from Well No. 204 there was oil saturated soil in an area measuring 6' x 8'. At Well No. 605 there were two areas of oil stained vegetation measuring 4' x 4' and 2' x 2'. The pollution at Well No. 501 remained. At Well No. 201 there were oil affected areas measuring approximately 6' x 2' at the well, measuring 15' x 4' ten feet from the well, and measuring 5' x 2' twenty feet from the well. The inspector noted that Well No. 303 remained the same as during his last inspection.
8. A Commission district office inspection conducted on March 28, 2002 for the Pine Mills Blending Facility indicated that 1 barrel of oil affected an area measuring approximately 20' x 30' and was located in the load line area. There was 2 gallons of oil and oil stained vegetation in an area measuring approximately 15' x 8' located behind the tank battery. Two other areas with about 1/2 gallon of oil each measuring 2' x 2' each were observed on the property. The inspector noted that the equipment was deteriorated. A Commission district inspection report made on April 15, 2002 stated that the pollution remained as reported on the last inspection and that there had been no remediation on the property.
9. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
10. 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, leaching into the ground, and percolation through soils into groundwater supplies.

OIL AND GAS DOCKET NO. 06-0231568

11. Commission district office inspections were conducted on February 12, 2002 and March 28, 2002 for the Earl Lee Unit (04396) Lease. Well No. 401 had a 2 7/8" tubing capped with a bull plug which was topped with an unsecured screw and was open to the atmosphere. The inspector observed fresh oil on the top of the wellhead at the tubing and small bubbles were observed. A Commission district office inspection was conducted on February 12, 2002 for the Earl Lee Unit (04396) Lease. Well Nos. 202, 204, 303 and 501 had casing open to the atmosphere and Well No. 102 had tubing open to the atmosphere. A Commission district inspection report made on March 28, 2002 showed that Well Nos. 201, 202, 203, 204, 302, 303, 501 and 603 has casing open to the atmosphere and Well No. 102 had tubing open to the atmosphere.
12. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease 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 8(d)(1) and 13(b)(1)(B).
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 in compliance with Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
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).

OIL AND GAS DOCKET NO. 06-0231568

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

1. C&R Oil Inc. d/b/a C&R Oil Co., Inc. (120762), shall place the Earl Lee Unit (04396) Lease Well Nos. 102, 201, 202, 203, 204, 302, 303, 401, 501, 603 and 605, Earl Lee Field, and the Pine Mills Blending Facility, Pine Mills Field, Wood County, Texas in compliance with applicable Commission rules and regulations; and
2. C&R Oil Inc. d/b/a C&R Oil Co., Inc. (120762), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY TWO THOUSAND DOLLARS (\$22,000.00)**.

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 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 21st day of January 2003.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 21, 2003)

MH/sa