

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

**OIL AND GAS DOCKET NO. 06-0242909**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CORNERSTONE OIL TRUST (179254), AS TO THE O.H. POLLEY LEASE, WELL NO. 3H (531960), BRIDGES FIELD, SHELBY COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 6, 2005, and that the respondent, Cornerstone Oil Trust (179254), 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. Cornerstone Oil Trust (179254), ("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 mailed to Respondent's most recent P-5 address was returned to the Commission marked "not deliverable as addressed, unable to forward" on August 12, 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. Walter Wayne Knappick, 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.
4. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
5. Respondent designated itself to the Commission as the operator of Well No. 3H (531960) on the O.H. Polley Lease ("subject well"/"subject lease") by filing a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) with the Commission on May 15, 2003.

6. According to Commission records the Respondent's Form P-5 (Organization Report) became inactive on January 13, 2003. Respondent had a \$25,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
7. The subject well has never produced.
8. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
9. 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.
10. The estimated cost to the State of plugging the subject well is \$12,200.00.
11. A Commission district office inspection was conducted on February 9, 2005 for the O.H. Polley Lease. The sign or identification required to be posted at the lease entrance was missing.
12. 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.
13. Commission district office inspections were conducted on April 7, 2004 and February 9, 2005 for the O.H. Polley Lease. Well No. 3H (531960) was sealed and the pumping unit had been removed. Commission records also indicate that the subject well was completed with surface casing on June 5, 2003, but Respondent has not filed the required completion report.
14. 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 Commission Statewide Rules 3(a), 14(b)(2) and 16(a).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(a), 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 16(a), which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty days (30) after the completion of such well or the plugging of such well, if the well is a dry hole, shall file with the Commission the appropriate completion or plugging report.

6. Respondent is responsible for maintaining the subject lease and 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.
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).
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, Walter Wayne Knappick, 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. Cornerstone Oil Trust (179254), shall plug the O.H. Polley Lease, Well No. 3H (531960), Bridges Field, Shelby County, Texas in compliance with applicable Commission rules and regulations;
2. Cornerstone Oil Trust (179254), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$2,750.00)**.

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 28th day of February 2006.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order  
dated February 28, 2006)

MH/sa