

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

**OIL AND GAS DOCKET NO. 06-0263383**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY SONORAN ENERGY, INC. (802215), ANN MCKNIGHT (PALUXY) UNIT (11359) LEASE, WELL NOS. 401, 501, 502, 801 AND 1201, ANN MCKNIGHT (PALUXY) FIELD, SMITH 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 February 11, 2010 and that the respondent, Sonoran Energy, Inc. (802215), failed to appear or respond to the Notice of Hearing Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure [Tex. 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. Sonoran Energy, Inc. (802215), ("Respondent") was given Notice of 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 "unable to forward, attempted not known."
2. The returned certified receipt containing the Original Complaint and the Notice of Hearing mailed to Respondent's most recent P-5 address, was returned to the Commission marked "unable to forward, attempted not known" on January 11, 2010. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. June 15, 2009, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Michael L. Kayman; Chief Restructuring Officer.
4. Michael L. Kayman, 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. 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. 401, 501, 502, 801 and 1201 on the Ann McKnight (Paluxy) Unit (11359) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on November 1, 2004.
7. Commission records indicate that Respondent's Form P-5 (Organization Report) became delinquent on March 1, 2010. Respondent had a \$50,000.00 Bond as its financial assurance at the time of its last P-5 renewal.
8. Commission records indicate that Well Nos. 401, 501, 502, 801 and 1201 on the Ann McKnight (Paluxy) Unit (11359) Lease all have a shut in status and have been inactive for a period greater than one year.
9. The Statewide Rule 14(b)(2) extension for Well No. 401 on the Ann McKnight (Paluxy) Unit (11359) Lease was denied on July 20, 2004 for failure to file an H-15.
10. The Statewide Rule 14(b)(2) extension for Well No. 501 on the Ann McKnight (Paluxy) Unit (11359) Lease was denied on July 20, 2004 for failure to file an H-15.
11. The Statewide Rule 14(b)(2) extension for Well No. 502 on the Ann McKnight (Paluxy) Unit (11359) Lease was denied on January 5, 2009 for failure to file an H-15.
12. The Statewide Rule 14(b)(2) extension for Well No. 801 on the Ann McKnight (Paluxy) Unit (11359) Lease was denied on January 5, 2009 for failure to file an H-15.
13. The Statewide Rule 14(b)(2) extension for Well No. 1201 on the Ann McKnight (Paluxy) Unit (11359) Lease was denied on January 5, 2009 for failure to file an H-15.
14. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
15. 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 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 the subject wells is \$251,000.00.

17. No Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Ann McKnight (Paluxy) Unit (11359) Lease, Well Nos. 401, 501, 502, 801 and 1201. The Ann McKnight (Paluxy) Unit (11359) Lease, Well No. 401 was completed on September 11, 1978; Well No. 501 was completed on November 30, 1978; Well No. 502 was completed on March 1, 1982; Well No. 801 was completed on May 7, 1980; and Well No. 1201 was completed on March 20, 1982, that an H-15 test on all subject wells was due in December 2008, and that the wells have not been plugged.
18. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease 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.

### **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), which 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 pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
5. Respondent is responsible for maintaining the subject lease 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.
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).
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, Michael L. Kayman, 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. Sonoran Energy, Inc. (802215), shall plug the Ann McKnight (Paluxy) Unit (11359) Lease, Well Nos. 401, 501, 502, 801 and 1201, Ann McKnight (Paluxy) Field, Smith County, Texas in compliance with applicable Commission rules and regulations; and
2. Sonoran Energy, Inc. (802215), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THOUSAND DOLLARS (\$20,000.00)**.

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 9th day of June 2010.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master  
Order dated June 9, 2010)

MFE/sa