

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

OIL AND GAS DOCKET NO. 7B-0221825

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY FURRY OIL & GAS, INC. (291620), AS TO THE HAMPTON, D.M. (21052) LEASE, WELL NOS. 2, 3 AND 4, BROWN COUNTY REGULAR FIELD, AND THE HAMPTON, DOUG LEASE, WELL NO. 1 (080346), BROWN COUNTY REGULAR (MARBLE FALLS) FIELD, BROWN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on November 4, 1999 and that the respondent, Furry Oil & Gas, Inc. (291620), 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. Furry Oil & Gas, Inc. (291620), ("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) address, which was returned to the Commission marked "box closed, no order."
2. The returned certified receipt containing the Original Complaint and the Notice of Hearing Opportunity, was returned to the Commission marked "box closed, no order" on October 5, 1999. 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 May 1, 1997, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual: David Furry; President.
4. Respondent designated itself to the Commission as the operator of Well Nos. 2, 3 and 4 on the Hampton, D.M. (21052) Lease and Well No. 1 (080346) on the Hampton, Doug Lease ("subject wells"/subject leases") by filing a Commission Form P-4 (Producer's Transportation Authority and Certificate of Compliance), effective on April 1, 1997 for Well Nos. 2, 3 and 4 on the Hampton, D.M. (21052) Lease and August 1, 1990 for Well No. 1 (080346) on the Hampton, Doug Lease.
5. The subject wells have been dry or inactive for a period in excess of one year. Commission

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inspection and/or production reports indicate that the subject wells ceased production on or before January 1, 1998 for Well Nos. 2 and 4 on the Hampton, D.M. Lease. Well No. 3 on the Hampton, D.M. Lease was a permitted saltwater disposal well. Injection into Well No. 3 ceased on or before April 1, 1998. Commission district office inspections indicate that the Hampton, Doug Lease, Well No. 1 (080346) ceased production on or before January 1, 1993

6. Subject Well Nos. 2 and 3 on the Hampton, D.M. (21052) Lease have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
7. Usable quality water 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 public health and safety because of the probability of pollution.
8. The estimated cost to the State of plugging Well Nos. 2 and 3 on the Hampton, D.M. (21052) Lease is \$5,000.00.
9. On October 15, 1998, the Commission spent a total of \$1,740.00 in State Funds plugging Well No. 4 on the Hampton, D.M. (21052) Lease.
10. On October 14, 1998, the Commission spent a total of \$2,140.00 in State Funds plugging Well No. 1 (080346) on the Hampton, Doug Lease.
11. Commission district office inspections were conducted on April 24, 1998, May 28, 1998 and June 23, 1998 for the Hampton, D.M. (21052) Lease. Saltwater was seeping from the wellhead at Well No. 4 affecting an area around the wellhead measuring approximately 2' x 2' x 3". A Commission district office inspection conducted on July 16, 1998 indicated that Well No. 4 continued leaking saltwater affecting an area around the wellhead measuring approximately 3' x 3' x 1'.
12. Commission district office inspections were conducted on April 24, 1998, May 28, 1998 and June 23, 1998 for the Hampton, Doug Lease. Saltwater was seeping from the tubing slips and salt crystals had formed on the tubing head at Well No. 1 (080346). A Commission district office inspection conducted on July 16, 1998 indicated that Well No. 1 (080346) continued seeping saltwater affecting an area around the wellhead measuring approximately 3' x 3' x 1'.
13. No permit was issued to the Respondent for the discharge of oil and gas wastes on or from the subject leases.
14. 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 or can leach into the ground and percolate through soils into groundwater supplies.
15. Commission district office inspections were conducted on May 28, 1998, June 23, 1998, July 16, 1998, November 19, 1998, January 4, 1999, February 3, 1999, March 4, 1999 and

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April 2, 1999 for the Hampton, D.M. (21052) Lease. Well No. 3 does not have wellhead assembly and has casing open to the atmosphere.

16. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.
17. The respondent did not demonstrate good faith since it failed to plug or otherwise place the subject wells and subject leases in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
18. The Respondent has a prior history of Commission rule violations including the following docket (s):

Docket No. 7B-0213422; Rule 46; Final Order Served: January 26, 1999;

Docket No. 7B-0220168; Rules 8, 13 and 14; Final Order Served: March 3, 1999.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and 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 13(b)(1)(B) and 14(b)(2).
4. Respondent was in violation of Commission Statewide Rule 8(d)(1).
5. Respondent was responsible for maintaining the subject leases in compliance with Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
6. 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.
7. Respondent is responsible for maintaining the subject wells and the subject leases in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.
8. The Commission was authorized to plug Well No. 4 on the Hampton, D.M. (21052) Lease and Well No. 1 (080346) on the Hampton, Doug Lease and is entitled to reimbursement for state funds expended pursuant to Tex. Nat. Res. Code §§ 89.043, 89.046, and 89.083.

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9. 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 1993).

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

1. Furry Oil & Gas, Inc. (291620), shall plug and or otherwise place the Hampton, D.M. (21052) Lease, Well Nos. 2 and 3, Brown County Regular Field, Brown County, Texas in compliance with applicable Commission rules and regulations; and
2. Furry Oil & Gas, Inc. (291620), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND FIVE HUNDRED DOLLARS (\$9,500.00)** and **REIMBURSE** State Funds in the amount of **THREE THOUSAND EIGHT HUNDRED EIGHTY DOLLARS (\$3,880.00)**.

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 8th day of February, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated February 8, 2000)

MT/sa