

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

OIL AND GAS DOCKET NO. 7B-0230356

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY SAVANNAH ROSS AND COMPANY, LLC (748950), AS TO THE JACKSON (23885) LEASE, WELL NOS. 1K AND 2K, MICHAEL (CADD0) FIELD, SHACKELFORD COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 18, 2002, and that the respondent, Savannah Ross and Company, LLC (748950), 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. Savannah Ross and Company (748950), ("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 "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission marked "unclaimed" on April 2, 2002. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing Opportunity sent to the President and Manager, Bud Richardson II, was signed and returned to the Commission on March 7, 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. Respondent designated itself to the Commission as the operator of Well Nos. 1K and 2K on the Jackson (23885) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on January 1, 1998.
4. According to Commission records the Respondent's Form P-5 (Organization Report) is delinquent as of April 2, 1998.

5. Commission district office inspections and the lack of production reports indicate that Well Nos. 1K and 2K ceased production on or before June 30, 1999.
6. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
7. 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.
8. The total estimated cost to the State for plugging the subject wells is \$18,000.00.
9. Commission district office inspections were conducted on October 3, 2001, November 20, 2001 for the Jackson (23885) Lease. The required signs and or identification required to be posted at Well No. 1K and the tank battery were missing.
10. Commission district office inspections were conducted on August 22, 2001 and October 3, 2001 for the Jackson (23885) Lease. Respondent had caused or allowed an unauthorized discharge of oil and water, affecting an area measuring 39' x 21' x 2" deep, located at the fiberglass tank.
11. A followup district office inspection was conducted on November 20, 2001 for the Jackson (23885) Lease. No remediation had occurred at the fiberglass tank and Respondent had caused or allowed unauthorized discharges of produced water, affecting an area measuring 4' x 3' x 2" and affecting an area measuring 2' x 2' x 1" at the west tank.
12. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
13. 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.
14. A Commission district office inspection was conducted on August 22, 2001 October 3, 2001 and November 20, 2001 for the Jackson (23885) Lease. Respondent had caused or allowed a workover pit at Well No. 1K to remain open, although the well has been inactive and no production has been reported to the Commission since June 30, 1999 and there is no record of re-entry of the well since that date.
15. Unfilled pits constitute a hazard to public health and safety because of the potential for illegal dumping in the pits and the potential for surface run-off to collect in the pit and seep into subsurface waters.
16. 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.

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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), 8(d)(1), 8(d)(4)(G)(i)(III) and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with 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 and or identification.
5. 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.
6. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(4)(G)(i)(III), which requires workover pits to be dewatered, filled and compacted within 120 days from completion of workover operations.
7. 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.
8. 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).

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

1. Savannah Ross and Company, LLC (748950), shall plug or otherwise place the Jackson (23885) Lease, Well Nos. 1K and 2K, Michael (Caddo) Field, Shackelford County, Texas in compliance with applicable Commission rules and regulations; and
2. Savannah Ross and Company, LLC (748950), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND FIVE HUNDRED DOLLARS (\$6,500.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until

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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 9th day of July 2002.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated July 9, 2002)

MT/sa