

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

OIL AND GAS DOCKET NO. 7B-0233020

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY PROCO OPERATING CO., INC. (679595), AS TO THE HICKS-SANTA FE LEASE, WELL NO. 1 (127754), THE SANTA FE-BRYAN LEASE, WELL NOS. 2 (112780) AND 1 (115658), DOMINEY (CADDO) FIELD, COMANCHE COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 3, 2003, and that the respondent, Proco Operating Co., Inc. (679595), 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. Proco Operating Co., Inc. (679595), ("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 February 7, 2003. The receipt has 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 No. 1 (127754) on the Hicks-Santa Fe Lease and Well Nos. 2 (112780) and 1 (115658) on the Santa Fe-Bryan Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on June 1998 for Well No. 1 (127754) on the Hicks-Santa Fe Lease, August 1, 1984 for Well No. 2 (112780) on the Santa Fe-Bryan Lease and March 1, 1985 for Well No. 1 (115658) on the Santa Fe-Bryan Lease.
4. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on February 1, 2002. Respondent paid a fee of \$100.00 as financial assurance at the time of its last Form P-5 renewal.

5. The subject wells ceased production on or before June 1999 for Well No. 1 (127754) on the Hicks-Santa Fe Lease and November 1997 for Well Nos. 2 (112780) and 1 (115658) on the Santa Fe-Bryan Lease.
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 estimated cost to the State of plugging the subject wells is \$12,500.00 for Well No. 1 (127754) on the Hicks-Santa Fe Lease, \$9,000 for Well No. 2 (112780) on the Santa Fe-Bryan Lease and \$5,800.00 for Well No. 1 (115658) on the Santa Fe-Bryan Lease.
9. Commission inspections were conducted on August 9, 2002 and September 30, 2002 for the Hicks-Santa Fe Lease. The sign and/or identification required to be posted at the lease entrance was illegible and the signs and/or identification required to be posted at the well site and tank battery were missing.
10. Commission district office inspections were conducted on August 9, 2002 and September 30, 2002 for the Santa Fe-Bryan Lease. The sign and/or identification required to be posted at the well site was missing.
11. A Commission district office inspection was conducted on June 4, 2002 for the Santa Fe-Bryan Lease. The east 210 tank had rotted out on the back side and was actively leaking produced water and oil. The discharge affected an area approximately 3' x 3' x 6" deep. Follow up inspections were conducted on August 5, 2002 and September 23, 2002 the 210 east tank continued to leak. In addition the west 210 tank was found leaking basic sediment and water from the bottom seam and affecting an area measuring approximately 24' x 1' - 3' x 6" deep. There had been no clean up of the affected areas.
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. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases 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 3(a), 8(d)(1) and 14(b)(2).
4. Respondent is responsible for maintaining the subject leases 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 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 leases 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).

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

1. Proco Operating Co., Inc. (679595), shall plug the Hicks-Santa Fe Lease, Well No. 1 (127754) Lease, and the Santa Fe-Bryan Lease, Well Nos. 2 (112780) and 1 (115658), Dominey (Caddo) Field, Comanche County, Texas in compliance with applicable Commission rules and regulations; and
2. Proco Operating Co., Inc. (679595), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$7,500.00)**.

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 20th day of May 2003.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated May 20, 2003)

MT/sa