

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

OIL AND GAS DOCKET NO. 7B-0235592

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY FAREED A. KAHLON D/B/A U.S. ENTERPRISES (875320), AS TO THE HAMBY CONSOLIDATED UNIT (15179) LEASE, WELL NOS. 2, 3, 4, 5, 6, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 AND 30, BOX, N. (TANNEHILL) FIELD, JONES COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 15, 2004, and that the respondent, Fareed A. Kahlon d/b/a U.S. Enterprises (875320), 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. Fareed A. Kahlon d/b/a U.S. Enterprises (875320), ("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 24, 2004. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Fareed A. Kahlon, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resource 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 Nos. 2, 3, 4, 5, 6, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 on the Hamby Consolidated Unit (15179) 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, 1997.
6. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on November 1, 2000. Respondent paid a fee of \$1,500.00 as its Financial Assurance at the time of its last Form P-5 renewal.
7. The subject wells ceased production on or before October 2002.
8. The subject wells have not been properly plugged in accordance with, and are 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 wells. 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 wells is \$109,200.00.
11. Commission district office inspections were conducted on July 18, 2002, July 19, 2002, August 6, 2002, August 21, 2002, September 4, 2002, September 12, 2002, December 13, 2002, January 27, 2003, March 20, 2003, March 25, 2003, April 2, 2003, April 22, 2003, May 12, 2003, May 13, 2003, June 25, 2003, July 1, 2003, August 4, 2003 and October 28, 2003 for the Hamby Consolidated Unit (15179) Lease. Well No. 2 was seeping produced water (chloride field test - 32,500 mg/L) from the wellhead affecting an area approximately 3' x 3' 6"; Well No. 9 was seeping produced water (chloride field test - 44,000 mg/L) from the wellhead affecting an area approximately 3' x 3' x 1"; Well No. 14 was seeping produced water (chloride field test - 43,000 mg/L) from the wellhead affecting an area approximately 2' x 2' x 1"; and Well No. 26 was seeping produced water (chloride field test - 19,000 mg/L) from the wellhead affecting an area approximately 8' x 8' x 1".
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 or can leach into the ground and percolate through soils into groundwater supplies.
14. Commission district inspections were conducted on September 4, 2002, September 12, 2002, December 13, 2002, January 27, 2003, March 20, 2003, March 25, 2003, April 2, 2003, April 22, 2003, May 12, 2003, May 13, 2003, June 25, 2003 July 1, 2003 August 4, 2003 and October 28, 2003 for the Hamby Consolidated Unit (15179) Lease. The bradenhead at Well No. 18 was under pressure and would flow produced water when the bradenhead valve was in an open position.

15. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and 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 8(d)(1), 14(b)(2) and 17(b).
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 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 17(b), which requires any well showing pressure on the bradenhead, or leaking gas, oil or geothermal resource between the surface and the production or oil string to be tested.
6. 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, Fareed A. Kahlon, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resources 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 sooner, if 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.
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 8, 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. Fareed A. Kahlon d/b/a U.S. Enterprises (875320), shall plug or otherwise place the Hamby Consolidated Unit (15179) Lease, Well Nos. 2, 3, 4, 5, 6, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30, Box, N. (Tannehill) Field, Jones County, Texas in compliance with applicable Commission rules and regulations; and
2. Fareed A. Kahlon d/b/a U.S. Enterprises (875320), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTY FIVE THOUSAND DOLLARS (\$55,000.00)**.

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. 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 25th day of May 2004.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated May 25, 2004)

MH/sa