

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

OIL AND GAS DOCKET NO. 7B-0236285

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY CADDO OPERATING INC. (122567), AS TO THE MINEAR, C.M., MRS. (00971) LEASE, WELL NOS. 5, 6, 6B, 7, 7B, 8B, 10B, 11, 12C, 14C AND 15C, AND THE MINEAR, C.M. "JS" (27969) LEASE, WELL NOS. 8 AND 9, COLEMAN COUNTY REGULAR FIELD, COLEMAN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on October 28, 2004, and that the respondent, Caddo Operating, Inc. (122567), 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. Caddo Operating, Inc. (122567), ("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 signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing mailed to Respondent's most recent P-5 address was signed and returned to the Commission on September 30, 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. On July 5, 2000, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Richard W. McFarland; President.
4. Richard W. McFarland, President, 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. 5, 6, 6B, 7, 7B, 8B, 10B, 11, 12C, 14C and 15C on the Minear, C.M., Mrs. (00971) Lease and Well Nos 8 and 9 on the Minear, C.M. "JS" (27969) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the

Commission effective on August 11, 1994 for the Minear, C.M., Mrs (00971) Lease and March 1, 1998 for the Minear, C.M. "JS" (27969) Lease.

7. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on May 1, 2001. Respondent paid a \$100.00 as its financial assurance at the time of its last P-5 renewal.
8. Well Nos. 5, 6, 6B, 7, 7B, 8B, 10B, 11, 12C and 15C on the Minear, C.M., Mrs, (00971) Lease ceased production on or before January 2001 Well No. 14C ceased injection on or before March 2001.
9. Well Nos. 8 and 9 on the Minear, C.M. "JS" (27969) Lease ceased production on or before October 2000.
10. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
11. 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.
12. The estimated cost to the State of plugging Well Nos. 5, 6, 6B, 7, 7B, 8B, 10B, 11, 12C, 14C and 15C on the Minear, C.M., Mrs. (00971) Lease is \$40,700.00 and for Well Nos. 8 and 9 on the Minear, C.M. "JS" (27969) Lease is \$7,400.00.
13. Commission district office inspections were conducted on December 16, 2002, February 12, 2003, March 25, 2003 and June 27, 2003 for the Minear, C.M., Mrs. (00971) Lease. The signs or identification required to be posted at Well Nos. 5 and 10B were missing.
14. Failure to properly identify a lease and well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
15. Commission district office inspections were conducted on December 16, 2002, February 12, 2003, March 25, 2003 and June 27, 2003 for the Minear, C.M., Mrs (00971) Lease. There was produced water with oil on the top inside the firewall measuring approximately 70' x 40' x 2" to 4" deep and oil saturated soil on the south side of the firewall measuring approximately 20' x 22' x 3" deep.
16. No permit has been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
17. 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.
18. Commission district office inspections were conducted on December 16, 2002, February 12, 2003, March 25, 2003 and June 27, 2003 for the Minear, C.M., Mrs. (00971) Lease. Well

Nos. 6 and 15C have casing open to the atmosphere.

19. Commission district office inspections were conducted on December 16, 2002, February 12, 2003 and March 25, 2003 for the Minear, C.M. "JS" (27969) Lease. Well No. 9 has casing open to the atmosphere.
20. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject leases constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate onto surface or subsurface waters.
21. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases 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 3(a), 8(d)(1), 13(b)(1)(B) and 14(b)(2).
4. Respondent is responsible for maintaining the subject leases in compliance with Statewide 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 Statewide 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 Statewide 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 leases 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.
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).
9. 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, Richard W. McFarland, 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. Caddo Operating, Inc. (122567), shall plug the Minear, C.M., Mrs. (00971) Lease, Well Nos. 5, 6, 6B, 7, 7B, 8B, 10B, 11, 12C, 14C and 15C, and the Minear, C.M. "JS" (27969) Lease, Well Nos. 8 and 9, Coleman County Regular Field, Coleman County, Texas in compliance with applicable Commission rules and regulations; and
2. Caddo Operating, Inc. (122567), shall be assessed an administrative penalty in the amount of **THIRTY TWO THOUSAND DOLLARS (\$32,000.00)**.

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 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 13th day of January 2005.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 13, 2005)

MH/sa