

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

OIL AND GAS DOCKET NO. 09-0231613

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY SAGE OIL & GAS, INC. (743218), AS TO THE ANCELL, GEORGE LEASE, WELL NO. 1 (481187), WILBARGER COUNTY REGULAR FIELD, WILBARGER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on July 18, 2002, and that the respondent, Sage Oil & Gas, Inc. (743218), 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. Sage Oil & Gas, Inc. (743218), ("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 "no such number, return to sender."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission marked "no such number, return to sender" on June 20, 2002. 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 November 16, 1998, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Michael Joseph Malecki; President and Lance Brooks; Vice-President.
4. Respondent designated itself to the Commission as the operator of Well No. 1 (481187) on the Ancell, George Lease ("subject well"/"subject lease") by filing a Form W-1 (Application to Drill, Deepen, Plug Back or Re-Enter) with the Commission on November 30, 1998.
5. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on October 1, 1999. Respondent paid a fee of \$760.00 as financial assurance at the time of its last Form P-5 renewal.
6. According to Commission records the subject well has never produced.

7. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
8. 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 well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
9. The estimated cost to the State of plugging the subject well is \$10,000.00.
10. Commission district office inspections were conducted on March 15, 2001, June 25, 2001, August 15, 2001, October 2, 2001 and April 4, 2002 for the Ancell, George Lease. The signs and or identification required to be posted at the lease entrance and well were missing.
11. On December 4, 1998, Respondent was issued a Drilling Permit for Well No. 1 (481187) on the Ancell, George Lease. A Commission district office inspection conducted on March 15, 2001 found the subject well to be completed with casing. Further Commission district office inspections conducted on June 25, 2001, August 15, 2001, October 2, 2001 and April 4, 2002 revealed the presence of open dry drilling pits on the lease.
12. 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.
13. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and the subject well 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)(4)(G)(i)(III) 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 and or identification.
5. 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 from completion of workover operations.

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6. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and for properly plugging the subject well 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. Sage Oil & Gas, Inc. (743218), shall plug the Ancell, George Lease, Well No. 1 (481187), Wilbarger County Regular Field, Wilbarger County, Texas in compliance with applicable Commission rules and regulations; and
2. Sage Oil & Gas, Inc. (743218), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THREE THOUSAND DOLLARS (\$3,000.00)**.

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 3rd day of December 2002.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated December 3, 2002)

MT/sa