

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

**OIL AND GAS DOCKET NO. 09-0248043**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ALCO OIL & GAS CO., LLC (011204), AS TO THE PERKINS -L- (00095) LEASE, WELL NOS. 1, 4, 5, 7 AND 8, ARCHER COUNTY REGULAR FIELD, AND EAST HOLLIDAY PARKEY SAND UNIT (00963) LEASE, WELL NO. 136, EAST HOLLIDAY FIELD ARCHER COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on February 28, 2008, and that the respondent, Alco Oil & Gas Co., LLC (011204) , failed to appear or respond to the Notice of Hearing. 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. Alco Oil & Gas Co., LLC (011204), ("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 marked.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Hearing was signed and returned to the Commission on January 15, 2008. 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 August 2, 2007, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Ashvin Mascarenhas; Manager.
4. Ashvin Mascarenhas, 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.
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. 1, 4, 5, 7 and 8 on the Perkins -L- (00095) Lease and Well No. 136 on the East Holliday Parkey Sand Unit (00963) Lease ("subject wells"/"subject leases") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on March 1, 2003 for both of the subject leases.
7. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on July 1, 2008. Respondent had \$250,000.00 cash as its Financial Assurance at the time of its last P-5 renewal.
8. Well Nos. 7 and 8 on the Perkins -L- (00095) Lease ceased production on or before December 31, 2003.
9. Well No. 136 on the East Holliday Parkey Sand Unit (00963) ceased production on or before May 31, 2005..
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 potential of pollution.
12. The estimated cost to the State of plugging the subject Well Nos. 7 and 8 on the Perkins -L- (00095) Lease is \$2,100 for each well.
13. The estimated cost to the State of plugging Well No. 136 on the East Holliday Parkey Sand Unit (00963) Lease is \$9,000.
14. The Statewide Rule 14(b)(2) extensions for Well Nos. 7 and 8 on the Perkins -L- (00095) Lease were denied on November 14, 2005, for failure to file Forms H-15.
15. The Statewide Rule 14(b)(2) extension for Well No. 136 on the East Holliday Parkey Sand Unit (00963) Lease was denied on August 4, 2004 for failure to file an H-15.
16. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) have been filed and approved for the Perkins -L- (00095) Lease, Well Nos. 7 and 8. Commission records show that for Well No. 7, an H-15 test was due in May of 2005, and not submitted and approved until November 22, 2006. Well No. 7 is again delinquent for a fluid level test, as Commission records show that an H-15 test was due in May of 2007. Commission records show that for Well No. 8, an H-15 test was due in May of 2005, but was not submitted and approved until November 22, 2006. Well No. 8 is again delinquent for a fluid level test, as Commission records show that an H-15 test was due in May of 2007. Commission records show that none of the subject well have been plugged.

17. A Commission District inspection was conducted on April 13, 2006 for the Perkins -L- (00095) Lease indicated that Respondent was delinquent in submitting Commission Forms H-10 (annual Disposal/Injection Well Monitoring Report) for the months of January 2004 through December 2005 to the Commission. Subsequent Commission records show that these delinquent reports have since been submitted. Commission records indicate that the time out of compliance was between January 2004 until July 2006.
18. A Commission District inspection conducted on April 13, 2006 for the Perkins -L- (00095) Lease indicated that the Commission Form H-5 (Disposal/Injection Well Pressure Test Report) had not been submitted for Well No. 4.
19. The respondent has not demonstrated good faith since it failed to 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 Statewide Rules 14(b)(2), 14(b)(3), 46(i)(2) and 46(j).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), which requires that the operator of any well more than 25 years old that becomes inactive shall plug or test such well to determine whether the well poses a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(i)(2), which requires that the results of the monitoring shall be reported annually to the Commission on the prescribed form.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires that the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer, or casing have sufficient mechanical integrity to meet performance standards.
7. 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, Ashvin Mascarenhas, 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 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.

8. Respondent is responsible for maintaining the subject leases and wells 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.
9. 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. §85.166.

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

1. Alco Oil & Gas Co., LLC (011204), shall plug Well Nos.7 and 8, Perkins -L- (00095) Archer County Regular Field, Archer County, Texas in compliance with applicable Commission rules and regulations;
2. Alco Oil & Gas Co., LLC (011204), shall place the Perkins -L- (00095) Lease, Well Nos. 1, 4, 5, 7 and 8, Archer County Regular Field, Archer County, Texas in compliance with applicable Commission rules and regulations;
3. Alco Oil & Gas Co., LLC (011204), shall plug or otherwise place the East Holliday Parkey Sand Unit (00963) Lease, Well No. 136, East Holliday Field, Archer County, Texas in compliance with applicable Commission rules and regulations; and
4. Alco Oil & Gas Co., LLC (011204), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOURTEEN THOUSAND FIVE DOLLARS (\$14,500.00)**.

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 29th day of July 2008.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated July 29, 2008)

ME/sa