

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

OIL AND GAS DOCKET NO. 09-0256187

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ALCO OIL & GAS CO., LLC (011204), AS TO THE MOSS (17010) LEASE, WELL NO. 3, AND THE SHEPHERD (17075) LEASE, WELL NO. 4, HULL-SILK-SIKES (4000) FIELD, ARCHER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 14, 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.
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 July 10, 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 6, 2007, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Ashvin Macarenhas; Manager.
4. Ashvin Macarenhas, 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 No. 3 on the Moss (17010) Lease and Well No. 4 on the Shepherd (17075) Lease (“subject wells”/“subject leases”) by filing a Form P-4 (Producer’s Transportation Authority and Certificate of Compliance) with the Commission effective on February 1, 2003 for both of the subject wells and subject leases.
7. According to Commission records the Respondent’s Form P-5 (Organization Report) became delinquent on July 1, 2008. Respondent had a \$250,000.00 cash deposit as its financial assurance at the time of its last P-5 renewal.
8. Well No. 3 on the Moss (17010) Lease ceased injection on or before January 31, 1998.
9. Production from Well No. 4 on the Shepherd (17075) Lease ceased on or before August 31, 1996.
10. The Statewide Rule 14(b)(2) plugging extension for Well No. 3 on the Moss (17010) Lease was denied on September 11, 2003 for an H5 issue.
11. The Statewide Rule 14(b)(2) plugging extension for Well No. 4 on the Shepherd (17075) Lease was denied on February 27, 2003 for an H-15 problem.
12. 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.
13. The total estimated cost to the State of plugging Well No. 3 on the Moss (17010) Lease is \$5,700.00 and for Well No. 4 on the Shepherd (17075) Lease is \$5,700.00.
14. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Shepherd (17075) Lease, Well No. 4. Commission records further show that Shepherd (17075) Lease, Well No. 4 was completed on June 30, 1973, that an H-15 test was due in May 1999, and that the well has not been plugged.
15. A Commission District inspection was conducted on February 7, 2008 for the Moss (17010) Lease. The Commission Form H-5 (Disposal/Injection Well Pressure Test Report) had not been submitted for Well No. 3.
16. The Respondent has not demonstrated good faith since it failed to timely 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.
17. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 09-0247273; Final Order Served: October 9, 2007.

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 14(b)(2), 14(b)(3) 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(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.
6. Respondent is responsible for maintaining the subject leases and subject 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.
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).
8. 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 Macarenhas, 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. Alco Oil & Gas Co., LLC (011204), shall plug the Moss (17010) Lease, Well No. 3, and the Shepherd (17075) Lease, Well No. 4, Hull-Silk-Sikes (4000) Field, Archer County, Texas in compliance with applicable Commission rules and regulations; and
2. Alco Oil & Gas Co., LLC (011204), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINE THOUSAND DOLLARS (\$9,000.00)**.

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 16th day of December 2008.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated December 16, 2008)

ME/SA