

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

OIL AND GAS DOCKET NO. 09-0256813

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ENERGY GROUP OF AMERICA, INC. (252018), AS TO THE FAYETTE CO. SCHOOL LAND -E- (01424) LEASE, WELL NOS. 1, 3, 5, 8, 9 X, 10-12 AND 14-17, RENDHAM POOL FIELD, BAYLOR COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 26, 2008, and that the respondent, Energy Group Of America, Inc. (252018), failed to appear or respond to the Notice of Opportunity for 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. Energy Group Of America, Inc. (252018), ("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 signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was signed and returned to the Commission on May 19, 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 December 18, 2007, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Norman W. Cook, President; and Mark A. Cook, Director.
4. Norman W. Cook, 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. Mark A. Cook, 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.
6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
7. Respondent designated itself to the Commission as the operator of Well Nos. 1, 3, 5, 8, 9 X, 10-12 and 14-17 on the Fayette Co. School Land -E- (01424) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on September 29, 2005.
8. According to Commission records, which have been officially noticed, on the date of the hearing, Respondent's Form P-5 (Organization Report) was active. Respondent's Form P-5 (Organization Report) became delinquent as of October 1, 2008. Respondent had \$50,000.00 cash as its financial assurance at the time of its last P-5 renewal on December 18, 2007.
9. A Commission District inspection was conducted on March 26, 2008 for the Fayette Co. School Land -E- (01424) Lease. The signs or identification required to be posted at Well Nos. 3, 5, 9 X, 11, 12, 14 and 16 were either missing or displayed incorrect information.
10. Failure to properly identify a 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.
11. A Commission District inspection was conducted on March 26, 2008 for the Fayette Co. School Land -E- (01424) Lease. Well Nos. 3, 5, 8, 10, 11 and 15 have casing open to the atmosphere.
12. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease, constituting a hazard to public health and safety, because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.
13. A Commission District inspection was conducted on March 26, 2008 for the Fayette Co. School Land -E- (01424) Lease. Respondent had caused or allowed an unauthorized discharge of produced water, affecting an area measuring approximately 8' x 24' x 3", at Well No. 14. A water sample tested at 38,700 ppm chlorides.
14. No permit has been issued to the Respondent for the discharges of oil and gas wastes on or from the subject lease.
15. 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.

16. A Commission District inspection was conducted on March 26, 2008, for the Fayette Co. School Land -E- (01424) Lease. Well No. 1 had been plugged on June 23, 2005, and although the casing had been cut off 3' below the ground surface, the casing was open to the atmosphere, the top plug had fallen from the top of the well down to 15' 2", and the well is covered with two rocks.
17. Commission Form W-3 filed by Respondent shows an incorrect lease number for Well No. 1 (as 01421) when it should be 01424 (the API number on this W3 matches the API number of Well No. 1 on the 01424 lease). The W-3 shows the well plugged on June 23, 2005, with the W-3 filed with the Commission on July 1, 2005.
18. Improperly plugged wellbores are likely to cause pollution of usable quality ground water and surface water by serving as a conduit for passage of oil, gas, saltwater, and other substances from one stratum to another, or to the surface or from the surface downward.
19. The Respondent has not demonstrated good faith since it failed to timely 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 3, 8(d)(1), 13(b)(1)(B) and 14(d)(8).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, 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 lease 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 lease in compliance with Statewide Rule 14(d)(8), which requires that all onshore wells shall have a 10' cement plug placed in the top of the well, and casing shall be cut off 3' below the ground surface.

8. Respondent is responsible for maintaining the subject lease 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.
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. §81.0531(c).
10. 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, Norman W. Cook, 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.
11. 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, Mark A. Cook, 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. Energy Group Of America, Inc. (252018), shall place the Fayette Co. School Land -E-(01424) Lease, Well Nos. 1, 3, 5, 8, 9 X, 10-12 and 14-17, Rendham Pool Field, Baylor County, Texas in compliance with applicable Commission rules and regulations; and
2. Energy Group Of America, Inc. (252018), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHT THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$8,750.00)**.

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 20th day of October 2008.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated October 20, 2008)

JD/sa