

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

OIL AND GAS DOCKET NO. 04-0284302

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY STONEGATE OPERATORS, INC. (823814), AS TO THE WEST (04511) LEASE, WELL NOS. 1 AND 2, LOMA NOVIA (2ND SAND) FIELD, DUVAL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on January 30, 2014, and that the respondent, Stonegate Operators, Inc. (823814), 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. Stonegate Operators, Inc. (823814), ("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.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondents, most recent P-5 address, was shipped on November 18, 2013, but there is no record of delivery in the USPS database.
3. On April 18, 2013, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): James T. Ling; President.
4. James T. Ling, 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.

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6. Respondent designated itself to the Commission as the operator of Well Nos. 1 and 2 on the West (04511) Lease ("subject wells"/"subject lease") by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance) with the Commission that became effective on August 1, 2011.
7. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on March 1, 2014. Respondent had a \$50,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. The subject well ceased production on or before June 2000.
9. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
10. Usable quality groundwater in the area is likely to be contaminated by migrations of 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.
11. The total estimated cost to the state of plugging the subject well is \$39,728.00.
12. Commission District inspections were conducted on August 27, 2013, October 29, 2012, December 11, 2012 July 12, 2013 and October 3, 2013 for the West (04511) Lease, Well Nos. 1 and 2. Surface equipment remains at the wells, to wit; a pump jack at Well No. 1, a tank, tubing rods, and a pump jack at Well No. 2, and tanks and a gun barrel on the lease.
13. Respondent as Operator of the West (04511) Lease, filed with the Commission a Form W-3C (Certification of Surface Equipment Removal for an Inactive Well) reporting false information. On May 15, 2013, Respondent filed a Form W-3C certifying that surface equipment had been removed from Wells 1 and 2 on the West (04511) Lease. However, District inspections made on July 12, 2013 and October 3, 2013, showed a pump jack at Well 1, a tank, tubing, rods, and a pump jack at Well No. 2, and tanks and a gun barrel on the lease.
14. 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.
15. 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.

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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), 15(f)(2)(A)(ii) and Tex. Nat. Res. Code Ann. §91.143.
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 15(f)(2)(A)(ii), which requires that if the operator does not own the surface of the land where the well is located, and the well has been inactive for at least 10 years as of the date of renewal of the operator's organization report, that the operator has removed all surface equipment and related piping, tanks, tank batteries, pump jacks, headers, fences, and firewalls, has closed all open pits; and has removed all junk and trash.
5. 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.
6. 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.
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, James T. Ling, 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. Stonegate Operators, Inc. (823814), shall plug the West (04511) Lease, Well Nos. 1 and 2, Loma Novia (2nd Sand) Field, Duval County, Texas in compliance with applicable Commission rules and regulations; and

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2. Stonegate Operators, Inc. (823814), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTY ONE THOUSAND ONE HUNDRED FORTY SIX DOLLARS (\$31,146.00)**.

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 12th day of August 2014.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated August 12, 2014)

MFE/sa