

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 06-0291061

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY AGAINST SUN RIVER OPERATING, INC. (829434), FOR VIOLATIONS OF STATEWIDE RULES ON THE HINCHEN (256312) LEASE, WELL NO. 2, CARTHAGE (COTTON VALLEY) FIELD, PANOLA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 18, 2014 and that the respondent, Sun River Operating, Inc. (829434), 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. Sun River Operating, Inc. (829434), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was signed for on October 27, 2014. The electronic receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On September 14, 2012, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Donal R. Schmidt, Jr.; President.
4. Donal R. Schmidt, 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.

OIL AND GAS DOCKET NO. 06-0291061

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. 2 on the Hinchon (256312) Lease ("subject well"/"subject lease") by filing a Form P-4 (Producers Transportation Authority) effective on February 7, 2011.
7. Respondent's P-5 (Organization Report) became delinquent on August 1, 2013. Respondent had \$25,000 bond as its financial assurance at the time of its last P-5 renewal.
8. Well No. 2 on the Hinchon (256312) Lease ceased production on or before June 4, 2014.
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 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.
11. The total estimated cost to the State for plugging Well No. 2 on the Hinchon (256312) Lease is \$49,500.00.
12. Statewide 14b2 plugging extensions for Well No. 2 on the Hinchon (256312) Lease was denied on July 31, 2012 for a non active P-5.
13. Commission District inspections were conducted on July 23, 2013, September 23, 2013, October 31, 2013 and November 5, 2013 for the Hinchon (256312) Lease. Respondent had left a reserve pit open after drilling operations ceased. Respondent reported the completion date of February 24, 2010 on a Commission Form G-1 (Gas Well Back Pressure Test, Completion or Recompletion Report, and Log), that was submitted on May 5, 2010.
14. 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.
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.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.

OIL AND GAS DOCKET NO. 06-0291061

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 8(d)(4)(G)(i)(I) and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(G)(i)(I), which requires reserve pits and mud circulation pits to be dewatered, backfilled and compacted within one year of cessation of drilling operations.
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, Donal R. Schmidt, Jr., 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. Sun River Operating, Inc. (829434), shall plug or place the Hinchon (256312) Lease, Well No. 2, Carthage (Cotton Valley) Field, Panola County, Texas in compliance with applicable Commission rules and regulations; and
2. Sun River Operating, Inc. (829434), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOURTEEN THOUSAND FIVE HUNDRED THIRTY ONE DOLLARS (\$14,531.00)**.

OIL AND GAS DOCKET NO. 06-0291061

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 15th of September 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated September 15, 2015)

LMV/sa