

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 05-0277075

THE ENFORCEMENT ACTION AGAINST INTEGRATED OIL & GAS SOLUTIONS CORP. (OPERATOR NO. 424839) FOR VIOLATIONS OF STATEWIDE RULES ON THE CIF (LEASE NO. 02841) LEASE, WELL NOS. 1, 1I, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 101, 102, 103, 105, 106, 107, 108, 113 AND 127, CORSICANA (SHALLOW FIELD), NAVARRO COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 28, 2015 and that the respondent, Integrated Oil & Gas Solutions Corp. (Operator No. 424839), 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. Integrated Oil & Gas Solutions Corp. (Op. No. 424839), (“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 envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was signed for on May 28, 2015. 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 June 18, 2012, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Ron Polli, President, Terry Rutter, Secretary, & Brian Kennedy, CFO.
4. Ron Polli, was 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 the CIF (Lease No. 02841) Lease, Well Nos. 1, 1I, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 101, 102, 103, 105, 106, 107, 108, 113, and 127 by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on February 05, 2011.
7. Respondent’s P-5 (Organization Report) became delinquent on September 1, 2013. Respondent had a \$50,000 cash deposit as its financial assurance at the time of its last P-5 renewal.

8. Commission records Commission District inspection reports made on January 20, 2012, March 16, 2012, March 28, 2012, and March 30, 2012, for the CIF (Lease No. 02841) Lease, show that the signs or identification required by Statewide Rule 3(2), [Tex. R.R. Commission, 16 TEX. ADMIN. CODE §3.3(2)] to be posted at wells Nos. 1, 1I, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 18, 19, 21, 22, 23, 102, 103, 105, 106, 107 and 113 were missing.
9. 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.
10. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease and subject well in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
11. Production from Well No. 1I of the CIF Lease (Lease No. 02841) ceased on or before October 1998. Production from Well No. 2 of the CIF Lease (Lease No. 02841) ceased on or before August 1994. Production from Well No. 5 of the CIF Lease (Lease No. 02841) ceased on or before July 1994. Production from Well No. 7 of the CIF Lease (Lease No. 02841) ceased on or before July 1994. Production from Well No. 9 of the CIF Lease (Lease No. 02841) ceased on or before October 1998. Production from Well No. 17 of the CIF Lease (Lease No. 02841) ceased on or before October 1998. Production from Well No. 18 of the CIF Lease (Lease No. 02841) ceased on or before March 1994. Production from Well No. 22 of the CIF Lease (Lease No. 02841) ceased on or before October 1998. Production from Well No. 101 of the CIF Lease (Lease No. 02841) ceased on or before October 1998. Production from Well No. 102 of the CIF Lease (Lease No. 02841) ceased on or before October 1998. Production from Well No. 108 of the CIF Lease (Lease No. 02841) ceased on or before March 1995.
12. The Statewide 14(b)(2) plugging extensions for Well Nos. 1, 3, 4, 6, 8, 10, 11, 12, 13, 14, 15, 16, 19, 20, 21, 23, 24, 103, 105, 106, 107, 113, and 127 on the CIF (Lease No. 02841) Lease were denied on January 05, 2010 for failure to file an H15 form.
13. The Statewide 14(b)(2) plugging extensions for Well Nos. 1I, 2, 5, 7, 9, 18, 102, and 108 on the CIF (Lease No. 02841) Lease were denied on October 26, 2002 for an H5 issue.
14. The Statewide 14(b)(2) plugging extensions for Well Nos. 17, 22, and 101 on the CIF (Lease No. 02841) Lease were denied on August 19, 2003 for an H5 issue.
15. The total estimated costs for plugging the CIF (02841) Lease, Well Nos. 1, 1I, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 101, 102, 103, 105, 106, 107, 108, 113, and 127 is \$590,325.85.
16. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with Statewide Rule 14.
17. A Commission District Office inspection conducted on January 20, 21012, March 28, 2012, and March 30, 2012 for the CIF (Lease No. 02841) Lease showed that Well Nos. 1I, 2, 3, 4, 6, 7, 8, 11, 12, 13, 15, 22, 23, 102, 103, 105, and 107 were open to the atmosphere with no wellhead control.

18. 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.
19. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 1. Records further show that Well No. 1 was completed on September 10, 1982 and that an H-15 was due in December 2009.
20. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 3. Records further show that Well No. 3 was completed on September 25, 1982 and that an H-15 was due in December 2009.
21. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 4. Records further show that Well No. 4 was completed on November 9, 1982 and that an H-15 was due in December 2009.
22. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 6. Records further show that Well No. 6 was completed on November 12, 1982 and that an H-15 was due in December 2009.
23. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 8. Records further show that Well No. 8 was completed on September 29, 1982 and that an H-15 was due in December 2009.
24. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 10. Records further show that Well No. 10 was completed on July 28, 1983 and that an H-15 was due in December 2009.
25. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 11. Records further show that Well No. 11 was completed on July 26, 1983 and that an H-15 was due in December 2009.
26. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 12. Records further show that Well No. 12 was completed on July 25, 1983 and that an H-15 was due in December 2009.
27. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 13. Records further show that Well No. 13 was completed on November 13, 1982 and that an H-15 was due in December 2009.
28. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 14. Records further show that Well No. 14 was completed on November 20, 1982 and that an H-15 was due in December 2009.
29. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 15. Records further show that Well No. 15 was completed on December 28, 1992 and that an H-15 was due in December 2009.

30. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 16. Records further show that Well No. 16 was completed on December 23, 1982 and that an H-15 was due in December 2009.
31. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 19. Records further show that Well No. 19 was completed on December 15, 1982 and that an H-15 was due in December 2009.
32. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 20. Records further show that Well No. 20 was completed on July 27, 1982 and that an H-15 was due in December 2009.
33. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 21. Records further show that Well No. 21 was completed on December 18, 1982 and that an H-15 was due in December 2009.
34. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 23. Records further show that Well No. 23 was completed on July 28, 1983 and that an H-15 was due in December 2009.
35. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 24. Records further show that Well No. 24 was completed on July 28, 1983 and that an H-15 was due in December 2009.
36. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 103. Records further show that Well No. 103 was completed on September 17, 1985 and that an H-15 was due in December 2009.
37. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 105. Records further show that Well No. 105 was completed on September 16, 1985 and that an H-15 was due in December 2009.
38. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 107. Records further show that Well No. 107 was completed on September 18, 1985 and that an H-15 was due in December 2009.
39. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 113. Records further show that Well No. 113 was completed on September 16, 1985 and that an H-15 was due in December 2009.
40. Commission records indicate that no Form H-15 has been filed for the CIF (Lease No. 02841) Lease, Well No. 127. Records further show that Well No. 127 was completed on September 12, 1985 and that an H-15 was due in December 2009.
41. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 1L, was permitted as a secondary recovery well on July 22, 1997 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on April 30, 1999. The Form

- H-5 has not been filed with the Commission and the well has not been plugged.
42. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 2, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on July 30, 2002. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 43. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 5, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on July 30, 2002. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 44. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 7, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on July 30, 2002. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 45. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 9, was permitted as a secondary recovery well on May 22, 1998 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on April 30, 1999. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 46. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 17, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on October 30, 2008. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 47. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 18, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on July 30, 2002. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 48. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 22, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on October 30, 2008. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 49. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 101, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on October 30, 2008. The Form H-5 has not been filed with the Commission and the well has not been plugged.
 50. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 102, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on December 30, 1998. The Form H-5 has not been filed with the Commission and the well has not been plugged.

51. Commission records indicate that the CIF (Lease No. 02841) Lease, Well No. 108, was permitted as a secondary recovery well on April 2, 1986 (Permit No. 10801). Commission records further show a Commission Form H-5 (mechanical integrity pressure test) was due on July 30, 2007. The Form H-5 has not been filed with the Commission and the well has not been plugged.
52. The Respondent has no previous violations of Commission Rules.
53. 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.

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, 14(b)(2), 13(b)(1)(B), 14(b)(3), & 46(j).
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 14(b)(3), which requires the operator of any well more than 25 years old that becomes inactive shall plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires 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.
7. 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.
8. Respondent is responsible for maintaining the subject lease and subject well in compliance with all applicable Commission rules according to Statewide Rules 3 and 14(b)(2), 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.

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

1. Integrated Oil & Gas Solutions Corp. (Op. No. 424839), shall plug the CIF Lease (Lease No. 02841), Well Nos. 1, 1I, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 101, 102, 103, 105, 106, 107, 108, 113, and 127, Corsicana (Shallow) Field, Navarro County, Texas in compliance with applicable Commission rules and regulations; and
2. Integrated Oil & Gas Solutions Corp. (Op. No. 424839), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ONE HUNDRED FIFTY-NINE THOUSAND SEVEN HUNDRED-FIFTY DOLLARS (\$159,750.00)**.

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 6th day of October 2015.

RAILROAD COMMISSION OF TEXAS

**(Signatures affixed by Default Master Order
dated October 6, 2015)**

LMV/rnf