RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET NO. 09-0275863

ENFORCEMENT ACTION AGAINST CHESAPEAKE PETROLEUM, LLC (OPERATOR NO. 147696) FOR VIOLATIONS OF STATEWIDE RULES ON THE CLARK MCANALLY (00674) LEASE, WELL NOS. 1, 4, 6, 7, 8, AND 9 ARCHER COUNTY REGULAR FIELD, ARCHER COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on September 24, 2015 and that the respondent, Chesapeake Petroleum, LLC (147696), 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. Chesapeake Petroleum, LLC (147696), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.

2. On May 2, 2013, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Robert Robertson, President.

3. Robert Robertson was a 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.

4. Respondent designated itself to the Commission as the operator of Well Nos. 1, 4, 6, 7, 8 and 9, on the Clark McAnally (00674) Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on April 1, 2008.

5. Respondent's P-5 (Organization Report) became delinquent on April 1, 2014. Respondent had a $50,000 Cash as its financial assurance at the time of its last P-5 renewal.

6. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

7. Commission District inspections were conducted on September 25, 2014 and December

17, 2014 for the Heard (09272) Lease. The signs or identification required to be posted at the lease entrance and tank battery were missing.

8. 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.

9. Production from Well Nos. 1, 4, 6, 7 and 8 on the Clark McAnally (00674) Lease ceased on or before January 2012.

10. Injection into Well No. 9 on the Clark McAnally (00674) Lease ceased on or before January 2012.

11. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.

12. The plugging extensions were cancelled for failure to show a good faith claim of a right to operate the lease.

13. 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.

14. The total estimated cost to the State for plugging Well Nos. 1, 4, 6, 7 and 9, on the Clark McAnally (00674) Lease is $37,216.40.

15. Commission District inspections were conducted on January 13, 2011; January 26, 2011; February 24, 2011, April 27, 2011; July 12, 2013; and July 22, 2015 for the Clark McAnally (00674) Lease. Well No. 1 is equipped with casing and tubing head only and open to the atomosphere and Well No. 9 has tubing open to the atmosphere.

16. 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.

17. 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, 14(b)(2), and 13 (b) (1)(B).

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)(2), which states that plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease and shall proceed with due diligence until completed unless the Commission or its delegate approves a plugging extension under §3.15 of this title

6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(b)(1)(B), which states that wellhead assemblies shall be used on wells to maintain surface control of the well.

7. 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.

8. 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.

9. 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, Robert Robertson, 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.

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

1. Chesapeake Petroleum, LLC (147696) shall plug Well Nos. 1, 4, 6, 7, and 8 on the Clark McAnally (00674) Lease, Archer County Regular Field, Archer County, Texas

2. Chesapeake Petroleum, LLC (147696) shall plug or otherwise place Well Nos. 9 on the Clark McAnally (00674) Lease, Archer County Regular Field, Archer County, Texas in compliance with applicable Commission rules and regulations and;

3. Chesapeake Petroleum, LLC (147696), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOURTEEN THOUSAND TWO HUNDRED FIFTY DOLLARS ($14,250.00).**

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 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 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order October 20, 2015)