

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0296210

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY ANDALUCIA OIL COMPANY (020781) FOR VIOLATIONS OF STATEWIDE RULES ON THE ALLEN, WILLIAM L. (11875) LEASE, WELL NOS. 1 AND 8, F-13 (FLIPPEN) FIELD, TAYLOR COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on June 11, 2015 and that the respondent, Andaluca Oil Company (020781), 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. Andaluca Oil Company (020781), ("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 returned to the Commission marked "return to sender, unable to forward" on May 5, 2015. The certified envelope 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 December 15, 2011, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Scott A. Monette, President; and Mirta F. Monette, Vice-President.
4. Scott A. Monette 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.
5. Mirta F. Monette 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. 7B-0296210

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 and 8 on the Allen, William L. (11875) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) effective on February 1, 2009.
8. Respondent's P-5 (Organization Report) became delinquent on October 1, 2012. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. Commission District inspections were conducted on December 1, 2014, January 13, 2015 and March 16, 2015 for the Allen, William L. (11875) Lease. The sign or identification required to be posted at Well No. 1 was missing.
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. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
12. Production from Well Nos. 1 and 8 on the Allen, William L. (11875) Lease ceased on or before June 2003.
13. The total estimated cost to the state for plugging Well Nos. 1 and 8 on the Allen, William L. (11875) Lease is \$31,400.00.
14. No plugging extensions are in effect for any of the subject wells as allowed by Statewide Rule 14.
15. 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.
16. A Commission District inspection was conducted on December 1, 2014 for the Allen, William L. (11875) Lease. There was hydrocarbon-stained soil in an area measuring 45' by 16' at the tank battery.
17. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
18. 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 through soils into groundwater supplies.

OIL AND GAS DOCKET NO. 7B-0296210

19. Commission District inspections were conducted on December 1, 2014, January 13, 2015 and March 16, 2015 for the Allen, William L. (11875) Lease. Respondent failed to timely close two workover pits. Well No. 1 was completed on October 24, 1972, and Well No. 8 was completed January 25, 1980.
20. 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.
21. Commission District inspections were conducted on December 1, 2014, January 13, 2015 and March 16, 2015 for the Allen, William L. (11875) Lease. Well No. 1 had a casing valve open to the atmosphere.
22. 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.
23. The Respondent has not demonstrated good faith since it failed to properly plug 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), 8(d)(4)(G)(i)(III), 13(a)(6)(A) and 14(b)(2).
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 8(d)(4)(G)(I)(III), which requires workover pits to be dewatered, filled and compacted within 120 days from completion of workover operations.

OIL AND GAS DOCKET NO. 7B-0296210

7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(a)(6)(A), which requires that surface control of all wells be maintained with wellhead assemblies.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(2), which requires 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.
9. Respondent is responsible for maintaining the subject lease and subject well 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.
10. 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.
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, Scott A. Monette, 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.
12. 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, Mirta F. Monette, and any other organization in which she 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. Andalucia Oil Company (020781), shall plug the Allen, William L. (11875) Lease, Well Nos. 1 and 8, F-13 (Flippen) Field, Taylor County, Texas in compliance with applicable Commission rules and regulations; and

OIL AND GAS DOCKET NO. 7B-0296210

2. Andalusia Oil Company (020781), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIXTEEN THOUSAND SIX HUNDRED FORTY NINE DOLLARS (\$16,649.00)**.

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 of January 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated January 12, 2016)

MFE/sja