

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 10-0281770

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY SOFAMCO, INC. (8-296) FOR VIOLATIONS OF STATEWIDE RULES ON THE PRICE (07822) LEASE, WELL NO. 1, WILDCAT FIELD, POTTER 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, Sofamco, Inc. (800296), 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. Sofamco, Inc. (800296), ("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 April 29, 2015. The certified 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 February 3, 2012, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Stanton David Soderstrom, President; and Brent Stewart Soderstrom, Vice-President.
4. Stanton David Soderstrom 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. Brent Stewart Soderstrom 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. 10-0281770

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 No. 1 on the Price (07822) Lease ("subject well"/"subject lease") by filing a Form W-2 (Oil Well Completion Report) filed on April 16, 2006.
8. Respondent's P-5 (Organization Report) became delinquent on May 1, 2013. Respondent had \$25,000 cash deposit as its financial assurance at the time of its last P-5 renewal.
9. Commission District inspections were conducted on August 7, 2008, February 2, 2012, March 7, 2012 and January 31, 2013 for Well No. 1 on the Price (07822) Lease. The Commission was not provided with access to the lease.
10. Commission District inspections were conducted on November 15, 2007, January 1, 2008, May 14, 2008, August 7, 2008, February 2, 2012, March 7, 2012 and January 31, 2013 for the Price (07822) Lease. The signs or identification required to be posted at the lease entrance and the well were missing.
11. 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.
12. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
13. Well No. 1 on the Price (07822) Lease has never produced.
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. Commission District inspections were conducted on February 2, 2012, March 7, 2012 and January 31, 2013 for the Price (07822) Lease. Respondent failed to timely backfill and compact a drill pit measuring 32,940 square feet.
17. 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.
18. A Commission District inspection was conducted on November 15, 2007 and a review of Commission records on the Price (07822) Lease show that Well No. 1 was completed on August 3, 2006, but the required completion reports were not filed until April 16, 2007.

OIL AND GAS DOCKET NO. 10-0281770

19. The Respondent has not demonstrated good faith since it failed to properly plug 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.
20. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket Nos. 10-0273141 and 10-0276015.

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 2(a), 3, 8(d)(4)(G)(i)(I), 14(b)(2) and 16(b).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 2(a), which requires that the Commission or its representatives shall have access to come upon any lease or property operated or controlled by an operator, producer, or transporter of oil, gas or geothermal resources, and to inspect any and all leases, properties, and wells and all records of said leases, properties, and wells.
5. 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.
6. 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.
7. 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.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b) which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty days (30) after the completion of such well, or the plugging of such well, if the well is a dry hole, shall file with the Commission the appropriate completion or plugging report.

OIL AND GAS DOCKET NO. 10-0281770

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, Stanton David Soderstrom, 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, Brent Stewart Soderstrom, 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. Sofamco, Inc. (800296), shall plug the Price (07822) Lease, Well No. 1, Wildcat Field, Potter County, Texas in compliance with applicable Commission rules and regulations; and
2. Sofamco, Inc. (800296), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THREE THOUSAND TWO HUNDRED NINETY THREE DOLLARS (\$23,293.00)**.

OIL AND GAS DOCKET NO. 10-0281770

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