

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
HEARINGS SECTION**

**OIL AND GAS DOCKET NO. 7B-0255091**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY AMERICAN EAGLE OPERATING, INC. (017967), AS TO THE CHRANE, G.A. "A" (28365) LEASE, WELL NO. 1 AND THE CHRANE "B" (28440) LEASE, WELL NO. 18, TAYLOR COUNTY REGULAR FIELD, TAYLOR COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on April 17, 2008, and that the respondent, American Eagle Operating, Inc. (017967), 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. American Eagle Operating, Inc (017967), ("Respondent") was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent P-5 address on the Form P-5 Organization Report, which was returned to the Commission marked "unclaimed" on March 18, 2008.
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address was returned to the Commission marked "unclaimed" on March 18, 2008. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On June 14, 2007, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Otis Keith Alexander, Jr., President.
4. Otis Keith Alexander, Jr., was a person 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 Well No. 1 on the Chrane, G.A. "A" (28365) Lease and Well No. 18 on the Chrane "B" (28440) Lease ("subject wells"/"subject leases") by filing Forms P-4 (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on June 21, 2006 for both of the subject leases and subject wells.
7. According to Commission records the Respondent's Form P-5 (Organization Report) is active. Respondent has a \$50,000.00 Bond as its financial assurance.
8. A Commission District inspection was conducted on June 21, 2007 for the Chrane, G.A. "A" (28365) Lease. There was a 14' x 10' x 3" deep oil affected area at Well No. 1. Also, there was a 6' x 4' x 1" deep area with standing oil at the tank battery. On August 28, 2007, a Commission inspection indicated the oil affected area at the tank battery had expanded to approximately 18' x 10' x 1"-3" deep. A Commission inspection conducted on September 14, 2007 showed that neither of the oil affected areas had been cleaned.
9. Commission District inspections were conducted on June 21, 2007 and July 16, 2007 for the Chrane "B" (28440) Lease. There was a 4' x 3' - 15' x 3" deep area of standing oil inside the firewall. Commission inspections conducted on August 28, 2007, September 14, 2007, October 11, 2007 and October 25, 2007 showed that some remediation had been done, but oil affected soil was still prevalent throughout the area. October 11, 2007 and October 25, 2007 inspection reports show that oil had leaked from the stuffing box on Well No. 18 and had saturated an area approximately 6' x 6' x 3" deep with oil.
10. No permit had been issued to the Respondent for the discharge of oil and gas wastes on or from the subject lease.
11. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject leases constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach into the ground and percolate through soils into groundwater supplies.
12. The Respondent did not demonstrate good faith since it failed to timely place the subject leases in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.
13. Commission Form P-4's (Producers Transportation Authority and Certificate of Compliance) were approved on June 3, 2008, transferring the Chrane, G.A. "A" (28365) and the Chrane "B" (28440) Leases to Chan West Oil Corporation effective May 20, 2008.

## 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 was in violation of Commission Statewide Rule 8(d)(1).
4. Respondent was responsible for maintaining the subject leases in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
5. Respondent was responsible for maintaining the subject leases 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(c).
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, Otis Keith Alexander, 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. American Eagle Operating, Inc. (017967), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND THREE HUNDRED DOLLARS (\$2,300.00)**.

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 12<sup>th</sup> day of August 2008.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated August 12, 2008)

JD/sa