ENFORCEMENT ACTION AGAINST TRISTAR EXPLORATION, INC. (OPERATOR NO. 871101) FOR VIOLATIONS OF STATEWIDE RULES ON THE UNIVERSITY LEASE, WELL NO. 1202 (DRILLING PERMIT NO. 530134), WILDCAT FIELD, CROCKETT COUNTY, TEXAS

APPEARANCES:

FOR MOVANT: MOVANT:

Reese B. Copeland Enforcement Section
Railroad Commission of Texas

FOR RESPONDENT: RESPONDENT:

Andrew A. Alff, President Tristar Exploration, Inc.
Lloyd Muennink, Attorney

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

DATE COMPLAINT FILED: April 17, 2009
DATE OF NOTICE OF HEARING: February 10, 2011
DATE OF HEARING: March 24, 2011
HEARD BY: Marshall Enquist, Hearings Examiner
PFD WRITTEN BY: Harrison Smith, Law Clerk
DATE PFD CIRCULATED: June 29, 2011

STATEMENT OF THE CASE

This proceeding was called by the Commission on the recommendation of the District Office to determine the following:
1. Whether the respondent Tristar Exploration, Inc. (“Tristar”) has violated Statewide Rule 3(2) [Tex. R.R. Comm’n, 16 Tex. Admin. Code §3.3(2)] on the University Lease by failing to post an identification sign at Well No. 1202 (Drilling Permit No. 530134), Wildcat Field, Crockett County, Texas;

2. Whether the respondent Tristar should be required to plug or otherwise place in compliance with Statewide Rule 14(b)(2) [Tex. R.R. Comm’n, 16 Tex. Admin. Code §3.14(b)(2)] the University Lease, Well No. 1202 (Drilling Permit No. 530134), Wildcat Field, Crockett County, Texas;

3. Whether Tristar violated provisions of Title 3, Oil and Gas, Subtitles A, B, and C, Texas Natural Resources Code, Chapter 27 of the Texas Water Code, and Commission rules and laws pertaining to safety or prevention or control of pollution by failing to plug the subject well or otherwise place the well into compliance with Statewide Rule 14(b)(2);

4. Whether Tristar violated Statewide Rule 8(d)(4)(G)(i)(I) [Tex. R.R. Comm’n, 16 Tex. Admin. Code §3.8(d)(4)(G)(i)(I)] on the University Lease, Wildcat Field, Crockett County, Texas by failing to dewater, backfill and compact an open dry drilling pit adjacent to Well No. 1202 (Drilling Permit No. 530134) within a year of the cessation of drilling operations.

5. Whether Tristar violated Statewide Rule 16(b) [Tex. R.R. Comm’n, 16 Tex. Admin. Code §3.16(b)] by failing to file a completion report for the University Lease, Well No. 1202 (Drilling Permit No. 530134), Wildcat Field, Crockett County, Texas;

6. Whether, pursuant to Texas Natural Resources Code §81.0531, Tristar should be assessed administrative penalties of not more than $10,000 per day for each offense committed regarding the subject well; and

7. Whether any violations of Statewide Rules 3(2), 14(b)(2), 8(d)(4)(G)(i)(I), and 16(b) by Tristar should be referred to the Office of the Attorney General for further civil action pursuant to Texas Natural Resources Code §81.0534.

A hearing was held on March 24, 2011. Reese B. Copeland, Staff Attorney, appeared representing the Enforcement Section of the Office of General Counsel (“Enforcement”). Lloyd Muennink, attorney, appeared representing Tristar and presented evidence. Enforcement’s certified hearing file was admitted into evidence.

**APPLICABLE LAW**

Statewide Rule 3(2) requires that an identification sign be posted at each well site, showing the name of the property, the name of the operator and the well number.
Oil & Gas Docket No. 7C-0248025
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Statewide Rule 14(b)(2) requires that a well be plugged after 12 months of inactivity, unless a plugging extension has been obtained. A plugging extension will be approved for a well only if the well is in compliance with all Commission rules and the operator has a good faith claim of right to operate the well.

Statewide Rule 8(d)(4)(G)(i)(I) requires a person who maintains or uses a reserve or mud circulation pit which contains fluids with a chloride concentration of 6100 mg/l or less in conjunction with drilling or working over a well to dewater, backfill and compact the pit within one year of the cessation of drilling operations.

Statewide Rule 16(b) requires an operator of a well to file an appropriate completion report within 30 days after the completion of the well or within 90 days after the date on which the drilling operation is complete, whichever is earlier. If the well is a dry hole, the operator must file an appropriate plugging report within 30 days after the well is plugged.

**DISCUSSION OF THE EVIDENCE**

*Matters Officially Noticed*

The examiner has officially noticed the Commission’s Master Inquiry, Officer/Agent Inquiry Selection, and P-5 Financial Assurance Inquiry databases for Tristar, which show that Tristar is a corporation, and its officers are Andrew A. Alff, President and William Buck, Vice President. Roland Baker is the Registered Agent. The Form P-5 organization report of Tristar is active, and Tristar has approved financial assurance on file with the Commission in the amount of $50,000.

*Enforcement*

The most recent Form P-5 organization report shows that Tristar is a corporation. Tristar designated itself as the operator on the University Lease, Well No. 1202 (Drilling Permit No. 530134), by filing a Commission Form W-1 (Application for Permit to Drill, Deepen, Plug back or Re-Enter), received March 31, 2003, issued April 4, 2003.

Statewide Rule 3(2)

District Office inspection reports of the University Lease, Well No. 1202 January 30, 2006, April 18, 2006, February 9, 2009 and January 24, 2011 disclosed that the sign or identification required by Statewide Rule 3(2) to be posted at the well was missing. By failing to maintain legible signs or identification as required, Respondent has violated Statewide Rule 3(2)

Respondent’s violation of Statewide Rule 3 is a serious and threatens the public health and safety. In the event of a pollution or safety violation or other emergency, the lack of legible signs and identification displaying correct information may cause confusion as to the responsible operator to
be contacted and the actual location of the violation or emergency. Such confusion will cause delays in containing and remediating the violation or emergency.

**Statewide Rule 14(b)(2)**

District Office inspections of the University Lease, Well No. 1202 made on January 30, 2006, April 18, 2006, February 9, 2009 and January 24, 2011, and the absence of reports filed by Respondent with the Commission reflecting production, show the well has been inactive for a period greater than one year. The subject well has never been produced. The well was completed December 22, 2003, but not reported until September 10, 2004. The Commission entered a “dummy” P-4 for a lease number (#17002) to be assigned. No workovers, re-entries, or subsequent operations have taken place on the subject well in this complaint within the last 12 months and the subject well has not been plugged. The plugging extension requested by the Respondent continues to be denied due to Respondent’s failure to provide a good faith claim.

By failing timely to plug the subject well or to obtain an extension of the plugging deadline, Respondent has violated Statewide Rule 14(b)(2).

Respondent’s violation of Statewide Rule 14(b)(2) is serious and threatens the public health and safety. Unplugged wellbores are likely to cause pollution of usable quality ground water and surface water, as defined in Statewide Rule 8(a)(28) [Tex. R.R. Comm’n, 16 Tex. Admin. Code §3.8(a)(28)], by serving conduit for the passage of oil, gas, saltwater, and other substances from one stratum or formation to another or to the surface or from the surface downward.

Pursuant to calculations by Commission District Office personnel, the total estimated cost to the State for plugging the University Lease, Well No. 1202 (Drilling Permit No. 530134) is $11,200.00

**Statewide Rule 8(d)(4)(G)(i)(I)**

District Office inspection reports made on January 30, 2006, April 18, 2006, April 19, 2007 and June 7, 2007, for the University Lease indicated that Respondent had an open dry drilling pit next to Well No. 1202. An inspection report dated February 9, 2009, indicated the pit has been closed.

By using and maintaining a reserve pit which contains fluids with a chloride concentration of 6100mg/l, or less, in conjunction with drilling or working over a well and failing to dewater and backfill and compact the pit within one year of the cessation of drilling operations, Respondent violated Statewide Rule 8(d)(4)(G)(i)(I).

Respondent’s violation of Statewide Rule 8(d)(4)(G)(i)(I) is serious and a hazard to the public health and safety because the continued maintenance of pits required to be emptied and
backfilled may result in unpermitted discharges which may constitute surface or subsurface waters, causing pollution.

**Statewide Rule 16(b)**

District Office inspection reports made on January 30, 2006, April 18, 2006, February 9, 2009 on the University Lease showed that Well No. 1202 (Drilling Permit No 530134) has been completed with casing. On September 10, 2004, a Commission Form W-2 was received by the Commission, showing the well was completed or re-completed on December 22, 2003. The report has not been approved for failure to submit the P-7 package (New Field Designation/Discovery Allowable). Respondent is in violation of Statewide Rule 16(b).

Respondent’s violation of Statewide Rule 16(b) is serious and a hazard to the public health and safety because, should a well need to be re-entered for any reason, the wellbore documentation provided in those reports is necessary to safely and efficiently carry out the replugging, recompletion, reworking or other action.

**Previous violations by Respondent**

The Respondent charged with the violation herein recited has the following prior violations of Commission rules: Docket No. 7B-0235591, Agreed Order entered 6/22/04, $2,175.00 received; Docket No. 03-0233440, Final Order entered 9/07/05, $2,000.00 assessed; and Docket No. 7B-0239085, Agreed Order entered 1/24/06, $300.00 received.

**Prayer**

The Commission staff requests the commission to enter an order: assessing Respondent an administrative penalty of $4,750.00 less $2,875 previously paid. The penalty consists of violations of Statewide Rule Rule 3(2) - 1 violation at $250.00; Rule 14(b)(2) - 1 violation at $2,000.00; Rule 8(d)(4)(G)(i)(I) - 1 violation, time out of compliance, at $1,000.00; Rule 16(b) - 1 violation at $500.00 and an enhancement of $1,000.00 for prior violations), or such other amount as may be established by the evidence; directing Respondent to place the subject lease and well into compliance with all Commission Statewide Rules; and ordering any other relief to which, the Enforcement Section may show itself entitled under the pleadings and the evidence.

**Tristar**

Tristar was represented at the hearing by Andrew A. Alff, President of Tristar and Lloyd Muennink, Attorney for Tristar. Mr. Alff testified in the hearing as an authorized Tristar agent.

Tristar did not dispute the fact that the subject violations occurred or that Tristar is the operator responsible for the violations. On the other hand, Tristar requested more time to allow
for 2-W Petroleum, a certified well plugger for the state of Texas, to fulfill previous contracts for
the Commission before commencing plugging operations of the University Lease wells in
violation of Statewide Rule 14(b)(2).

Mr. Alff stated that he understood Tristar’s violations regarding University Lease, Well
No. 1202 and it was his intention to plug the well. After receiving notice of hearing, Mr. Alff
stated he actively pursued options to comply with Statewide Rule 14(b)(2). At hearing, he
presented two quotes from plugging contractors. Mr. Alff’s stated his intention was to hire the
services of 2-W Petroleum. 2-W’s cost was considerably cheaper than the alternative quote by
Maverick Well Pluggers, but 2-W was currently engaged in a plugging contract with the
Commission and was unable to plug the University Lease well in the immediate future. Mr. Alff
petitions the Commission to allow enough time for 2-W to fulfill their previous contracts and
report to the University Lease to plug Well No. 1202.

Mr. Alff also stated that his role in Tristar was to satisfy the compliance of all operations
with the Commission. William Buck, Vice President of Tristar, was responsible for generating
the capital for Tristar’s investments and projects. Mr. Alff is unable to establish contact with Mr.
Buck with regards to financing the plugging of the University Lease well and petitions the
Commission to allow him time to gather the financial resources required.

EXAMINER’S OPINION

The examiner agrees with Enforcement. The violations of Statewide Rules 3(2), 14(b)(2),
8(d)(4)(G)(i)(I) and 16(b) were shown to be committed by Tristar. Tristar did not dispute the
violations.

In determining the amount of the penalty to be imposed against Tristar, the Commission is
required by Texas Natural Resources Code §81.0531 to consider the operator’s previous violations,
the seriousness of the violation, any hazard to health or safety of the public, and the demonstrated
good faith of the person charged. According to Enforcement’s complaint in this docket, Tristar has
a history of prior final enforcement orders entered against it for violations of Commission rules. The
involved violations are serious, and present a hazard to the health and safety of the public, because
of the threat of pollution of usable quality water presented by inactive and unplugged wellbores.

Commission District Office inspection reports made on January 30, 2006, April 18, 2006,
February 9, 2009 and January 24, 2011 show that the subject well is missing the required sign or
identification required by Statewide Rule 3(2). Accordingly, Tristar was in violation of Statewide
Rule 3(2) from at least January 30, 2006 through at least January 24, 2011, a time out of compliance
of five years.

Well No. 1202 (Drilling Permit No. 530134) was completed on December 22, 2003 and was
in violation of Statewide Rule 14(b)(2), after twelve months of inactivity, on December 22, 2004.
Commission District Officer inspection reports made on January 30, 2006, April 18, 2006, February 9, 2009 and January 24, 2011 show that Well No. 1202 (Drilling Permit No. 530134) has been inactive for a period greater than one year, has not been plugged, and no Rule 14(b)(2) plugging extension currently is in effect due to Tristar’s failure to provide a good faith claim to operate the University Lease. Accordingly, Tristar was in violation of Statewide Rule 14(b)(2) from December 22, 2004 through at least January 24, 2011, a time out of compliance of approximately seven years.

Commission District Office inspection reports made on January 30, 2006, April 18, 2006, April 19, 2007 and June 7, 2007 show that Tristar had an open dry drilling pit next to Well No. 1202. The dry pit had previously been dewatered, but was not backfilled and compacted within one year of the cessation of drilling operations which occurred on October 4, 2003. An inspection report made on February 9, 2009, indicated the pit has been closed. Accordingly, Tristar was in violation of Statewide Rule 8(d)(4)(G)(i)(I) from at least October 4, 2004 through at least June 7, 2007, a time out of compliance of at least two and three-fourths years.

On September 10, 2004, a Commission Form W-2 was received by the Commission, showing Well No. 1202 was completed on December 22, 2003. Commission District Office inspection reports made on January 30, 2006, April 18, 2006, February 9, 2009 and January 24, 2011 confirm that Well No. 1202 was completed with casing. Tristar failed to file the required completion report forms. Specifically, Tristar failed to file Form P-7. The Form P-7 contains completion data giving the top and bottom of the reservoir drilled, as well as the location of perforations. Without this data, reworking, recompletion or plugging cannot be safely and efficiently carried out. Statewide Rule 16(b) requires that completion reports be filed with the Commission within 30 days after completion of the well or within 90 days after that date on which the drilling operation was complete, which ever is less. Accordingly, Tristar was in violation of Statewide Rule 16(b) from 90 days after October 4, 2003, or from January 4, 2004 to at least January 24, 2011, a time out of compliance of approximately seven years.

Tristar cannot be said to have acted in good faith, because it did not respond to numerous requests of the District Office for voluntary compliance on December 16, 2005, February 9, 2006 and April 26, 2006. The penalties recommended by Enforcement are the standard penalties provided by the recommended standard penalty schedule for enforcement cases. Accordingly, the examiner recommends that Tristar be ordered to pay a total penalty of $4,750.00, less $2,875.00 previously paid, for one Statewide Rule 3(2) violation at $250.00; one Statewide Rule 14(b)(2) violation at $2,000.00; one Statewide Rule 8(d)(4)(G)(i)(I) violation at $1,000.00; one Statewide Rule 16(b) violation at $500.00 and an enhancement of $1,000.00 for prior violations.

Well No. 1202 (Drilling Permit No. 530134) on the University Lease has been inactive for a period of seven years. Wells that have been inactive for a period greater than four years have been found by the Commission to be unlikely to return to active status.

Form P-5 organization reports received by the Commission on August 16, 2005 and August 5, 2010 for Tristar recorded in the certified file indicate Andrew A. Alff and William Buck were the
officers of Tristar in 2005 and were the officers of Tristar in 2010. Andrew A. Alff and William Buck were officers during the period of the violations pled in this docket. The examiner recommends that the well be ordered plugged.

Tristar’s request for more time to place the Well No. 1202 (Drilling Permit No. 530134) on the University Lease in compliance should not be granted. Voluntary compliance was requested by Commission District Office letters on December 16, 2005, February 9, 2006 and April 26, 2006. District Office inspection reports indicate the violations are still present. Tristar had ample opportunity to resolve these issues.

Based on the record of this case, the examiner recommends adoption of the following Findings of Facts and Conclusions of Law.

**FINDINGS OF FACT**

1. Tristar Exploration, Inc. (“Tristar”) was given at least ten (10) days notice of this hearing by certified mail addressed to Tristar’s most recent Form P-5 organization report address. Tristar appeared at the hearing and presented evidence.

2. Tristar is a corporation. Its officers are Andrew A. Alff, President, and William Buck, Vice President. Roland Baker is the Registered Agent.

3. Tristar’s Form P-5 organization report is active, and Tristar has approved financial assurance on file with the Commission in the amount of $50,000.

4. Tristar designated itself operator of the University Lease, Well No. 1202 (Drilling Permit No. 530134), Wildcat Field, Crockett County, Texas, by filing a Form W-1 (Application for Permit to Drill, Deepen, Plug Back or Re-Enter) received March 31, 2003, issued April 4, 2003.

5. Commission District Office inspections on January 20, 2006, April 18, 2006, February 9, 2009 and January 24, 2011 of the University Lease, Well No. 1202 (Drilling Permit No. 530134) showed that the identification sign required by Statewide Rule 3(2) to be posted at the site of the subject well was missing.

6. In the event of a pollution or safety violation or other emergency, incorrect, illegible or missing signs may cause delays in containing and remediating the violation or emergency and threaten the public health and safety.

7. On September 10, 2004, a Commission Form W-2 was received by the Commission, showing University Lease, Well No. 1202 (Drilling Permit 530134) was completed on December 22, 2003.
8. The University Lease, Well No. 1202 (Drilling Permit No. 530134) has been inactive for more than twelve months, does not have a Statewide Rule 14(b)(2) plugging extension, and has not been plugged.

   a. Commission District Office inspections on January 30, 2006, April 18, 2006, February 9, 2009 and January 24, 2011, disclosed the well was inactive and unplugged.

   b. The subject well has never produced and no workovers, re-entries or subsequent operations have taken place on the subject well in the last 12 months.

   c. The Statewide Rule 14(b)(2) plugging extension for Well No. 1202 (Drilling Permit No. 530134) continues to be denied due to Tristar’s failure to provide a good faith claim to a continuing right to operate the well.

   d. Well No. 1202 (Drilling Permit No. 530134) was in violation of Statewide Rule 14(b) on December 22, 2004, after twelve months of inactivity, and has been in violation since that date.

9. The estimated cost to the State for plugging the University Lease, Well No. 1202 is $11,200.

10. Violations of Statewide Rule 14(b)(2) are serious and harmful to the public health and safety. Unplugged wellbores are likely to act as a potential conduit for flow from oil or saltwater zones to zones of useable quality water or to the surface. Holes or leaks may develop in cased wells, allowing oil or saltwater to communicate with usable quality water zones or to flow to the surface. Uncased wells allow direct communication between zones and provide unimpeded access to the surface.

11. Commission District Office inspections on January 30, 2006, April 18, 2006 and June 7, 2007, for the University Lease indicated that Respondent had an open dry drilling pit next to Well No. 1202 (Drilling Permit No. 531034). The pit has been dewatered but not backfilled and compacted. A District Office inspection dated February 9, 2009, indicated the pit has been closed.

12. A well that is in violation of Statewide Rule 8(d)(4)(G)(i)(I) is serious and a hazard to the public health and safety because the continued maintenance of pits required to be backfilled and compacted may result in unpermitted discharges which may contaminate surface or subsurface waters, causing pollution.

13. Commission District Office inspections on January 30, 2006, April 18, 2006, February 9, 2009 and January 24, 2011 on the University Lease showed Well No. 1202 (Drilling
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Permit No. 531034) was completed with casing. A Commission Form W-2 was received on September 10, 2004, which reflected that Well No. 1202 was completed on December 22, 2003 and that drilling ceased on October 4, 2003. The form W-2 has not been approved for failure to submit a Form P-7(New Field and/or Discovery Allowable Application.

14. A violation of Statewide Rule 16(b) is serious and a hazard to the public health and safety because, should a well need to be re-entered for any reason, the wellbore documentation provided in those reports is necessary to safely and efficiently carry out the replugging, recompletion, reworking or other action.


16. Andrew A. Alff and William Buck were persons in a position of ownership or control of Tristar at the time the violations involved in this docket were committed, as shown on a P-5 organization report received by the Commission on August 16, 2005 and a P-5 renewed August 5, 2010.

17. The violations involved in this docket were violations of Commission rules related to safety and the prevention or control of pollution.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice.

2. All things necessary to the Commission attaining jurisdiction have occurred.

3. Tristar Exploration, Inc (“Tristar”) was and is the operator of the University Lease, Well No. 1202 (Drilling Permit No. 530134), Wildcat Field, Crockett County, Texas, as defined by Statewide Rules 14, 58, and 79 [Tex. R.R. Comm’n, 16 TEX. ADMIN. CODE §§3.14, 3.58, and 3.79] and Chapters 85 and 89 of the Texas Natural Resources Code.

4. As operator, Tristar had the primary responsibility for complying with Statewide Rules 3(2), 14(b)(2), 8(d)(4)(G)(i)(I) and 16(b) [Tex. R.R. Comm’n, 16 TEX. ADMIN. CODE §§3.3(2), 3.14(b)(2), 3.8(d)(4)(G)(i)(I) and 3.16(b)], Chapters 89 and 91 of the Texas Natural Resources Code, and other applicable statutes and Commission rules respecting the University Lease, Well No. 1202 (Drilling Permit No. 530134), Wildcat Field, Crockett County, Texas;
5. Tristar violated Statewide Rule 3(2) [Tex. R.R. Comm’n, 16 TEX. ADMIN. CODE §3.3(2)] on the subject lease by failing to post and maintain the required identification sign at the site of the subject well. Tristar was in violation of Statewide Rule 3(2) from at least January 30, 2006 through at least January 24, 2011, a time out of compliance of five years.

6. Tristar violated Statewide Rule 14(b)(2) [Tex. R.R. Comm’n, 16 TEX. ADMIN. CODE §3.14(b)(2)] by failing to timely plug the subject well. Tristar was in violation of Statewide Rule 14(b)(2) from at least December 22, 2004 through at least January 24, 2011, a time out of compliance of approximately seven years.

7. Tristar violated Statewide Rule 8(d)(4)(G)(i)(I) [Tex. R.R. Comm’n, 16 TEX. ADMIN. CODE §3.8(d)(4)(G)(i)(I)] by failure to dewater, backfill and compact an open dry drilling pit within one year of the cessation of drilling operations. Tristar was in violation of Statewide Rule 8(d)(4)(G)(i)(I) from at least January 30, 2006 through at least June 7, 2007, a time out of compliance of at least one and a half years.

8. Tristar violated Statewide Rule 16(b) [Tex. R.R. Comm’n, 16 TEX. ADMIN. CODE §3.16(b)] by failing to file the required completion report forms. Tristar was in violation of Statewide Rule 16(b) from 90 days after October, 4, 2003 (January 4, 2004) through at least January 24, 2011, a time out of compliance of approximately seven years.

9. The documented violations committed by Tristar constitute acts deemed serious and a hazard to the public health and safety within the meaning of Texas Natural Resources Code §81.0531.

10. Tristar did not demonstrate good faith within the meaning of Texas Natural Resources Code §81.0531.

11. As officers of Tristar at the time Tristar violated Commission rules related to safety and the prevention or control of pollution, Andrew A. Alff, William Buck, and any organizations subject to the Commission’s jurisdiction in which they, or any of them, may hold a position of ownership or control, are subject to the restrictions of Texas Natural Resources Code §91.114(a)(2).
RECOMMENDATION

The examiner recommends that Tristar be ordered plug the University Lease, Well No. 1202 (Drilling Permit No. 530134), pay an administrative penalty in the amount of $4,750.00, less $2,875.00 already paid, and that Andrew A. Alff and William Buck be made subject to the restrictions of Texas Natural Resources Code §91.114(a)(2)

Respectfully submitted,

Harrison Smith
Law Clerk

Marshall Enquist
Hearings Examiner