

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

OIL AND GAS DOCKET NO. 7C-0231866

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY JANLO OPERATING (429835), AS TO THE TODD "A" LEASE, WELL NO. 2 (066443), HOWARD DRAW, NE. (QUEEN) FIELD, AND THE TODD RANCH "A" LEASE, WELL NO. 1 (041170), HOWARD DRAW (GRAYBURG, SAN ANDRES) FIELD, CROCKETT COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on January 6, 2005, and that the respondent, Janlo Operating (429835), failed to appear or respond to the notice. 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. Janlo Operating (429835), ("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 signed and returned to the Commission.
2. The returned certified receipt (green card) that was attached to the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address, was signed and returned to the Commission on November 18, 2004. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Douglas Stewart King, as sole proprietor, 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.
4. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
5. Respondent designated itself to the Commission as the operator of Well No. 2 (066443) on the Todd "A" Lease and Well No. 1 (041170) on the Todd Ranch "A" Lease ("subject wells"/"subject leases") by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance) with the Commission effective on September 1, 1997 for both of the subject leases and subject wells.

6. According to Commission records the Respondent's Form P-5 (Organization Report) became delinquent on January 22, 2004. Respondent paid a fee of \$1,009.00 as its financial assurance at the time of its last P-5 renewal.
7. Well No. 2 (066443) on the Todd "A" Lease ceased production on or before February 28, 2001. Well No. 1 (041170) on the Todd Ranch "A" Lease ceased production on or before November 30, 2000.
8. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
9. 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.
10. The estimated cost to the State of plugging the subject wells is \$13,100.00.
11. Commission district office inspections were conducted on August 18, 2000, August 31, 2000, October 20, 2000, June 7, 2001 and September 10, 2001 for the Todd "A" Lease. The sign or identification required to be posted at Well No. 2 (066443) displayed the incorrect information. A Commission district office inspection conducted November 29, 2004 indicated that the sign violation on the Todd "A" Lease had been placed in compliance.
12. Commission district office inspections were conducted on August 18, 2000, August 31, 2000, October 20, 2000, June 7, 2001, September 10, 2001 for the Todd Ranch "A" Lease. The sign or identification required to be posted at the well displayed incorrect information. A Commission district office inspection conducted November 29, 2004 indicated that the sign violation on the Todd Ranch "A" Lease had been placed in compliance.
13. 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.
14. Commission district office inspections were conducted on June 7, 2001 and September 10, 2001 for the Todd "A" Lease. Well No. 2 (066443) had a leak of gas from a 2 inch nipple between the 2 inch valve and the casing head of the well. The gas had a concentration of H₂S of 176 parts per million. On September 10, 2001 the well showed that the leak at the 2 inch nipple had an H₂S concentration of 986 parts per million. A Commission district office inspection conducted on November 29, 2004 indicated that the violations at Well No. 2 (066443) were in compliance.
15. 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 the release of H₂S gas to the atmosphere presents a threat of harm to the health of persons within the radius of exposure.
16. Respondent's H-9 for Well No. 1 (041170) on the Todd Ranch "A" Lease reflects the 100 parts per million radius of exposure is 228 feet. A Commission district office inspection was

conducted on August 18, 2000 for the Todd Ranch "A" Lease reflects that the well and tank battery are at the same location and that there is no hydrogen sulfide (H₂S) warning sign at the location. A Commission district office inspection conducted on November 29, 2004 indicated that the violations have been placed in compliance.

17. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leases 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 was in violation of Commission Statewide Rules 3(a), 13(b)(1)(B) and 36(c)(6)(A)(i).
4. Respondent is in violation of Commission Statewide Rule 14(b)(2).
5. Respondent was responsible for maintaining the subject lease in compliance with Rule 3(a), 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 was responsible for maintaining the subject lease in compliance with Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
7. Respondent was responsible for maintaining the subject lease in compliance with Rule 36(c)(6)(A)(i), which requires that for above ground and fixed surface facilities, the operator shall post, clearly visible warning signs on access roads or public streets, or roads which provide direct access to facilities located within the area of exposure.
8. Respondent is responsible for maintaining the subject leases and plugging 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.
9. 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) (Vernon 2001).
10. 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, Douglas Stewart King, 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. Janlo Operating (429835), shall plug the Todd "A" Lease, Well No. 2 (066443), Howard Draw, NE. (Queen) Field, and the Todd Ranch "A" Lease, Well No. 1 (041170), Howard Draw (Grayburg, San Andres) Field, Crockett County, Texas in compliance with applicable Commission rules and regulations; and
2. Janlo Operating (429835), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND TWO HUNDRED DOLLARS (\$4,200.00)**.

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 22nd day of March 2005.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated March 22, 2005)

JD/sa