

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

OIL AND GAS DOCKET NO. 8A-0222673

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY JIMMIE J. KEY, SOLE PROPRIETOR, KEY, J.J. (458655), AS TO THE JONES (63718) LEASE, WELL NOS. 2, 4 AND 5, VAREL, NORTH (SAN ANDRES) FIELD, JONES (63378) LEASE, WELL NOS. 1, 1D AND 3, VAREL (GLORIETA) FIELD, AND THE KEY (62737) LEASE, WELL NOS. 1, 2, 3, 4 AND 7, REVILO (GLORIETA) FIELD, SCURRY COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on March 9, 2000 and that the respondent, Jimmie J. Key, Sole Proprietor, Key, J.J. (458655), 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. Jimmie J. Key, Sole Proprietor, Key, J.J. (458655), ("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) address, which was returned to the Commission marked "unclaimed."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was returned to the Commission marked "unclaimed" on February 17, 2000. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Respondent designated itself to the Commission as the operator of Well Nos. 2, 4 and 5 on the Jones (63718) Lease, Well Nos. 1, 1D and 3 on the Jones (63378) Lease and Well Nos. 1, 2, 3, 4 and 7 on the Key (62737) Lease ("subject wells"/"subject leases") by filing Form P-4's (Producer's Transportation Authority and Certificate of Compliance), effective on August 15, 1987 for Well Nos. 2, 4 and 5 on the Jones (63718) Lease, August 1, 1987 for Well Nos. 1, 1D and 3 on the Jones (63378) Lease and February 1, 1980 for Well Nos. 1, 2, 3, 4 and 7 on the Key (62737) Lease.

OIL AND GAS DOCKET NO. 8A-0222673

4. The subject wells have been dry or inactive for a period in excess of one year. Commission inspection and/or production reports indicate that the subject wells ceased production on or before January 31, 1998 for all of the subject wells and subject leases.
5. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
6. Usable quality water 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 public health and safety because of the probability of pollution.
7. The estimated cost to the State of plugging the subject wells is \$34,500.00 for Well Nos. 2, 4 and 5 on the Jones (63718) Lease, \$36,000.00 for Well Nos. 1, 1D and 3 on the Jones (63378) Lease and \$57,500.00 for Well Nos. 1, 2, 3, 4 and 7 on the Key (62737) Lease.
8. A Commission district office inspection was conducted on August 15, 1997 for the Jones (63378) Lease. An open workover pit measuring approximately 15' x 25' x 4' deep contained approximately 6 barrels of oil and produced water. A follow up inspection was conducted on October 7, 1997, indicating that the pit remains open, but the oil and produced water had been removed. A follow up inspection conducted on February 4, 1998 indicates that the pit remained open and contains approximately 1 barrel of heavy oil. Follow up inspections were conducted on March 26, 1998 and November 10, 1999 indicating that the pit remained open.
9. A Commission district office inspection report was conducted on November 5, 1998 for the Key (62737) Lease. A flare pit measuring approximately 20' x 40' x 4' deep was located approximately 120' southwest of the tank battery. Follow up inspections conducted on June 28, 1999, August 11, 1999, September 14, 1999 and November 10, 1999 indicated that the pit had not been backfilled.
10. 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.
11. Commission district office inspections were conducted on February 4, 1998, March 26, 1998, September 23, 1998, November 5, 1998, July 27, 1999, September 14, 1999 and November 10, 1999 on the Jones (63718) Lease. Well No. 5 does not have a wellhead assembly and have casing open to the atmosphere.
12. 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.
13. The respondent did not demonstrate good faith since it failed to plug or otherwise place the

OIL AND GAS DOCKET NO. 8A-0222673

subject wells and 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.

14. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 8A-0219699; Rules 8, 9 & 14, Final Order Served: January 29, 1999;

Docket No. 8A-0220657; Rules 8 & 14; Final Order Served: July 16, 1999.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and 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 8(d)(4)(G)(i)(III), 8(d)(4)(G)(i)(IV), 13(b)(1)(B) and 14(b)(2).
4. Respondent is responsible for maintaining the subject lease in compliance with 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.
5. Respondent is responsible for maintaining the subject lease in compliance with Rule 8(d)(4)(G)(i)(IV), which requires basic sediment pits, flare pits, fresh mining water pits, and water condensate pits to be dewatered, backfilled and compacted within 120 days of final cessation of use of the pits.
6. Respondent is 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 is responsible for maintaining the subject wells and the subject leases in compliance with all applicable Statutes and Commission rules, specifically Statewide Rules 14, 58, and 79 and Chapters 89 and 91, Texas Natural Resources Code.
8. 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 1993).

IT IS ORDERED THAT within 30 days from the day immediately following the date this order becomes final:

OIL AND GAS DOCKET NO. 8A-0222673

1. Jimmie J. Key, Sole Proprietor, Key, J.J. (458655), shall plug or place the Jones (63718) Lease, Well Nos. 2, 4 and 5, Varel, North (San Andres) Field, the Jones (63378) Lease, Well Nos. 1, 1D and 3, Varel (Glorieta) Field, and the Key (62737) Lease, Well Nos. 1, 2, 3, 4 and 7, Revilo (Glorieta) Field, Scurry County, Texas in compliance with applicable Commission rules and regulations; and
2. Jimmie J. Key, Sole Proprietor, Key, J.J. (458655), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTY THREE THOUSAND FIVE HUNDRED DOLLARS (\$33,500.00)**.

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 order is served on the parties.

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 23rd day of May, 2000.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated May 23, 2000)

MFE/sa