

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 8A-0293737

**ENFORCEMENT ACTION AGAINST HI-MOUNTAIN ENERGY CORPORATION
(OPERATOR NO. 390160) FOR VIOLATIONS OF STATEWIDE RULES ON THE
MIMOSA (68839) LEASE, WELL NO. 2, SPRABERRY, DEEP (SPRABERRY, LO)
FIELD, DAWSON COUNTY, TEXAS**

FINAL ORDER

The Railroad Commission of Texas (“Commission”) finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on January 7, 2016 and that the respondent, Hi-Mountain Energy Corporation, failed to appear or respond to the Notice of Hearing. Pursuant to § 1.49 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.49, and after being duly submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Hi-Mountain Energy Corporation (Operator No. 390160), (“Respondent”), was sent the Original Complaint and by certified and first class mail, addressed to the most recent Commission Form P-5 (Organization Report) address. Hans Langwieser, President of Respondent, was sent the Original Complaint and Notice of Hearing by certified and first class mail to his last known address. Mike Killman, Resident Agent for Respondent, was sent the Original Complaint and by certified and first class mail, addressed to his last known address.
2. The certified mail envelope containing the Original Complaint and the Notice of Hearing, was received by Respondent and the Resident Agent on December 7, 2015. The certified mail envelope sent to Hans Langwieser was returned to the Commission on December 29, 2015. The first class mail was not returned. Record of the deliveries and return of certified mail has been on record with the Commission for more than 15 days, exclusive of the day of receipt and day of issuance. Respondent was given more than 30 days’ notice of the Original Complaint and Notice of Opportunity for Hearing. Respondent has not entered into an agreed settlement order, filed an answer, or requested a hearing.
3. On August 25, 2014, Respondent, a corporation, filed a Commission Form P-5 (Organization Report) with the Commission reporting that its officers consist of the following individual: Hans Langwieser, President.

4. Hans Langwieser was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
5. Respondent's P-5 (Organization Report) is currently delinquent. Respondent had a \$25,000 bond as its financial assurance at the time of its last P-5 annual renewal submittal.
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 the Mimosa (68839) Lease, Well No. 2, Spraberry, Deep (Spraberry, Lo) Field, Dawson County, Texas by filing a Commission Form W-1 (Drilling Permit), filed January 23, 2007.
8. Commission inspection reports made on July 21, 2014, September 15, 2014, November 12, 2014 and January 20, 2015, and either reports filed by Respondent with the Commission reflecting zero production or the absence of production reports filed by Respondent with the Commission since April 2012, show the Mimosa (68839) Lease, Well No. 2 has been inactive for a period greater than one year. Production from the subject well ceased on or before April 2012.
9. No work-overs, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has not been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14; and no plugging extensions are in effect for the subject well as allowed by Statewide Rule 14. The subject well is not otherwise in compliance with Statewide Rule 14.
10. Usable quality groundwater in the area may become contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores in violation of Statewide Rule 14(b)(2) constitute a cognizable threat to the public health and safety because of the potential of pollution.
11. The total estimated cost to the State for plugging the Mimosa (68839) Lease, Well No. 2 is \$68,100.00.
12. A Commission inspection report made on October 23, 2014 for the Mimosa (68839) Lease, and a review of Commission records show that a mechanical integrity test was required to be conducted by September 30, 2013, an attempted test failed, and no Form H-5 (Disposal/Injection Well Pressure Test Report) had been submitted to the appropriate Commission district office.
13. A failure to test an injection well as set forth in Statewide Rule 46(j) may lead to leaks of fluid and cause pollution.

14. Respondent has no prior history of violations of Commission rules.

CONCLUSIONS OF LAW

1. Proper notice was issued by the 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 have been performed or have occurred.
3. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and chapters 89 and 91 of the Texas Natural Resources Code.
4. Respondent is in violation of Statewide Rules 14(b)(2) and 46(j). 16 TEX. ADMIN. CODE §§ 3.14(b)(2) and 3.46(j).
5. The documented violations committed by Respondent constitute acts deemed serious, and a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE § 81.0531(c).
6. Respondent is responsible for maintaining the subject leases 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.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires a passing mechanical integrity test every five years.
8. Pursuant to TEX. NAT. RES. CODE § 81.0531, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000 per day for each violation, with each day such violations continued constituting a separate violation.
9. An assessed administrative penalty in the amount of FOURTEEN THOUSAND EIGHT HUNDRED DOLLARS (\$14,800.00) is justified considering the facts and violations at issue.
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, Hans Langwieser, and any other organization in which he may hold a position of ownership or control, is be subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code.

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

1. Hi-Mountain Energy Corporation (Operator No. 390160) shall place the Mimosa (68839) Lease, Well No. 2, Spraberry, Deep (Spraberry, Lo) Field, Dawson County, Texas in compliance with Statewide Rules 14(b)(2) and 46(j), and any other applicable Commission rules and statutes.
2. Hi-Mountain Energy Corporation (Operator No. 390160) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of FOURTEEN THOUSAND EIGHT HUNDRED DOLLARS (\$14,800.00).

It is further **ORDERED** that 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, Hans Langwieser, and any other organization in which he may hold a position of ownership or control, shall be subject to the restriction of section 91.114(a)(2) of the Texas Natural Resources Code 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.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 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 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 this order in accordance with Tex. Gov't Code §2001.144.

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 21st day of June, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated June 21, 2016)

JNC / rnf