

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

OIL AND GAS DOCKET NO. 8A-0266046

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY LEE-STAN SALTWATER DISPOSAL, INC. (494440), AS TO THE KATE (62876) LEASE, WELL NOS. 904, 908 AND TANK BATTERY, LEVELLAND FIELD, COCHRAN COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on January 13, 2011 and that the respondent, Lee-Stan Saltwater Disposal, Inc. (494440), 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. Lee-Stan Saltwater Disposal, Inc. (494440), ("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.
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing was mailed to Respondent's most recent P-5 address, was returned to the Commission marked "unclaimed" on December 14, 2010, and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On March 23, 2009, Respondent, a Corporation, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Robert E. Stanley, III; President, and Melissa Lynn Lee-Stanley; Vice-President.
4. Robert E. Stanley, III was 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. Melissa Lynn Lee-Stanley was 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.
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 Well Nos. 904, 908 and Tank Battery on the Kate (62876) Lease (“subject wells”/“subject lease”) by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) with the Commission effective on March 1, 2006.
8. Commission records indicate that Respondent’s Form P-5 (Organization Report) became delinquent on January 1, 2010. Respondent had a \$25,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. The subject wells ceased production in April 2007.
10. The Statewide Rule 14(b)(2) extension for Well No. 904 on the Kate (62876) Lease was denied on October 16, 2008 for failure to file an H-15.
11. The Statewide Rule 14(b)(2) extension for Well No. 908 on the Kate (62876) Lease was denied on May 4, 2009 for failure to file an H-15.
12. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
13. 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.
14. The estimated cost to the State of plugging the subject wells is \$86,800.00.
15. Commission records show the Kate (62876) Lease, Well No. 904 was completed in April 1980 and Well No. 908 was completed in September 1981, both are more than 25 years old and inactive. Commission records further indicate the subject wells were due for a fluid level or hydraulic pressure test in May 2008 and April 2009. Respondent has failed to test the wells and the wells remain unplugged.
16. A review of Commission records for the Kate (62876) Lease, Well Nos. 904 and 908 indicates Respondent has failed to file the required production reports since April 2008.
17. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and 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 is in violation of Commission Statewide Rules 14(b)(2), 14(b)(3) and 58(b).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), which requires the operator of any well more than 25 years old that becomes inactive shall plug the well or successfully conduct a fluid level or hydraulic pressure test establishing that the well does not pose a potential threat of harm to natural resources, including surface and subsurface water, oil and gas.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 58(b), that requires each calendar month, each operator who is a producer of crude oil or geothermal resources shall file with the Commission the required form.
6. Respondent is responsible for maintaining the subject lease 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.
7. 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.
8. 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, Robert E. Stanley, III 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.
9. 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, Melissa Lynn Lee-Stanley and any other organization in which she 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. Lee-Stan Saltwater Disposal, Inc. (494440), shall plug the Kate (62876) Lease, Well Nos. 904, 908 and Tank Battery, Levelland Field, Cochran County, Texas in compliance with applicable Commission rules and regulations;
2. Lee-Stan Saltwater Disposal, Inc. (494440), shall pay the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHT THOUSAND DOLLARS (\$8,000.00)**.

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. GOVT. 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 9th day of May 2011.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated May 9, 2011)

CH/sa