

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

**OIL AND GAS DOCKET NO. 8A-0264762**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY LEE-STAN SALTWATER DISPOSAL, INC. (494440), ZX-REGAL SILER (65756) LEASE, WELL NO. 1, LEVELLAND FIELD, COCHRAN COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 2, 2010 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, which was returned to the Commission marked "box closed, unable to forward."
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Respondent's most recent P-5 address, was returned to the Commission marked "box closed, unable to forward" on June 17, 2010. The certified receipt 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 filed an Organization Report (Form P-5) with the Commission reporting that its partners 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 a 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 No. 1 on the ZX-Regal Siler (65756) Lease ("subject well"/"subject lease") by filing a Form P-4 (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 has a \$25,000.00 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. The subject well ceased production on or before June 2003.
10. The Statewide Rule 14(b)(2) extension for Well No. 1 on the ZX-Regal Siler (65756) Lease was denied on February 28,2006 for inactive P-5 status.
11. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
12. 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 well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
13. The estimated cost to the State of plugging the subject well is \$22,600.00.
14. A Commission District inspection was conducted on February 12, 2009 for the ZX-Regal Siler (65756) Lease, Well No. 1, indicated that produced water and a 6' x 10' oil saturated area around the wellhead. An inspection report conducted on April 14, 2009 and June 1, 2009 indicated the saturated area of 6' x 10' had grown to an area of 20' x 12'. An inspection report made on September 25, 2009 indicated the saturated area from the produced water and oil leak at the well head had grown to an area of 20' x 21'. This inspection report and the inspection report dated November 19, 2010, indicate the saturated area had dried up to an area of 6' x 10'. All inspection reports indicated no clean up had been attempted.
15. No permit has been issued to Respondent for the discharge of oil and gas wastes on or from the subject lease.
16. The unpermitted discharges of oil and gas wastes or other substances or materials on the subject lease constitute a hazard to public health and safety because leaks and spills of oil and produced waters onto soils can migrate into surface water bodies causing contamination or can leach into the ground and percolate through soils into groundwater supplies.

17. Commission District office inspections were conducted on September 25, 2009 and November 19, 2010 for the ZX-Regal Siler (65756) Lease. Well No. 1 has inoperable pressure observation valves on the tubing/production casing annulus.
18. A review of Commission records for the ZX-Regal Siler (65756) Lease, Well No. 1, indicates Respondent has failed to file the required production reports since April 2005. By failing to file monthly reports to the Commission the results of its production on the ZX-Regal Siler (65756) Lease, Well No. 1. As of November 19, 2010, the Respondent is still severed.
19. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject lease and well 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 8(d)(1), 14(b)(2), 17(a) and 58(b).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 17(a), which requires any well showing pressure on the Bradenhead, or leaking gas, oil, or geothermal resource between the surface and the production or oil string shall be tested.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 58(b), which requires that for each calendar month, each operator who is a producer of crude oil or geothermal resources shall file with the Commission the required form for each of his producing leases.
7. Respondent is responsible for maintaining the subject lease and subject well 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.
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©.

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, 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.
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, 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 ZX-Regal Siler (65756) Lease, Well No. 1, Levelland Field, Cochran County, Texas in compliance with applicable Commission rules and regulations;
2. Lee-Stan Saltwater Disposal, Inc. (494440), shall place the ZX-Regal Siler (65756) Lease, Well No. 1, Levelland Field, Cochran County, Texas in compliance with applicable Commission rules and regulations; and
3. 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 **TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00)**.

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. 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 23rd day of February 2011.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master  
Order dated February 23, 2011)

CH/sa