

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

**OIL AND GAS DOCKET NO. 10-0252531**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY KEN R. LOSURE D/B/A LOSURE PET. CO. (509250), AS TO THE DALE SMITH (00887) LEASE, WELL NO. 6, AND THE FOUR SIXES (02113) LEASE, WELL NO. 1W, PANHANDLE HUTCHINSON COUNTY FIELD, HUTCHINSON 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 August 23, 2007, and that the respondent, Ken R. Losure d/b/a Losure Pet. Co. (509250), 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. Ken R. Losure d/b/a Losure Pet. Co. (509250), ("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 July 25, 2007. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. Ken R. Losure, 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. 6 on the Dale Smith (00887) Lease and Well No. 1W on the Four Sixes (02113) Lease (“subject wells”/“subject leases”) by filing a Form P-4 (Producers Transportation of Authority and Certificate of Compliance ) with the Commission effective on April 1, 1983 for Well No. 6 on the Dale Smith (00887) Lease and effective on September 1, 2001 for Well No. 1W on the Four Sixes (02113) Lease.
6. According to Commission records the Respondent’s Form P-5 (Organization Report) is active. Respondent has a \$50,000 Letter of Credit as its financial assurance.
7. Well No. 6 on the Dale Smith (00887) Lease was a permitted saltwater disposal well. Well No. 6 ceased injection on or before March 31, 2001.
8. The subject well has not been properly plugged in accordance with, and is 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 well. 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 Well No. 6 is \$8,300.00.
11. The 14(b)(2) extension for Well No. 6 on the Dale Smith (00887) Lease was denied on July 29, 2006, for failure to perform a Mechanical Integrity Test.
12. A Commission District inspection was conducted on June 7, 2007 for the Dale Smith (00887) Lease. The casing and tubing observation valves on Well No. 6, are both inoperable and stuck in a closed position, not permitting observation of pressures. The subject well is permitted as a saltwater disposal well in a productive zone under Permit No. 62819, dated November 15, 1961. This permit requires a pressure test on the well at least every 5 years, with test results and any significant pressure changes to be reported to the Commission.
13. A Commission District inspection conducted on June 7, 2007 for the Dale Smith (00887) Lease, showed Well No. 6 as inactive. Commission records show the well was permitted as a saltwater disposal well in a productive zone, by Permit No. 62819, dated November 15, 1961. This permit requires an MIT every 5 years. Commission records further show that the last MIT performed on Well No. 6 was November 14, 1995.
14. A Commission District inspection conducted on June 7, 2007 for the Four Sixes (02113) Lease, showed Well No. 1W with flowline connected to the well and valve open. Commission records show the well is permitted as a saltwater injection well for secondary recovery, by Permit No. 13943, dated September 22, 1993. This permit requires an MIT every 5 years. Commission records further show that the last MIT performed on Well No. 1W was July 22, 1998.

15. The Respondent has not demonstrated good faith since it failed to plug or otherwise place the subject leased 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 is in violation of Commission Statewide Rules 14(b)(2), 46(g)(2) and 46(j).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which requires that the wellhead shall be equipped with a pressure observation valve on the tubing and for each annulus of the well.
5. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 46(j), which requires that the mechanical integrity of an injection wells shall be evaluated by conducting pressure tests to determine whether the well tubing, packer or casing have sufficient mechanical integrity to meet performance standards.
6. Respondent is responsible for maintaining the subject leases and 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(c).
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, Ken R. Losure, 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. Ken R. Losure d/b/a Losure Pet. Co. (509250), shall plug Well No. 6 on the Dale Smith (00887) Lease, and place in compliance the Four Sixes (02113) Lease, Well No. 1W, Panhandle Hutchinson County Field, Hutchinson County, Texas in compliance with applicable Commission rules and regulations;
2. Ken R. Losure d/b/a Losure Pet. Co. (509250), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIX THOUSAND DOLLARS (\$6,000.00)**.

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. 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 20th day of November 2007.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated November 20, 2007)

ME/sa