

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7C-0295565

OIL & GAS DOCKET NO. 7C-0295565: ENFORCEMENT ACTION AGAINST UPSTREAM PROPERTIES, LLC (OPERATOR NO. 878951) FOR VIOLATIONS OF STATEWIDE RULES ON THE SCHWERTNER, C.J. (13815) LEASE, WELL NOS. 2 AND 3, BALLINGER (PALO PINTO) FIELD, RUNNELS COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 6, 2015 and that the respondent, Upstream Properties, LLC (878951), 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. Upstream Properties, LLC (878951), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified envelope containing the Original Complaint and the Notice of Opportunity for Hearing, was signed for on May 15, 2015. The electronic receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On June 28, 2013, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): John Albert Upton, Manager, and Roland Baker, Filing Agent.
4. John Albert Upton, 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. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
6. Commission District inspections were conducted on January 1, 2015 and June 4, 2015 for the schwertner, C.J. (13815) Lease. The signs or identification required to be posted at the well was missing.
7. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency

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and poses a threat to the public health and safety.

8. Respondent designated itself to the Commission as the operator of Well Nos. 2 and 3, on the Schwertner C.J. (13815) Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on April 1, 2008.
9. Respondent's P-5 (Organization Report) became delinquent on April 1, 2014. Respondent had a \$50,000 Cash as its financial assurance at the time of its last P-5 renewal.
10. Production from Well Nos. 2 and 3, on the Schwertner, C.J. (13815) Lease ceased on or before July 2013.
11. No plugging extensions are in effect for the subject wells as allowed by Statewide Rule 14.
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 total estimated cost to the State for plugging Well Nos. 2 and 3, Schwertner C.J. (13815) Lease \$80,000.00.
15. Commission District inspections were conducted on September 5, 2013; October 3, 2013; February 20, 2014; May 7, 2014; July 24, 2014; November 13, 2014; and January 1, 2015 for the Schwertner, C.J. (13815) Lease indicated that the soil around the wellhead for Well No. 3 is saturated with oil measuring a radius of approximately four (4) feet. Follow up inspection conducted on June 4, 2015 show site remediated.
16. Respondent's violation of Statewide Rule 8(d)(1) is serious and a hazard to the public health and safety, in that unpermitted discharges of oil and gas waste can contaminate the land surface, affect the health of humans and animals and may eventually be discharged to surface or subsurface waters, causing pollution.
17. Commission District inspection reports made on July 29, 2013; September 5, 2013; October 3, 2013; February 20, 2014; May 7, 2014; July 24, 2014; November 13, 2014; and January 1, 2015 for the Schwertner, C.J. (13815) Lease, Well Nos. 2 and 3, indicated that Respondent failed to pipe the bradenhead to surface on both wells.
18. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease 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.

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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 3, 14(b)(2), 8(d)(1) and 17(a).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, which requires that each property that produces oil, gas or geothermal resources and each oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14 (b)(2), which states 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 unless the Commission or its delegate approves a plugging extension under §3.15 of this title
6. 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.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 17(a), which requires that all wells shall be equipped with a Bradenhead.
8. 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.
9. 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.
10. As a person in a position of ownership or control of respondent at the time respondent violated Commission rule related to safety and the control of pollution, John Albert Upton, and any other organization in which he, may hold a position of ownership or control, shall be subject to the restriction of Texas Natural Resources 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 sooner, if 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.

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

1. Upstream Properties, LLC (878951) shall place Well Nos. 2 and 3, on the Schwertner C. J. (13815) Lease, Ballinger (Palo Pinto) Field, Runnels County, Texas in compliance with applicable Commission rules and regulations; and
2. Upstream Properties, LLC (878951), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTEEN THOUSAND THREE HUNDRED NINETY FOUR DOLLARS (\$15,394.00)**.

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 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 3rd day of February 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
February 3, 2016)