

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 05-0284096

ENFORCEMENT ACTION AGAINST UPSTREAM PROPERTIES, LLC (OPERATOR NO. 878951) FOR VIOLATION OF STATEWIDE RULES ON THE J.L. WATTS (02409) LEASE, WELL NO. 1, MITCHELL CREEK FIELD, FRANKLIN 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. 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 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.
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. 1 on the J. L. Watts (02409) Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on December 1, 2012.
6. 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.

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7. Commission District inspections were conducted between April 9, 2013 and June 25, 2013 for the J. L. Watts (02409) Lease. The signs or identification required to be posted at the lease entrance were missing. Follow up inspection reports made on December 18, 2013 and June 4, 2015 showed the required signs were posted.
8. 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 and poses a threat to the public health and safety.
9. Commission District inspection reports made on April 9, 2013; May 6, 2013; June 5, 2013; June 25, 2013 and December 18, 2013, and zero production reported by Respondent from March 1996 through May 2014 (with no production reports filed thereafter with the Commission), showed that Well No. 1 on the J.L. Watts (02409) Lease has been inactive for a period greater than one year and Production ceased on or before February 1996.
10. No plugging extensions are in effect for the subject wells as allowed by Statewide Rule 14.
11. The subject wells have not been properly plugged in accordance with, and are 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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
13. The total estimated cost to the State for plugging Well No. 1 J. L. Watts (02409) Lease \$66,165.00.
14. Commission District inspections were conducted on April 9, 2013, May 6, 2013, June 5, 2013 and June 25, 2013 for the J. L. Watts (02409) Lease, Well No. 1, indicated that Respondent failed to plumb bradenhead to above ground level. A Commission District inspection report made on December 18, 2013 shows the bradenhead to be plumbed above ground level.
15. 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.
16. Respondent has no prior history of violation of Commission rules.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.

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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), 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 17(a), which requires that all wells shall be equipped with a Bradenhead.
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, John Albert Upton, 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.

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

1. Chesapeake Petroleum, LLC (147696) shall plug Well Nos. 1, 3, 4W, 5, 7 and 8, on the Heard (09272) Lease, Young County Regular Field, Young County, Texas in compliance with applicable Commission rules and regulations; and
2. Chesapeake Petroleum, LLC (147696), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FORTY ONE THOUSAND TWO HUNDRED TWENTY SIX DOLLARS (\$41,226.00)**.

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)