

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0262537

**ENFORCEMENT ACTION AGAINST DSB ENERGY, INC. (OPERATOR NO. 229365)
FOR VIOLATIONS OF STATEWIDE RULES ON THE W. H. CAMBELL (01966)
LEASE, WELL NOS. 11, 13, 14, 15, 16, 18, 19, 20, 23, 29, AND 34, COOKE COUNTY
REGULAR FIELD, COOKE COUNTY, TEXAS**

FINAL ORDER

The Railroad Commission of Texas (“Commission”) finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on July 14, 2016 and that the respondent, DSB Energy, LLC 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, 16 TEX. ADMIN. CODE § 1.49, and after being duly submitted to the Commission at a conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. DSB Energy, LLC (“Respondent”), Operator No. 229365, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to the most recent Commission Form P-5 (Organization Report) (“Form P-5”) address. Respondent’s officers and agents as identified on Respondent’s Form P-5—Anthony Bliazis and Scott Michael Seelye—were provided the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known address.
2. The certified mail envelopes containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Anthony Bliazis was returned to the Commission on May 31, 2016. The certified mail envelopes containing the Original Complaint and the Notice of Opportunity for Hearing mailed to Scott Michael Seelye was returned to the Commission on May 19, 2016. The first class mail was not returned. Record of the return and delivery of certified mail has been on file with the Commission for more than 15 days, exclusive of the day of receipt and day of issuance. Respondent was given more than 30 days’ notice of the Original Complaint and Notice of Opportunity for Hearing. Respondent has not entered into an agreed settlement order, filed an answer, or requested a hearing.
3. On November 04, 2013, Respondent, a corporation, filed a Form P-5 (Organization Report) with the Commission reporting that its officers consist of the following individuals: Anthony Bliazis President, and Scott Michael Seelye, Secretary/Treasurer.

4. Anthony Bliazis and Scott Michael Seeyle were in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
5. Respondent's P-5 (Organization Report) is delinquent. Respondent had a \$50,000 letter of credit from Prosperity Bank, as its financial assurance, that expired on March 1, 2015.
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 the W.H. Cambell (01966) Lease, Well Nos. 11, 13, 14, 15, 16, 18, 19, 20, 23, 29, and 34, by filing Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective November 1, 2005 approved November 22, 2005.
8. Commission inspection reports made on April 14, 2009 and March 16, 2016, and reports filed by Respondent with the Commission (reflecting zero production) from August 2006 through October 2013, showed that W.H. Campbell (01966) Lease, Well Nos. 13, 14, 15, 16, 18, 20, 23, 29, and 32 have been inactive for a period greater than one year. Production from the subject wells ceased in July 2006.
9. Well No. 11 on the W.H. Campbell (01966) Lease was permitted as a secondary recovery well on April 29, 1966 (Permit No. 02217). A Commission District inspection reports made on April 14, 2009 and March 16, 2016, and zero injection reported to the Commission from September 2010 through August 2013 (with no injection activity reported thereafter), showed that subject well has been inactive for a period greater than one year. Injection activity into the subject well ceased in August 2010.
10. Well No. 34 on the W.H. Campbell (01966) Lease was permitted as a secondary recovery well on December 5, 1966 (Permit No. 02217). A Commission District inspection report made on April 14, 2009 and March 16, 2016, and zero injection reported to the Commission from September 2010 through August 2013 (with no injection activity reported thereafter), showed that subject well has been inactive for a period greater than one year. Injection activity into the subject well ceased in August 2010.
11. No work-overs, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has not been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14 and no plugging extension is in effect for the subject well as allowed by Statewide Rule 14. The subject well 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 wells. Unplugged wellbores, in violation of Statewide Rules 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.

13. A review of Commission records indicates that Well No. 11 on the W.H. Campbell (01966) Lease, shows that a mechanical integrity test was required to be conducted by April 30, 2007. A successful test was run on November 22, 2009. That test was good for five years, until November 2014. Since that test on November 22, 2009, no Form H-5 (Disposal/Injection Well Pressure Test Report) has been submitted to the appropriate Commission District Office, and the well has not been plugged.
14. A review of Commission records indicates that Well No. 34 on the W.H. Campbell (01966) Lease, shows that a mechanical integrity test was required to be conducted by April 30, 2007. A successful test was run on November 22, 2009. That test was good for five years, until November 2014. Since that test on November 22, 2009, no Form H-5 (Disposal/Injection Well Pressure Test Report) has been submitted to the appropriate Commission District Office, and the well has not been plugged.
15. Disposal/injection wells must pass a pressure test at least once every five years, or as required by permit, to show that the well is not leaking, that waste is being confined to the permitted injection interval, and that the usable quality water zones are properly isolated. Any injection of fluid down a wellbore could be a potential source of pollution. Without testing and supporting documentation, as required by Statewide Rule 46(j), the Commission cannot determine if a well poses a threat to natural resources.
16. Respondent has no prior history of violations of Commission rules.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Commission to Respondent and all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties have been performed or have occurred.
3. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and chapters 89 and 91 of the Texas Natural Resources Code.
4. Respondent is in violation of Statewide Rules 14(b)(2) and 46(j). 16 TEX. ADMIN. CODE § 3.14(b)(2) and § 3.46(j).
5. The documented violations committed by Respondent constitute acts deemed serious, and a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE § 81.0531(c).
6. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 14(b)(2), which requires 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 operator is eligible for and obtains an extension of the plugging deadline.

7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires a passing mechanical integrity test every five years.
8. Pursuant to TEX. NAT. RES. CODE § 81.0531, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000 per day for each violation; with each day such violations continued constituting a separate violation.
9. An assessed administrative penalty in the amount of TWENTY EIGHT THOUSAND DOLLARS (\$28,000) is justified considering the facts and violations at issue.
10. As persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Rodney Schroeder, and any other organization in which they either may hold a position of ownership or control, are subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code.
11. As persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Scott Michael Seeyle, and any other organization in which they either may hold a position of ownership or control, are subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code.

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

1. DSB Energy, LLC (Operator No. 229365) shall plug the W.H. Cambell (01966) Lease, Well Nos. 11, 13, 14, 15, 16, 18, 19, 20, 23, 29, and 34, in accordance with Statewide Rule 14, and place the subject wells in compliance with any other applicable Commission rules and statutes.
2. DSB Energy, LLC (Operator No. 229365) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of TWENTY EIGHT THOUSAND DOLLARS (\$28,000.00).

It is further **ORDERED** that 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, Anthony Bliazis and Scott Michael Seeyle, and any other organization in which they may hold a position of ownership or control, shall be subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code 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.

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 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 this order in accordance with TEX. GOV'T CODE § 2001.144.

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 August 24, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated August 24, 2016)

DAL / pbm