

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0301340

**ENFORCEMENT ACTION AGAINST LOW-END OIL LLC (OPERATOR NO. 510360)
FOR VIOLATIONS OF STATEWIDE RULES ON THE REAMES, GRACE LEASE
(LEASE NO. 27910), WELL NO. 1, LINDSAY BEA (CONGL) FIELD, HASKELL
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 October 20, 2016 and that the respondent, Low-End Oil 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. Low-End Oil LLC (“Respondent”), Operator No. 510360, 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 officer as identified on the Form P-5, Christopher Earl Mathews, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to his last known addresses.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing was received by Respondent on August 20, 2016. The certified mail envelope to Mr. Mathews was returned to the Commission on September 17, 2016. The first class mail sent to Mr. Mathews was not returned. Record of the delivery and return 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 August 19, 2016, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officers consist of the following individual: Christopher Earl Mathews.

4. Christopher Earl Mathews was 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 Form P-5 is delinquent. Respondent had a \$50,000 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
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 Reames, Grace Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective December 11, 2015, approved January 8, 2016.
8. Commission inspection reports made on January 21, 2016, February 8, 2016, and March 29, 2016 for the Reames, Grace Lease show that the sign or identification required to be posted at the lease entrance was displaying incorrect information. The sign posted at the lease entrance identified the incorrect lease operator.
9. Commission inspection reports made on October 21, 2015, December 10, 2015, January 21, 2016, February 8, 2016, and March 29, 2016 for the Reames, Grace Lease show that the sign or identification required to be posted at the well was missing.
10. Commission inspection reports made on January 21, 2016, February 8, 2016, and March 29, 2016 for the Reames, Grace Lease show that the sign or identification required to be posted at the tank was missing.
11. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rule 3, may cause confusion as to the responsible operator to be contacted and the actual location of a violation or emergency, which can result in delays in remedying a violation or emergency.
12. Commission inspection reports made on October 21, 2015, December 10, 2015, January 21, 2016, February 8, 2016 and March 29, 2016, and reports filed by Respondent with the Commission reflecting zero production since November 2004, showed that the Reames, Grace Lease, Well No. 1 has been inactive for a period greater than one year. On April 6, 2005, Well No. 1 was approved to be used as an injection well. However, injection into the subject well ceased on or before September 2011.
13. 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.

14. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject well. Unplugged wellbores, in violation of Statewide Rule 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
15. The total estimated cost to the State for plugging the Reames, Grace Lease, Well No. 1 is \$19,700.00.
16. Commission inspection reports made on October 21, 2015, December 10, 2015, January 21, 2016, February 8, 2016, and March 29, 2016 for the Reames, Grace Lease (27910), showed that Well No. 1 did not have an operable casing or bradenhead pressure observation valve.
17. Failing to follow safety precautions, as set forth in Statewide Rule 46(g)(2), can cause a hazard to the public health and safety.
18. 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 3(1), 3(2), 3(3), 14(b)(2), and 46(g)(2). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.14(b)(2), and 3.46(g)(2).
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 3(1) which requires that for 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, a sign shall be posted at the principal entrance which shall show the name by which the property is carried on the records of the Commission, the name of the operator, and the number of acres in the property.

7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(2), which requires that each well site that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, name of the operator and the well number.
8. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3(3), which requires that each tank battery that produces oil, gas, or geothermal resources shall post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property and if commingled, include the commingling permit number.
9. Respondent is responsible for maintaining the subject lease 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.
10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(g)(2), which provides that the wellhead shall be equipped with a pressure observation valve on the tubing and for each annulus of the well.
11. 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.
12. An assessed administrative penalty in the amount of TEN THOUSAND FIVE-HUNDRED THIRTY DOLLARS (\$10,530.00) is justified considering the facts and violations at issue.
13. 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, Christopher Earl Mathews, and any other organization in which he 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:

Low-End Oil LLC shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TEN THOUSAND FIVE-HUNDRED THIRTY DOLLARS (\$10,530.00)**

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, Christopher Earl Mathews, and any other organization in which he 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 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 6th day of December, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated December 6, 2016)

JNC/rnf