

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7B-0301339

**ENFORCEMENT ACTION AGAINST LOW-END OIL LLC (OPERATOR NO. 510360)
FOR VIOLATIONS OF STATEWIDE RULES ON THE REAMES LEASE (LEASE NO.
28027), WELL NOS. 2, 3, 5, AND 6, 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 and first class mail containing the Original Complaint and Notice of Opportunity for Hearing was received by the Respondent on August 16, 2016. The certified mail envelope sent to Mr. Mathews was returned to the Commission. Record of the delivery and return of certified mail and first class 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, Managing Member.

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 Lease, Well Nos. 2, 3, 5, and 6, 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 Lease, show that the sign or identification required to be posted at the lease entrance displayed 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 Lease, Well Nos. 2, 3, 5, and 6, show that the sign or identification required to be posted at the wells was missing.
10. Commission inspection reports made on October 21, 2015, December 10, 2015, January 21, 2016, February 8, 2016, and March 29, 2016 for the Reames Lease, show that the sign or identification required to be posted at the tank displayed incorrect information. The sign posted at the tank identified the incorrect lease operator.
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 August 2014, show that the Reames Lease, Well Nos. 2, 3, 5, and 6, have been inactive for a period greater than one year. Commission inspection reports show that Well Nos. 2, 3, 5, and 6 are currently inactive with all valves closed.
13. No work-overs, re-entries, or subsequent operations have taken place on any of the subject wells within the last twelve months; none of the subject wells have been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14; and no

- plugging extensions are in effect for any of the subject wells as allowed by Statewide Rule 14. The subject wells are not otherwise in compliance with Statewide Rule 14.
14. 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 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 Well Nos. 2, 3, 5, and 6 is \$78,800.00.
 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 Lease show that Well No. 6 had an open drilling pit measuring approximately 100' x 80' x 5'. The freestanding fluids in the pit contained a concentration of 200 mg/L of chlorides, and Commission records show that Well No. 6 was completed in May of 2008.
 17. Reserve or mud circulation pits used when completing or working over a well that are not maintained, emptied and backfilled, as set forth in Statewide Rule 8(d)(4)(H)(i)(II), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.
 18. Commission inspection reports made on October 21, 2015, December 10, 2015, January 21, 2016, February 8, 2016, and March 29, 2016, for the Reames Lease show that Well No. 6 also had an open workover pit measuring approximately 20' x 20' x 4'. The freestanding fluids in this pit also contained a concentration of 200 mg/L chlorides. Commission records show that Well No. 6's production ended in August 2014.
 19. Completion/workover pits used when completing or working over a well that are not maintained, emptied and backfilled, as set forth in Statewide Rule 8(d)(4)(H)(i)(III), may result in unpermitted discharges of oil and gas waste which can contaminate the land surface, affect the health of humans and animals, and may be discharged to surface or subsurface waters, causing pollution.
 20. Commission inspection reports made on January 21, 2016, February 8, 2016, and March 29, 2016 for the Reames Lease show that Well No. 3 did not have an operable casing valve. The bradenhead valve would not open and the casing and tubing both show 0 PSI.
 21. Failing to follow safety precautions, as set forth in Statewide Rule 46(g)(2), can cause a hazard to the public health and safety.
 22. 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), 8(d)(4)(H)(i)(II), 8(d)(4)(H)(i)(III), 14(b)(2), and 46(g)(2). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.8(d)(4)(H)(i)(II), 3.8(d)(4)(H)(i)(III), 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 8(d)(4)(H)(i)(II), which requires a person who maintains or uses a reserve or mud circulation pit in conjunction with drilling a well to dewater the pit within 30 days and backfill and compact the pit within one year of the cessation of drilling operations.

10. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(H)(i)(III), which requires a person who maintains or uses a completion or workover pit in conjunction with completing or working over a well to dewater the pit within 30 days and backfill and compact the pit within 120 days of completion of the well.
11. 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.
12. 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.
13. 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.
14. An assessed administrative penalty in the amount of FORTY-TWO THOUSAND SEVEN HUNDRED FORTY-SEVEN DOLLARS (\$42,747.00) is justified considering the facts and violations at issue.
15. 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:

1. Low-End Oil LLC shall place the Reames Lease, Well Nos. 2, 3, 5 and 6 in compliance with Statewide Rules 3(1), 3(2), 3(3), 8(d)(4)(H)(i)(II) 8(d)(4)(H)(i)(III), 14(b)(2) and 46(g)(2), and any other applicable Commission rules and statutes.
2. 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 **FORTY-TWO THOUSAND SEVEN HUNDRED FORTY-SEVEN DOLLARS (\$42,747.00)**.

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/rmf