

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 10-0305893

ENFORCEMENT ACTION AGAINST NORTH TEXAS LLANO OPERATING CORP (OPERATOR NO. 614199) FOR VIOLATIONS OF STATEWIDE RULES ON THE STATE OF TEXAS -AD- (08453) LEASE, WELL NOS. 63, 67, 68, 69, 73, 74, 75, 76, 77, 78, 89, 90, 91, 92, AND 93, PANHANDLE HUTCHINSON COUNTY FLD. FIELD, HUTCHINSON 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 September 28, 2017, and that the respondent, North Texas Llano Operating Corp, failed to appear or respond to the Notice of Opportunity for Hearing. Pursuant to § 1.25 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.25, 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. North Texas Llano Operating Corp ("Respondent"), Operator No. 614199, 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 as identified on the Form P-5--Steven Earl Looper--was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the last known address.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission unopened on August 28, 2017. The Certified Mail envelope addressed to Steven Earl Looper was returned to the Commission unopened on September 14, 2017. The first-class mail envelopes addressed to Respondent and North Texas Llano Operating Corporation were returned to the Commission on August 23, 2017. The first-class mail envelope addressed to Steven Earl Looper 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 December 21, 2013, Respondent, a corporation, filed a Form P-5 with the Commission reporting that its officer consists of the following individual(s): Steven Earl Looper, President/VP.

4. Steven Earl Looper was in a position of ownership or control of Respondent, as defined in TEX. NAT. RES. CODE § 91.114, during the time period of the violations of Commission rules committed by Respondent.
5. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 bond as its financial assurance at the time of the last Form P-5 annual renewal submission.
6. Respondent designated itself to the Commission as the operator of the State of Texas -AD- (08453) Lease, Well Nos. 63, 67, 68, 69, 73, 74, 75, 76, 77, 78, 89, 90, 91, 92, and 93, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective June 15, 2012, approved July 5, 2012.
7. A Commission inspection reports made on July 11, 2017, for the State of Texas -AD- (08453) Lease the Commission did not to have access to all wells on the proration schedule. The inspection showed Well Nos. 63, 75, 76, and 91 were in accessible at the time of the inspection, as the gate to the wells was locked and the inspector did not have the combination or key required.
8. In the event of pollution or safety violation or other emergency, the lack of access to the lease, as required by Statewide Rule 2(a), may cause confusion as to the actual location of a violation or emergency. Such confusion can cause delays in containing and remediating the violation or emergency.
9. Commission inspection reports made on October 11, 2016 and July 11, 2017, for the State of Texas -AD- (08453) Lease show that the signs or identification required to be posted at the lease entrance displayed incorrect operator information.
10. Commission inspection reports made on September 13, 2016, October 10, 2016, October 11, 2016, December 14, 2016, and July 11, 2017 for the State of Texas -AD- (08453) Lease, Well Nos. 67, 68, 69, 73, 74, 77, 78, 89, and 90, show that the signs or identification required to be posted at the well locations displayed incorrect operator information.
11. Commission inspection reports made on October 11, 2016 and July 11, 2017 for the State of Texas -AD- (08453) Lease show that the signs or identification required to be posted at the tank battery displayed incorrect operator information.
12. The lack of legible signs and identification displaying correct information, as set forth in Statewide Rules 3(1), 3(2), 3(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.
13. Commission district inspection reports made on July 19, 2016, August 25, 2016, September 13, 2016, October 5, 2016, October 31, 2016, April 11, 2017, and July 11, 2017, for the State of Texas -AD- (08453) Lease show Well No. 73 open to the atmosphere and lacking surface control. The inspector noted the well was leaking gas from the tubing collar; the leaking gas contained hydrogen sulfide.

14. Wells left uncontrolled or open to the atmosphere, in violation of Statewide Rule 13(a)(6)(A), may discharge oil and gas waste onto the land surface and affect the health of humans and animals; these discharges may eventually make their way to surface or subsurface waters, causing pollution.
15. Commission inspection reports made on September 13, 2016, October 10, 2016, October 11, 2016, December 14, 2016, and July 11, 2017, and the absence of reported production since May 2012, showed that the State of Texas -AD- (08453) Lease, Well Nos. 63, 67, 68, 69, 73, 74, 75, 76, 77, 78, 89, 90, 91, 92, and 93 have been inactive for a period greater than one year. Production from the subject lease ceased on or before June 2012.
16. No workovers, 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 extensions are in effect for the subject well as allowed by Statewide Rule 14.
17. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas waste 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.
18. The total estimated cost to the State for plugging the State of Texas -AD- (08453) Lease, Well Nos. 63, 67, 68, 69, 73, 74, 75, 76, 77, 78, 89, 90, 91, 92, and 93 is \$392,408.00.
19. Commission records show the State of Texas -AD- (08453) Lease was subdivide from the State of Texas -A- (04274) Lease in June 2012. Respondent filed to file a Commission Form H-9 (Hydrogen Sulfide Certificate of Compliance) for the subdivided State of Texas -AD- (08453) Lease. Commission records and a notation made in a Commission District inspection made on July 11, 2017, indicate Respondent never filed a Commission Form H-9 for the new, subdivided lease.
20. Failure to provide the Commission with a Commission Form H-9 as required by Statewide Rule 36(d), may result in failure to provide warning to alert the general public of the potential danger, resulting in possible injury or death to the exposed public.
21. The 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 TEX. NAT. RES. CODE, Chs. 89 and 91.
4. Respondent is in violation of Statewide Rules 3(1), 3(2), 3(3), 13(a)(6)(A), 14(b)(2), 36(d), and 2(a). 16 TEX. ADMIN. CODE §§ 3.3(1), 3.3(2), 3.3(3), 3.13(a)(6)(A), 3.14(b)(2), 3.36(d), and 3.2(a).
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 lease in compliance with Statewide Rule 2(a), which provides that the Commission or its representatives shall have access to come upon any lease or property operated or controlled by an operator, producer, or transporter of oil, gas, or geothermal resources, and to inspect any and all leases, properties, and wells and all records of said leases, properties, and wells.
7. 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.
8. 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.
9. 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.
10. Respondent is responsible for maintaining surface control of a well by using wellhead assemblies in compliance with Statewide Rule 13(a)(6)(A). Maintenance of surface control is necessary not only to prevent fluids from being discharged from the wellbore onto the ground surface, but also to prevent any oil and gas wastes present in the wellbore from being displaced to surface by influxes of surface water into the open wellbore.

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 36(d), which requires that a Commission Form H-9 be filed prior to commencement of drilling or workover operations on wells where a certificate of compliance is required or when an amended certificate of compliance is required. An amended certificate is required if a change occurs that adds or deletes a Railroad Commission identification number covered by the certificate.
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 **EIGHTY-NINE THOUSAND THREE HUNDRED SIXTY DOLLARS (\$89,360.00)** 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, Steven Earl Looper, and any other organization in which this individual may hold a position of ownership or control, is subject to the restriction in TEX. NAT. RES. CODE § 91.114(a)(2).

ORDERING PROVISIONS

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

1. North Texas Llano Operating Corp (Operator No. 614199) shall place the State of Texas -AD- (08453) Lease, Well Nos. 63, 67, 68, 69, 73, 74, 75, 76, 77, 78, 89, 90, 91, 92, and 93, in compliance with Statewide Rules 3(1), 3(2), 3(3), 13(a)(6)(A), 14(b)(2), 36(d), and 2(a), and any other applicable Commission rules and statutes.
2. North Texas Llano Operating Corp (Operator No. 614199) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **EIGHTY-NINE THOUSAND THREE HUNDRED SIXTY DOLLARS (\$89,360.00)**.

It is further **ORDERED** that as persons in positions of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Steven Earl Looper and North Texas Llano Operating Corporation, and any other organization in which these individuals may hold a position of ownership

or control, **shall be subject to the restriction in TEX. NAT. RES. CODE § 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.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the order is signed, unless the time for filing a motion for rehearing has been extended under TEX. GOV'T CODE § 2001.142, by agreement under TEX. GOV'T CODE § 2001.147, or by written Commission order issued pursuant to TEX. GOV'T CODE § 2001.146(e). If a timely motion for rehearing of an application 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 Commission order is signed.

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 per day per violation.

Done this 5th day of December 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated December 5, 2017)

RML/jnm