

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 10-0307564

ENFORCEMENT ACTION AGAINST NORTH TEXAS LLANO OPERATING CORPORATION (OPERATOR NO. 614199) FOR VIOLATIONS OF STATEWIDE RULES ON THE STATE OF TEXAS -AE- (08454) LEASE, WELL NOS. 64, 65D, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 94, 95, 96, 97, 98, AND 99, PANHANDLE HUTCHINSON COUNTY 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 March 29, 2018, and that the respondent, North Texas Llano Operating Corporation, 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 Corporation ("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 officer 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 February 20, 2018. The Certified Mail envelope addressed to Steven Earl Looper was returned to the Commission unopened on March 14, 2018. The first-class mail envelope addressed to Respondent was returned to the Commission on February 26, 2018. 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: 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 -AE- (08454) Lease, Well Nos. 64, 65D, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 94, 95, 96, 97, 98, and 99, 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 report made on October 9, 2017 for the State of Texas -AE- (08454) Lease show that the signs or identification required to be posted at the lease entrance was noncompliant with Statewide Rules.
8. A Commission inspection report made on October 9, 2017 for the State of Texas -AE- (08454) Lease, Well Nos. 64, 65D, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 94, 95, and 99, show that the signs or identification required to be posted at the well locations was noncompliant. A Commission inspection report made on October 12, 2017 for the State of Texas -AE- (08454) Lease, Well Nos. 96, 97, and 98, show that the signs or identification required to be posted at the well locations was noncompliant.
9. A Commission inspection report made on October 9, 2017 for the State of Texas -AE- (08454) Lease show that the signs or identification required to be posted at the tank battery was noncompliant.
10. 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.
11. A Commission district inspection report made on October 9, 2017 for the State of Texas -AE- (08454) Lease shows the wellhead at Well No. 64 was unable to maintain surface control. The inspector found the well open to the atmosphere.
12. 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.
13. Commission records show the State of Texas -AE- (08454) Lease was subdivided out of the State of Texas -A- (04274) Lease in July 2012. Production reports for the captioned lease show no reported production since the subdivision. Annual

Commission injection reports show no reported injection into Well No. 65D since September 2005. The Commission District inspection report made on October 9, 2017, for the State of Texas -AE- (08454) Lease, showed Well Nos. 64, 70, 71, and 99 unequipped with a pumping unit and incapable of producing; Well Nos. 83, 87, 94, and 95 unequipped with an electric motor and incapable of producing; Well No. 81 unequipped with a horse head and rods, and incapable of producing; Well No. 84 disconnected from power and incapable of producing; and Well No. 88 unequipped with a horse head and incapable of producing. The Commission District inspection report made on October 12, 2017, for the State of Texas -AE- (08454) Lease, showed Well No. 85 unequipped with a pumping unit and incapable of producing. All records indicate the State of Texas -AE- (08454) Lease, Well Nos. 64, 65D, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 94, 95, 96, 97, 98, and 99, have been inactive for a period greater than one year.

14. 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.
15. 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.
16. The total estimated cost to the State for plugging the State of Texas -AE- (08454) Lease Well Nos. 64, 65D, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 94, 95, 96, 97, 98, and 99 is \$378,359.75.
17. The Commission District inspection report made on October 9, 2017, for the State of Texas AE (08454) Lease, showed surface equipment at Well Nos. 81, 82, 83, 84, 86, 88, 94, and 95. The Commission District inspection report made on October 12, 2017, for the State of Texas AE (08454) Lease, showed surface equipment at Well Nos. 96, 97, and 98. Respondent filed a Form W-3C (Certification of Surface Equipment Removal for an Inactive Well) for the Texas AE (08454) Lease, Well Nos. 81, 82, 83, 84, 86, 88, 94, 95, 96, 97, and 98, dated January 10, 2013. The Form, signed by Steven F. Looper, affirmed all surface equipment, including pump jacks, had been removed from the aforementioned well sites.
18. Form W-3C requires the signor to have personal knowledge of the physical condition of the inactive well. Form W-3C for the captioned lease was submitted in 2013. Based on the inspection reports made in 2017, Respondent knew or should have known the surface equipment had not been removed from the subject well sites at the time the Form W-3C was filed. Therefore, Respondent filed a document with the Commission knowing it was untrue in material fact.

19. By knowingly submitting a false report, application, or other document required or permitted to be filed with the Commission, Respondent violated TEX. NAT. RES. CODE ANN. §91.143(a)(1).
20. The Respondent charged with the violation herein recited has been previously charged with violations of Statewide Rules 2(a), 3(1), 3(2), 3(3), 13(a)(6)(A) on Oil & Gas Docket No. 10-0305893.

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), and Tex. Nat. Res. Code § 91.143(a)(1). 16 Tex. Admin. Code §§ 3.3(1), 3.3(2), 3.3(3), 3.13(a)(6)(A), 3.14(b)(2), and Tex. Nat. Res. Code § 91.143(a)(1).
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 3(1), 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.
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 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.

10. 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.
11. Respondent knowingly submitted forms to the Commission containing information which was false or untrue in material fact, thereby violating TEX. NAT. RES. CODE § 91.143(a)(1).
12. 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.
13. An assessed administrative penalty in the amount of **ONE HUNDRED NINETEEN THOUSAND, TWO HUNDRED THIRTY-FIVE DOLLARS (\$119,235.00)** is justified considering the facts and violations at issue.
14. 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 Corporation (Operator No. 614199) shall bring Statewide Rule 14(b)(2) into compliance by plugging the State of Texas -AE-(08454) Lease, Well Nos. 64, 65D, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 94, 95, 96, 97, 98, and 99, and place the subject lease in compliance with Statewide Rules 3(1), 3(2), 3(3), 13(a)(6)(A), and TEX. NAT. RES. CODE § 91.143(a)(1), and any other applicable Commission rules and statutes.
2. North Texas Llano Operating Corporation (Operator No. 614199) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **ONE HUNDRED NINETEEN THOUSAND, TWO HUNDRED THIRTY-FIVE DOLLARS (\$119,235.00)**.

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, Steven Earl Looper, and any other organization in which this individual 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 100 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 24th day of April 2018.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated April 24, 2018)

CJH/dac