

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

OIL AND GAS DOCKET NO. 09-0264158

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY GOLDEN SANDSTORM, LLC (313068), AS TO THE TAACK, C.J. (07212) LEASE, WELL NOS. 1, 2, 6 AND 7, AND THE MORRIS, MATTY (07518) LEASE, WELL NOS. 1, 2 AND 3, YOUNG COUNTY REGULAR FIELD, YOUNG COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on August 23, 2012, and that the respondent, Golden Sandstorm, LLC (313068), 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 [Tex. R. R. Comm'n, 16 TEX. ADMIN. CODE § 1.49] and after being duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Golden Sandstorm, LLC (313068), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was returned to the Commission.
2. The returned certified receipt containing the Original Complaint and the Notice of Opportunity for Hearing, was returned to the Commission marked "unable to forward" on July 23, 2012. The certified receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On August 8, 2008, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Steven Besly; Manager.
4. Steven Besly, was a person in a position of ownership or control of respondent, as defined by Texas Natural Resources Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

5. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
6. Respondent designated itself to the Commission as the operator of Well Nos. 1, 2, 6 and 7 on the Taack, C.J. (07212) Lease and Well Nos. 1, 2 and 3 on the Morris, Matty (07518) Lease (“subject wells”/“subject leases”) by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance), effective November 1, 2006 for both of the subject leases and all of the subject wells.
7. Respondent’s P-5 (Organization Report) became delinquent on July 1, 2009. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
8. Well Nos. 2, 6 and 7 on the Taack, C.J. (07212) Lease ceased production on or before June 1996.
9. Well No. 1 on the Taack, C.J. (07212) Lease ceased injection on or before December 2007.
10. Well Nos. 1, 2, and 3 on the Morris, Matty (07518) Lease ceased production on or before January 1998.
11. The Statewide Rule 14(b)(2) plugging extensions for Well Nos. 2, 6 and 7 on the Taack, C.J. (07212) Lease were denied on July 24, 2006 for failure to file an H-15.
12. The Statewide Rule 14(b)(2) plugging extension for Well No. 1 on the Taack, C.J. (07212) Lease was denied on June 16, 2009 for an H-5 issue.
13. The Statewide Rule 14(b)(2) plugging extensions for Well Nos. 1, 2 and 3 on the Morris, Matty (07518) Lease were denied on July 24, 2006 for failure to file an H-15.
14. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with Statewide Rule 14.
15. Usable quality groundwater is likely to be contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the potential for pollution.
16. The estimated cost to the State for plugging Well Nos. 1, 2, 6 and 7 on the Taack, C.J. (07212) Lease is \$12,000.00.
17. The estimated cost to the State for plugging Well Nos. 1, 2 and 3 on the Morris, Matty (07518) Lease is \$9,000.00.
18. Commission District inspections were conducted on September 30, 2009 and October 19, 2009 for the Taack, C.J. (07212) Lease. The signs or identification required to be posted at the lease entrance, at each of the well sites and at the tank were missing.

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19. Failure to properly identify a well by the posting of the sign required by Statewide Rule 3 has the potential for causing confusion and delay in remedying a violation or emergency and poses a threat to the public health and safety.
20. Commission District inspections were conducted on September 30, 2009 and October 19, 2009 for the Taack, C.J. (07212) Lease. Well No. 1 had tubing open to the atmosphere. Well Nos. 2 and 6 had casing open to the atmosphere. Follow up inspections conducted on March 16, 2011 and August 20, 2012 indicate that Well No. 2 still has casing open to the atmosphere.
21. Commission District inspections were conducted on September 30, 2009, October 19, 2009, March 16, 2011 and August 20, 2012 for the Morris, Matty (07518) Lease. Well No. 1 has production casing open to the atmosphere.
22. Maintenance of surface control by wellhead assemblies is necessary to prevent the discharge of oil and gas wastes on the subject lease constituting a hazard to public health and safety because the discharges of oil and gas wastes onto land surface can migrate into surface or subsurface waters.
23. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Taack, C.J. (07212) Lease, Well Nos. 2, 6 and 7. Commission records indicate the wells were completed prior to January 12, 1984 and the H-15 tests were due in January 2009. The wells have not been plugged.
24. Commission records indicate no Form H-15 (Test On An Inactive Well More Than 25 Years Old) has been filed and approved for the Morris, Matty (07518) Lease, Well Nos. 1, 2, and 3. Commission records further show that the Morris, Matty (07518) Lease, Well Nos. 1, 2 and 3 were completed prior to January 12, 1984 and the H-15 tests were due in January 2009. The wells have not been plugged.
25. A Commission district inspection was conducted on September 30, 2009 for the Taack, C.J. (07212) Lease indicated that Well No. 1, a permitted injection well was not equipped to inject and was open to the atmosphere. Commission records reflect the last pressure test on Well No. 1 was done October 7, 2003. A test was due in 2008 and the Commission has no record of a pressure test being conducted.
26. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place all of the subject leases and subject wells in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

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CONCLUSIONS OF LAW

1. Proper notice was issued by the Railroad Commission to respondent and to all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed or have occurred.
3. Respondent is in violation of Commission Statewide Rules 3, 13(b)(1)(B), 14(b)(2), 14(b)(3) and 46(j).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 3, which requires that each property that produces oil, gas or geothermal resources and each well oil, gas or geothermal resource well and tank, or other approved crude oil measuring facility shall post signs or identification.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(b)(1)(B), which requires that surface control of all wells be maintained with wellhead assemblies.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 14(b)(3), which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty days after the completion of such well, or the plugging of such well, if the well is a dry hole, shall file with the Commission the appropriate completion or plugging report.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 46(j), which requires the mechanical integrity of an injection well shall be evaluated by conducting pressure tests to determine whether the well tubing, packer or casing have sufficient mechanical integrity.
8. Respondent is responsible for maintaining the subject leases and subject wells in compliance with all applicable Commission rules according to Statewide Rules 14, 58, and 79 and Chapters 89 and 91 of the Texas Natural Resources Code.
9. The documented violations committed by the respondent constitute acts deemed serious, a hazard to the public health, and demonstrate a lack of good faith pursuant to TEX. NAT. RES. CODE ANN. §81.0531©.
10. 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 Besly, and any other organization in which he may hold a position of ownership or control, shall be subject to the restrictions of Texas Natural Resource Code Section 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

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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, whichever is earlier.

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

1. Golden Sandstorm, LLC (313068), shall plug the Taack, C.J. (07212) Lease, Well Nos. 1, 2, 6 and 7, and the Morris, Matty (07518) Lease, Well Nos. 1, 2 and 3, Young County Regular Field, Young County, Texas in compliance with applicable Commission rules and regulations; and
2. Golden Sandstorm, LLC (313068), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **THIRTY EIGHT THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$38,750.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 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 on which 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 the order.

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 12th day of February 2013.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated February 12, 2013)

MFE/sa