

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 09-0281690**

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**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY AGAINST SMITH, LARRY T., SOLE PROPRIETOR, LTS OIL & GAS (511745) FOR VIOLATIONS OF STATEWIDE RULES ON THE CHILSON, LILYAN (17314) LEASE, WELL NOS. 1, 2, 3, 4, 5, 6 AND 7, WICHITA COUNTY REGULAR FIELD, WICHITA COUNTY, TEXAS**

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**FINAL ORDER**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on December 11, 2014 and that the respondent, Smith, Larry T., Sole Proprietor, LTS Oil & Gas (511745) failed to appear or respond to the Notice of 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. Smith, Larry T., Sole Proprietor, LTS Oil & Gas (511745), ("Respondent"), was given Notice of Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The certified envelope containing the Original Complaint and the Notice of Hearing, was delivered and signed for on November 3, 2014. The certified electronic receipt is included in the file and has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On December 6, 2012, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its sole proprietor consisted of the following individual(s): Larry T. Smith.
4. Larry T. Smith, was a officer in a position of ownership or control of respondent, as defined by Texas Natural Resource Code Section 91.114, during the time period of the violations of Commission rules committed by respondent.

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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, 3, 4, 5, 6 and 7 on the Chilson, Lilyan (17314) Lease ("subject wells"/"subject lease") by filing a Form P-4 (Producers Transportation Authority and Certificate of Compliance) effective on February 20, 2006.
7. Respondent's P-5 (Organization Report) became delinquent on December 1, 2013 Respondent had a \$50,000 Bond as its financial assurance at the time of its last P-5 renewal.
8. The subject wells has not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
9. Production from Well Nos. 1, 2, 3, 4, 5 and 7 on the Chilson, Lilyan (17314) Lease ceased in August 2007 and Injection into Well No. 6 ceased in May 2006.
10. The total estimated cost to the State for plugging the subject wells on the Chilson, Lilyan (17314) Lease is \$21,000.00.
11. 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 well. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
12. A Commission District inspection was conducted on August 22, 2011 for the Chilson, Lilyan (17314) Lease. The signs or identification required to be posted at Well Nos. 1, 2, 3, 4, 5, 6 and 7 were missing. A commission District inspection conducted on September 10, 2012 showed that the signs at Well Nos. 1, 2, 5 and 6 are still missing, while the signs that have been posted at Well Nos. 3, 4 and 7 display the incorrect well numbers. A follow up inspection conducted on October 19, 2012 shows no change from the previous inspection except that the sign at Well No. 4 is now missing and the sign at Well No. 6 is now correct.
13. 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.
14. The Respondent has not demonstrated good faith since it failed to properly plug otherwise place 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.
15. The Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 06-0257531; Final Order Served: January 15, 2009;  
Docket No. 6E-0260788: Final Order Served: April 20, 2010;

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Docket No. 6E-0263572; Final Order Served: December 14, 2010;  
Docket No. 6E-0264080; Final Order Served: April 30, 2012; and  
Docket No. 6E-0273601: Final Order Served: April 10, 2012.

### **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 and 14(b)(2).
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 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 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.
6. 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.
7. 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, Larry T. Smith, 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 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. Smith, Larry T., Sole Proprietor, LTS Oil & Gas (511745), shall plug the Chilson, Lilyan (17314) Lease, Well Nos. 1, 2, 3, 4, 5, 6 and 7, Wichita County Regular Field, Wichita County, Texas in compliance with applicable Commission rules and regulations; and

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2. Smith, Larry T., Sole Proprietor, LTS Oil & Gas (511745), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY EIGHT THOUSAND ONE HUNDRED DOLLARS (\$28,100.00)**.

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 6th of October 2015.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated October 6, 2015)

TJJ/sa