

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 09-0294264

ENFORCEMENT ACTION AGAINST SMITH, LARRY T., SOLE PROPRIETOR, LTS OIL & GAS A (OPERATOR NO. 511734) FOR VIOLATIONS OF STATEWIDE RULES ON THE DOUGLAS (05497) LEASE, WELL NOS. 1, 1MT, 2, 3, 3MT, 4, 5MT AND 6, WICHITA COUNTY REGULAR FIELD, WICHITA COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 14, 2015 and that the respondent, Smith, Larry T., Sole Proprietor, LTS Oil & Gas A (511734), 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 A (511734), ("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 Notice of Hearing was signed for on April 13, 2015. The electronic receipt has been on file with the Commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On March 5, 2013, Respondent, filed an Organization Report (Form P-5) with the Commission reporting its Sole Proprietor was Larry T. Smith.
4. Larry T. Smith was a person 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.
5. Respondent designated itself to the Commission as the operator of Well Nos. 1, 1MT, 2, 3, 3MT, 4, 5MT and 6 on the Douglas (05497) Lease ("subject well"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on November 22, 2007.
6. Respondent's P-5 (Organization Report) became delinquent on April 1, 2014. Respondent had a \$50,000 Bond as its financial assurance at the time of its last P-5 renewal.
7. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

OIL AND GAS DOCKET NO. 09-0294264

8. Commission District inspections were conducted between June 13, 2014, August 15, 2014, August 28, 2014 and February 26, 2015 for the Douglas (05497) Lease. The signs or identification required to be posted at the lease entrance, Well Nos. 3, 3MT, 4 and 6 were missing.
9. 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.
10. Production from Well Nos 1, 1MT, 2, 3, 3MT, 4, 5MT and 6 on the Douglas (05497) Lease ceased in July 2003.
11. No plugging extensions are in effect for the subject well as allowed by Statewide Rule 14.
12. The subject wells have not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.
13. 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 constitute a cognizable threat to the public health and safety because of the probability of pollution.
14. The total estimated cost to the State for plugging Well Nos 1, 1MT, 2, 3, 3MT, 4, 5MT and 6 on the Douglas (05497) Lease is \$52,900.00.
15. Commission District inspections were conducted on June 13, 2014; August 15, 2014; August 28, 2014; and February 26, 2015 for the Douglas (05497) Lease. Well Nos. 3MT, 4 and 6 have casing open to the atmosphere and are without wellhead assemblies.
16. 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.
17. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease 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.
18. The Respondent charged with the violations herein recited has the following prior violation of Commission rules: (1) Docket No 6E-026788 - Order entered April 20, 2010, (2) Docket No 6E-0263572 - Order entered December 14, 2010, (3) Docket No 6E-0264080 - Order entered April 30, 2012, (4) Docket No. 6E-0273601 - Order entered April 10, 2012, (5) Docket No. 8A-0275599 - Order entered July 9, 2013.

OIL AND GAS DOCKET NO. 09-0294264

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, 14(b)(2), and 13(a)(6)(A).
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 in compliance with Statewide Rule 14(b)(2), which requires the commencement of plugging operations on each dry or inactive well within one year after drilling or operations cease, unless the operator is eligible for and obtains an extension of the plugging deadline.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 13(a)(6)(A), which states that wellhead assemblies shall be used on wells to maintain surface control of the well.
7. 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.
8. 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.
9. 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.

OIL AND GAS DOCKET NO. 09-0294264

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 A (511734) shall plug Well Nos. 1, 1MT, 2, 3, 3MT, 4, 5MT and 6 on the Douglas (05497) Lease, Wichita County Regular Field, Wichita County, Texas in compliance with applicable Commission rules and regulations; and
2. Smith, Larry T., Sole Proprietor, LTS Oil & Gas A (511734), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FORTY TWO THOUSAND THREE HUNDRED NINETY-NINE DOLLARS (\$42,399.00)**.

It is further ORDERED by the Commission that this order shall not be final and effective until 25 days after the Commission's 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 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 \$10,000.00 per day per violation.

Done this 15th day of December 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
December 15, 2015)