

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0276122

ENFORCEMENT ACTION AGAINST ESPADA OPERATING LLC (OPERATOR NO. 254277) FOR VIOLATIONS OF STATEWIDE RULES ON THE FURIE-LAJOLLA LEASE, WELL NO. 1H (RRC NO. 689672), WILDCAT; HAWKVILLE (EAGLEFORD) FIELD, MCMULLEN 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, Espada Operating LLC (254277), 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. Espada Operating LLC (254277), ("Respondent"), was given Notice of Opportunity for Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address.
2. The returned certified mail receipt that was attached to the Notice of Opportunity for Hearing was signed and returned electronically to the Commission and 2 envelopes containing the Original Complaint and the Notice of Opportunity for Hearing was returned to the Commission marked " Unable to Forward" on April 6, 2015, and has been on file with the commission for 15 days, exclusive of the day of receipt and day of issuance.
3. On October 24, 2012, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): LeeRoy Billington, President and Donovan Venglar Vice-President.
4. LeeRoy Billington was a 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. Donovan Venglar was a 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.
6. Respondent's P-5 (Organization Report) became delinquent on November 1, 2012.
7. Respondent designated itself to the Commission as the operator of Well No. 1H (254277),

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Furie-Lajolla Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on January 12, 2010.

8. Commission District inspection reports made on November 29, 2011 and January 5, 2012 for the Furie- LaJolla Lease indicated the Respondent failed to dewater, backfill and compact two open pits, which were approximately 75 yards x 50 yards x 8' deep and 30' x 15' x 5'. The inspection conducted on March 31, 2015 show the pits to approximately 200' x 100' x 25 x 15'.
9. Unfilled pits constitute a hazard to public health and safety because of the potential for illegal dumping in the pits and the potential for surface run-off to collect in the pit and seep into subsurface waters.
10. Commission District inspection reports made on November 29, 2011 and January 5, 2012 on the Furie-LaJolla Lease show Well No. 1H (689672) has been completed with casing, but Respondent failed to file the required completion report.
11. Failure to file a completion report is serious and a hazard to the public health and safety because, should a well need to be re-entered for any reason, the wellbore documentation provided in those reports is necessary to safely and efficiently carry out the replugging, recompletion, reworking or other action.
12. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.

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 Rule 8(d)(4)(H)(i)(III) and 16(b).
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(4)(H)(i)(III), which requires workover pits to be dewatered, filled and compacted within 120 days from completion of workover operations.
5. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty days (30) 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.
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.

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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, LeeRoy Billington, 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.

8. 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, Donovan Venglar, 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.

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

1. Espada Operating LLC (254277) shall plug the Well No. 1H (689672), Furie-Lajolla Lease, Wildcat; Hawkville (Eagleford) Field, McMullen County, Texas
2. Espada Operating LLC (254277), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FOUR THOUSAND FIVE HUNDRED (\$4,500.00) LESS ONE THOUSAND SEVEN HUNDRED FIFTY (\$1,750.00)** already received.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 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 17th day of November 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
November 17, 2015)