

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 01-0285170

ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY RIO GRAND EXPLORATION, LLC (712691) AS TO THE LAS VEGAS RANCH LEASE, WELL NOS. 1 (082178) AND 2 (142592), LOS CUATROS (LOWER CRETACEOUS) FIELD, AND LAS VEGAS RANCH LEASE, WELL NO. 3 (173161), LOS CUATROS (JAMES LIME) FIELD, MAVERICK COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on July 10, 2014, and that the respondent, Rio Grand Exploration, LLC (712691), failed to appear or respond to the First Amended 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. Rio Grand Exploration, LLC (712691), ("Respondent"), was given First Amended 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 certified envelope containing the First Amended Original Complaint and the First Amended Notice of Opportunity for Hearing, was returned to the Commission marked "unclaimed" on June 4, 2014. The certified 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 October 2, 2012, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its managers consisted of the following individual(s): Neil W. Hinze.
4. Neil W. Hinze, 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.

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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 (082178) and 2 (142592) on the Las Vegas Ranch Lease and Well No. 3 (173161) on the Las Vegas Ranch Lease ("subject wells"/"subject leases") by filing P-4 Forms (Producers Transportation Authority and Certificate of Compliance) effective on November 1, 1997 for Well Nos. 1 (082178) and 2 (142592) on the Las Vegas Ranch Lease and April 8, 1998 for Well No. 3 (173161) on the Las Vegas Ranch Lease.
7. Respondent's P-5 (Organization Report) became delinquent on August 1, 2014. Respondent had a \$50,000 Bond as its financial assurance at the time of its last P-5 renewal.
8. Commission records reflect that on July 31, 2012, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production, of oil or gas from the Las Vegas Ranch Lease, Well No. 1 (082178), that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
9. Commission records reflect that on February 27, 2013, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production, of oil or gas from the Las Vegas Ranch Lease, Well No. 2 (142592), that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
10. Commission records reflect that on February 27, 2013, the Commission gave Respondent notice by certified mail of the alleged facts or conduct of the Respondent in the operation, or production, of oil or gas from the Las Vegas Ranch Lease, Well No. 3 (173161), that appeared to violate the oil and gas conservation laws of this state, or rules or orders of the Commission adopted under those laws, to warrant the cancellation of the certificate of compliance. Said notice gave Respondent an opportunity to show compliance with all requirements of law for retention of the certificate of compliance.
11. Commission records reflect that Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificate of compliance for the Las Vegas Ranch Lease, Well No. 1 (082178), was cancelled, and Respondent given notice of such cancellation, on August 30, 2012.
12. Commission records reflect that Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificate of compliance for the Las Vegas Ranch Lease, Well No. 2 (142592), was cancelled, and Respondent given notice of such cancellation, on March 29, 2013.

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13. Commission records reflect that Respondent did not timely show compliance with all requirements of law for retention of the certificate of compliance and, as a result, the certificate of compliance for the Las Vegas Ranch Lease, Well No. 3 (173161), was cancelled, and Respondent given notice of such cancellation, on March 29, 2013.
14. Production reports were filed by Respondent with the Commission for the Las Vegas Ranch Lease, Well No. 1 (082178) from September 2012 through July 2013. Respondent produced an approximate total of 23,704 MCF of gas from the Las Vegas Ranch Lease, Well 1 (082178), after the certificate of compliance had been cancelled and before a new certificate of compliance had been issued.
15. Production reports were filed by Respondent with the Commission for the Las Vegas Ranch Lease, Well No. 2 (142592) from April 2013 through July 2013. Respondent produced an approximate total of 626 MCF of gas from the Las Vegas Ranch Lease, Well No. 2 (142592), after the certificate of compliance had been cancelled and before a new certificate of compliance had been issued.
16. Production reports were filed by Respondent with the Commission for the Las Vegas Ranch Lease, Well No. 3 (173161), from April 2013 through July 2013. Respondent produced an approximate total of 626 MCF of gas from the Las Vegas Ranch Lease, Well No. 3 (173161), after the certificate of compliance had been cancelled and before a new certificate of compliance had been issued.
17. By producing the subject wells after notice from the Commission that the certificate of compliance had been cancelled and before a new certificate of compliance had been issued, Respondent violated Statewide Rule 73(i).
18. The Respondent has not demonstrated good faith since it failed to timely 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.
19. Respondent has a prior history of Commission rule violations including the following docket(s):

Docket No. 01-0247117; and Docket No. 01-0252533.

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.

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3. Respondent is in violation of Commission Statewide Rules 73(l) and TEX. NAT. RES. CODE ANN. §91.706.
4. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(i), which requires that upon notice from the Commission that a certificate of compliance as to any oil, gas, or geothermal resource well that has been cancelled, it becomes unlawful for the operator of such well to produce oil, gas or geothermal resources thereafter until a new certificate of compliance has been issued by the Commission.
5. 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.
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. The Commission was authorized to plug the subject well and is entitled to reimbursement for State Funds expended pursuant to TEX. NAT. RES. CODE §89.043, 98.046 and 89.083.
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, Neil W. Hinze, 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. Rio Grand Exploration, LLC (712691), shall place the Las Vegas Ranch Lease, Well Nos. 1 (082178) and 2 (142592), Los Cuatros (Lower Cretaceous) Field, and Las Vegas Ranch Lease, Well No. 3 (173161), Los Cuatros (James Lime) Field, Maverick County, Texas in compliance with applicable commission rules and regulations; and
2. Rio Grand Exploration, LLC (712691), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWENTY THREE THOUSAND NINE HUNDRED DOLLARS (\$23,900.00)**.

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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 24th day of February 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated February 24, 2015)

TJJ/sa