

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

OIL AND GAS DOCKET NO. 03-0263675

**ENFORCEMENT ACTION FOR ALLEGED VIOLATIONS COMMITTED BY
SANTANA ENERGY SERVICES, LLC (OPERATOR NO. 748153) AS TO THE DUTY
UNIT LEASE, WELL NO 2H (DRILLING PERMIT NO. 677589, LEASE NO. (25331)
PRIOR TO RECOMPLETION), WILDCAT FIELD, WASHINGTON COUNTY, TEXAS**

The Commission finds that after statutory notice the captioned enforcement proceeding was heard by the examiner on May 14, 2015, and that the respondent, Santana Energy Services, LLC (748153), failed to appear or respond to the First Amended 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. Santana Energy Services, LLC (748153), ("Respondent"), was given First Amended Notice of Hearing by certified mail, addressed to the most recent Form P-5 (Organization Report) address, which was returned to the Commission unopened.
2. The electronic certified receipt containing the First Amended Original Complaint and the First Amended Notice of Hearing, was returned unopened between April 28, 2015 & May 4, 2015.
3. On December 29, 2009, Respondent, filed an Organization Report (Form P-5) with the Commission reporting that its officers consisted of the following individual(s): Mercedes S. Zuniga, Manager; Gary L. Thornhill, Manager/Member; Jeff Zisselman, Managing Member; Petie Group, Member and D. Kent Singleton, Member.
4. Mercedes S. Zuniga, 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. Gary L. Thornhill, 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.

OIL AND GAS DOCKET NO. 03-0263675

6. Jeff Zisselman, 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.
7. Petie Group, 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.
8. D. Kent Singleton, 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.
9. The violations of Commission rules committed by respondent are related to safety and the control of pollution.
10. Respondent designated itself to the Commission as the operator of Well No. 2H (677589) on the Duty Unit Lease (“subject well”/“subject lease”) by filing a W-1 Form (Application to Drill, Plug Back or Re-Enter) received on January 20, 2009.
11. Commission District inspections were conducted on June 18, 2009, August 5, 2009, September 2, 2009 and October 6, 2009 for the Duty Lease. The sign or identification required to be posted at Well No. 2H was missing. Commission district inspections conducted on March 26, 2012, September 24, 2012, July 30, 2013 and February 6, 2014 for the Duty Lease show that the sign or identification was present.
12. 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.
13. The subject well has been dry or inactive for a period in excess of one year. Commission inspection and/or production reports indicate that the subject well has not produced since August 2008.
14. The subject well has not been properly plugged in accordance with, and is not otherwise in compliance with, Statewide Rule 14.

15. 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.
16. The estimated cost to the State of plugging the subject well is \$139,360.00.
17. A Commission District Inspection report made on June 18, 2008, indicated drilling operations on the Duty Unit Lease, Well No. 2H (Drilling Permit No. 67789, Lease No. 25331 prior to recompletion), were concluded and the well is capped with a dry hole flange. Commission records also show Respondent failed to file the required completion report or plug the well. Commission District inspection reports made on August 5, 2009; September 2, 2009; October 6, 2009; March 26, 2012; September 24, 2012; July 30, 2013 and February 6, 2014 show the well to be inactive and incapable of producing.
18. The Respondent has not demonstrated good faith since it failed to timely plug or otherwise place the subject lease and subject well in compliance after being notified of the violations by the District Office and failed to appear at the hearing to explain its inaction.

OIL AND GAS DOCKET NO. 03-0263675

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 16(b).
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 resources 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 16(b), which requires that the owner, or operator of an oil, gas or geothermal resource well, must within thirty (30) 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.
6. Respondent is responsible for maintaining the subject lease and subject well 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.
7. 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.
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, Mercedes Zuniga, and any other organization in which she 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.
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, Gary L. Thornhill, and any other organization in which she 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.

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, Jeff Zisselman, and any other organization in which she 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.
11. 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, Petie Group, and any other organization in which she 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.
12. 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, D. Kent Singleton, and any other organization in which she 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. 03-0263675

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

1. Santana Energy Services, LLC (748153) shall plug the Duty Unit Lease, Well No. 2H [677589, Lease Number (25331) Prior to Recompletion], Wildcat Field, Fort Washington County, Texas in compliance with applicable Commission rules and regulations; and
2. Santana Energy Services, LLC (748153), shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of TWENTY THREE HUNDRED SEVENTY FIVE DOLLARS (\$2,375.00).

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 25th day of August, 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order dated August 25, 2015)