

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0293813

ENFORCEMENT ACTION AGAINST ESPADA OPERATING LLC (OPERATOR NO. 254277) FOR VIOLATIONS OF STATEWIDE RULES ON THE WILBECK GU LEASE, WELL NO. 1 (RRC NO. 220290), WHARTON, WEST (WILCOX) FIELD, WHARTON 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; Donovan Venglar, Vice-President; and Mitch Michelson, Secretary.
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. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

OIL AND GAS DOCKET NO. 03-0293813

7. Respondent designated itself to the Commission as the operator of Well No. 1, Wilbeck GU (220290) Lease ("subject wells"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on May 1, 2009.
8. Respondent's P-5 (Organization Report) became delinquent on November 1, 2012. Respondent had a \$50,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.
9. Production from Well No. 1 (220290) , Wilbeck GU Lease ceased on or before July 2008.
10. The subject wells have not been properly plugged in accordance with, and are not otherwise in compliance with, Statewide Rule 14.
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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.
12. The total estimated cost to the State for plugging Well No. 1 (220290), Wilbeck GU Lease is \$153,276.00.
13. 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.
14. Respondent has a prior history of Commission rule violations including the following dockets: Docket No. 01-0271025; Agreed Order served: July 9, 2013; and Docket No. 01-0281880; Agreed Order served: June 17, 2014.

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 14(b)(2).
4. 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.
5. 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.

OIL AND GAS DOCKET NO. 03-0293813

6. 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.

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, 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.

OIL AND GAS DOCKET NO. 03-0293813

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. 1 (220290), Wilbeck GU Lease, Wharton, West (Wilcox) Field, Wharton County, Texas in compliance with applicable Commission rules and regulations; and
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 **SEVENTEEN THOUSAND EIGHT HUNDRED TWENTY DOLLARS (\$17,820.00)**.

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)