

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

**OIL AND GAS DOCKET NO. 04-0313232**

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**ENFORCEMENT ACTION AGAINST SANTA RITA HOLDINGS, LLC (OPERATOR NO. 748244) FOR VIOLATIONS OF STATEWIDE RULES ON THE SANCHEZ LEASE, WELL NO. 1 (GAS ID NO. 136259), SANCHEZ RANCH (QUEEN CITY 7300) FIELD, STARR COUNTY, TEXAS**

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**FINAL ORDER**

The Railroad Commission of Texas ("Commission") finds that statutory notice and opportunity for hearing, Santa Rita Holdings, LLC (Operator No. 748244) ("Respondent") failed to file an answer or request a hearing. Pursuant to § 1.25 of the Commission's General Rules of Practice and Procedure, Title 16 Texas Administrative Code § 1.25, and being submitted to the Commission at an open meeting held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

**FINDINGS OF FACT**

1. Respondent's Commission Form P-5 (Organization Report) ("Form P-5") is delinquent. Respondent had a \$50,000.00 cash deposit on file with the Commission as financial assurance when it last renewed its Organization Report on June 6, 2017.
2. Respondent, a limited liability company, named the following individual as an officer of record on its most recently filed Form P-5: Cord Davis Johnson, President and Treasurer of Santa Rita Holdings, LLC.
3. Cord Davis Johnson was in a position of ownership or control, as defined by Texas Natural Resources Code § 91.114, when Respondent committed the herein specified violations of Commission rules and statutes.
4. Respondent was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the most recent Form P-5 address. Cord Davis Johnson, Respondent's officer of record, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the address specified on the most recent Form P-5.

5. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Respondent was returned to the Commission unopened on November 29, 2018. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Cord Davis Johnson was returned to the Commission unopened on January 3, 2019. The first-class mail envelope addressed to Respondent was returned to the Commission on December 10, 2018. The first-class mail envelope addressed to Cord Davis Johnson was not returned.
6. Record of the delivery and return of certified mail has been on file with the Commission for more than 15 days, exclusive of the day of receipt and day of issuance.
7. Respondent was given more than 30 days' notice of the Original Complaint and Notice of Opportunity for Hearing. Respondent has not entered into an agreed settlement order, filed an answer, or requested a hearing.
8. Respondent is the designated operator of the Sanchez Lease, Well No. 1 (Gas ID No. 136259), Sanchez Ranch (Queen City 7300) Field, Starr County, Texas (the "Sanchez Well") pursuant to a Commission Form P-4 (Certificate of Compliance) on file with the Commission effective June 1, 2015, and approved June 10, 2015.
9. Commission inspection reports made on May 2, 2018 and July 10, 2018, for the Sanchez Well, show the inspector was unable to access the lease.
10. Without access to property operated or controlled by an operator, producer, or transporter of oil, gas, or geothermal resources, as required by 16 Texas Administrative Code § 3.2(a), the Commission cannot satisfy its legislative mandates to prevent and control pollution of State surface and subsurface waters and to protect the public health and safety.
11. Commission inspection reports made on March 23, 2016, July 31, 2017, and February 2, 2018, for the Sanchez Well, show that the sign required to be posted at the property entrance was missing.
12. Commission inspection reports made on March 23, 2016, July 31, 2017, and February 2, 2018, for the Sanchez Well, show that the sign required to be posted at the well site was missing.
13. Commission inspection reports made on March 23, 2016, July 31, 2017, and February 2, 2018, for the Sanchez Well, show that the signs or identification required to be posted at the tank battery displayed the incorrect operator information.
14. The lack of signs and identification, as required by 16 Texas Administrative Code §§ 3.3(1), 3.3(2), and 3.3(3), may cause confusion in the event of a pollution or safety violation, or another emergency; without correct operator or location information, efforts to contain and/or remediate the violation or emergency may be substantially delayed.

15. Commission inspection reports made on July 31, 2017, and February 2, 2018, for the Sanchez Well, show an unpermitted discharge of condensate onto the ground surface from a leaking wing valve on the well. The discharge affected an area of fifteen feet by fifteen feet.
16. A Commission inspection report made on February 2, 2018, for the Sanchez Well, showed a second unpermitted discharge of condensate onto the ground surface. The second discharge originated from a corroded tank and affected an area measuring thirteen feet by eight feet, three inches deep.
17. Respondent did not have a permit for said discharges, nor were they authorized under Statewide Rules 16 Texas Administrative Code §§ 3.8(d)(3), 3.8(e), 3.9, 3.46, or 3.98.
18. Unpermitted discharges of oil and gas wastes, in violation of 16 Texas Administrative Code § 3.8(d)(1), can contaminate State surface and subsurface waters and adversely affect human health.
19. Commission inspection reports made on March 23, 2016, and February 2, 2018, and the absence of reported production since September 2002, show that the Sanchez Well has been inactive for a period greater than one year.
20. No workovers, re-entries, or subsequent operations have taken place on the captioned well within the last twelve months; the captioned well has not been properly plugged in accordance with 16 Texas Administrative Code § 3.14. No plugging extensions are in effect for the subject well.
21. Unplugged wellbores, in violation of 16 Texas Administrative Code § 3.14(b)(2), are likely to cause pollution of usable quality ground water and surface water by serving as a conduit for the passage of oil, gas, saltwater, and other substances from one stratum or formation to another, or to the surface, or from the surface downward.
22. The estimated cost to the State to plug the Sanchez Well is \$74,088.00.
23. On February 23, 2016, Respondent filed a Form W-3C (Certification of Surface Equipment Removal for an Inactive Well) certifying that electric service to the Sanchez Well had been terminated and that all surface equipment and related piping, tanks, tank batteries, pump jacks, etc. had been removed.
24. Commission inspection reports made on March 23, 2016, July 31, 2017, and February 2, 2018, for the Sanchez Well, show that all surface equipment and related piping, tanks, tank batteries, etc. had not been removed.
25. Respondent filed the Form W-3C knowing it to be false or untrue in material fact.
26. Respondent has no history of prior violations of Commission statutes or rules.

## CONCLUSIONS OF LAW

1. Proper notice was issued to Respondent and all other persons legally entitled to notice.
2. The Commission has jurisdiction over Respondent pursuant to Texas Natural Resources Code §§ 81.051-.052, 91.101, and Chapters 85, 89, and 91.
3. Respondent is responsible for maintaining the subject property in compliance with all applicable Commission rules and Texas Natural Resources Code, Chapters 89 and 91.
4. Respondent is in violation of 16 Texas Administrative Code §§ 3.2(a), 3.3(1), 3.3(2), 3.3(3), 3.8(d)(1), 3.14(b)(2), and Texas Natural Resources Code § 91.143.
5. The documented violations committed by Respondent are serious, a hazard to the public health and safety, and demonstrate a lack of good faith as defined by Texas Natural Resources Code § 81.0531(c).
6. Respondent is responsible for maintaining the subject property in compliance with 16 Texas Administrative Code § 3.2(a), which provides that the Commission or its representatives shall have access to come upon any lease or property operated or controlled by an operator, producer, or transporter of oil, gas, or geothermal resources, and to inspect any and all leases, properties, and wells and all records of said leases, properties, and wells.
7. Respondent is responsible for maintaining the subject property in compliance with 16 Texas Administrative Code § 3.3(1), which requires that a sign be posted at the principal entrance of each property productive of oil, gas, or geothermal resources. The sign shall show the name by which the property is commonly known and carried on the records of the Commission, the name of the operator, and the number of acres in the property.
8. Respondent is responsible for maintaining the subject property in compliance with 16 Texas Administrative Code § 3.3(2), which requires that each well site productive of oil, gas, or geothermal resources post a sign showing the name of the property, name of the operator, and the well number.
9. Respondent is responsible for maintaining the subject lease in compliance with 16 Texas Administrative Code § 3.3(3), which requires that each tank battery productive of oil, gas, or geothermal resources post signs or identification showing the name of the property, commission lease number, name of the operator, number of acres in the property, and if commingled, the commingling permit number.
10. Respondent is responsible for maintaining the subject property in compliance with 16 Texas Administrative Code § 3.8(d)(1), which prohibits the discharge of oil and gas wastes without a permit.

11. Respondent is responsible for maintaining the subject property in compliance with 16 Texas Administrative Code § 3.14(b)(2), which requires that plugging operations on each dry or inactive well be commenced within a period of one year after drilling or operations cease and proceed with due diligence until completed, unless the operator is eligible for and obtains an extension of the plugging deadline.
12. Respondent is responsible for complying with Texas Natural Resources Code § 91.143, which prohibits the filing of any application, report, or other document required or permitted to be filed with the Commission knowing that the application, report, or other document is false or untrue in a material fact.
13. Pursuant to Texas Natural Resources Code § 81.0531, the Commission may assess administrative penalties against Respondent for the subject violations of up to \$10,000.00 a day per violation for each day the violation continues.
14. Pursuant to Texas Natural Resources Code § 91.143(e), the Commission may assess administrative penalties against Respondent for the violation of Texas Natural Resources Code § 91.143 of up to \$1,000.00 for each violation.
15. An assessed administrative penalty in the amount of **FIFTY-TWO THOUSAND, TWO HUNDRED DOLLARS (\$52,200.00)** is justified considering the facts and violations at issue and is assessed in accordance with the minimum penalty guideline set out in 16 Texas Administrative Code § 3.107.
16. Respondent violated Commission rules related to safety and the control of pollution. Any other organization in which an officer of this organization holds a position of ownership or control is subject to the restrictions detailed in Texas Natural Resources Code § 91.114(a)(2).

### ORDERING PROVISIONS

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

1. Santa Rita Holdings, LLC (Operator No. 748244) shall place the Sanchez Lease, Well No. 1 (Gas ID No. 136259), into compliance with 16 Texas Administrative Code §§ 3.2(a), 3.3(1), 3.3(2), 3.3(3), 3.8(d)(1), 3.14(b)(2), Texas Natural Resources Code § 91.143, and any other applicable Commission rules and statutes.
2. Santa Rita Holdings, LLC (Operator No. 748244) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTY-TWO THOUSAND, TWO HUNDRED DOLLARS (\$52,200.00)**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the order is signed, unless the time for filing a motion for rehearing has been

extended under Texas Government Code § 2001.142, by agreement under Texas Government Code § 2001.147, or by written Commission order issued pursuant to Texas Government 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 Texas Government 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 100 days from the date the Commission order is signed.

Any other organization in which a current officer of this organization holds a position of ownership or control **shall be subject to the restriction in Texas Natural Resources Code § 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.

All requested findings of fact and conclusions of law 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 26<sup>th</sup> day of February 2019.

**RAILROAD COMMISSION OF TEXAS**

(Signatures affixed by Default Master Order dated February 26, 2019)

JHM/bt