

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

OIL AND GAS DOCKET NO. 00001047

ENFORCEMENT ACTION AGAINST RLU OPERATING, LLC (OPERATOR NO. 714217) FOR VIOLATIONS OF STATEWIDE RULES ON THE FELISA VALDEZ LEASE, WELL NO. 1 (PERMIT NO. 01-811986), WELL NO. 2 (PERMIT NO. 01-811985), WELL NO. 3 (PERMIT NO. 01-810543) AND WELL NO. 5 (PERMIT NO. 01-811993), CHICON LAKE FIELD, MEDINA COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that statutory notice of the captioned enforcement proceeding was provided pursuant to Commission rules, and that the Respondent, RLU Operating, LLC, failed to appear or respond to the **Notice of Opportunity for Hearing**. Pursuant to § 1.25 of the Commission's General Rules of Practice and Procedure, 16 Texas Administrative Code § 1.25, and after being duly submitted to the Commission at a Conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. RLU Operating, LLC ("Respondent"), Operator No. 714217, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the most recent Commission Form P-5 (Organization Report) ("Form P-5") address.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was received by Respondent on May 20, 2020. The first-class mail was not returned to the Commission. 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. 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.
3. On April 14, 2020, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Carter, Will - Managing Member.
4. Respondent's Form P-5 is in Active status. Respondent has a \$50,000.00 letter of credit on file with the Commission as its financial assurance.
5. Respondent designated itself as the operator of the Felisa Valdez Lease, Well No. 1 (Permit No. 01-811986), by filing a Commission Form W-1 (Application for Permit to Drill), received

November 16, 2015, issued November 19, 2015. Respondent designated itself as the operator of the Felisa Valdez Lease, Well No. 2 (Permit No. 01-811985), by filing a Commission Form W-1 (Application for Permit to Drill), received November 16, 2015, issued November 19, 2015. Respondent designated itself as the operator of the Felisa Valdez Lease, Well No. 3 (Permit No. 01-810543), by filing a Commission Form W-1 (Application for Permit to Drill), received September 22, 2015, issued September 28, 2015. Respondent designated itself as the operator of the Felisa Valdez Lease, Well No. 5 (Permit No. 01-811993), by filing a Commission Form W-1 (Application for Permit to Drill), received November 16, 2015, issued November 19, 2015.

6. Commission District inspection reports made on April 9, 2019 and July 25, 2019 for the Felisa Valdez Lease show Well No. 1 (Permit No. 01-811986), Well No. 2 (Permit No. 01-811985), Well No. 3 (Permit No. 01-810543) and Well No. 5 (Permit No. 01-811993) have all been completed and are producing. Despite completion of the subject wells, a review of Commission records shows Respondent has failed to file the requisite completion reports for the wells.
7. Should a well need to be re-entered for any reason, the wellbore documentation provided in completion and plugging reports as set forth in Statewide Rule 16(b) is necessary to safely and efficiently carry out the replugging, recompletion, reworking, or other action.
8. Commission district inspection reports made on April 9, 2019 and July 25, 2019 for the Felisa Valdez Lease show that Well No. 1 (Permit No. 01-811986), Well No. 2 (Permit No. 01-811985), Well No. 3 (Permit No. 01-810543) and Well No. 5 (Permit No. 811993) are all actively producing despite the fact the Commission has not issued a certificate of compliance for any of the wells.
9. No pipeline or other carrier shall be connected with any well subject to the jurisdiction of the Commission until the operator of the well provides the pipeline or other carrier with a certificate from the Commission as set forth in Statewide Rule 73(a).
10. The Respondent has no prior history of violations of Commission Rules.

CONCLUSIONS OF LAW

1. Proper notice was issued by the Commission to Respondent and all other appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties have been performed or have occurred.
3. Respondent is responsible for maintaining the subject lease in compliance with all applicable Commission rules and Texas Natural Resources Code, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 16(b) and 73(a). 16 Tex. Admin. Code §§ 3.16(b) and 3.73(a).

5. The documented violations committed by Respondent constitute acts deemed serious, and a hazard to the public health, and demonstrate a lack of good faith pursuant to Texas Natural Resources Code § 81.0531(c).
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 16(b), which requires proper completion and plugging reports to be filed timely.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 73(a), which requires that no pipeline or other carrier shall be connected with any well subject to the jurisdiction of the Commission until the operator of the well provides the pipeline or other carrier with a certificate of compliance from the Commission that the rules of this title have been complied with.
8. Any person who violates Texas Natural Resources Code §85.166 or Statewide Rule 73(a) is subject to a penalty of not more than \$10,000.00 for each violation under Texas Natural Resources Code § 85.3855.
9. 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 per day for each violation, with each day such violations continued constituting a separate violation.
10. An assessed administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)** is justified considering the facts and violations at issue.
11. 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 restriction in Texas Natural Resources Code § 91.114.

ORDERING PROVISIONS

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

1. RLU Operating, LLC (Operator No. 714217) shall place the Felisa Valdez Lease, Well No. 1 (Permit No. 01-811986), Well No. 2 (Permit No. 01-811985), Well No. 3 (Permit No. 01-810543) and Well No. 5 (Permit No. 01-811993), into compliance with Statewide Rules 16(b) and 73(a), and any other applicable Commission rules and statutes.
2. RLU Operating, LLC (Operator No. 714217) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **SIXTEEN THOUSAND DOLLARS (\$16,000.00)**.

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 of an application 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 an officer of this organization holds a position of ownership or control at the time Respondent violated Commission rules related to safety and the control of pollution, **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, 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 per day per violation.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order

EMM/bt

dated DEC 08 2020)