RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0264680

ENFORCEMENT ACTION AGAINST SANTANA ENERGY SERVICES, LLC (OPERATOR NO. 748153) FOR VIOLATIONS OF STATEWIDE RULES ON THE DUTY LEASE, WELL NO. 1 (RRC NO. 194913), NAVASOTA RIVER (CREATACEOUS LWR) FIELD, WASHINGTON 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, Santana Energy Servi ces, 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.

2. 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 Zuniga, Manager, Gary L. Thornhill, Manager, Jeff Zissleman, Managing Member, D. Kent Singleton, Member.

3. Mercedes Zuniga 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.

4. Gary L. Thornhill 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. Jeff Zissleman 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. D. Kent Singleton 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.

7. Respondent designated itself to the Commission as the operator of Well No. 1 on the Duty (194913) Lease ("subject well"/"subject lease") by filing a P-4 Form (Producers Transportation Authority and Certificate of Compliance) effective on March 18, 2009.

8. Respondent's P-5 (Organization Report) became delinquent on January 1, 2010. Respondent had a $25,000 Letter of Credit as its financial assurance at the time of its last P-5 renewal.

9. The violations of Commission rules committed by respondent are related to safety and the control of pollution.

10. Commission District inspections were conducted between October 21, 2009 and March 18, 2014 for the Duty (194913) Lease. The signs or identification required to be posted at the lease entrance displayed incorrect operator information, at the tank battery the incorrect operator information was displayed along with the lease information, and at Well No. 1 the sign or identification was missing.

11. 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.

12. Production from Well No. 1 on the Duty (194913) Lease ceased on or before April 2006.

13. No plugging extensions are in effect for the subject well as allowed by Statewide Rule 14.

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 wells. Unplugged wellbores constitute a cognizable threat to the public health and safety because of the probability of pollution.

16. The total estimated cost to the State for plugging Well No. 1 Duty (194913) Lease $129,170.00.

17. Commission records show that the Duty Lease, Well No. 1 (194913), was completed in a field with wells producing hydrogen sulfide gas in excess of 100 ppm. Furthermore, Commission records show that Respondent failed to file the required Commission Form H-9 (Hydrogen Sulfide Certificate of Compliance).

18. 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.

CONCLUSIONS OF LAW

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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 36(d).

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 resource 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 36(d), which require each operator who conducts operations to provide safeguards to protect the general public from the harmful effects of hydrogen sulfide, whether such releases are intentional or accidental.

6. 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.

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 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.

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 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.

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 Zissleman, 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.

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, D. Kent Singleton, 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.

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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 Well No. 1 on the Duty (194913) Lease, Navasota River (Cretaceous LWR) Field, 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 **THREE THOUSAND SEVEN HUNDRED FIFTY DOLLARS ($3,750.00).**

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 20th day of October 2015.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order October 20, 2015)