

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7C-0302202

ENFORCEMENT ACTION AGAINST J2 PETROLEUM (OPERATOR NO. 427976) FOR VIOLATIONS OF STATEWIDE RULES ON THE LINDLEY (08496) LEASE, WELL NO. 1, ROCK PEN (CANYON) FIELD, IRION COUNTY, AND THE LINDLEY "A" (08960) LEASE, WELL NO. 1, ROCK PEN (CANYON) FIELD, IRION COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after statutory notice the captioned enforcement proceeding was heard by a Commission Administrative Law Judge on February 2, 2017 and that the respondent, J2 Petroleum, 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, 16 TEX. ADMIN. CODE § 1.49, 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. J2 Petroleum ("Respondent"), Operator No. 427976, 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: J2 Petroleum, 5238 Christoval Rd., San Angelo, Texas 76904. Respondent's officers and resident agent as identified on the Form – Israel Brooks Joiner, President, Paula Jane McGinley, Secretary, and Israel Joiner, Resident Agent – were each sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to their last known address: Israel Brooks Joiner, President, J2 Petroleum, 1850 Shady Point Cir., San Angelo, Texas 76904; Paula Jane McGinley, Secretary, J2 Petroleum LLC, P.O. Box 66, Mertzon, Texas 76941; and Israel Joiner, Resident Agent, J2 Petroleum, 5238 Christoval Rd., San Angelo, Texas 76904.
2. The certified mail envelopes containing the Original Complaint and Notice of Opportunity for Hearing that was sent to the Respondent and Israel Joiner, Resident Agent were returned to the Commission unopened on January 12, 2017. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Israel Brooks Joiner, President and Paula Jane McGinley, Secretary were delivered on November 12, 2106 and November 14, 2016, respectively. The first-class mail was not returned. 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. Respondent filed its first Form P-5 with the Commission in 2014. On December 17, 2015, Respondent, a Limited Liability Company, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Israel Brooks Joiner, President and Paula Jane McGinley, Secretary.
 4. Israel Brooks Joiner was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
 5. Paula Jane McGinley was in a position of ownership or control of Respondent, as defined in section 91.114 of the Texas Natural Resources Code, during the time period of the violations of Commission rules committed by Respondent.
 6. Respondent's Form P-5 is delinquent. Respondent had a \$50,000.00 cash deposit as its financial assurance at the time of the last Form P-5 annual renewal submission.
 7. Respondent designated itself to the Commission as the operator of the Lindley (08496) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective September 1, 2014, approved October 10, 2014.
 8. Respondent designated itself to the Commission as the operator of the Lindley (08960) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective September 1, 2014, approved October 10, 2014.
 9. Commission inspection reports completed on May 16, 2016, July 13, 2016, and September 19, 2016, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports filed by the Respondent with the Commission since November 14, 2014, show the Lindley (08496) Lease, Well No. 1 has been inactive for a period greater than one year. Production from the subject well ceased on or before October 2014.
 10. Commission inspection reports completed on May 13, 2016, May, 17, 2016, July 13, 2016, and September 19, 2016, and either reports filed by Respondent with the Commission reflecting zero production, or the absence of production reports filed by the Respondent with the Commission since April 2015, show the Lindley "A" (08960) Lease, Well No. 1 has been inactive for a period greater than one year. Production from the subject well ceased on or before March 2015.
 11. No work-overs, re-entries, or subsequent operations have taken place on the subject well within the last twelve months; the subject well has not been properly plugged in accordance

- with Statewide Rule 14, 16 Tex. Admin. Code § 3.14; and no plugging extension is in effect for the subject wells as allowed by Statewide Rule 14. The subject wells are not otherwise in compliance with Statewide Rule 14.
12. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas wastes from the subject wells. Unplugged wellbores, in violation of Statewide Rule 14(b)(2), constitute a cognizable threat to the public health and safety because of the potential of pollution.
 13. The total estimated cost to the State for plugging the Lindley (08496) Lease, Well No. 1 is \$40,000.00.
 14. The total estimated cost to the State for plugging the Lindley "A" (08960) Lease, Well No. 1 is \$40,000.00.
 15. The violations of Commission rules committed by Respondent are related to safety and the control of pollution. According to a February 2, 2017 affidavit signed by David Randle, Field Operations, "Any wellbore, cased or otherwise, is a potential conduit for flow from oil or saltwater zones to zones of usable quality water or to the surface. Holes or leaks may develop in cased wells, allowing oil or saltwater to communicate with usable quality zones or to flow to the surface. Uncased wells allow direct communication between zones and provide unimpeded access to the surface."
 16. Commission inspection reports made on May 13, 2016, May 17, 2016, July 13, 2016, and September 19, 2016 for the Lindley "A" (05960) Lease shows that a water tank had overflowed causing a spill of oil and gas waste, affecting an area of approximately forty square feet.
 17. Respondent did not have a permit for said discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
 18. Unpermitted discharges of oil and gas waste, in violation of Statewide Rule 8(d)(1), can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.
 19. The violations of Commission rules committed by Respondent are related to safety and the control of pollution. According to a February 2, 2017 affidavit signed by David Randle, Field Operations, on Statewide Rule 8(d)1, "Any unauthorized discharge of disposal of oil, saltwater, basic sediment or other oil and gas waste is a potential source of pollution to surface and subsurface waters if not remediated to prevent seepage and run-off."

20. Commission inspection reports made on May 16, 2016, July 13, 2016, and September 19, 2016 for the Lindley (08496) Lease shows that brush and grass has grown up inside the battery and at Well No. 1.
21. Commission inspection reports made on May 13, 2016, May 16, 2016, July 13, 2016, and September 19, 2016 for the Lindley (08960) Lease shows that brush and grass has grown up inside the battery.
22. Failure to remove trees and vegetation from inside the Tank Battery and Well No. 1 on the Lindly (08496) Lease creates a fire hazard
23. Failure to remove trees and vegetation from inside the Tank Battery on the Lindly (08960) Lease creates a fire hazard
24. According to a February 2, 2017 affidavit signed by David Randle, Field Operations, "Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of any well, tank, or pump station. Violation of Statewide Rule 21(i) is serious and a hazard to public health because failure to remove rubbish or debris from the vicinity of any well, tank, or pump station creates a fire hazard."
25. Respondent has prior orders, documented under Docket Nos. 7C-0296978 and 7C-0297005 for violations of Statewide Rule 17(b) [Pressure on Bradenhead].

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 chapters 89 and 91 of the Texas Natural Resources Code.
4. Respondent is in violation of Statewide Rules 14(b)(2), 8(d)(1), and 21(i). 16 TEX. ADMIN. CODE §§ 3.14(b)(2), 3.8(d)(1), and, 3.21(i).
5. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 14(b)(2), which requires that plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease and shall proceed with due diligence until completed, unless the operator is eligible for and obtains an extension of the plugging deadline.

6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
7. Respondent is responsible for maintaining the subject leases in compliance with Statewide Rule 21(i), which requires that any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of any well, tank, or pump station. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard.
8. Pursuant to TEX. NAT. RES. 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.
9. An assessed administrative penalty in the amount of TWENTY-TWO THOUSAND EIGHT HUNDRED FORTY-EIGHT DOLLARS (\$22,848.00) is justified considering the facts and violations at issue, consisting of two violations of Statewide Rule 14(b)(2) at \$2,000.00 each plus \$1.00 per foot on a total well depth of 14,336 feet for a total of \$18,366.00; one violation of rule 8(d)(1) at \$500.00; and two violations of Statewide Rule 21(i) at \$1,000.00 each for a total of \$2,000.00, plus an enhancement penalty of \$2,000.00 for prior violations.
10. As persons in a position of ownership or control of Respondent at the time Respondent violated a Commission rule related to safety and the control of pollution, Israel Brooks Joiner and Paula Jane McGinley, and any other organization in which they may hold a position of ownership or control, is subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code.

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

1. J2 Petroleum (Operator No. 427976) shall plug the Lindley (08496) Lease, Well No. 1 and the Lindley "A" (08960) Lease, Well No. 1 in accordance with Statewide Rule 14(b)(2) and bring the leases and wells in compliance with Statewide Rules 8(d)(1), 21(i), and any other applicable Commission rules and statutes.
2. J2 Petroleum (Operator No. 427976) shall remit to the Railroad Commission of Texas TWENTY-TWO THOUSAND EIGHT HUNDRED FORTY-EIGHT DOLLARS (\$22,848.00) for disposition as provided by law.

It is further **ORDERED** that as persons in a position of ownership or control of Respondent at the time Respondent violated Commission rules related to safety and the control of pollution, Israel Brooks Joiner and Paula Jane McGinley, and any other organization in which they may hold

a position of ownership or control, shall be subject to the restriction in section 91.114(a)(2) of the Texas Natural Resources Code 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.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the Commission's Order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code §2001.142, by agreement under Tex. Gov't Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov't 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 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 Commission Order is signed.

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 21st day of March, 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated March 21, 2017)

MFE/dac