

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7C-0302205

**ENFORCEMENT ACTION AGAINST J2 PETROLEUM LLC (OPERATOR NO. 427976)
FOR VIOLATIONS OF STATEWIDE RULES ON THE MOBIL (08675) LEASE, WELL
NO. 1, AND THE HENRY (10208) LEASE, WELL NOS. 1 AND 3, 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 August 17, 2017, and that the respondent, J2 Petroleum LLC, failed to appear or respond to the Notice of Opportunity for Hearing. Pursuant to § 1.45 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.45, 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 LLC ("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. Respondent's agent and officers as identified on the Form P-5—Israel Joiner, Israel Brooks Joiner and Paula Jane McGinley—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to their last known address.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Respondent was returned to the Commission on June 15, 2017. The certified mail envelopes addressed to Israel Joiner and Israel Brooks Joiner were received on June 2, 2017. The certified mail envelope addressed to Paula Jane McGinley was returned to the Commission on June 15, 2017. The first-class mail envelopes sent to Respondent, Paula Jane McGinley and Israel Brooks Joiner were returned to the Commission. The first-class mail envelope addressed to Israel Joiner 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. 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/Treasurer.

4. Israel Brooks Joiner was in a position of ownership or control of Respondent, as defined in TEX. NAT. RES. CODE § 91.114, 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 TEX. NAT. RES. CODE § 91.114, 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 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 Mobil (08675) Lease, Well No. 1, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective September 1, 2014.
8. Respondent designated itself to the Commission as the operator of the Henry (10208) Lease, Well Nos. 1 and 3, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective September 1, 2014.
9. Commission inspection reports made on February 17, 2016, May 16, 2016, July 13, 2016 and September 19, 2016, and either reports of zero production or the absence of reported production show the Mobil (08675) Lease, Well No. 1 has been inactive for a period greater than one year. Production from the subject lease ceased on or before December 2013.
10. Commission inspection reports made on May 13, 2016, May 17, 2016, July 13, 2016 and September 19, 2016, and either reports of zero production or the absence of reported production show that the Henry (10208) Lease, Well Nos. 1 and 3 have been inactive for a period greater than one year. Production from the subject lease ceased on or before March 2015.
11. No workovers, re-entries, or subsequent operations have taken place on the subject wells within the last twelve months; the subject wells have not been properly plugged in accordance with Statewide Rule 14, 16 TEX. ADMIN. CODE § 3.14; and no plugging extensions are in effect for the subject wells as allowed by Statewide Rule 14.
12. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas waste 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 Mobil (08675) Lease, Well No. 1 is \$40,000. The total estimated cost to the State for plugging the Henry (10208) Lease, Well Nos. 1 and 3 is \$40,000.
14. Commission inspection reports made on February 17, 2016, May 16, 2016, July 13, 2016 and September 19, 2016 for the Henry (10208) Lease show that oil had spilled inside the firewall, covering an area of approximately 70 feet by three feet.

15. Respondent did not have a permit for the discharges, nor were they authorized under Statewide Rules 8(d)(3), 8(e), 9, 46 or 98.
16. 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.
17. Commission inspection reports made on February 17, 2016, May 16, 2016, July 13, 2016 and September 19, 2016 on the Mobil (08675) Lease show that tall brush had been allowed to grow up around Well No. 1 and inside the firewall.
18. Failure to remove trees and vegetation from within the firewall, as required by Statewide Rule 21(i), creates a fire hazard.
19. Respondent is responsible for prior violations of Commission statutes and rules as documented in the enforcement final orders for Oil & Gas Docket Nos. 7C-0296978, 7C-0297005, 7C-0300873, 7C-0301523, 7C-0302202 and 7C-0302206.

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 leases in compliance with all applicable Commission rules and TEX. NAT. RES. CODE, chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 8(d)(1), 14(b)(2) and 21(i). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), 3.14(b)(2), 3.21(i).
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 TEX. NAT. RES. CODE § 81.0531(c).
6. Respondent is responsible for maintaining the subject leases 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 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.

8. 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.
9. 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.
10. An assessed administrative penalty in the amount of **THIRTY-THREE THOUSAND SEVEN HUNDRED FORTY-THREE DOLLARS (\$33,743.00)** is justified considering the facts and violations at issue.
11. As persons in positions 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 these individuals may hold a position of ownership or control, is subject to the restriction in TEX. NAT. RES. 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. J2 Petroleum LLC (Operator No. 427976) shall plug the subject wells and place the subject leases in compliance with Statewide Rules 8(d)(1), 14(b)(2) and 21(i), and any other applicable Commission rules and statutes.
2. J2 Petroleum LLC (Operator No. 427976) shall pay to the Commission, for disposition as provided by law, an administrative penalty in the amount of **THIRTY-THREE THOUSAND SEVEN HUNDRED FORTY-THREE DOLLARS (\$33,743.00)**.

It is further **ORDERED** that as persons in positions 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 these individuals may hold a position of ownership or control, **shall be subject to the restriction in TEX. NAT. RES. 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.

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 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 per day per violation.

Done this 19th day of September 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated September 19, 2017)

JNC/rnf