

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7C- 0297005

ENFORCEMENT ACTION AGAINST J2 PETROLEUM LLC (OPERATOR NO. 427976) FOR VIOLATIONS OF STATEWIDE RULES ON THE LINDLEY 40 (09727) LEASE, WELL NO. 8, 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 September 3, 2015 and that the respondent, J2 Petroleum LLC, 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 LLC (Operator No. 427976), (“Respondent”), 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) address. Israel Brooks Joiner, President and Resident Agent of Respondent, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to his last known address. Paula Jane McGinley, Secretary and Treasurer of Respondent, was sent the Original Complaint and Notice of Opportunity for Hearing by certified and first class mail, addressed to her last known address.
2. Respondent received the certified mail envelope containing the Original Complaint and the Notice of Opportunity for Hearing on July 31, 2015. The certified mail envelope containing the Original Complaint and the Notice of Opportunity for Hearing was received by Paula Jane McGinley on August 3, 2015. There is no record of delivery of the certified mail envelope containing the Original Complaint and the Notice of Opportunity for Hearing sent to Israel Brooks Joiner. The first class mail was not returned. Record of the delivery of certified mail has been on record 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 October 7, 2014, Respondent, a limited liability company, filed an Organization Report (Form P-5) with the Commission reporting that its officers consist of the

following individuals: Israel Brooks Joiner, President; and Paula Jane McGinley, Secretary and Treasurer.

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 (Organization Report) is active. Respondent has a \$50,000 cash deposit as its financial assurance.
7. The violations of Commission rules committed by Respondent are related to safety and the control of pollution.
8. Respondent designated itself to the Commission as the operator of the Lindley 40 (09727) Lease, Well No. 8, Rock Pen (Canyon) Field, Irion County, Texas 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 made on October 17, 2014, December 10, 2014, February 17, 2015, April 21, 2015 and May 27, 2015 show pressure on the bradenhead at the Lindley 40 (09727) Lease, Well No. 8, a failed H-15 Mechanical Integrity Test, and no repairs to the casing were made.
10. Unreported pressure on the tubing of a well, in violation of Statewide Rule 17(b), may result in a discharge of oil and gas waste into ground water, resulting in contamination of surface or subsurface waters, causing pollution.
11. 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 chapters 89 and 91 of the Texas Natural Resources Code.

4. Respondent is in violation of Statewide Rule 17(b). 16 TEX. ADMIN. CODE § 3.17(b).
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 lease in compliance with Statewide Rule 17(b) which requires that any well showing pressure on the bradenhead or leaking gas, oil, or geothermal resource between the surface and the production or oil string be tested and if the test shows pressure or is inconclusive, the casing shall be condemned and a new production or oil string shall be run and cemented.
7. 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.
8. An assessed administrative penalty in the amount of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) is justified considering the facts and violations at issue.
9. As persons in a position of ownership or control of Respondent at the time Respondent violated Commission rule related to safety and the control of pollution, both Israel Brooks Joiner and Paula Jane McGinley, and any other organization in which either or both may hold a position of ownership or control, are subject to the restriction of 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 LLC (Operator No. 427976) shall place Lindley 40 (09727) Lease, Well No. 8, Rock Pen (Canyon) Field, Irion County, Texas in compliance with Statewide Rule 17(b), and any other applicable Commission rules and statutes.
2. J2 Petroleum LLC (Operator No. 427976) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00)**.

It is further **ORDERED** that as persons in a position of ownership or control of Respondent at the time Respondent violated Commission rule related to safety and the control of pollution, both Israel Brooks Joiner and Paula Jane McGinley, and any other organization in which either or both may hold a position of ownership or control, shall be subject to the restriction of 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 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 the notice is actually mailed. 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 parties are notified of this order in accordance with TEX. GOV'T CODE § 2001.144.

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 June, 2016.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order
dated June 21, 2016)

JNC / rnf