

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 7C-0301523

ENFORCEMENT ACTION AGAINST J2 PETROLEUM (OPERATOR NO. 427976) FOR VIOLATIONS OF STATEWIDE RULES ON THE LINDLEY "40" (09727) LEASE, TANK BATTERY, 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, Israel Joiner, Resident Agent, and Israel Brooks Joiner, President were returned to the Commission unopened on November 9, 2016, November 4, 2016, and November 8, 2016, respectively. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to Paula Jane McGinley, Secretary were delivered on September 23, 2016. 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 "40" (09727) Lease, Tank Battery, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective September 1, 2014, approved October 10, 2014.
8. Commission inspection reports made on July 11, 2016 and July 13, 2016 for the Lindley "40" (09727) Lease shows that approximately 60 to 70 barrels of oil and produced water has spilled from a transport truck parked on the lease affecting an area of approximately 2,400 square feet.
9. 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.
10. 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.
11. 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."
12. The Commission received notification of the spill from the landowner. A Commission inspection report made on July 13, 2016 for the Lindley "40" (09727) Lease shows the

District Office contacted the operator regarding cleanup. Review of Commission records indicate that the operator had not provided the Commission the required notice.

13. Statewide Rule 20(a)(I) requires that the operator give immediate notice to the appropriate District Office of any spill of hydrocarbons, crude oil, gas, geothermal resources, or other well liquids, or associated products lost.
14. According to a February 2, 2017 affidavit signed by David Randle, Field Operations, on Statewide Rule 20(a)(I), "A spill of oil and produced water can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution, and if the Commission is not notified of the spill it cannot monitor cleanup to ensure protection of the environment."
15. Respondent has prior orders, documented under Docket Nos 7C-0296978 and 7C-0297005 for violations of Statewide Rule 17(b) [Pressure to 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 8(d)(1) and 20(a)(I). 16 TEX. ADMIN. CODE §§ 3.8(d)(1) and 3.20(a)(I).
5. 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.
6. Respondent is responsible for maintaining the subject lease in compliance with Statewide Rule 20(a), which requires that operators immediately provide notice to the appropriate Commission District Office by telephone or telegraph of a fire, leak, spill or break. A leak of crude oil can contaminate the land surface, affect the health of humans and animals, and may eventually be discharged to surface or subsurface waters, causing pollution.
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 THIRTEEN THOUSAND TWO HUNDRED TWENTY DOLLARS (\$13,220.00) is justified considering the facts and violations at issue, consisting of one violation of rule 8(d)(1) at \$500.00 plus \$0.30 per square foot on a 2,400-square foot spill, plus an enhancement of \$5,000.00 for the volume of pollution for a total of \$6,220.00 and one violation of Statewide Rule 20(a)(I) at \$5,000.00, plus an enhancement of \$2,000.00 for prior violations.
9. 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 place the Lindley "40" (09727) Lease in compliance with Statewide Rules 8(d)(1), 20(a)(I), and any other applicable Commission rules and statutes.
2. J2 Petroleum (Operator No. 427976) shall remit to the Railroad Commission of Texas THIRTEEN THOUSAND TWO HUNDRED TWENTY DOLLARS (\$13,220.00) 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