

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

Oil and Gas Docket No. 04-0279541

Enforcement Action Against Jubilee Resources, Ltd. (Operator No. 448086) for Violations of Statewide Rules on the Cooke, C. N. (01588) Lease, Well Nos. 1 and 4, London Gin Field, Nueces 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 October 19, 2017, and that the respondent, Jubilee Resources, Ltd., failed to appear or respond to the Notice of Opportunity for Hearing. Pursuant to § 1.25 of the Commission's General Rules of Practice and Procedure, 16 TEX. ADMIN. CODE § 1.25, 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. Jubilee Resources, Ltd. ("Respondent"), Operator No. 448086, 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—Kerry Coleman; Donna Coleman; Kerry Coleman; and Jubilee Resources Management LLC—were sent the Original Complaint and Notice of Opportunity for Hearing by certified and first-class mail, addressed to the last known addresses.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was returned to the Commission unopened on October 2, 2017. The Certified Mail envelopes addressed to Kerry Coleman, Donna Coleman, and Jubilee Resources Management LLC were returned to the Commission unopened on September 27, 2017, September 14, 2017, and September 14, 2017 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. On February 27, 2012, Respondent, a limited partnership, filed a Form P-5 with the Commission reporting that its officers consist of the following individuals: Donna Coleman, Member; Kerry Coleman, Member; and Jubilee Resources Management LLC, General Partner.
4. Donna Coleman 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. Kerry Coleman 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. Jubilee Resources Management LLC 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.
7. 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.
8. Respondent designated itself to the Commission as the operator of the Cooke, C. N. (01588) Lease, Well Nos. 1 and 4, by filing a Commission Form P-4 (Certificate of Compliance and Transportation Authority), effective April 1, 2011, approved July 6, 2011.
9. Commission inspection reports made on July 23, 2012, August 17, 2012, and August 23, 2012 for the Cooke, C. N. (01588) Lease show a leak of oil, with oil seeping from underground to the surface affecting an area measuring 6' x 6' and then growing to 8' in diameter and 9" deep, as reflected in the August 23, 2012 inspection. The affected area was located between Well No. 4 and the tank battery. A follow-up inspection made on September 10, 2012, showed the hole previously dug to determine depth was now filled with oil. Follow-up inspections dated April 23, 2014, October 23, 2014, and March 17, 2015, showed no visibly active discharge or any effected soil. However, a later inspection made on February 19, 2016, showed the area to be impacted with oil 2' in diameter and 1' deep, citing the source of the oil to be from subsurface pipe buried approximately 6" below ground. There is an area of dead grass surrounding the leaking pipe measuring approximately 12' in diameter.
10. 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.
11. 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.
12. Commission records show that the Cook, C.N. (01588) Lease, Well No. 1, was permitted as a saltwater disposal well on February 15, 1980, UIC No. 60487, with a permitted disposal well on February 15, 1980, UIC No. 60487, with a permitted disposal interval of 3,955 feet at the top of the injection zone to 3,965 feet at the bottom of the injection zone, with a tubing packer depth of 3,000 feet.
13. Commission records show that Respondent filed by Commission Form H-10 (Annual Disposal/Injection Well Monitoring Report) for the Cooke, C.N. (01599) Lease, Well No. 1 on May 25, 2012, stating that the current injection interval is from 4,500 feet to 4,950 feet with a depth of tubing packer set at 4,201 feet. Commission records show that on May 29, 2012, the Commission's Injection-Storage Permits and Support Section sent Respondent a letter notifying

- Respondent of the fact that the reported packer depth was above the permitted packer depth, that the bottom interval was below the bottom permitted interval, in violation of the permit conditions. Respondent was instructed to shut-in the well and either amend its permit or correct its Commission Form H-10, if the information provided was incorrect.
14. Commission records show that Respondent failed to respond. On May 15, 2014, the permit was cancelled due to noncompliance and Respondent's P-5 delinquency.
 15. Commission inspection reports made on March 17, 2015, October 13, 2015, February 19, 2016, October 18, 2016, and November 29, 2016, and the absence of reported production since April 2012, showed that the Cooke, C. N. (01588) Lease, Well No. 4 have been inactive for a period greater than one year. Production from the subject lease ceased on or before May 2012.
 16. Commission inspection reports made on April 23, 2014, October 23, 2014, March 17, 2015, August 5, 2015, October 13, 2015, February 19, 2016, October 18, 2016, and November 29, 2016, and the absence of reported production since April 2012, showed that the Cooke, C. N. (01588) Lease, Well No. 1 have been inactive for a period greater than one year. Production from the subject lease ceased on or before March 2012.
 17. No workovers, 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 extensions are in effect for the subject well as allowed by Statewide Rule 14.
 18. Usable quality groundwater in the area can become contaminated by migrations or discharges of saltwater and other oil and gas waste from the subject well. 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.
 19. The total estimated cost to the State for plugging the Cooke, C. N. (01588) Lease Well Nos. 1, and 4 is \$60,877.96.
 20. Commission inspection reports made on July 23, 2012, August 17, 2012, and August 23, 2012 for the Cooke, C.N. (01588) Lease indicated a leak of oil, with oil seeping from underground to the surface affecting an area measuring 6' x 6' and then growing to 8' in diameter and 9' deep. The affected area was located between Well No. 4 and the tank battery. A follow-up inspection made on September 10, 2012 showed the hole previously dug to determine depth was now filled with oil. A later follow-up inspection made on February 19, 2016, showed the area to be impacted with oil 2' in diameter and 1' deep, citing the source of the oil to be from subsurface pipe buried approximately 6" below ground. There is an area of dead grass surrounding the leaking pipe measuring approximately 12' in diameter.

21. Unreported discharges, in violation of Statewide Rule 20(a)(1), may result in improper or inadequate clean-up of the affected areas which can cause contamination of land surface and may eventually be discharged to surface or subsurface waters, causing pollution.
22. The 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 TEX. NAT. RES. CODE, chs. 89 and 91.
4. Respondent is in violation of Statewide Rules 8(d)(1), 9(1), 14(b)(2), and 20(a). 16 TEX. ADMIN. CODE §§ 3.8(d)(1), 3.9(1), 3.14(b)(2), and 3.20(a).
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 8(d)(1), which prohibits the discharge of oil and gas waste without a permit.
7. Respondent is responsible for maintaining the subject lease in compliance with Statewide 9(1), which provides that every applicant who proposed to dispose of saltwater or other oil and gas waste into a formation not productive of oil, gas, or geothermal resources must obtain a permit from the Commission authorizing the disposal in accordance with Statewide Rule 9.
8. Respondent is responsible for maintaining the subject lease 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.
9. 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.

10. 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.
11. An assessed administrative penalty in the amount of **NINETEEN THOUSAND SEVENTY-EIGHT DOLLARS (\$19,078.00)** is justified considering the facts and violations at issue.
12. 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, Donna Coleman; Kerry Coleman; and Jubilee Resources Management LLC, 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. Jubilee Resources, Ltd. (Operator No. 448086) shall place the Cooke, C. N. (01588) Lease, Well Nos. 1, and 4, in compliance with Statewide Rules 8(d)(1), 9(1), 14(b)(2), and 20(a) and any other applicable Commission rules and statutes.
2. Jubilee Resources, Ltd. (Operator No. 448086) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **NINETEEN THOUSAND SEVENTY-EIGHT DOLLARS (\$19,078.00)**.

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, Donna Coleman, Kerry Coleman, and Jubilee Resources Management LLC, 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 5th day of December 2017.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master
Order dated December 5, 2017)

JNC/rnf