

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL**

OIL AND GAS DOCKET NO. 7B-0322441

ENFORCEMENT ACTION AGAINST JERICHO ENERGY OPERATIONS, LLC (OPERATOR NO. 432106) FOR VIOLATIONS OF STATEWIDE RULES ON THE BULL FIELD UNIT (30144) LEASE, WELL NOS. 3WI, 101, 102, 201, 202, 301, AND 401, BULL (GRAY SAND) FIELD, RUNNELS COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that statutory notice of the captioned enforcement proceeding was provided pursuant to Commission rules, and that the Respondent, Jericho Energy Operations, LLC, 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 Texas Administrative 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. Jericho Energy Operations, LLC ("Respondent"), Operator No. 432106, 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.
2. The certified mail envelope containing the Original Complaint and Notice of Opportunity for Hearing addressed to the Respondent was received on February 18, 2020. 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 September 14, 2018, Respondent, a limited liability company, filed a Form P-5 with the Commission reporting that its officer consists of the following individual: Chris Mashburn, Managing Member.
4. Respondent's Form P-5 is delinquent. Respondent had a \$25,000.00 letter of credit as its financial assurance at the time of the last Form P-5 annual renewal submission.
5. Respondent designated itself to the Commission as the operator of the Bull Field Unit (30144) Lease, Well Nos. 3WI, 101, 102, 201, 202, 301, and 401, by filing a Commission Form P-4

(Certificate of Compliance and Transportation Authority), effective August 26, 2016, approved August 29, 2016.

6. Commission District inspection reports made on April 17, 2019, May 30, 2019, July 9, 2019 and February 25, 2020 for the Bull Field Unit (30144) Lease show hydrocarbon pollution affecting a 21' x 25' x 3" deep area west of the gun barrel; a 100' x 4' x 2" deep area on the back side of the tanks inside the firewall; a 16' x 12' x 1" deep area in front of the fiberglass tank; and a 7' x 4' x 1" deep area around the well head of Well No. 101.
7. 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.
8. 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.
9. Well Nos. 3WI, 102 and 401 of the Bull Field Unit (30144) Lease are permitted injection wells. Commission District inspection reports made on March 26, 2019, April 17, 2019, May 30, 2019, July 9, 2019 and February 25, 2020 and the absence of reported injection since January 2018 for Well Nos. 3WI and 102 and the absence of reported production July 2018 show that the Bull Field Unit (30144) Lease, Well Nos. 3WI, 101, 102, 201, 202, 301, and 401 have been inactive for a period greater than one year. Injection into Well Nos. 3WI and 102 ceased in December 2017. Production from Well Nos. 101, 201, 202 and 301 ceased in June 2018. According to Commission records, Well No. 401 was never used for injection.
10. No workovers, re-entries, or subsequent operations have taken place on the subject wells within the last twelve months and the subject wells have not been properly plugged in accordance with Statewide Rule 14. 16 Tex. Admin. Code § 3.14. No plugging extensions are in effect for the subject wells as allowed by Statewide Rule 14.
11. 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.
12. The total estimated cost to the State for plugging the Bull Field Unit (30144) Lease Well Nos. 3WI, 101, 102, 201, 202, 301, and 401 is \$189,000.00.
13. Commission District inspection reports made on March 26, 2019, April 17, 2019, May 30, 2019, July 9, 2019 and February 25, 2020 for the Bull Field Unit (30144) Lease show a pressure of 50 PSI on the bradenhead of Well No. 401. Respondent failed to notify the district of pressure on the subject well and further failed to test the well.
14. Wells that have pressure on the bradenhead, in violation of Statewide Rule 17(a), may result in a discharge of oil and gas waste into ground water and contamination of surface or subsurface waters, thereby resulting in pollution.

15. Pressure on surface casing could be indicative of possible produced fluid channeled into and associated with contamination of usable quality groundwater stratum in violation of Statewide Rule 17(b).
16. 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 Texas Natural Resources Code, Chapters 89 and 91.
4. Respondent is in violation of Statewide Rules 8(d)(1), 14(b)(2), 17(a), and 17(b). 16 Tex. Admin. Code §§ 3.8(d)(1), 3.14(b)(2), 3.17(b), and 3.17(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 Texas Natural Resources 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 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 lease in compliance with Statewide Rule 17(a), which requires that all wells be equipped with a bradenhead.
9. 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.

10. Pursuant to Texas Natural Resources 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 **FIFTY-TWO THOUSAND THREE HUNDRED SEVENTEEN DOLLARS (\$52,317.00)** is justified considering the facts and violations at issue.
12. Respondent violated Commission rules related to safety and the control of pollution. Any other organization in which an officer of this organization holds a position of ownership or control, is subject to the restriction in Texas Natural Resources Code § 91.114.

ORDERING PROVISIONS

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

1. Jericho Energy Operations, LLC (Operator No. 432106) shall PLUG the Bull Field Unit (30144) Lease, Well Nos. 3WI, 101, 102, 201, 202, 301, and 401, in compliance with Statewide Rule 14(b)(2), and shall place the subject lease and wells into compliance with Statewide Rules 8(d)(1), 17(a), and 17(b), and any other applicable Commission rules and statutes.
2. Jericho Energy Operations, LLC (Operator No. 432106) shall pay to the Railroad Commission of Texas, for disposition as provided by law, an administrative penalty in the amount of **FIFTY-TWO THOUSAND THREE HUNDRED SEVENTEEN DOLLARS (\$52,317.00)**.

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 Texas Government Code § 2001.142, by agreement under Texas Government Code § 2001.147, or by written Commission order issued pursuant to Texas Government 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 Texas Government 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 100 days from the date the Commission order is signed.

Any other organization in which an officer of this organization holds a position of ownership or control at the time Respondent violated Commission rules related to safety and the control of pollution, **shall be subject to the restriction in Texas Natural Resources 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.

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.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Default Master Order

EMM/bt

dated JUN 16 2020)