



Division of Air Quality  
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Earl Ray Tomblin, Governor  
Randy C. Huffman, Cabinet Secretary  
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**CONSENT ORDER  
ISSUED UNDER THE AIR POLLUTION CONTROL ACT  
WEST VIRGINIA CODE, CHAPTER 22, ARTICLE 5, SECTION 4**

TO: Jay-Bee Oil & Gas, Inc.  
Mr. Randy Broda, President  
Route 1 Box 5  
Cairo, WV 26337

DATE: ~~OCT 3 2014~~ SEP 30 2014

ORDER NO.: CO-R13-E-2014-28

FACILITY ID. NOs.: 095-00038 (Lisby / T1-03)  
095-00040 (RPT8)  
095-00041 (RPT5)  
095-00046 (T1213)  
095-00047 (McIntyre)  
095-00048 (W701)  
017-00115 (Hurley)  
017-00116 (Coffman)

**INTRODUCTION**

This Consent Order is issued by the Director of the Division of Air Quality (hereinafter "Director"), under the authority of West Virginia Code, Chapter 22, Article 5, Section 1 et seq. to Jay-Bee Oil & Gas, Inc. ("Company").

**FINDINGS OF FACT**

1. Jay-Bee Oil & Gas, Inc. owns and operates natural gas well sites known as Lisby / T1-03, RPT8, RPT5, Coffman, W701, T1213, McIntyre, and Hurley, which are located in West Virginia.
2. On March 28, 2014, personnel from the Division of Air Quality ("DAQ") conducted an inspection at the Lisby / T1-03 Well Pad in response to a citizen odor complaint. The site had the following air emission units installed and operating:
  - Four (4) natural gas fired gas production units (GPU)
  - Three (3) 210 bbl permanent condensate storage tanks and three (3) 210 bbl permanent

Promoting a healthy environment.

produced water storage tanks that are associated with natural gas production wells

- Two (2) 500 bbl portable frac tanks have been removed
3. On April 1, 2014, personnel from the DAQ conducted a follow-up inspection at the Lisby / T1-03 Well Pad. Visible emissions were observed from the permanent production storage tanks.
  4. On April 1, 2014, the DAQ issued a Notice of Violation (NOV) for construction and operation of six (6) permanent storage tanks located at the Lisby / T1-03 Well Pad without obtaining a Rule 13 permit.
  5. On April 10, 2014, personnel from the DAQ conducted a follow-up inspection at the Lisby / T1-03 Well Pad to observe installation of the vapor recovery unit (VRU) to collect vapors from the production storage tanks.
  6. On April 17, 2014, personnel from the DAQ conducted a follow-up inspection at the Lisby / T1-03 Well Pad in response to additional citizen odor complaints. The Company stated the VRU engine that was installed on April 10, 2014 was not large enough to handle the amount of vapors from the production tanks. A larger engine was installed and appeared to be collecting the vapors from the tanks adequately. No visible vapors were observed from the tank vents to the VRU.
  7. On April 29, 2014, the Company responded to the Lisby / T1-03 Well Pad NOV. The Company proposed the permit application for Lisby / T1-03 will be submitted May 7, 2014. The natural gas production units (GPU) were placed into service on March 26, 2014. The estimated condensate production since startup is 4,400 barrels. The NOV response included the following additional sites:

Well Pad Name & Facility ID#	Date Permanent Produced Water and Condensate Tanks Placed On-site	Date GPU Placed Into Service	Estimated Condensate Produced (bbl)	Permit Application Received
RPT8 095-00040	10/13/2013	3/8/2014	11,500	June 3, 2014
RPT5 095-00041	2/14/2014	Estimated 5/1/2014	N/A	June 4, 2014
Coffman 017-00116	11/13/2013	12/16/2013	1,125	August 11, 2014

W701 095-00048	6/13/2013	7/24/2013	240	August 11, 2014
T1213 095-00046	12/12/2012	12/12/212	128	August 11, 2014
McIntyre 095-00047	8/12/2012	8/24/2012	360	August 11, 2014
Hurley 017-00115	2/12/2012	3/12/2012	0	August 11, 2014

8. On May 12, 2014, the DAQ received a permit application for the Lisby / T1-03 Well Pad. The permit application stated the facility-wide VOC potential to emit is 67.69 tons per year. The vapor recovery unit natural gas fired engine carbon monoxide potential to emit is 30.795 tons per year.
9. On June 3, 2014, the DAQ received a G70-A053 permit application for the RPT8 Well Pad. The permit application stated the facility-wide VOC potential to emit is 68.4 tons per year
10. On June 4, 2014, the DAQ received a G70-A054 permit application for the RPT5 Well Pad. The permit application stated the facility-wide VOC potential to emit is 68.4 tons per year.
11. On June 11, 2014, personnel from the DAQ conducted an inspection of the RPT5 and RPT8 natural gas well sites. RPT5 included three (3) GPUs, five (5) 210 bbl produced water tanks, six (6) 210 bbl condensate tanks, and a natural gas fired vapor recovery engine that transfers the production tanks vapors to the sales pipeline. RPT8 included three (3) GPUs, three (3) 210 bbl produced water tanks, six (6) 210 bbl condensate tanks, and a natural gas fired vapor recovery engine that transfers the production tanks vapors to the sales pipeline.
12. On July 18, 2014, in response to a citizen complaint, personnel from the DAQ conducted an inspection at the Lisby / T1-03 Well Pad. Objectionable odors and visible emissions were observed from the thief hatch of one of the permanent production storage tanks. A visible liquid leak was also observed on a pipe located at the tank nearest to the vapor recovery unit. The leak was contained within the lined diked area. Following these observations, Jay-Bee personnel was notified.
13. In response to the complaint, Jay-Bee Oil and Gas had personnel evaluated the VRU and determined the VRU at the Lisby / T1-03 was now oversized, which created back pressure. The amount of condensate production has dropped low enough to require the replacement of the VRU with a smaller unit. Also, Jay-Bee Oil and Gas has conducted periodic inspections of the equipment to detect leaks with their safety manager.



### **ORDER FOR COMPLIANCE**

Now, therefore, in accordance with Chapter 22, Article 5, Section 1 et seq. of the West Virginia Code, it is hereby agreed between the parties, and ORDERED by the Director:

1. The Company shall submit technically and administratively complete Rule 13 and/or G70-A permit applications for Lisby/T1-03, RPT8, RPT5, Coffman, W701, T1213, McIntyre, and Hurley natural gas well sites within forty-five (45) days of the effective date of this Order. Lisby/T1-03, RPT8, and RPT5 permit applications have been deemed incomplete and the other sites are being evaluated for completeness.
2. The Company shall expeditiously correct any deficiencies and errors found in the above referenced permit applications, providing necessary, omitted, or supplemental information identified to the Company by the Director or his authorized representative. The Company shall submit a written and certified mail response to any written Notice of Deficiency (NOD), unless the Director or his authorized representative agrees to a longer period. If the Company does not respond within fifteen (15) calendar days, then the Company may be subject to stipulated penalties.
3. All emission units at the above referenced facilities shall be operated in accordance with the Rule 13 and/or General Permit G70A applications, pending completion of the final permit issuance.
4. The Company shall immediately conduct vapor leak testing on each permanent production storage tank pressure relief device, thief hatch, valve, and any other connection that has the potential to leak vapors to the atmosphere per 40CFR60 Appendix A Method 21. The initial leak test shall be conducted while tanker trucks are being filled and while liquids from the separator are being transferred to the tanks. After the initial Method 21 vapor leak test is completed, the Company shall conduct monthly Method 21 vapor leak tests during tanker truck filling. Furthermore, after each thief hatch is opened to inspect, sample, remove material, etc. the seal on the thief hatch will be tested per Method 21. Each storage vessel thief hatch shall be weighted and properly seated. You must select gasket material for the hatch based on composition of the fluid in the storage vessel and weather conditions. The closed vent system shall be operated with no detectable emissions. If an instrument reading of 500 ppm or greater is measured, a leak is detected. If evidence of a potential leak is found by visual, audible, olfactory, or any other detection method, the Company shall immediately eliminate the visual, audible, olfactory, or other indication of a potential leak. The Company shall maintain an adequate supply of spare parts to repair potential components that may leak (valves, gaskets, thief hatch weights, etc.). The Company shall document leaks detected by visual, audible, olfactory, or any other detection method, duration of the leak, and corrective action taken. The Company shall submit a test results and observations to the DAQ within fifteen (15) calendar days following the tests.

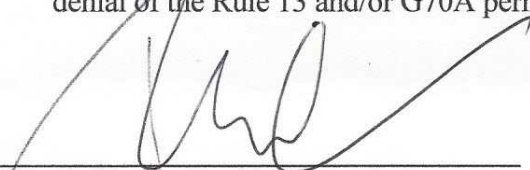
5. The Company agrees to pay a total civil administrative penalty of two hundred forty thousand dollars (\$240,000) to resolve the violations described in this Order. The Company shall make twelve consecutive monthly payments of twenty thousand dollars (\$20,000). The first payment shall be made within thirty (30) days after the effective date of this Order. Each subsequent payment shall be made by the fifteenth (15<sup>th</sup>) of every month thereafter. All payments shall be made by check payable to the Air Pollution Education and Environment Fund and shall be sent to the Division of Air Quality, Attention: William F. Durham, Director, 601 57th Street, SE, Charleston, WV 25304. In addition, if the Company fails to pay the foregoing amount timely or to complete any of the requirements contained in this Order to the satisfaction of the Director or within the time limits set forth herein, the Company agrees to pay a stipulated penalty of one thousand dollars (\$1,000) to the Air Pollution Education and Environment Fund for each day that the action remains incomplete. The Director shall first notify the Company in writing that the facility is in violation of the terms of conditions of the Order, and the stipulated penalty shall then become immediately due and payable. Payments made pursuant to this paragraph are not tax-deductible expenditures for purposes of State or federal law. Payments made pursuant to this paragraph and completion of the requirements in the Order of Compliance section shall resolve the violations described in this Order for which payment is made.

#### **OTHER PROVISIONS**


1. The Company hereby waives its right to appeal this Order under the provisions of Chapter 22, Article 5, Section 1 of the Code of West Virginia. Under this Order, the Company agrees to take all actions required by the terms and conditions of this Order and consents to and will not contest the Director's jurisdiction regarding this Order. However, the Company does not admit to any factual and legal determinations made by the Director and reserves all rights and defenses available regarding liability or responsibility in any proceedings regarding other than proceedings, administrative or civil, to enforce this Order.
2. The Director reserves the right to take further action if compliance with the terms and conditions of this Order does not adequately address the violations noted herein and reserves all rights and defenses which he or she may have pursuant to any legal authority, as well as the right to raise, as a basis for supporting such legal authority or defenses, facts other than those contained in the Findings of Fact.
3. If any event occurs which causes delay in the achievement of the requirements of this Order, the Company shall have the burden of proving that the delay was caused by circumstances beyond its reasonable control which could not have been overcome by due diligence (i.e., force majeure). Force majeure shall not include delays caused or contributed to by the lack of sufficient funding. Within three (3) working days after the Company becomes aware of such a delay, notification shall be provided to the Director and shall, within ten (10) working days of initial notification, submit a detailed written explanation of the anticipated length and cause of the delay, the measures taken and/or to be taken to prevent or minimize the delay, and a timetable by which the Company intends to implement these measures. If the Director agrees that the delay has been or will be caused by circumstances beyond the reasonable control of (i.e., force majeure), the time for performance hereunder shall be extended for a period of time equal to the delay

resulting from such circumstances. A force majeure amendment granted by the Director shall be considered a binding extension of this Order and of the requirements herein. The determination of the Director shall be final and not subject to appeal.

4. Compliance with the terms and conditions of this Order shall not in any way be construed as relieving the Company of the obligation to comply with any applicable law, permit, other order, or any other requirement otherwise applicable. Violations of the terms and conditions of this Order may subject the Company to additional penalties and injunctive relief in accordance with the applicable law.
5. The provisions of this Order are severable and should a court or board of competent jurisdiction declare any provisions to be invalid or unenforceable, all other provisions shall remain in full force and effect.
6. This Order is binding on the Company, its successors and assigns.
7. This Order shall become effective immediately upon signing by both parties.
8. This Order shall terminate upon payment of the civil administrative penalty, completing the requirements contained in the Order of Compliance Section, and upon the issuance, withdrawal, or denial of the Rule 13 and/or G70A permit applications detailed in this Order.

  
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Randy Broda, President  
Jay-Bee Oil & Gas, Inc.

9/30/14  
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Date

  
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William F. Durham, Director  
Division of Air Quality

9-19-2014  
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Date