

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT
18-CONS-3253-CPEN

January 4, 2018

Ian B. Acrey
Prairie Gas Operating, LLC
427 S. Boston Street, Suite 520
Tulsa, OK 74103

This is a notice of a penalty assessment for violation(s) of Kansas Oil and Gas Conservation Statutes, Rules, and Regulations. For a full description of the penalty and process please refer to the Penalty Order that is attached to this notice.

IF YOU ACCEPT THE PENALTY:

You have been assessed a \$100 penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission and mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and may result in additional sanctions, including additional monetary penalties, the suspension of your oil and gas operating license, and the shutting-in of all operations until compliance is obtained. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Jonathan R. Myers
Litigation Counsel
316-337-6200

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Pat Apple, Chairman
 Shari Feist Albrecht
 Jay Scott Emler

In the matter of the failure of Prairie Gas) Docket No.: 18-CONS-3253-CPEN
Operating, LLC (“Operator”) to comply with)
K.A.R. 82-3-111 at the Wineinger #1 in) CONSERVATION DIVISION
Greeley County, Kansas.)
_____) License No.: 35442

PENALTY ORDER

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

I. JURISDICTION

1. Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.
2. Pursuant to K.S.A. 55-162, whenever the Commission, from investigation or upon written complaint filed with the Commission, finds reasonable cause to believe that a person has violated any provision of K.S.A. 55-150 *et seq.*, or any rules and regulations adopted pursuant to K.S.A. 55-150 *et seq.*, the Commission shall cause such person to come before it at a hearing held in accordance with the provisions of the Kansas Administrative Procedure Act (KAPA). After such hearing, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.
3. Pursuant to K.S.A. 55-164, in addition to any other penalty provided by law, the Commission, upon finding that an operator or contractor has violated the provisions of K.S.A.

55-150 *et seq.*, or any rule and regulation or order of the Commission, may impose a penalty not to exceed \$10,000, which shall constitute an actual and substantial economic deterrent to the violation for which the penalty is assessed. In the case of continuing violation, every day such violation continues shall be deemed a separate violation.

4. Pursuant to K.A.R. 82-3-111, within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service, or production of oil, gas, or other minerals, the operator of that well shall (1) plug the well, (2) return the well to service, or (3) file an application with the Conservation Division requesting temporary abandonment (“TA”) authority, on a form prescribed by the Conservation Division. A well shall not be eligible for TA status if the well has been shut in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the Commission. The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty.

5. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped and capable of production of oil or gas or for injection; (2) capable of immediately resuming production of oil or gas or of injection; (3) subject to a valid continuing oil and gas lease; when (4) the cessation period for the well is less than 365 days; and (5) the well is otherwise in full compliance with all of the Commission’s regulations.

II. FINDINGS OF FACT

6. Operator conducts oil and gas activities in Kansas under license number 35442.

7. Operator is responsible for the care and control of the Wineinger #1 (“the subject well”), API #15-071-20032-00-00, located in Section 35, Township 19 South, Range 40 West, Greeley County, Kansas.

8. District Staff inspected the subject well and collected evidence indicating it has been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111. A copy of the inspection is attached hereto as Attachment “A” and is hereby incorporated by reference. The well did not appear to be exempt pursuant to K.A.R. 82-3-111(e). Operator either did not file a TA application or did not bring the well into compliance after a TA application was denied.

9. District Staff sent a letter to Operator, requiring Operator to bring the subject well into compliance with K.A.R. 82-3-111 by October 30, 2017. A copy of the letter is attached hereto as Attachment “B” and is hereby incorporated by reference.

10. District Staff inspected the subject well after the deadline in the letter passed, verifying that the well continued to be inactive and unplugged. A copy of that inspection is attached hereto as Attachment “C” and is hereby incorporated by reference.

11. District Staff collected evidence and submitted it to the Legal Department with a recommendation that the Commission issue this Order. The recommendation sheet submitted by District Staff is attached to this Order as Attachment “D” and hereby incorporated by reference, and shall serve as the concise and explicit statement of facts required by K.S.A. 77-526.

III. CONCLUSIONS OF LAW

12. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

13. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation(s) of K.A.R. 82-3-111 because the subject well has been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$100 penalty.
- B. Operator shall plug the subject well, return the well to service, or obtain TA status for the well if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable.
- C. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days, then Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. The Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.
- D. Checks and money orders shall be payable to the Kansas Corporation Commission. Payments shall be mailed to the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding. Credit card payments may be made by calling the Conservation Division at 316-337-6200.
- E. Any party may request a hearing on the above issues by submitting a written request, pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, setting forth the specific grounds upon which relief is sought, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

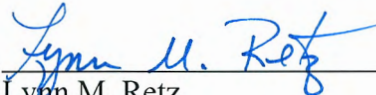
F. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. K.A.R. 82-1-228(d). Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

G. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: **JAN 4 2018**



Lynn M. Retz
Secretary to the Commission

Mailed Date: **JAN 5 2018**

JRM

KCC OIL/GAS REGULATORY OFFICES

Date: 12/14/17

District: 01

Case #: _____

- New Situation
- Response to Request
- Follow-Up

- Lease Inspection
- Complaint
- Field Report

Operator License No: 35442

API Well Number: 15-071-20032-00-00

Op Name: Prairie Gas Operating, LLC

Spot: SW NE NW Sec 35 Twp 19 S Rng 40 E / W

Address 1: 427 S. Boston St. Ste 520

4080 Feet from N / S Line of Section

Address 2: _____

3873 Feet from E / W Line of Section

City: Tulsa

GPS: Lat: 38.36084 Long: 101.71007 Date: 12/14/17

State: Okla Zip Code: 74103

Lease Name: Wineinger Well #: 1

Operator Phone #: (918) 734-7727

County: Greeley

Reason for Investigation:

Check well status

Problem:

No response to NOV dated 10/2/17 regarding failure to TA the well. Deadline for reply was 10/30/17.

Persons Contacted:

None

Findings:

Pumping unit with no motor. All well head valves closed. Meter run 60' SE. Both inlet and outlet valves closed. EGM has a dead battery. No water tank.

Action/Recommendations:

Follow Up Required Yes No

Date: _____

Send to legal

Verification Sources:

Photos Taken: _____

- RBDMS
- T-I Database
- Other: _____
- KGS
- District Files
- TA Program
- Courthouse

By: Ken Jehlik

ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 02/22/2008

Prairie Gas
Weininger #1
35-19-40
Greeley
12-14-17

No motor
N





Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Corporation Commission

Sam Brownback, Governor

NOTICE OF VIOLATION

PRAIRIE GAS OPERATING, LLC
427 S. BOSTON ST.
SUITE 520
TULSA OK,74103

October 02, 2017
KCC Lic. 35442

RE: **TEMPORARY ABANDONMENT**
API Well No. 15-071-20032-00-00
WINEINGER 1
35-19S-40W, NW
GREELEY County, Kansas

Operator:

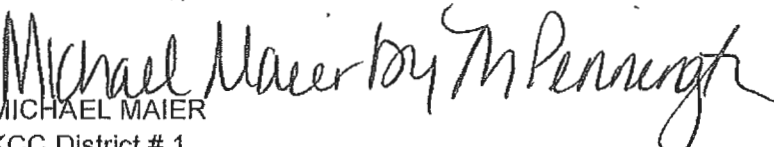
On October 02, 2017, a file review documented a probable violation of the following regulation at the referenced well:

- K.A.R. 82-3-111. Within 90 days after operations cease on a well, the operator must return the well to service, plug the well, or obtain approval for temporary abandonment status.

**Failure to remedy this violation
by OCTOBER 30, 2017
shall be punishable by a \$100 penalty.**

You may contact me if you have any questions.

Sincerely,


MICHAEL MAIER
KCC District # 1

KCC OIL/GAS REGULATORY OFFICES

Date: 12/14/17

District: 01

Case #: _____

- New Situation
- Response to Request
- Follow-Up

- Lease Inspection
- Complaint
- Field Report

Operator License No: 35442

API Well Number: 15-071-20032-00-00

Op Name: Prairie Gas Operating, LLC

Spot: SW NE NW Sec 35 Twp 19 S Rng 40 E / W

Address 1: 427 S. Boston St. Ste 520

4080 Feet from N / S Line of Section

Address 2: _____

3873 Feet from E / W Line of Section

City: Tulsa

GPS: Lat: 38.36084 Long: 101.71007 Date: 12/14/17

State: Okla Zip Code: 74103

Lease Name: Wineinger Well #: 1

Operator Phone #: (918) 734-7727

County: Greeley

Reason for Investigation:

Check well status

Problem:

No response to NOV dated 10/2/17 regarding failure to TA the well.
Deadline for reply was 10/30/17.

Persons Contacted:

None

Findings:

Pumping unit with no motor.
All well head valves closed
Meter run 60' SE. Both inlet and outlet valves closed. EGM has a dead battery.
No water tank.

Action/Recommendations:

Follow Up Required Yes No

Date: _____

Send to legal

Verification Sources:

Photos Taken: _____

- RBDMS
- T-I Database
- Other: _____
- KGS
- District Files
- TA Program
- Courthouse

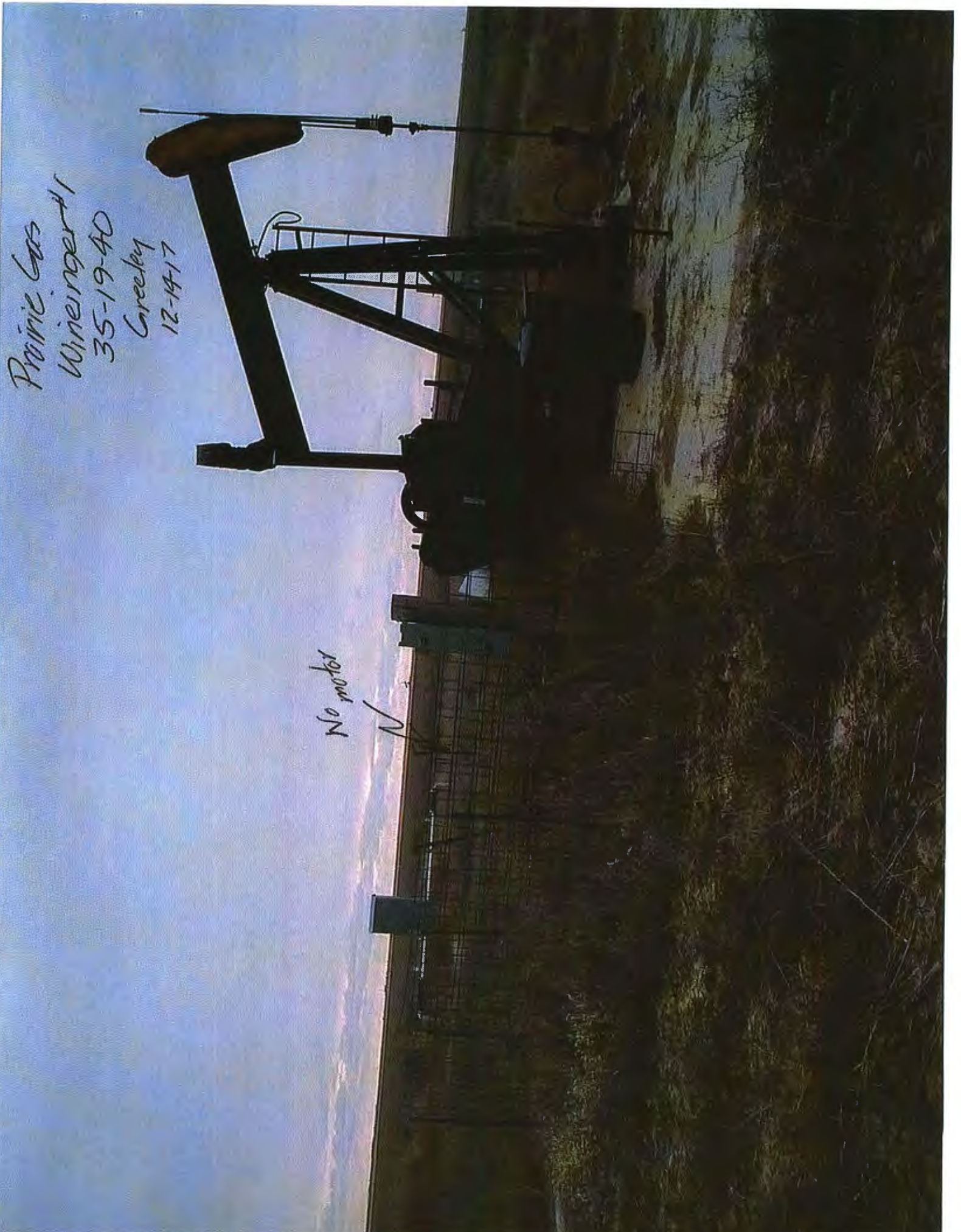
By: Ken Jehlik
ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 02/22/2008

Prairie Gas
Wineinger #1
35-19-40
Greeley
12-14-17

No motor
N



PENALTY ORDER RECOMMENDATION

ROUTINE TEMPORARY ABANDONMENT VIOLATION

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	December 18, 2017
District/Department:	District #1
Person Recommending Penalty:	Scott Alberg
Operator Name:	Prairie Gas Operating, LLC
Operator License Number:	35442
Well/Lease Name & Well Number:	Wineinger 1
Well/Lease Location, and County:	NW 35-19S-40W, Greeley Co.
Well API Number:	15-071-20032-0000
UIC Docket Number:	N/A
Regulation Number:	K.A.R. 82-3-111
Description of Violation:	Failure to plug, produce, or obtain TA status (including after a TA application is filed and denied).
Date of NOV / TA Denied letter.	Date of NOV: 10/2/17
Deadline in NOV / TA Denied letter.	Deadline of NOV: 10/30/17
Date of follow-up lease inspection.	12/14/17
Requested Monetary Penalty:	\$100
Requested Operator Activity:	Plug, produce, or obtain TA status if eligible (including a 10-year TA application if required).
Supervisor Initials	<i>SA</i>

CERTIFICATE OF SERVICE

18-CONS-3253-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand-delivered on JAN 4 2018.

Ian B. Acrey
Prairie Gas Operating, LLC
427 S. Boston Street, Suite 520
Tulsa, OK 74103

And via e-mail to:

Jonathan R. Myers, Litigation Counsel
KCC Central Office

Steve Pfeiffer/Scott Alberg
KCC District #1

/s/ DeeAnn Shupe
DeeAnn Shupe

Order Mailed Date

JAN 5 2018