

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



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

Susan K. Duffy, Chair
Shari Feist Albrecht, Commissioner
Dwight D. Keen, Commissioner

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT
20-CONS-3220-CPEN

February 13, 2020

Ian B. Acrey
Prairie Gas Operating, LLC
PO Box 2170
Tulsa, OK 74101-2170

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 \$300 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. 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. 55-162; K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Kelcey Marsh
Litigation Counsel
316-337-6200

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

Before Commissioners: Susan K. Duffy, Chair
 Shari Feist Albrecht
 Dwight D. Keen

In the matter of the failure of Prairie Gas)	Docket No.: 20-CONS-3220-CPEN
Operating, LLC (“Operator”) to comply with)	
K.A.R. 82-3-111 at the Watson Farms #1,)	CONSERVATION DIVISION
Monroe #2-4H, and Fecht D #1 in 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. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ The Commission has jurisdiction to regulate the “construction, operation, and abandonment of any well and the protection of the usable water of this state from any actual or potential pollution from any well.”² Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty “not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. 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.⁷ No well shall be temporarily abandoned unless first approved by the Conservation Division.⁸ 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.⁹ The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty,¹⁰ and the failure to obtain approval of temporary abandonment status shall subject the operator to additional administrative action.¹¹

4. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped for 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

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

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ *See* K.A.R. 82-3-111(a).

⁸ K.A.R. 82-3-111(b).

⁹ *Id.*

¹⁰ *Id.*

¹¹ K.S.A. 55-164; K.A.R. 82-3-111(b).

6. Operator is responsible for the care and control of the following wells (“the subject wells”), all located in Greeley County, Kansas.

- a. Watson Farms #1, API #15-071-20358-00-00, located in Section 19, Township 20 South, Range 39 West;
- b. Monroe #2-4H, API #15-071-20706-01-00, located in Section 4, Township 18 South, Range 40 West; and
- c. Fecht D #1, API #15-071-20109-00-00, located in Section 28, Township 18 South, Range 40 West.

7. On November 13, 2019, Commission records indicated that the Watson Farms #1 had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that the well was not exempt pursuant to K.A.R. 82-3-111(e). The well had also not been approved for temporary abandonment status. Thus, District Staff sent a letter to Operator, requiring Operator to bring the subject well into compliance with K.A.R. 82-3-111 by December 17, 2019.¹²

8. On December 3, 2019, Commission records indicated that the Monroe #2-4H had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that the well was not exempt pursuant to K.A.R. 82-3-111(e). Operator had applied for temporary abandonment status for the subject well, but the application was denied because the well had been shut-in over 10 years. Thus, District Staff sent a letter to Operator, requiring Operator to bring the subject well into compliance with K.A.R. 82-3-111 by December 31, 2019.¹³

9. On December 3, 2019, Commission records indicated that the Fecht D #1 had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that

¹² See Exhibit A.

¹³ See Exhibit B.

the well was not exempt pursuant to K.A.R. 82-3-111(e). Operator had applied for temporary abandonment status for the subject well, but the application was denied due to a high fluid level in the subject well. Thus, District Staff sent a letter to Operator, requiring Operator to bring the subject wells into compliance with K.A.R. 82-3-111 by January 2, 2020.¹⁴

10. On January 6, 2020, and January 9, 2020,¹⁵ District Staff inspected the subject wells, because the deadline in the letters had passed and the violations had not been resolved, verifying that the wells continued to be inactive and unplugged.¹⁶

III. CONCLUSIONS OF LAW

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

12. The Commission concludes Operator committed three violations of K.A.R. 82-3-111 because the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.¹⁷

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$300 penalty.
- B. Operator shall plug the subject wells, or return the wells to service, or obtain TA status for the wells if eligible. Obtaining TA status shall include application for an exception to the 10-year limit on TA status, if applicable.
- C. 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, to the Commission at

¹⁴ See Exhibit C.

¹⁵ Photos of the meter by District Staff at the Watson Farms #1 appear to be taken on January 9, 2020 while the field report indicates the follow-up lease inspection occurred January 6, 2020. Despite this discrepancy, there is no doubt that the lease was inspected after the Notice of Violation deadline and that Operator failed to bring the Watson Farms #1 into compliance.

¹⁶ Exhibit D.

¹⁷ K.S.A. 55-164; K.A.R. 82-3-111(b).

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.

D. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days from the date of service of this Order, 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.

E. 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.


F. A corporation shall appear before the Commission by a Kansas licensed attorney.¹⁸

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

BY THE COMMISSION IT IS SO ORDERED.

Duffy, Chair; Albrecht, Commissioner; Keen, Commissioner

Dated: 02/13/2020



Lynn M. Retz
Executive Director

Mailed Date: 02/13/2020

JMG/KAM

¹⁸ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).



Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Corporation Commission

Laura Kelly, Governor

NOTICE OF VIOLATION

November 19, 2019
KCC Lic.-35442

PRAIRIE GAS OPERATING, LLC
114 E. 5TH ST., SUITE 100
PO BOX 2170
TULSA OK 74101-2170

RE: **TEMPORARY ABANDONMENT**
API Well No. 15-071-20358-00-00
WATSON FARMS 1
19-20S-39W, NE
GREELEY County, Kansas

Operator:


On November 13, 2019, a lease inspection 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 DECEMBER 17, 2019
shall be punishable by a \$100 penalty.**

You may contact me if you have any questions.

Sincerely,


KEN JEHLIK
KCC District # 1

Conservation Division
District Office No. 1
210 E. Frontview, Suite A
Dodge City, KS 67801



Phone: 620-682-7933
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

December 03, 2019

Neal Hensley
Prairie Gas Operating, LLC
114 E. 5th Street
SUITE 100
TULSA, OK 74103

Re: Temporary Abandonment
API 15-071-20706-01-00
MONROE 2-4H
SW/4 Sec.04-18S-40W
Greeley County, Kansas

Dear Neal Hensley:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

Shut-in Over 10 years

Pursuant to K.A.R. 82-3-111, the well must be plugged or returned to service by December 31, 2019.

If you wish to instead file an application for an exception to the 10-year limitation of K.A.R. 82-3-111, demonstrating why it is necessary to TA the well for more than 10 years, then you must file the application for an exception by December 31, 2019.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Michael Maier
KCC DISTRICT 1

Conservation Division
District Office No. 1
210 E. Frontview, Suite A
Dodge City, KS 67801



Phone: 620-682-7933
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

December 03, 2019

Neal Hensley
Prairie Gas Operating, LLC
114 E 5th Street
SUITE 100
TULSA, OK 74103

Re: Temporary Abandonment
API 15-071-20109-00-00
FECHT D 1
SE/4 Sec.28-18S-40W
Greeley County, Kansas

Dear Neal Hensley:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

High Fluid Level

Pursuant to K.A.R. 82-3-111, the well must be plugged, or returned to service, or obtain temporary abandonment status by 01/02/2020.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Michael Maier
KCC DISTRICT 1

KCC OIL/GAS REGULATORY OFFICES

Date: 01/06/20

District: _____

Case #: _____

☒ New Situation

☐ Lease Inspection

☐ Response to Request

☐ Complaint

☐ Follow-Up

☒ Field Report

Operator License No: 35442

API Well Number: 15-071-20358-00-00

Op Name: Prairie Gas Operating, LLC

Spot: SW NW NE Sec 19 Twp 20 S Rng 39 ☐ E / ☒ W

Address 1: 114 E 5th ST, Ste 100

4002 Feet from ☐ N / ☒ S Line of Section

Address 2: P.O. Box 2170

1368 Feet from ☒ E / ☐ W Line of Section

City: Tulsa

GPS: Lat: 38.30282 Long: 101.66417 Date: 11/13/19

State: Okla Zip Code: 74101 -2170

Lease Name: Watson Farms Well #: 1

Operator Phone #: (817) 681-7600

County: Greeley

Reason for Investigation:

Inactive gas well

Problem:

11-13-19 Last KGS production 1-19

1-6-2020 No response to NOV letter dated 11-19-19 for failure to TA the well. Deadline for action was 12-17-19

Persons Contacted:

None

Findings:

11-13-19 Pumping unit w/ elec motor. Power shut off.
Meter run 70' NW. 0 mcf flow. Valves padlocked shut by the pipeline in January 2018 due to high H2S.
No water tank. Water goes direct to a disposal.
Well has been shut in by the pipeline for over 90 days and can not be immediately returned to production without H2S treatment and unlocking the pipeline.
1-6-2020 No change from 11-13-19 inspection. Well is still inactive with the meter run valves padlocked shut by the pipeline.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☐

Date: _____

11-13-19 NOV to TA
1-6-2020 Send to legal dept w/ pics

Verification Sources:

Photos Taken: yes 4

<input checked="" type="checkbox"/> RBDMS	<input checked="" type="checkbox"/> KGS	<input checked="" type="checkbox"/> TA Program
<input type="checkbox"/> T-I Database	<input type="checkbox"/> District Files	<input type="checkbox"/> Courthouse
<input type="checkbox"/> Other: _____		

By: Ken Jehlik
ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 02/22/2008

Provinc 6003 Watson Farms 1 1-09-20 K.S.
See 19-20 394 Gmehls
56 pm

Watson Farms
52120

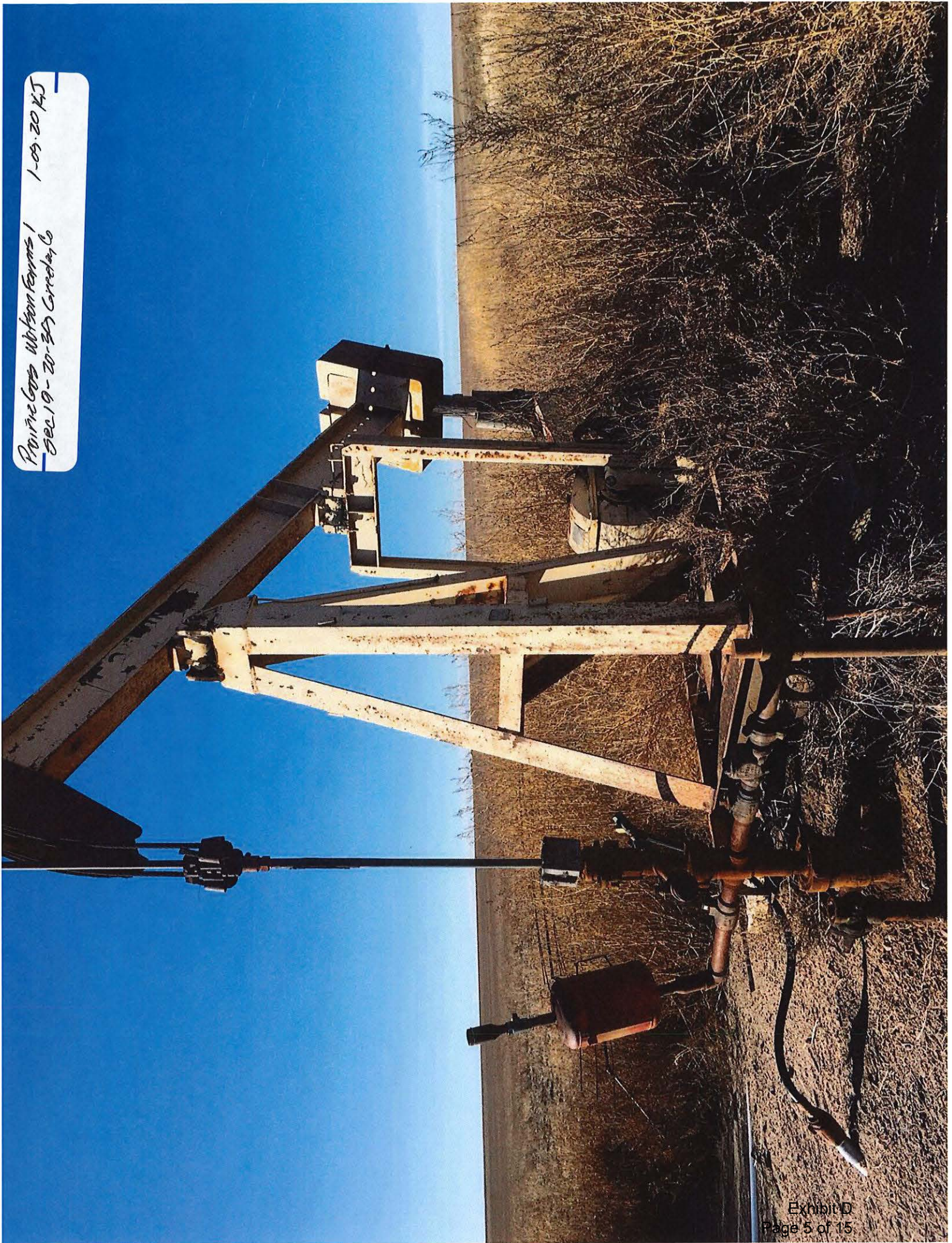
Prairie Coos Watson Farms 1-09-20
EAC 19-20-390 Greeley Co
EACM

Date/Time
01/09/20 11:32:04

Arrive 6003 Watson Farms! 1-09-20 KS
Sec 19-20R-39 w Greenleaf
6 PM - No flow!

Flow Rate 0 MCF/Day

Prime Gas Wellbore
Dec 19 - 20-30 Greda, Co
1-09-20 KJ



Prairie Gas Well Farm 1 / 1-09-2015
Sec 107 - 20° - 39' W Creek Co. Nebraska



KCC OIL/GAS REGULATORY OFFICES

Date: 01/06/20

District: 1

Case #: _____

☒ New Situation

☐ Response to Request

☐ Follow-Up

☐ Lease Inspection

☐ Complaint

☒ Field Report

Operator License No: 35442

API Well Number: 15-071-20706-01-00

Op Name: Prairie Gas Operating, LLC

Spot: NW SE SW Sec 4 Twp 18 S Rng 40 ☐ E / ☒ W

Address 1: 114 E. 5th ST, Ste 100

1283 Feet from ☐ N / ☒ S Line of Section

Address 2: P.O. Box 2170

3331 Feet from ☒ E / ☐ W Line of Section

City: Tulsa

GPS: Lat: 38.51287 Long: 101.74554 Date: 1/6/20

State: Okla Zip Code: 74101 -2170

Lease Name: Monroe Well #: 2-4 H

Operator Phone #: (817) 681-7600

County: Greeley

Reason for Investigation:

Check gas well status

Problem:

No response to a NOV denied TA letter dated 12-3-19 for the well being shut in over 10 years.
Deadline for a response was 12-31-19.

Persons Contacted:

None

Findings:

1-6-2020 Pumping unit w/ no motor. Well head valves closed.
Meter run 40' north. 0 mcf flow. Both valves closed by the pipeline.
2 phase verticle separator 25' north
210 bbl FG water tank 15' NW

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Send to legal w/ pics

Verification Sources:

Photos Taken: Yes 4

<input checked="" type="checkbox"/> RBDMS	<input checked="" type="checkbox"/> KGS	<input checked="" type="checkbox"/> TA Program
<input type="checkbox"/> T-I Database	<input type="checkbox"/> District Files	<input type="checkbox"/> Courthouse
<input type="checkbox"/> Other: _____		

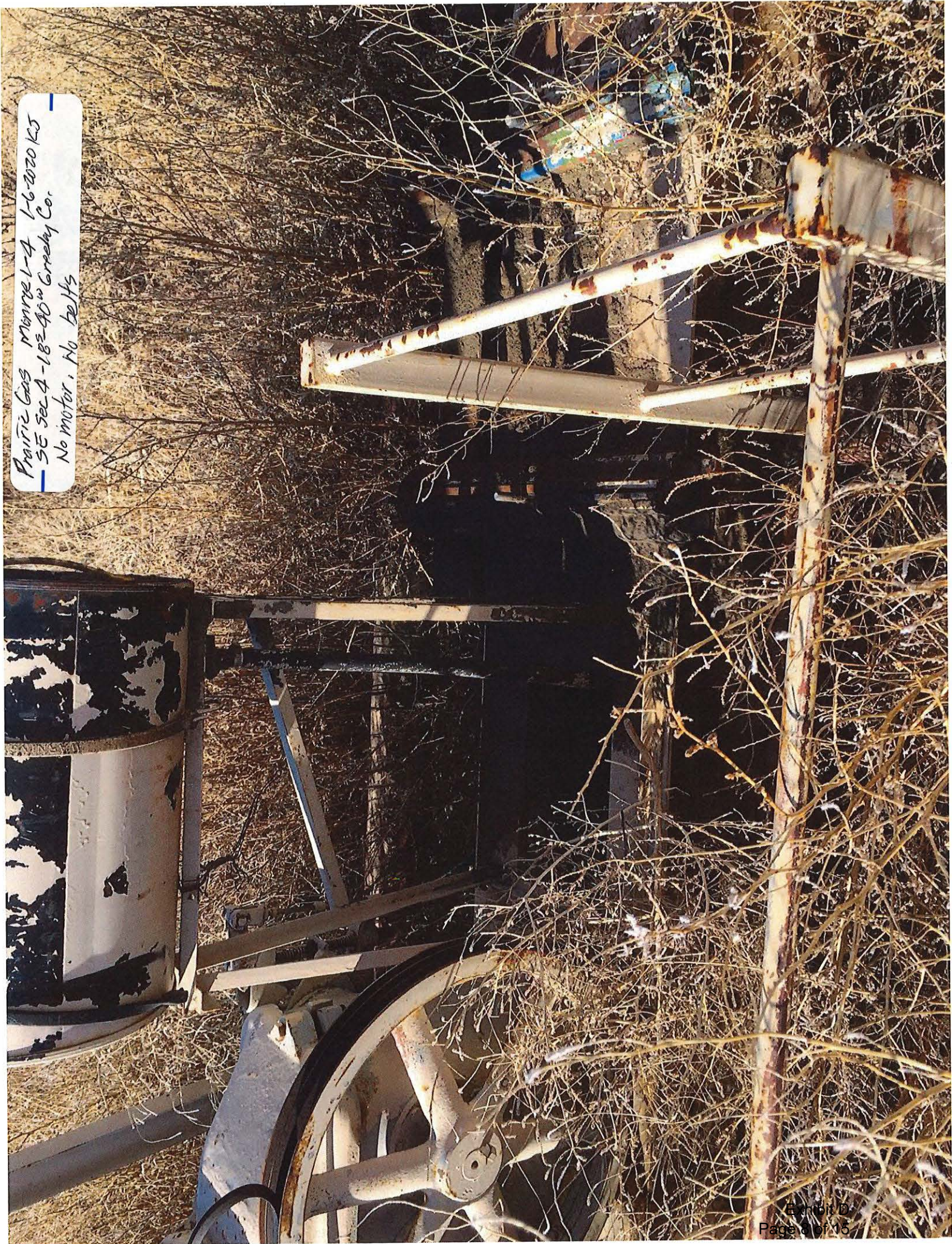
By: Ken Jehlik
ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

JA

Form: 02/22/2008

Prairie Gas Monitor L-4 1-6-2020 KJS
SE Sec 4 - 18240W Greeley Co.
No motor, No bells



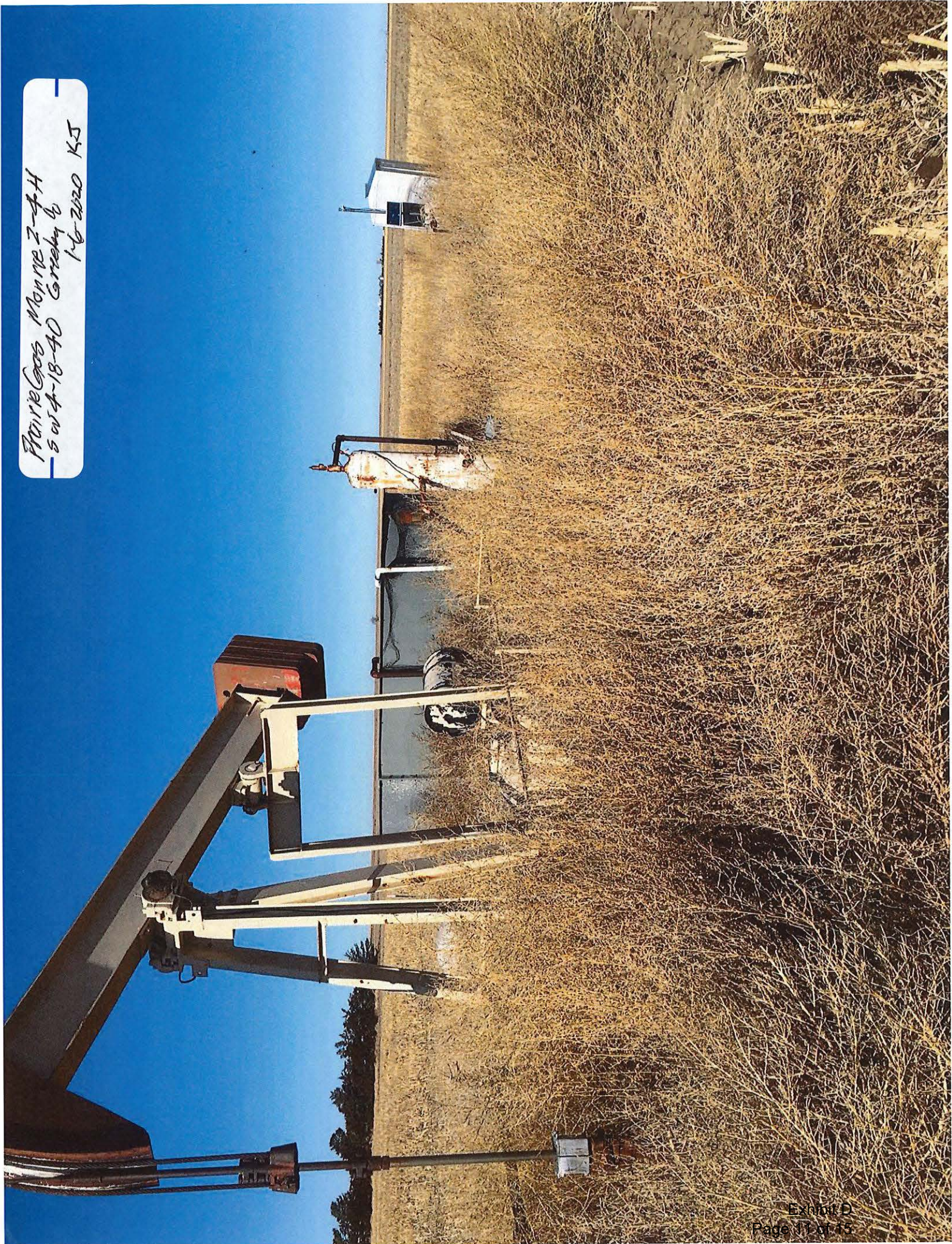
Prairie Gas Monroe LA 1-6-2020 K5
SE 50A-18240W Greeley Co
Closed w/ 11 head valve

11 head valve

Prairie Gas Murrel-4
SE Sec 4-183-40W Greeley Co
Pipeline valve closed
1-6-2022
KJ

closed not for repair
pipeline valve

Plum Creek Morris 2-4-H
504-18-40 Greeley Co
1-6-2020 KS



KCC OIL/GAS REGULATORY OFFICES

Date: 01/06/20

District: 1

Case #: _____

☒ New Situation

☐ Response to Request

☐ Follow-Up

☐ Lease Inspection

☐ Complaint

☒ Field Report

Operator License No: 35442

Op Name: Prairie Gas Operating, LLC

Address 1: 114 E. 5th ST, Ste 100

Address 2: P.O. Box 2170

City: Tulsa

State: Okla Zip Code: 74101 -2170

Operator Phone #: (817) 681-7600

API Well Number: 15-071-20109-00-00

Spot: NW SE SE Sec 28 Twp 18 S Rng 40 ☐ E / ☒ W

1079 Feet from ☐ N / ☒ S Line of Section

1287 Feet from ☒ E / ☐ W Line of Section

GPS: Lat: 38.45428 Long: 101.73840 Date: 1/6/20

Lease Name: Fecht D Well #: 1

County: Greeley

Reason for Investigation:

Check gas well status

Problem:

No response to a NOV letter dated 12-3-19 for a denied TA request due to a high fluid level of 1085.
Dead line for a response was 1-2-2020

Persons Contacted:

None

Findings:

1-6-2020 Pumping unit w/ no motor. Power shut off. All wellhead valves closed.
Meter run 40' SE. 0 mcf flow. All valves closed by the pipeline.
No water tank. Water went direct to a disposal.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Send to legal w/ pics

CP III

Verification Sources:

Photos Taken: yes 3

☒ 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

JA

Form: 02/22/2008

Proirie Gas Field #D-1 1-6-2020 KJ
SE Sec 28-18-40W Greeley Co
No motor on pump in unit



Provinces Fecht D-1 1-6-2020 KJ
SE 28-18-40 Greeley Co
Closed water run 50 lbs 11/2 mile



Prairie Gas Fecht D-1
SE Sec 28-18-40 Greeley Co
Closed well head 30 lbs 11/10/01

CERTIFICATE OF SERVICE

20-CONS-3220-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 02/13/2020.

IAN B. ACREY
Prairie Gas Operating, LLC
PO BOX 2170
TULSA, OK 74101
iacrey@pge-llc.com

FRED MACLAREN
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
e.maclaren@kcc.ks.gov

KELCEY MARSH, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
k.marsh@kcc.ks.gov

MICHELE PENNINGTON
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
m.pennington@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe