

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

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

In the matter of an Order to Show Cause issued	)	Docket No. 17-CONS-3373-CSHO
to Teichgraeber Oil, Inc. (“Operator”) for its	)	
failure to comply with either K.A.R. 82-3-400	)	CONSERVATION DIVISION
or K.A.R. 82-3-409 regarding injection that	)	
took place during the 2015 calendar year.	)	License No. 6101
_____	)	

**PRE-FILED TESTIMONY**  
  
**OF**  
  
**ARTHUR TEICHGRAEBER**

1. Q. What is your name?
2. A. Arthur Teichgraeber.
3. Q. What is your relationship to Teichgreaber Oil, Inc.?
4. A. I am the owner of Teichgraeber Oil, Inc. I also am the active president and day-to-day
5. manager of the company.
6. Q. Are you aware of the pending action filed by the Kansas Corporation Commission Staff
7. related to Kempton #3 well?
8. A. Yes. I understand that the KCC has issued an Order to Show Cause at the
9. recommendation of Commission Staff related to alleged violations of K.A.R. 82-3-400
10. and K.A.R. 82-3-409.
11. Q. And what is your understanding that these violations are based upon?
12. A. In 2016, my company filed electronically its Annual Report of Pressure Monitoring, Fluid
13. Injection and Enhanced Recovery, Form U3C, related to the Kempton Well #3. The
14. report covered the 2015 reporting year. On that report, we unintentionally indicated
15. that the "Maximum Fluid Pressure" was 1500 psi. As I read the report, I believed the
16. form was requesting the "maximum pressure that could have been produced by the
17. pump." I indicated 1500, as the pump on the well was capable of that level of pressure.
18. Q. Do you know what the maximum pressure at which you were allowed to inject?
19. A. Yes, 400 psi. At no time during the 2015 year did we ever inject more than 400 psi. We
20. did not commit a violation of K.A.R. 82-3-400.
21. Q. Do you think anyone looking at that report could have reasonably believed that the
22. report was correct?
23. A. No. I don't think anyone could have reasonably believed this to be correct. The fracture
24. gradient of the Stalnaker formation is approximately 600 psi. The Commission Staff

25. would know this. They should have merely picked up the phone and called. We would  
26. have issued a corrective report, and it would have saved everyone considerable time  
27. and expense compared to these proceedings. Also, the field inspectors at the direction  
28. of the Commission inspected the well and found it to be at 0 psi.

29. Q. How was this brought to your attention?

30. A. I first learned about this when I received the Motion for an Order to Show Cause filed in  
31. this Docket No. 17-CONS-3373-CSHO.

32. Q. What did you do about it?

33. A. I contacted my attorney to respond, and as promptly as we learned of the need for the  
34. correction, we attempted to and ultimately filed a corrective report, showing the actual  
35. Maximum Fluid Pressure, which was within the Maximum Authorized Injection Pressure.

36. Q. Now, the Commission Staff want to make a big deal about the fact that there have been  
37. prior violations, are you aware of that?

38. A. Yes, and I'm aware of the prior technical violations. One of those prior matters, 15-  
39. CONS-338-CPEN, was a \$100 penalty related to the failure to file a pit closure form. It  
40. isn't relevant here. In 15-CONS-084-CPEN, I agreed to pay a \$1,500 penalty for three  
41. alleged violations. Two of those violations related to our unintentional overreporting of  
42. the total fluid injected, as we made a calculation error. The error was that we simply  
43. multiplied the daily injection amount by 365. The well was not operating that many  
44. days. The corrected statement was later filed showing we were within the allowable  
45. thresholds. One of those prior violations related to Kempton #3. In that instance, my  
46. office made the same error in reading the forms, and believed the request related to the  
47. maximum pressure the pump could produce. I elected at that time to pay the penalty  
48. instead of disputing the alleged violations.

49. Q. Can you help the Commission understand what happened here?

50. A. Yes, as I indicated I read the report to request information related to the maximum  
51. pressure that the pump was capable of producing. The secretary in my office in charge  
52. of completing the forms in the prior years no longer works at my office, and the new  
53. secretary completing the forms used the prior forms as a model. The error from the  
54. last report was carried over. Because I continued to misunderstand what the report  
55. requested, I did not catch the error when reviewing prior to filing. I will add that the  
56. form in 2015 – for the 2014 year -looked slightly different than it did in 2016 – for the  
57. 2015 year. It changed the phraseology to the “Maximum Injection Pressure.” So it  
58. didn’t occur to me that this was the issue that we inadvertently misidentified in 2015.  
59. Also, in looking back at my records, I think it is important to point out that we identified  
60. the “Maximum Injection Pressure” covering the years 2014 and 2013 each indicated  
61. 1500 psi as a Maximum Injection Pressure. The only year the KCC indicated that the  
62. report was deficient was for 2014. But we corrected both. Also, there was an additional  
63. column on the older forms for “Average Pressure Tubing/Casing Annulus,” which we had  
64. reported at 400 psi. So in looking at the new form, we simply pulled from the wrong old  
65. column.

66. Q. Do you believe you “Misreported injections” under K.A.R. 82-3-409(b)?

67. A. No. I don’t mean that disrespectfully. I read this report incorrectly. I answered it as I  
68. believed was correct. That answer, indicating 1500 psi down the well in every single  
69. month of the year, was clearly an error. That error, if correct, would indicate a blatant  
70. violation K.A.R. 82-3-400. No one was mislead, no one was harmed. If I had  
71. “misreported” the Maximum Fluid Pressure to the low side, such as indicating that I  
72. was compliant, but instead was actually committing an over-injection, then I could see

73. how this would be a “misreporting” and sanctionable. Instead, I reported a violation  
74. that didn’t occur. It was caught immediately. And corrected. I don’t think that this is a  
75. “Misreported injection” under K.A.R. 82-3-409(b).

76. Q. Do you have anything else to add?

77. A. Yes, I think it is important to reference that if the Commission finds a violation in this  
78. instance, it will be the fifth violation in the previous three years. Four of those Five  
79. violations will have to do with simple clerical errors on the U3C form. In each of those  
80. instances, we inadvertently – a clerical error only – indicated violations where no  
81. violation existed. In none of those four instances did I actually exceed any  
82. requirements. No one was harmed. No one was at risk. No one else around the  
83. formation was impacted in the least. Also, while I’m not trying to ask this Commission  
84. to reconsider the prior violations, I think it is relevant to point out that I would have  
85. raised these arguments then, but the assessed penalty of \$500 per instance, or a total of  
86. \$1500, given the price of oil and the cost of disputing the matter, caused me to simply  
87. pay the penalty. I did not intend by those actions to admit any wrongdoing.

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**CERTIFICATE OF SERVICE**

I, Scott M. Hill, certify that on the 3rd day of February, 2017, I did cause a true and correct copy of the Pre-Filed Testimony of Arthur Teichgraeber to be served by United States mail, first class, postage prepaid to the following:

Jonathan R. Myers  
Litigation Counsel, Kansas Corporation Commission  
266 N. Main, Suite 220  
Wichita, KS 67202

s/ Scott M. Hill  
\_\_\_\_\_  
Scott M. Hill