

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

Before Commissioners: Susan K. Duffy, Chair
Dwight D. Keen
Andrew J. French

In the matter of the failure of Chizum Oil,) Docket No.: 23-CONS-3208-CPEN
LLC (Operator) to comply with K.A.R. 82-3-)
120 and K.A.R. 82-3-133 by operating under) CONSERVATION DIVISION
a suspended license.)
_____) License No.: 35407

SHUT-IN ORDER

The Commission finds Operator has violated K.A.R. 82-3-120 and K.A.R. 82-3-133 by conducting oil and gas operations under a suspended license, finds Operator has failed to comply with an order of the Commission, assesses a \$10,000 penalty, directs Commission Staff to seal all oil and gas operations of Operator, and further rules as more fully described below.

I. JURISDICTION

1. K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority under K.S.A. 55-155.

2. K.S.A. 55-162(a) provides the Commission authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. K.S.A. 55-162(e) provides that whenever an operator is in violation of subsection (a) of the statute, “agents of the commission may enter upon the lease or any other leases under the control of such operator and seal any well operated by the offending party.”

3. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

4. K.A.R. 82-3-120 provides that no operator shall operate any well without a current license. K.A.R. 82-3-133 provides that production of oil or gas in violation of a Commission regulation or order shall be deemed unlawful.

II. FINDINGS OF FACT

5. On December 6, 2022, the Commission issued a Penalty Order in Docket 23-CONS-3141-CPEN (Docket 23-3141) for failure to comply with K.A.R. 82-3-111. The Commission found that Operator's Cress #1-28 well had been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for temporary abandonment (TA) status.¹ In the Penalty Order, the Commission directed Operator to pay a \$100 penalty and to plug the well, return the well to service, or obtain TA status for the well.² In the event Operator failed to comply with the Penalty Order within 30 days, the Commission directed Commission Staff to suspend Operator's license until Operator achieved compliance.³

6. On December 21, 2022, Operator paid the \$100 penalty, but did not bring the Cress #1-28 well into compliance.

7. On January 18, 2023, Commission Staff suspended Operator's license for non-compliance with the Penalty Order as directed by the Commission. Commission Staff notified Operator of the suspension in a Notice of License Suspension letter. In the letter, Commission Staff notified Operator that if, after 10 days from the date of the letter, Commission Staff

¹ Docket 23-CONS-3141-CPEN, *Penalty Order*, ¶ 8 (Dec. 6, 2022).

² *Id.* at Ordering Clauses A and B.

³ *Id.* at Ordering Clauses D, E, and F.

discovered Operator performing oil and gas operations, Commission Staff would recommend a Shut-In Order, as well as an additional \$10,000 monetary penalty.⁴

8. Between February 9, 2023, and February 13, 2023, Commission Staff conducted various inspections and found Operator actively operating the following wells (Subject Wells), under a suspended license:⁵

- a. Gaskill #1-35, API #15-181-20618-00-00, located in Section 35, Township 7 South, Range 37 West, Sherman County, Kansas;
- b. Gertrude #2-36, API #15-181-20611-00-00, located in Section 36, Township 7 South, Range 37 West, Sherman County, Kansas;
- c. LHR #1-26P, API #15-181-20625-00-00, located in Section 26, Township 7 South, Range 37 West, Sherman County, Kansas;
- d. LHR #2-26, API #15-181-20645-00-00, located in Section 26, Township 7 South, Range 37 West, Sherman County, Kansas;
- e. Quenzer #2-27, API #15-181-20632-00-00, located in Section 27, Township 7 South, Range 37 West, Sherman County, Kansas;
- f. Quenzer #3-27, API #15-181-20640-00-00, located in Section 27, Township 7 South, Range 37 West, Sherman County, Kansas;
- g. Walker #1-34, API #15-153-21254-00-00, located in Section 34, Township 3 South, Range 32 West, Rawlins County, Kansas; and
- h. Walker A #2-34, API #15-153-21262-00-00, located in Section 34, Township 3 South, Range 32 West, Rawlins County, Kansas.

9. To date, Operator's license remains suspended.

⁴ Exhibit A.

⁵ Exhibit B.

III. CONCLUSIONS OF LAW

10. The Commission has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, K.S.A. 55-155, K.S.A. 55-162, and K.S.A. 55-164.

11. Operator has violated K.A.R. 82-3-120 by conducting oil and gas operations on a suspended license, resulting in unlawful production under K.A.R. 82-3-133. Operator has also failed to comply with the Commission's Penalty Order in Docket 23-3141, and under K.S.A. 55-162(e), Commission Staff may immediately seal any of Operator's wells.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$10,000 penalty.

B. Commission Staff is directed to shut-in and seal all oil and gas operations of Operator until (i) Operator complies with the Commission's Penalty Order in Docket 23-3141, and (ii) Operator's license is reinstated.

C. Operator 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 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.

D. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is not in compliance with this Order and the Order is final, then Operator's license shall be suspended without further notice and shall remain suspended until Operator complies. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

E. Credit card payments may be made by calling the Conservation Division at 316-337-6200. 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. Payments must reference the docket number of this proceeding.

BY THE COMMISSION, IT IS SO ORDERED.

Duffy, Chair; Keen, Commissioner; French, Commissioner

Dated: 02/28/2023



Lynn M. Retz
Executive Director

Mailed Date: 02/28/2023

TSK

Susan K. Duffy, Chair
Dwight D. Keen, Commissioner
Andrew J. French, Commissioner

Laura Kelly, Governor

January 18, 2023

Mitch Lyon
Chizum Oil, LLC
346 S. Lulu Street
Wichita, KS 67211-1713

NOTICE OF LICENSE SUSPENSION

License No. 35407

Docket No. 23-CONS-3141-CPEN

Operator:

Our records indicate that you are in violation of a Commission Order in the above Docket.

Your license is hereby suspended.

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter (January 28, 2023), Commission Staff discovers you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$10,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order, which was mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page. If your license is reinstated it will be listed as "Active" at the following webpage:
https://kcc.ks.gov/conservation/oil_license.cgi.

Sincerely,

Legal Department Staff

INSPECTION REPORT

Case# Docket No. 23-CONS-3141-CPEN

<input type="checkbox"/>	Complaint
<input type="checkbox"/>	New Situation
<input type="checkbox"/>	Response to request
<input checked="" type="checkbox"/>	Follow-up

Date of Inspection: February 9, 2023

Operator: Chizum Oil, LLC

License: #35407

Address: 346 S. Lulu Street

Location: NW/4 Sec. 34-03-32W

City/St: Wichita, Kansas 67211-1713

Lease: Walker

Phone:

County: Rawlins

Reason for investigation: KCC license Suspended on January 18, 2023

Problem: Operator performing Oil and gas operations while license suspended.

Findings:

- Legal Department Staff sent NOTICE OF LICENSE SUSPENSION letter to operator on January 18, 2023. With a shut in date of January 28, 2023.
- Lease inspection performed on February 9, 2023 found the following wells in operation.
- Walker #1-34 API#15-153-21254-00-00 NW-SW-NE-NW well in operation.
- Walker A#2-34 API#15-153-21262-00-00 SE-NE-SW-NW well in operation.


Photos: YES

Action /recommendations:

- Operator in violation of K.A.R.82-3-120, performing Oil and Gas operations while KCC license Suspended.
- Recommend a Shut-In Order, and Penalty Recommendation of \$10,000 for performing Oil and Gas operations while KCC License Suspended.

Richard Williams

Compliance Officer


(signature)

cc: file

Photographic Record

Incident/Activity Description

Inspector Name: Richard Williams

Inspector Title: Compliance Officer

Inspection Date: 02/09/2023

Lease Name: Walker A

Location: NW/4 Sec. 34-03-32w

Rawlins County, Kansas

Company: Chizum Oil, LLC #35407

Address: 346 S LuLu St. Wichita, Ks. 67211

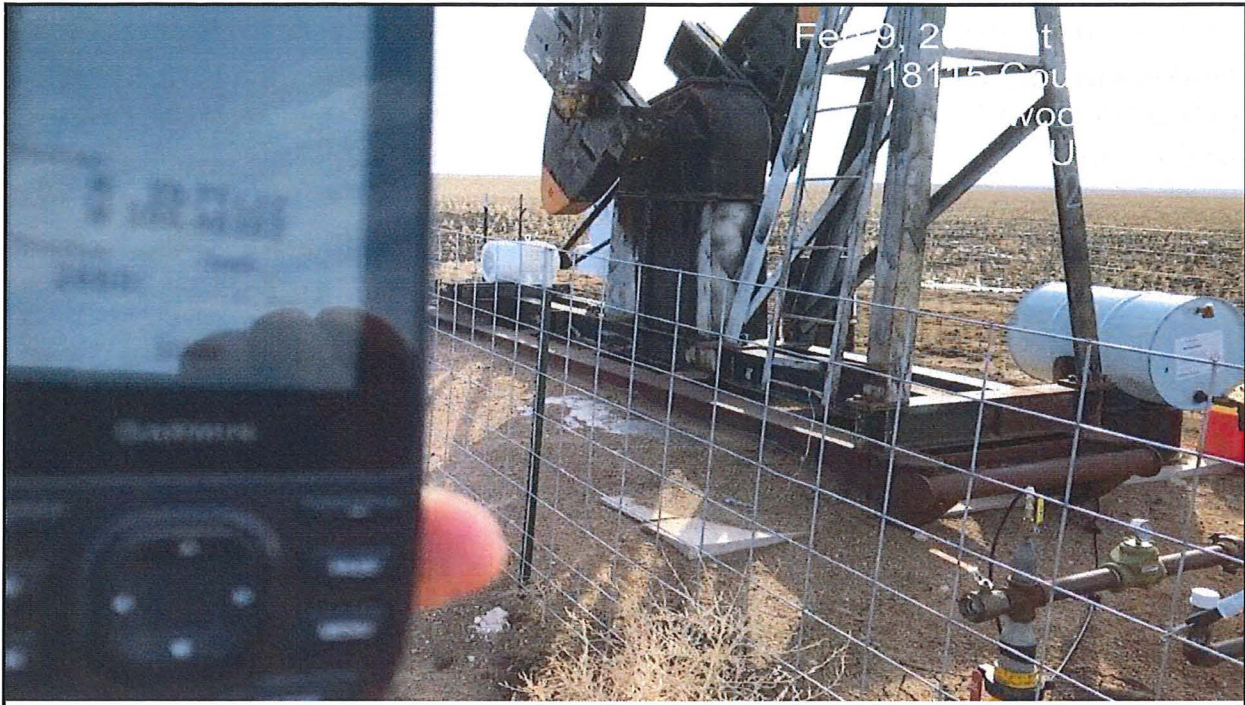
Attn: Mitch Lyon



Above: Chizum Oil, LLC #35407 Walker A Tank Battery Sec. 34-03-32W Rawlins County, Ks.

GPS: 39.75581, -100.90035





Above: : Chizum Oil, LLC #35407 Walker A #2-34 API#15-153-21262-00-00 located in the SE-NE-SW-NW Sec. 34-03-32W Rawlins County. Ks.

GPS: 39.75122, -100.90392.

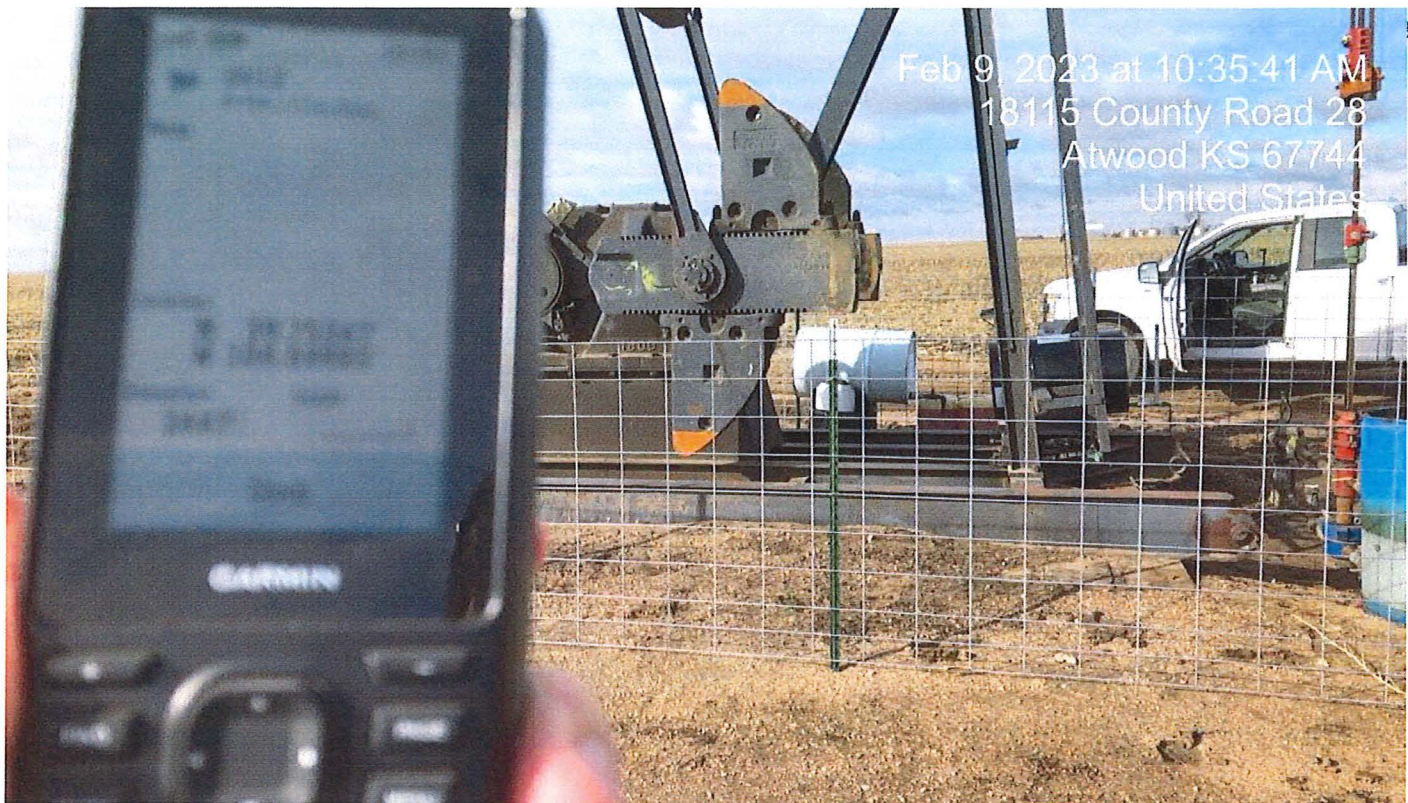
Photo taken on February 09, 2023 @ 10:22:52a.m. shows counter balance weights @ 11:00 o'clock.

Below: Chizum Oil, LLC #35407 Walker A #2-34 located in the SE-NE-SW-NW Sec. 34-03-32W Rawlins County, Ks.

GPS: 39.75122, -100.90392.

Photo taken on February 09, 2023 @ 10:22:58 a.m. shows counter balance weights @ 2:00 o'clock verifying well in operation.





Above: Chizum Oil, LLC #35407 Walker #1-34 API# 15-153-21254-00-00 NW-SE-NE-NW Sec. 34-03-32W Rawlins County.

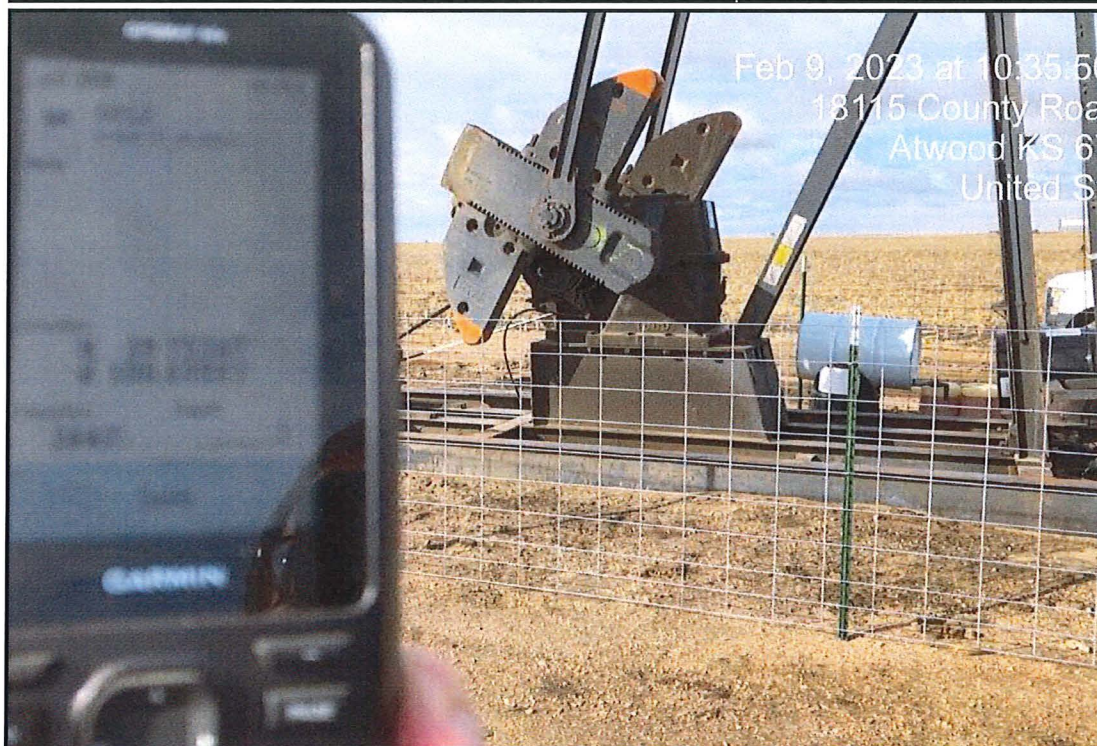
GPS: 39.75347, -100.6993

Photo taken on February 09, 2023 @ 10:23:41a.m. Counterbalance weights @ 3:00 o'clock.

Below: Chizum Oil, LLC #35407 Walker #1-34 API# 15-153-21254-00-00 NW-SE-NE-NW Sec. 34-03-32W Rawlins County.

GPS: 39.75347, -100.6993

Photo taken on February 09, 2023 @ 10:35:50a.m. Counter balance weights @ 10:00 o'clock, verifying well in operation.



INSPECTION REPORT

Case# _____

<input type="checkbox"/>	Complaint
<input type="checkbox"/>	New Situation
<input checked="" type="checkbox"/>	Response to request
<input type="checkbox"/>	Follow-up

Date of
Inspection: 2/13/2023

Operator: Chizum Oil, LLC

License: 35407

Address: 346 S. Lulu St.

Location: 26, 27, 35 & 36-7-37W

City/St: Wichita, KS 67211-1713

Lease: Quenzer, Gaskill & Gertrude

Phone: (316) 712-4525

County: Sherman Co., KS

Reason for investigation: Compliance Request

Problem: Operator licenses suspended, wells still actively producing

Findings:

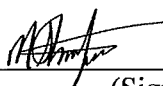
- Compliance requested and inspection on 5 leases operated by Chizum Oil, LLC in Sherman County. I found all the wells on the 5 leases to be actively producing during the inspection. The list of wells is as follows:
- LHR 1-26P – API# 15-181-20625-00-00 – GPS: 39.41985, -101.42737 – 3612' NSL & 5170' WEL – SW NW SW NW 26-7-37W(Active)
- LHR 2-26 – API# 15-181-20645-00-00 – GPS: 39.42069, -101.41822 – 3886' NSL & 2586' WEL – NW NW SW NE 26-7-37W(Active)
- Quenzer 2-27 – API# 15-181-20632-00-00 – GPS: 39.41865, -101.43150 – 3178' NSL & 1047' WEL – NW SW SE NE 27-7-37W(Active)
- Quenzer 3-27 – API# 15-181-20640-00-00 – GPS: 39.41672, -101.43295 – 2475' NSL & 1453' WEL – NE NE NW SE 27-7-37W(Active)
- Gaskill 1-35 – API# 15-181-20618-00-00 – GPS: 39.39819, -101.42572 – 962' NSL & 4670' WEL – SE NW SW SW 35-7-37W(Active)
- Gertrude 2-36 – API# 15-181-20611-00-00 – GPS: 39.40408, -101.39481 – 3053' NSL & 1220' WEL – NW SW SE NE 36-7-37W(Active)

Photos: Yes

Action /recommendations:

- I will forward to Compliance for review.

M Shane Jones
(Agent)


(Signature)

Date: 02/13/2023

Company: Chizum Oil, LLC # 35407

Lease: LHR & LHR 2-26

Legal: NW/4 26-7-37W & NE/4 26-7-37W



LHR 1-26P

API# 15-181-20625-00-00

GPS: 39.41985, -101.42737

3612' NSL & 5170' WEL

SW NW SW NW 26-7-37W

(Active, down stroke)



LHR 1-26P

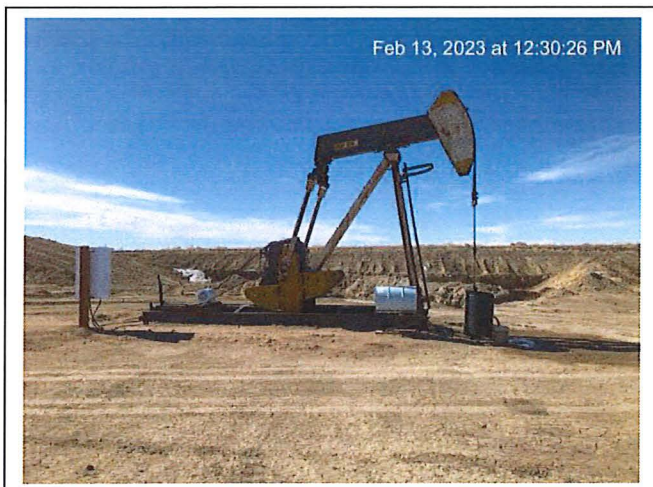
API# 15-181-20625-00-00

GPS: 39.41985, -101.42737

3612' NSL & 5170' WEL

SW NW SW NW 26-7-37W

(Active, up stroke)



LHR 2-26

API# 15-181-20645-00-00

GPS: 39.42069, -101.41822

3886' NSL & 2586' WEL

NW NW SW NE 26-7-37W

(Active, up stroke)



LHR 2-26

API# 15-181-20645-00-00

GPS: 39.42069, -101.41822

3886' NSL & 2586' WEL

NW NW SW NE 26-7-37W

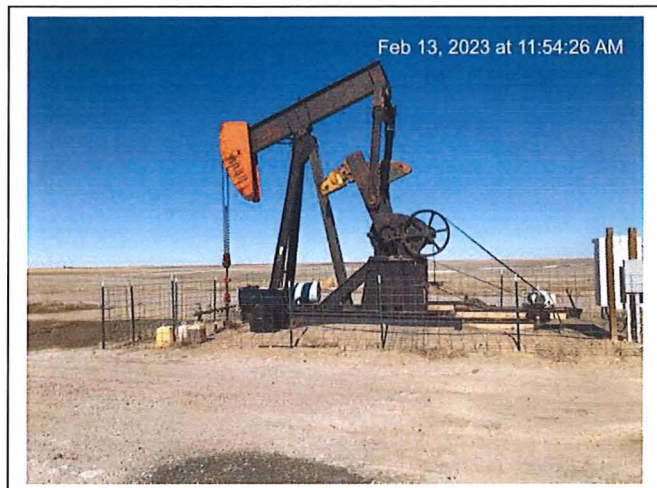
(Active, down stroke)

Date: 2/13/2023

Company: Chizum Oil, LLC # 35407

Lease: Quenzer

Legal: NE/4 & SE/4 27-7-37W



Quenzer 2-27

API# 15-181-20632-00-00

GPS: 39.41865, -101.43150

3178' NSL & 1047' WEL

NW SW SE NE 27-7-37W

(Active, down stroke)



Quenzer 2-27

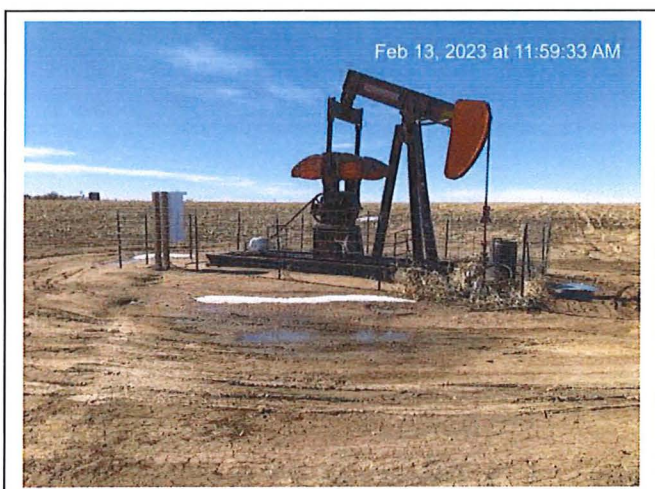
API# 15-181-20632-00-00

GPS: 39.41865, -101.43150

3178' NSL & 1047' WEL

NW SW SE NE 27-7-37W

(Active, up stroke)



Quenzer 3-27

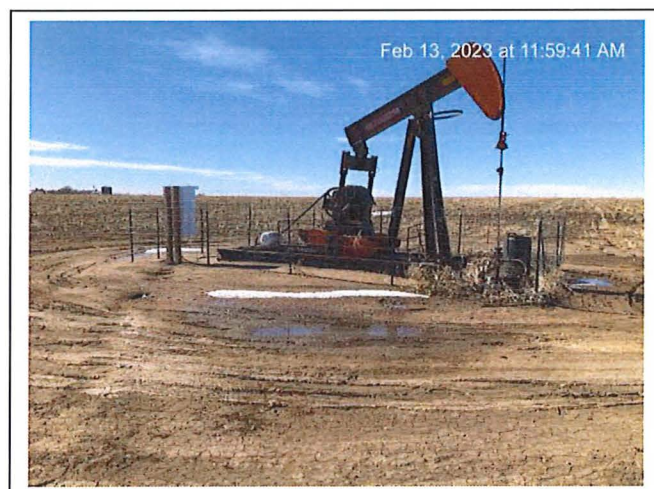
API# 15-181-20640-00-00

GPS: 39.41672, -101.43295

2475' NSL & 1453' WEL

NE NE NW SE 27-7-37W

(Active, down stroke)



Quenzer 3-27

API# 15-181-20640-00-00

GPS: 39.41672, -101.43295

2475' NSL & 1453' WEL

NE NE NW SE 27-7-37W

(Active, up stroke)

Date: **2/13/2023**

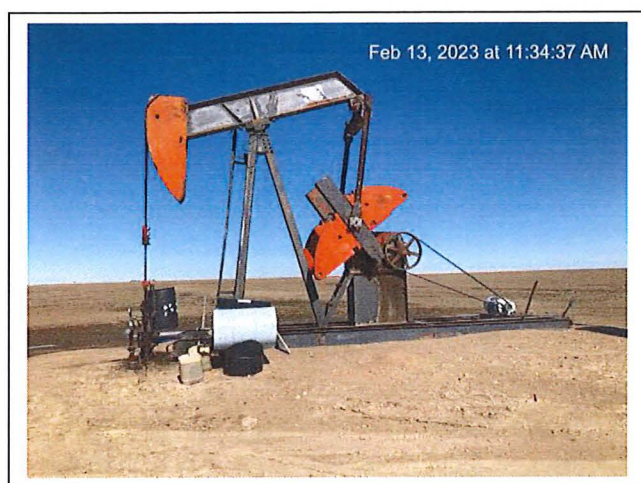
Operator: **Chizum Oil, LLC # 35407**

Lease: **Gaskill**

Legal: **SW/4 35-7-37W**

Sherman Co., Kansas

Lease inspection conducted on **2/13/2023** to check lease for compliance with State Rules & Regulations regarding the Conservation of Crude Oil & Natural Gas.



Gaskill 1-35

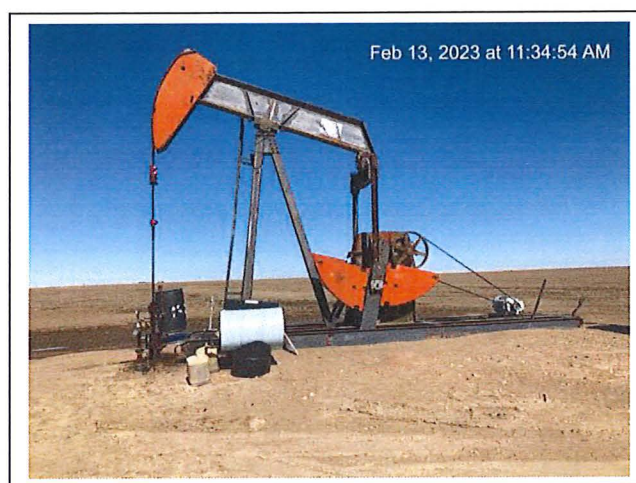
API# 15-181-20618-00-00

GPS: 39.39819, -101.42572

962' NSL & 4670' WEL

SE NW SW SW 35-7-37W

(Active, down stroke)



Gaskill 1-35

API# 15-181-20618-00-00

GPS: 39.39819, -101.42572

962' NSL & 4670' WEL

SE NW SW SW 35-7-37W

(Active, up stroke)

Date: **02/13/2023**

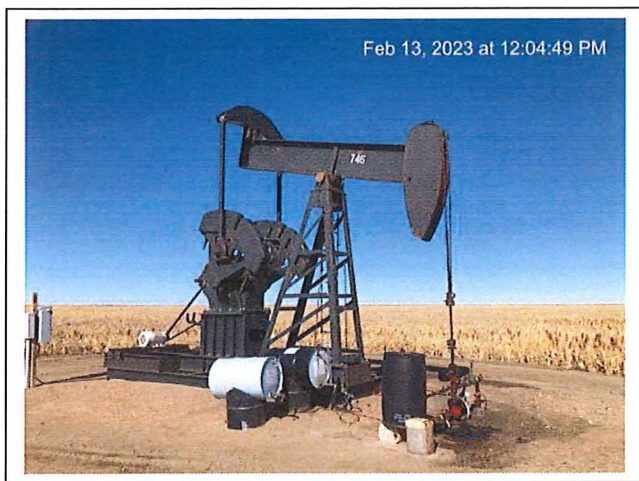
Operator: **Chizum Oil, LLC # 35407**

Lease: **Gertrude**

Legal: **NE/4 36-7-37W**

Sherman Co., Kansas

Lease inspection conducted on **02/13/2023** to check lease for compliance with State Rules & Regulations regarding the Conservation of Crude Oil & Natural Gas.



Gertrude 2-36

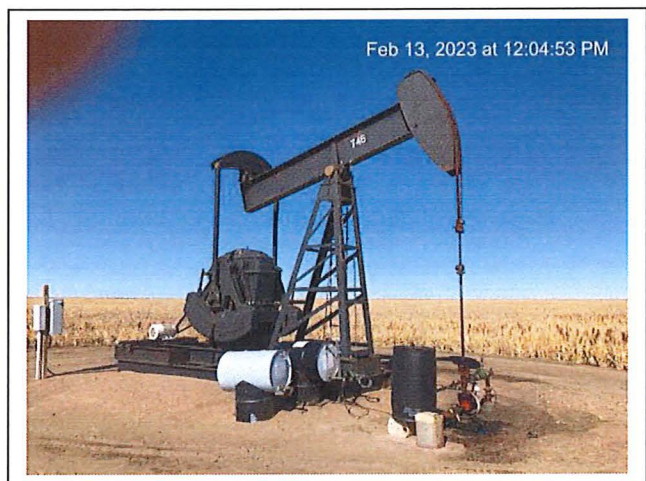
API# 15-181-20611-00-00

GPS: 39.40408, -101.39481

3053' NSL & 1220' WEL

NW SW SE NE 36-7-37W

(Active, down stroke)



Gertrude 2-36

API# 15-181-20611-00-00

GPS: 39.40408, -101.39481

3053' NSL & 1220' WEL

NW SW SE NE 36-7-37W

(Active, up stroke)

CERTIFICATE OF SERVICE

23-CONS-3208-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 02/28/2023.

TRISTAN KIMBRELL, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
t.kimbrell@kcc.ks.gov

MITCH LYON
CHIZUM OIL, LLC
346 S LULU ST
WICHITA, KS 67211-1713
southstaroil@yahoo.com

RICHARD WILLIAMS
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 4
2301 E. 13TH STREET
HAYS, KS 67601-2654
r.williams@kcc.ks.gov

/S/ KCC Docket Room
KCC Docket Room
