

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513



PHONE: 316-337-6200
FAX: 316-337-6211
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

NOTICE OF PENALTY ASSESSMENT

19-CONS-3062-CPEN

August 16, 2018

Terry P. Bandy dba Te-Pe Oil & Gas
PO Box 522
Canton, KS 67428-0522

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,

Lauren N. Wright
Litigation Counsel
316-337-6200

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the matter of the failure of Terry P. Bandy)	Docket No.: 19-CONS-3062-CPEN
dba Te-Pe Oil & Gas ("Operator") to comply)	
with K.A.R. 82-3-111 at the Cody #1 in Rice)	CONSERVATION DIVISION
County, Kansas.)	
<hr/>		License No.: 5920

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. The Operator conducts oil and gas activities in Kansas under active license number 5920.

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. The Operator is responsible for the care and control of the Cody #1 (“the subject well”), API #15-159-20386-00-00, located in Section 8, Township 18 South, Range 10 West, Rice County, Kansas.

7. On July 05, 2018, Commission records indicated that the subject well 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 the Operator, requiring the Operator to bring the subject well into compliance with K.A.R. 82-3-111 by August 2, 2018.¹²

8. Because the deadline in the letter passed and the violation had not been resolved, on August 03, 2018, District Staff inspected the subject well, verifying that the well continued to be inactive and unplugged.¹³

III. CONCLUSIONS OF LAW

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

10. The Commission finds and concludes the Operator committed one violation 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.¹⁴

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall pay a \$100 penalty.

B. The Operator shall plug the subject well, or 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.

¹² Exhibit A.

¹³ Exhibit B.

¹⁴ K.S.A. 55-164; K.A.R. 82-3-111(b).

C. If no party requests a hearing, and the Operator is not in compliance with this Order within 30 days from the date of service of this Order, then the 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. A corporation shall appear before the Commission by a Kansas licensed attorney.¹⁵

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.

¹⁵ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 08/16/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 08/17/2018

LW



Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Dwight D. Keen, Commissioner

Corporation Commission

Jeff Colyer, M.D., Governor

NOTICE OF VIOLATION

BANDY, TERRY P. DBA TE-PE OIL & GAS
PO BOX 522
CANTON KS 67428-0522

July 05, 2018
KCC Lic.-5920

RE: **TEMPORARY ABANDONMENT**
API Well No. 15-159-20386-00-00
CODY 1
8-18S-10W, SENWNE
RICE County, Kansas.

Operator:

On July 05, 2018, 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 AUGUST 02, 2018
shall be punishable by a \$100 penalty.**

You may contact me if you have any questions.

Sincerely,

VIRGIL CLOTHIER
KCC District # 2

KCC OIL/GAS REGULATORY OFFICES

Date: 1-25-18

District: 2

Case #: _____

☐ New Situation
☐ Response to Request
☐ Follow-Up

☒ Lease Inspection
☐ Complaint
☐ Field Report

Operator License No: 5920

API Well Number: 15-159-20386-0000

Op Name: Te-Pe Oil & Gas

Spot: SE-NW-NE Sec 8 Twp 18 S Rng 10 ☐ E / ☒ W

Address 1: PO Box 522

4037 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

1967 Feet from ☒ E / ☐ W Line of Section

City: Canton

GPS: Lat: 38.50371 Long: 98.45021 Date: 1-25-18

State: KS Zip Code: 67428-0522

Lease Name: Cody Well #: 1

Operator Phone #: 620-628-4428

County: Rice

Reason for Investigation:

Routine lease ck.

Problem:

INACTIVE oil well, NO CP-111 on file.

Persons Contacted:

Findings:

INACTIVE oil well - appears to be equipped. HOA (Hand - Off- Automatic) switch on electric control box is in OFF position. KGS production data shows last produced in 4-2016. No indication of lease activity around T.B. or well. Cody # 8 - active SWD listed on page 2.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Will send operator the TA - N.O.V. letter - Cody 1. RE-CK'D 7-6-2018, WELL IS STILL INACTIVE.. TOOK ANOTHER PICTURE OF. RE-CK'D ON 8-3-2018, WELL STATUS UNCHANGED. OPERATOR NEVER FILED A CP-111. I RECOMMEND MONETARY PENALTY OF \$100, PER K.A.R. 82-3-111 FOR FAILURE TO FILE CP-111. TOOK 2 MORE PHOTOS OF, ONE SHOWING THAT SOMEONE HAD INSERTED AN OLD STUFFING BOX RUBBER ON BELT AHEAD OF MOTOR BELT PULLEY.

Verification Sources:

Photos Taken: 1

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

By: Virgil Clothier
ECRS

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: _____



Cody #1, Inactive well located in the NE/4 of 8-18S-10W. Rice County. API#15-159-20386-00-00

Operator: Te-Pe Oil & Gas, Lic. #5920

No CP-111 on file.

Photo taken by Virgil Clothier on August 3, 2018

CERTIFICATE OF SERVICE

19-CONS-3062-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 and electronic service on 08/16/2018.

TERRY P. BANDY
D/B/A TE-PE OIL & GAS
PO BOX 522
CANTON, KS 67428-0522

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 2
3450 N. ROCK RD BLDG 600 STE 601
WICHITA, KS 67226
Fax: 316-630-4005
d.fox@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
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Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
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l.wright@kcc.ks.gov

/s/ DeeAnn Shupe
DeeAnn Shupe