

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



20180118154226
Kansas Corporation Commission

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-3278-CPEN

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 \$2,000 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: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the matter of the failure of Prairie Gas)	Docket No.: 18-CONS-3278-CPEN
Operating, LLC (“Operator”) to comply with)	
K.A.R. 82-3-603 at the Liljegren #1 well in)	CONSERVATION DIVISION
Greeley County, Kansas.)	
<hr/>		License No.: 35442

PENALTY ORDER

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

I. JURISDICTION

1. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities. K.S.A. 55-152 provides that 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. The Commission has licensing authority pursuant to K.S.A. 55-155.

2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.

3. K.A.R. 82-3-101(a)(69) defines “spill” as any escape of saltwater, oil, or refuse by overflow, seepage, or other means from the vicinity of oil, gas, injection, service, or gas

storage wells, or from tanks, pipelines, dikes, or pits, if the wells, tanks, pipelines, dikes, or pits are involved in or related to any of the following:

- a. the exploration or drilling for oil or gas;
- b. the lease storage, treatment, or gathering of oil or gas; or
- c. the drilling, operating, abandonment, or postabandonment of wells. For purposes of this regulation, “vicinity” means the area within six feet of the wellhead

4. K.A.R. 82-3-603(b)(2) provides that the operator shall notify the appropriate district office of any escape of saltwater, oil, or refuse that meets the definition of “spill” in K.A.R. 82-3-101. This notification shall be made no later than the next business day following the date of discovery or knowledge of the spill.

5. K.A.R. 82-3-603(d) provides that failure to comply with subsection (b) shall be punishable by a \$250 penalty for the first violation, a \$500 penalty for the second violation, and a \$1,000 penalty and an operator license review for the third violation.

6. K.A.R. 82-3-603(e)(1) provides that the operator shall clean up any spill or escape that requires notification under this regulation in accordance with the cleanup method approved by the appropriate district office. Except as otherwise required by law or regulation, the operator shall complete the cleanup of the spill or escape within 10 days after discovery or knowledge of the spill or escape, or by the deadline prescribed in writing by the district office.

7. K.A.R. 82-3-603(f) provides that the failure to contain and clean up the spill or escape in accordance with Commission regulations shall be punishable by a \$1,000 penalty for the first violation, a \$2,500 penalty for the second violation, and a \$5,000 penalty and an operator license review for the third violation.

II. FINDINGS OF FACT

8. Operator conducts oil and gas activities in Kansas under license number 35442, and is responsible for the care and control of the Liljegren #1 (“the subject well”), API #15-071-20213, Section 15, Township 19 South, Range 40 West, Greeley County, Kansas.

9. On October 26, 2017, Commission District #1 Staff conducted an inspection of the subject well and found a flowline parted on the south side of the well head. Staff identified a spill running from the flowline part, running north 100 feet, starting at 6 feet wide and increasing to 120 feet wide. Staff estimated 125 to 150 barrels of fluid spilled, with soil at 120,000 parts per million of chlorides. Staff’s inspection report and photographs are attached and incorporated into this Penalty Order as Exhibit A.

10. On November 22, 2017, Staff conducted an inspection and noted no change at the subject well spill site. On November 29, 2017, Staff sent a letter to Operator, stating that Operator’s failure to notify the appropriate District Office of the spill constituted a violation of K.A.R. 82-3-603. The letter also gave a December 13, 2017, deadline to clean up the spill and to submit an Unreported Spill Form.

11. On December 14, 2017, Staff conducted an inspection and determined the spill site had not been remediated. Staff took photographs of the site, attached and incorporated into this Penalty Order as Exhibit B.

12. To date, Operator has not cleaned up the spill or submitted an Unreported Spill Form.

III. CONCLUSIONS OF LAW

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

14. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-603(b) because Operator did not notify the appropriate District office of a spill in a timely manner. Under K.A.R. 82-3-603(d), a first violation of this regulation carries a \$250 penalty, a second violation carries a \$500 penalty, and subsequent penalties carry a \$1,000 penalty. The Commission takes notice of its Penalty Order against Operator in Docket 18-CONS-3181-CPEN, which found Operator to have committed four violations of this regulation. Accordingly, the Commission concludes Operator should be assessed a \$1,000 penalty for its violation of K.A.R. 82-3-603(b) in this docket.

15. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 83-3-603(e)(1) because Operator did not timely remediate the spill. Under K.A.R. 82-3-603(f), a first violation of K.A.R. 82-3-603(e)(1) is punishable by a \$1,000 penalty.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$1,000 penalty for failure to notify the appropriate District office of a spill in a timely manner.

B. Operator shall pay an additional \$1,000 for failure to timely remediate the spill.

C. Operator shall clean up and remediate the affected areas from the spill according to District #1 specifications. If the affected areas are not fully cleaned up and remediated by February 1, 2018, then Operator shall pay an additional \$2,500 penalty.

D. In addition, if the affected areas from the spill are not fully cleaned up and remediated by February 22, 2018, then Staff is directed to clean up the spill and remediate the affected areas, and to assess the costs to Operator, with an additional \$5,000 penalty.

E. 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.

F. Checks and money orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number, and expiration date. 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.

G. 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.

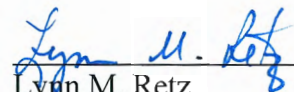
H. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

I. 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.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: JAN 18 2018


Lynn M. Retz
Secretary to the Commission

Mailed Date: JAN 19 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: 15-071-20213-00-00

Op Name: Prairie Gas Operating, LLC

Spot: SW SW SW Sec 15 Twp 19 S Rng 40 ☐ E / ☒ W

Address 1: 427 S. Boston St. Ste 520

341 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

4960 Feet from ☒ E / ☐ W Line of Section

City: Tulsa

GPS: Lat: 38.39402 Long: 101.73238 Date: 10/26/17

State: Okl Zip Code: 74103 -

Lease Name: Liljegren Well #: 1

Operator Phone #: (918) 734-7727

County: Greeley

Reason for Investigation:

Unreported salt water spill

Problem:

2" PVC flow line parted.
 No attempt was made to recover free fluids or to report spill

Persons Contacted:

Findings:

- 10-26-17 2" PVC flowline parted on the south side of the well head. Spill occurred sometime prior to 10/23/17. Spill ran north for 100' starting at 6' wide increasing to 120' wide. Calculate 125 to 150 bbls of 120000 ppm brine spilled. No attempt made to recover free fluids. All soaked in. Farmer has disked out around then spill.
- 11-22-17 Re-check. No change from 10-26-17 inspection. The spill has never been reported to the KCC nor has any attempt been made to clean up and remediate.
- 12-14-17 No cleanup or remediation has been done. Road drag being used in an attempt to cover up and hide the spill. Deadline for cleanup was 12-13-17 per letter to Prairie Gas dated 11/29/17.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒ ?

Date: _____

On 6/20/17, I met Jace Foster with Prairie Gas in Hamilton county and discussed several issues including KCC rules & regulations in reporting spills and the substantial fines for not reporting or cleaning up spills. On 6/28/17, an unreported spill was found on the Winegar 3-35 gas well in Sec 35-19-40, Greeley Co. The operator was given a verbal warning along with instructions to report any future spills. In July 2017, five more unreported spills were found. Fines were eventually imposed for \$3000 and invoiced 11-21-17.
 On 10-26-17 the above Liljegren 1 spill was found which is the 7th unreported spill. By 11-22-17 the spill had never been reported or cleaned up. Suggest maximum fine be imposed with possible license review or suspension.
 12-14-17 Send to legal

Verification Sources:

Photos Taken: Yes 4

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

By: Ken Jehlik
ECRS

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: 02/22/2008

Exhibit A

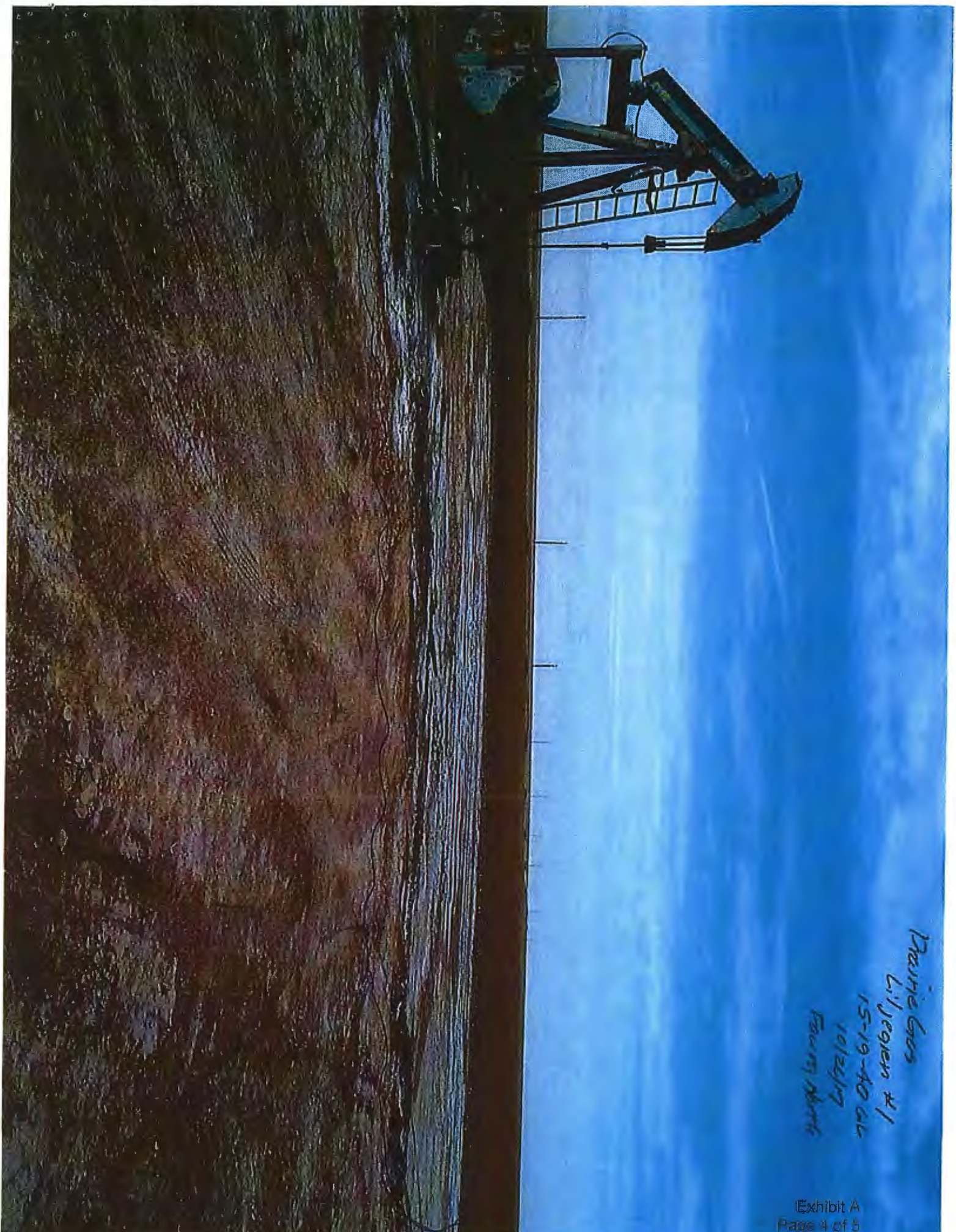


10-26-17



Prairie Gas
Lillegren #1
15-19-4064
10/26/17
Facing North

Maui Lakes
Liljeholmen #1
15-19-40 GL
10/26/17
Fauquier, North



Boone Gas
Liljengen #1
15-19-40GL
10/26/17
Facing SW

Parric 12-14-17
Liljequist #1 15-19-40 GC

Prairie Gosh 12-14-17
Liljehorn 1 15-19-20 GL

original spill area

Road drain



CERTIFICATE OF SERVICE
18-CONS-3278-CPEN

I certify that on **JAN 18 2018**, I caused a complete and accurate copy of this Order to be served by first class mail to the following:

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

Electronically to:

Jonathan R. Myers, Litigation Counsel
KCC Central Office
j.myers@kcc.ks.gov

/s/DeeAnn Shupe
DeeAnn Shupe

Order Mailed Date
JAN 19 2018