

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

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

In the matter of the failure of Perkins Oil)	Docket No.: 17-CONS-3249-CSHO
Enterprises, Inc. ("Operator") to comply with)	
K.A.R. 82-3-407 at the MKO Ranch #9,)	CONSERVATION DIVISION
Pickell G #6 and Pickell #9 in Elk County,)	
Kansas.)	License No.: 4448

PREHEARING OFFICER ORDER SETTING PROCEDURAL SCHEDULE

1. The Prehearing Officer hereby schedules this matter for hearing before the Commission pursuant to such designation as Prehearing Officer (K.S.A. 77-551 and 77-517).

2. On December 20, 2016, at the Prehearing Conference, the Parties agreed to the schedule put forth below.

3. The evidentiary hearing in this docket shall be held on March 16, 2017, at 10:00 a.m., at the Commission's office at 266 N. Main, Ste. 220, Wichita, Kansas 67202.

4. Pre-filed testimony shall be submitted as follows:

Commission Staff's Pre-filed Direct Testimony	Due by January 27, 2017
Operator's Pre-filed Direct Testimony	Due by February 10, 2017
Commission Staff's Rebuttal Testimony	Due by March 6, 2017

5. The Commission may limit the parties' direct and rebuttal testimony to the pre-filed testimony. Failure to submit pre-filed testimony may result in the Commission restricting the right to testify and present evidence at the evidentiary hearing.

6. Any person requiring special accommodations under the Americans with Disabilities Act should notify the Commission at least 10 days before the scheduled hearing date.

7. Any party that fails to attend or participate in the hearing, or other stage of this proceeding may be held in default pursuant to KAPA.

THEREFORE, THE PREHEARING OFFICER ORDERS:

The schedule set forth above is hereby adopted.

Dated: December 29, 2016

DLK/sc

/s/ Dustin L. Kirk

Dustin L. Kirk
Prehearing Officer
Office of General Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027
Phone (785) 271-3198
Fax (785) 271-3314

CERTIFICATE OF SERVICE

I certify that on 12/29/16, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Jon R. Viets
PO Box 1176
Independence, KS 67301
Attorney for Perkins Oil Enterprises, Inc.

James R. Perkins
Perkins Oil Enterprises, Inc.
PO Box 707
Howard, KS 67349-0707

and delivered by e-mail to:

John Almond
KCC District #3

Rene Stucky
KCC Central Office

Jon Myers
KCC Central Office

Dustin L. Kirk, Prehearing Officer
KCC Topeka Office

/s/ Paula J. Murray
Paula J. Murray
Legal Assistant
Kansas Corporation Commission

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



2016-10-18 14:00:19
Kansas Corporation Commission
/s/ Amy L. Green

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

Jay Scott Emler, Chairman
Shari Feist Albrecht, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT

17-CONS-3249-CPEN

This is a notice of a penalty assessment for violation 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:

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay \$3000. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order 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.

3. K.A.R. 82-3-407(a) provides each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water, prevent damage to sources of oil or gas, and confine fluids to the intervals approved for injection.

An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer, and no fluid movement into fresh or usable water. An injection well's mechanical integrity shall be established at least once every five years.

4. K.A.R. 82-3-407(c) provides that the operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.

5. K.A.R. 82-3-407(d) provides that mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and that the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.

6. K.A.R. 82-3-407(g) provides that no injection well shall be operated before passing a mechanical integrity test ("MIT"). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.

II. FINDINGS OF FACT

7. Operator conducts oil and gas activities in Kansas under license number 4448.

8. Operator is responsible for the care and control of the following wells, all located in Elk County, Kansas ("the subject wells"):

- a. MKO Ranch #9, API #15-049-20455-00-01, Underground Injection Control Permit #E-19844, located in Section 16, Township 30 South, Range 9 East;

- b. Pickell G #6, API #15-049-19291-00-00, Underground Injection Control Permit #D-14160, located in Section 30, Township 30 South, Range 11 East; and
- c. Pickell #9, API #15-049-20618-00-02, Underground Injection Control Permit #D-24534, located in Section 30, Township 30 South, Range 11 East.

9. District Staff determined that the subject wells have not been successfully tested for mechanical integrity as required by K.A.R. 82-3-407.

10. District Staff sent Notice of Violation letters to the Operator, requiring Operator to bring the subject wells into compliance with K.A.R. 82-3-407 by a specified deadline.

11. District Staff collected evidence and submitted it to the Legal Department with a recommendation that the Commission issue this Order. The recommendation sheets submitted by District Staff are attached to this Order as Exhibit A, incorporated into this Order, and shall serve as the concise and explicit statement of facts required by K.S.A. 77-526.

III. CONCLUSIONS OF LAW

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

13. The above findings of fact are sufficient evidence to support the conclusion that Operator committed three violations of K.A.R. 82-3-407 because current, successful MIT's have not been performed on the subject wells.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$3000 penalty.
- B. Operator shall perform a successful MIT on the subject wells, or plug them.

C. Operator shall shut-in and disconnect the subject wells until such time as successful MIT's have been performed.

D. 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.

E. 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.

F. 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.

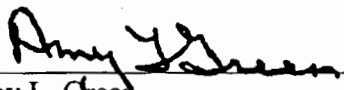
G. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

H. 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.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: OCT 18 2016



Amy L. Green
Secretary to the Commission



Mailed Date: October 18, 2016

JRM

PENALTY ORDER RECOMMENDATION

*****ROUTINE MECHANICAL INTEGRITY TEST VIOLATION*****

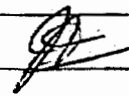
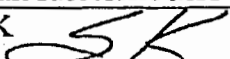
Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	10/12/2016
District/Department:	District #3
Person Recommending Penalty:	John Almond, Compliance Officer 
Operator Name:	Perkins Oil Enterprises, Inc.
Operator License Number:	4448
Well/Lease Name & Well Number:	MKO Ranch #9
Well/Lease Location, and County:	SESENWNW Sec. 16-30S-9E, Elk County
Well API Number:	15-049-20455-00-01
UIC Docket Number:	E-19844.1
Regulation Number:	82-3-407
Description of Violation:	Failure to conduct successful MIT
Date Reminder Letter Sent:	NA
MIT Due Date:	NA
Date NOV letter Sent, and Deadline:	NA
Extension Requested in Writing?	NA
Extended Compliance Deadline, if Extension was Granted:	N/A
Failed MIT Date:	June 22, 2016
Date Repair or Plug Letter Sent, and Deadline:	July 08, 2016 and deadline of September 20, 2016
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Conduct successful MIT. Shut-in and disconnect well until successful MIT has been performed.
Supervisor Initials	SK 

PENALTY ORDER RECOMMENDATION

*****ROUTINE MECHANICAL INTEGRITY TEST VIOLATION*****

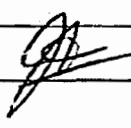
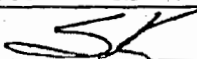
Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	10/12/2016
District/Department:	District #3
Person Recommending Penalty:	John Almond, Compliance Officer 
Operator Name:	Perkins Oil Enterprises, Inc.
Operator License Number:	4448
Well/Lease Name & Well Number:	Pickell G #6
Well/Lease Location, and County:	SESWSWSW Sec. 30-30S-11E, Elk County
Well API Number:	15-049-19291-00-00
UIC Docket Number:	D-14160.0
Regulation Number:	82-3-407
Description of Violation:	Failure to conduct successful MIT
Date Reminder Letter Sent:	NA
MIT Due Date:	NA
Date NOV letter Sent, and Deadline:	NA
Extension Requested in Writing?	NA
Extended Compliance Deadline, if Extension was Granted:	N/A
Failed MIT Date:	June 22, 2016
Date Repair or Plug Letter Sent, and Deadline:	July 08, 2016 and deadline of September 20, 2016
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PENALTY ORDER RECOMMENDATION

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District/Department:	District #3
Person Recommending Penalty:	John Almond, Compliance Officer 
Operator Name:	Perkins Oil Enterprises, Inc.
Operator License Number:	4448
Well/Lease Name & Well Number:	Pickell #9
Well/Lease Location, and County:	NWSESESW Sec. 30-30S-11E, Elk County
Well API Number:	15-049-20618-00-02
UIC Docket Number:	D-24534.0
Regulation Number:	82-3-407
Description of Violation:	Failure to conduct successful MIT
Date Reminder Letter Sent:	NA
MIT Due Date:	NA
Date NOV letter Sent, and Deadline:	NA
Extension Requested in Writing?	NA
Extended Compliance Deadline, if Extension was Granted:	N/A
Failed MIT Date:	June 17, 2016
Date Repair or Plug Letter Sent, and Deadline:	June 21, 2016 and deadline of September 15, 2016
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Conduct successful MIT. Shut-in and disconnect well until successful MIT has been performed.
Supervisor Initials	SK 

CERTIFICATE OF SERVICE

I certify that on 10/18/16, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

James R. Perkins
Perkins Oil Enterprises, Inc.
PO Box 707
Howard, KS 67349-0707

and delivered by e-mail to:

John Almond
KCC District #3

Rene Stucky
KCC Central Office

/s/ Paula J. Murray
Paula J. Murray
Legal Assistant
Kansas Corporation Commission