20180927113504
Kansas Corporation Commission

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-3124-CPEN

September 27, 2018

Travis Coody
Osage Operating, LLC
1102 N. Lenapah Avenue
Skiatook, OK 74070

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 $500 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 Osage Operating, LLC ("Operator") to comply with K.A.R. 82-3-120.	)	Docket No.: 19-CONS-3124-CPEN
	)	CONSERVATION DIVISION
	)	License No.: 35498

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. 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. No operator shall drill, complete, service, plug, or operate any oil or gas well without first obtaining or renewing an operator license.[7] Each operator in physical control of any such well shall maintain a current license even if the well is shut in or idle.[8]

4. Each licensee shall annually submit a completed license renewal form on or before the expiration date of the current license.[9]

5. Failure to obtain or renew an operator license before operating shall be punishable by a $500 penalty.[10]

II. FINDINGS OF FACT

6. The Operator is responsible for the care and control of the well(s) listed in Exhibit A ("the subject well(s)"). The Operator's license expired on August 30, 2018.

7. On September 04, 2018, Commission Staff sent a Notice of Violation letter to the Operator, requiring the Operator to renew the license, or transfer the subject well(s) to another operator, or plug the well(s), by September 18, 2018.

8. To date, the Operator has not complied with K.A.R. 82-3-120 by the deadline set out in Staff's Notice of Violation letter.

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.

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[5] K.S.A. 55-164.
[6] *Id.*
[7] K.A.R. 82-3-120(a)(1).
[8] *Id.*
[9] K.A.R. 82-3-120(a)(2).
[10] K.A.R. 82-3-120(k).

10. The Commission finds and concludes the Operator committed one violation of K.A.R. 82-3-120(a) because an unplugged well or unplugged wells, for which the Operator is responsible, remain on the Operator's expired license.

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall pay a $500 penalty.

B. The Operator shall immediately shut-in all unplugged wells on its license and cease oil and gas operations until the Operator is in compliance with this Order. Staff may seal the wells until the Operator is in compliance with this Order.

C. The Operator has 60 days from the date of this Order to:

a. Renew its license or obtain a new license and transfer the well(s) to that license; or

b. Transfer the well(s) to another operator by filing the appropriate form(s) with the Commission; or

c. Plug the well(s).

D. If any unplugged well(s) remain on the Operator's expired license after 60 days from the date of this Order, then:

a. The Operator shall pay an additional $5,000 penalty;

b. Staff shall revoke any injection authorizations applicable to the operator; and

c. Staff is directed to place the well(s) on the appropriate state plugging list, to plug according to priority and as funds allow, and to assess the plugging costs to the Operator. This shall not preclude Staff from investigating additional potentially-responsible parties.

E. 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.

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 the Operator's right to a hearing.

H. A corporation shall appear before the Commission by a Kansas licensed attorney.[11]

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

I. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.
Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 09/27/2018

Lynn M. Retz
Secretary to the Commission

Mailed Date: 09/28/2018

LW

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NOTICE OF VIOLATION

Sept. 4, 2018

Travis Coody
Osage Operating, LLC
1102 N LENAPAH AVE
SKIATOOK, OK 74070

Re: Unplugged Well(s) on Expired License #35498

Operator:

Unplugged well(s) are on your expired license, **which violates K.A.R. 82-3-120**. Attached is a list of the unplugged well(s). Please do one of the following:

- Renew your license, or obtain a new license and transfer the well(s) to that license,
- Transfer the well(s) to another operator by filing T-1 forms with the Commission, or
- File Well Plugging Application (CP-1) form(s) and plug the well(s).

Your deadline is September 18, 2018.

If you do not correct this violation, I will recommend a Commission Order with a $500 penalty. The Order would also require you to plug the well(s) within 60 days. Failure to comply with the Order would automatically result in the Commission levying additional penalties against you, directing Staff to plug the wells, and assessing plugging costs to you.

You must immediately shut-in all wells and cease oil and gas operations until compliance is achieved.

For help renewing or obtaining a license, contact Nancy Borst at 316-337-6194.
For help transferring wells, contact Deanna Garrison at 316-337-6209.
For help with CP-1 forms, contact Rick Hestermann at 316-337-6193.

If you have further questions, you may contact me by calling our main number at the top of this letter.

Sincerely,

Nancy Borst
Administrative Specialist

Exhibit A

Osage Operating, LLC
License: 35498

Unplugged Wells on Operator's License

API Well #	Lease Name / Well #	Well Location	County
15-031-19039-00-01	HATCH 1	35-21S-13E, W2SWSE	COFFEY
15-031-20055-00-01	HATCH 6	35-21S-13E, NWNWSWSE	COFFEY
15-031-20279-00-00	BASHAW-BIRK TWIN 1	35-21S-13E, SWSWNE	COFFEY
15-031-20319-00-01	HATCH 4	35-21S-13E, NWNWSE	COFFEY
15-031-21963-00-01	OSAGE 1	1-22S-13E, E2SESE	COFFEY
15-031-21977-00-00	OSAGE 3	35-21S-13E, NWSENESE	COFFEY
15-031-21988-00-01	OSAGE 2	6-22S-14E, NENWSESW	COFFEY
15-031-21989-00-00	OSAGE 4	6-22S-14E, SENWNWSW	COFFEY
15-031-21990-00-00	OSAGE 5	6-22S-14E, SESWSW	COFFEY
15-031-22003-00-00	OSAGE 6	1-22S-13E, E2SWNESE	COFFEY
15-031-22004-00-00	OSAGE 7	6-22S-14E, S2S2NE	COFFEY
15-031-22049-00-00	OSAGE 11	31-21S-14E, NWNWNE	COFFEY
15-031-22050-00-00	OSAGE 12	31-21S-14E, SWSWNE	COFFEY
15-031-22051-00-00	OSAGE 13	31-21S-14E, SWSE	COFFEY
15-031-22052-00-00	OSAGE 14	32-21S-14E, SESESW	COFFEY
15-031-22053-00-00	OSAGE 15	32-21S-14E, NWNWNE	COFFEY
15-031-22054-00-00	OSAGE 16	29-21S-14E, SWNESE	COFFEY
15-031-22056-00-00	OSAGE 21 SWD	29-21S-14E, E2NWSESE	COFFEY
15-031-22057-00-00	OSAGE 27	1-22S-13E, NESWNESW	COFFEY
15-031-22058-00-00	OSAGE 28	1-22S-13E, SESWNWNW	COFFEY
15-031-22059-00-00	OSAGE 29	1-22S-13E, NENENW	COFFEY
15-031-22060-00-00	OSAGE 30	36-21S-13E, SENWNWNE	COFFEY
15-031-22074-00-00	OSAGE 36	31-21S-14E, NESENE	COFFEY
15-031-22075-00-00	OSAGE 37	32-21S-14E, NWSWSW	COFFEY
15-031-22089-00-00	OSAGE 38	36-21S-13E, SESENE	COFFEY
15-031-22090-00-00	OSAGE 39	5-22S-14E, N2NENE	COFFEY
15-031-22091-00-00	OSAGE 40	32-21S-14E, SENENWNW	COFFEY

15-031-22094-00-00	OSAGE 41	2-22S-13E, NESENWNE	COFFEY
15-031-22112-00-00	OSAGE 43	35-21S-13E, SESENE	COFFEY
15-031-23889-00-00	REISBIG 1	32-21S-14E, SESWSESW	COFFEY
15-031-23891-00-00	REISBIG I-2	32-21S-14E, NWSESESW	COFFEY
15-031-23892-00-00	HATCH I-1	2-22S-13E, NESENWNE	COFFEY
15-031-23893-00-00	HATCH I-2	2-22S-13E, SWSENWNE	COFFEY
15-073-24046-00-00	HAAS L 16-B1	16-22S-13E, NENENW	GREENWOOD
15-073-24214-00-00	HAAS I-1	16-22S-13E, NENENENW	GREENWOOD
15-073-24215-00-00	HAAS I-2	16-22S-13E, NESWNENW	GREENWOOD

CERTIFICATE OF SERVICE

19-CONS-3124-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 09/27/2018.

TRAVIS COODY
OSAGE OPERATING, LLC
1102 N LENAPAH AVE
SKIATOOK, OK 74070

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ DeeAnn Shupe
DeeAnn Shupe