

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

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

In the matter of an Order to Show Cause issued) Docket No.: 16-CONS-591-CSHO
to Multiplex Resources, Inc. regarding)
responsibility under K.S.A. 55-179 for) CONSERVATION DIVISION
plugging five wells on the Neely Lease in)
Neosho County, Kansas.) License No.: 34353

**ORDER TO SHOW CAUSE, DESIGNATING A PREHEARING OFFICER,
AND SETTING A PREHEARING CONFERENCE**

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 jurisdiction to regulate oil and gas production in Kansas under Chapter 55 of the Kansas Statutes Annotated and the General Rules and Regulations for the Conservation of Crude Oil and Natural Gas, K.A.R. 82-3-100 *et seq.*
2. K.S.A. 55-162 provides the Commission with jurisdiction to institute proceedings to enforce the laws of Kansas and Commission rules, regulations, and orders.
3. Pursuant to K.S.A. 55-164, the Commission may assess monetary penalties to operators or contractors who are in violation of Chapter 55 of the Kansas Statutes Annotated, or any rule, regulation, or order of the Commission. The maximum monetary penalty is \$10,000, and each day of a continuing violation constitutes a separate violation.
4. K.S.A. 55-179 provides the Commission with jurisdiction to determine the persons legally responsible for the proper care and control of abandoned oil and gas wells.

5. K.S.A. 55-179(b) provides a person who is legally responsible for the care and control of an abandoned well shall include, but is not limited to, one or more of the following:

- a. Any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water;
- b. the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well;
- c. the original operator who plugged or abandoned such well; and
- d. any person who without authorization tampers with or removes surface equipment or downhole equipment from an abandoned well.

6. K.S.A. 55-180 gives the Commission a cause of action against the responsible parties listed in K.S.A. 55-179 for the reasonable plugging costs of abandoned wells.

II. FINDINGS OF FACT

7. On October 30, 2015, Commission Staff moved the Commission to set this matter for hearing, alleging the following facts:

- a. At issue is the party legally responsible for the following wells (collectively "the subject wells") located in Section 30, Township 28 South, Range 19 East, Neosho County:
 - i. North Neely #1, API #15-133-24150, 1834 FSL and 5072 FEL (GPS Coordinates 37.57780, -95.37880);
 - ii. North Neely #2, API #15-133-24151, 1858 FSL and 4718 FEL (GPS Coordinates 37.57787, -95.37758);
 - iii. North Neely #6, API #15-133-24189, 1963 FSL and 4412 FEL (GPS Coordinates 37.57816, -95.37652);
 - iv. NEE #02, 1664 FSL and 4422 FEL (GPS Coordinates 37.57780, -95.37880); and

- v. NEE #03, 1765 FSL and 4138 FEL (GPS Coordinates 37.57787, -95.37758).
- b. On March 19, 2010, Commission Staff received a Request for Change of Operator ("T-1") Form, signed by Multiplex Resources ("Operator") and approved by Staff, transferring responsibility for the North Neely #1, North Neely #2, and North Neely #6 wells to Operator.
- c. On March 23, 2012, and March 14, 2014, Operator filed certified well inventories accepting responsibility for the North Neely #1, North Neely #2, and North Neely #6 wells.
- d. On November 13, 2014, after Commission Staff inspected the subject wells and determined that the wells were abandoned, Staff sent a letter to Operator, asking Operator to provide documentation showing that Operator was not responsible for the wells. The letter stated that in the alternative, Operator would be held responsible, and that Staff would be willing to consider a plugging agreement giving Operator a timeframe to plug the wells.
- e. On December 1, 2014, Operator sent a letter to Commission Staff, stating that it accepted responsibility for plugging the subject wells, and requesting five or six months to do so. On February 6, 2015, Commission Staff sent a letter to Operator, agreeing to give Operator until July 31, 2015, to plug the subject wells.
- f. On March 17, 2015, Operator filed a certified well inventory, again accepting responsibility for the North Neely #1, North Neely #2, and North Neely #6 wells.

- g. On April 23, 2015, Operator filed a Well Plugging Application ("CP-1 ") for the North Neely #1 and North Neely #2.
- h. Between August 1, 2015, and October 5, 2015, Commission Staff and Operator engaged in various correspondences regarding Operator's failure to plug the subject wells. On October 5, 2015, Operator sent an email to Staff, stating that it would "be more than happy to let [its] attorneys deal with any attempted enforcement action."
- i. On October 13, 2015, Commission Litigation Counsel sent a letter to Operator, giving until October 23, 2015, to file CP-1 's for the three subject wells for which Operator had not yet done so, and until November 30, 2015, to plug all five of the subject wells, to avoid Staff filing a motion to show cause. To date, Operator has not yet filed the three additional CP-1's, or plugged any of the five subject wells.
- j. Commission Staff have recently inspected the subject wells and determined that the wells remain abandoned and unplugged. Commission Staff have reviewed Neosho County Register of Deeds records and believe that Operator no longer has a valid lease.
- k. Given the above facts, Operator is responsible for the subject wells under the nonexclusive provisions of K.S.A. 55-179(b), as the last operator to file paperwork with the Commission accepting responsibility for the wells. Alternatively, Operator is responsible for the subject wells as the original operator who abandoned the wells, or as the current or last operator of the lease upon which the wells are located. Since the wells are abandoned, Operator should be required to plug the wells.

8. No response was filed by Operator on its own behalf or through counsel.

III. CONCLUSIONS OF LAW

9. The Commission finds and concludes that the operator in this docket should attend an evidentiary hearing to show cause why it is not responsible for the subject well or wells.

10. Pursuant to K.S.A. 77-551(c), the Commission finds and concludes that a Prehearing Officer should be designated in this proceeding to address any matters listed in K.S.A. 77-517(b). The Commission also finds that an initial prehearing conference should be scheduled in this matter.

THEREFORE, THE COMMISSION ORDERS:

A. The Prehearing Officer in this proceeding shall be Lane R. Palmateer, Kansas Corporation Commission, 266 N. Main, Ste. 220, Wichita, Kansas 67202, telephone number 316-337-6200, email address l.palmateer@kcc.ks.gov.

B. A Prehearing Conference is scheduled for Thursday, December 3, 2015. The Prehearing Conference shall begin at 3:30 p.m., and shall end by 4:00 p.m., at the Commission's offices, 266 N. Main, Ste. 220, Wichita, Kansas 67202. Telephonic attendance may be permitted by advance request. The Prehearing Conference will focus on the development of a procedural schedule for this docket.

C. At the Prehearing Conference, parties shall be prepared to discuss deadlines for filing testimony and briefs, discovery procedures, scheduling of a hearing with the Commission, and any other issues that will promote the orderly and prompt resolution of this proceeding.

D. At the Prehearing Conference, without further notice, this proceeding may be converted into a conference hearing or a summary proceeding for disposition of this matter as

provided by the Kansas Administrative Procedure Act ("KAPA"). Any party that fails to attend or participate in the Prehearing Conference, hearing, or other stage of this proceeding shall be held in default under the KAPA.

E. Pursuant to K.A.R. 82-3-228(d)(2), corporations must enter an appearance via an attorney. If a corporation fails to enter an appearance via an attorney prior to the Prehearing Conference, it shall be held in default under the KAPA.

F. The attorney designated to appear on behalf of the agency in this proceeding is Jonathan R. Myers, Litigation Counsel, telephone number 316-337-6200, email address j.myers@kcc.ks.gov.

G. The Commission retains jurisdiction over the subject matter and 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; Apple, Commissioner

Dated: NOV 19 2015



Amy L. Green
Secretary to the Commission

Mailed Date: Nov. 19, 2015

LRP

CERTIFICATE OF SERVICE

I certify that on 11/19/15, 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:

B. L. Guiles
Multiplex Resources, Inc.
3262 Westheimer Road #519
Houston, Texas 77098

John Almond
KCC District #3
1500 W. 7th Avenue
Chanute, KS 66720

and delivered by hand to:

Jonathan R. Myers
KCC Central Office

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