

**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 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.                            )  
\_\_\_\_\_)    License No: 35442

**ORDER APPROVING SETTLEMENT AGREEMENT**

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds and concludes as follows:

1.        On January 18, 2018, the Commission issued a Penalty Order against the Operator for failure to comply with K.A.R. 82-3-603 at the Liljegren #1 well in Greeley County, Kansas.
2.        On February 14, 2018, the Operator filed a Request for Hearing.
3.        On June 22, 2018, Conservation Division Staff (Staff) filed a Motion to Approve Settlement Agreement which attached the Settlement Agreement (SA) duly executed by both parties.<sup>1</sup> The SA indicates the Operator has remediated the affected areas from a spill which formed the basis of the Penalty Order.<sup>2</sup> The Operator has agreed to pay \$3,750 of the \$4,500 penalty and has made a \$2,000 payment.<sup>3</sup> The Operator shall pay the remaining \$1,750 by July 31, 2018.<sup>4</sup>

---

<sup>1</sup> Motion to Approve Settlement Agreement (Jun. 22, 2018).

<sup>2</sup> SA at 2.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 3.

4. Kansas law favors compromising and settling disputes when the agreement is entered intelligently, and in good faith.<sup>5</sup> The Commission finds that the SA provides a fair and efficient resolution of the matter.

5. Pursuant to the SA, the Operator is hereby on notice that failure to comply with the SA may result in Operator's license being suspended and other such penalty as may be warranted pursuant to the conditions of the SA.

**THEREFORE, THE COMMISSION ORDERS:**

A. The Motion to Approve Settlement Agreement is granted and the Settlement Agreement is approved.


B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>6</sup>

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

**BY THE COMMISSION IT IS SO ORDERED.**

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 07/10/2018

  
\_\_\_\_\_  
Lynn M. Retz  
Secretary to the Commission

Mailed Date: 07/11/2018

DLK/sc

---

<sup>5</sup> *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

<sup>6</sup> K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

**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

**SETTLEMENT AGREEMENT**

This Settlement Agreement (Agreement) is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and Prairie Gas Operating, LLC ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

**I. JURISDICTION**

1. Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.
2. Pursuant to K.S.A. 55-150 *et seq.*, the Commission has authority to regulate the construction, operation, and abandonment of any well and the protection of the useable water of this state from any actual or potential pollution from any well.
3. Pursuant to K.S.A. 55-155, operators and contractors, as defined in K.S.A. 55-150, shall be licensed by the Commission.
4. Pursuant to K.S.A. 55-162, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.

*W*

5. Pursuant to K.A.R. 82-3-603(b)(2) and K.A.R. 82-3-603(d), an operator is required to notify the appropriate district office of any escape of saltwater, oil, or spill no later than the next business day following the date of discovery or knowledge of the spill. Failure to provide such notice is 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. Pursuant to K.A.R. 82-3-603(e)(1) and K.A.R. 82-3-603(f), an operator is required to clean up any spill or escape in accordance with the cleanup method approved by the appropriate District office within 10 days after discovery or knowledge of the spill or escape. 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. BACKGROUND**

7. On January 18, 2018, the Commission issued a Penalty Order against Operator for one violation of K.A.R. 82-3-603(b) for failure to notify the appropriate District office of a spill in a timely manner and one violation of K.A.R. 82-3-603(e)(1) for failure to clean up and remediate the spill in a timely manner. The Penalty Order assessed a \$2,000 penalty, and directed Operator to clean up and remediate the affected areas from the spill by February 1, 2018 or the Operator would be assessed an additional \$2,500 penalty.

8. Operator failed to clean up the spill by the February 1, 2018 deadline; resulting in an additional \$2,500 penalty. On February 21, 2018, Operator cleaned up and remediated the affected areas from the spill to the satisfaction of District Staff.

9. To avoid potential litigation costs and to foster administrative efficiency, Operator and Staff have reached the following agreement.

### **III. TERMS OF THE SETTLEMENT AGREEMENT**

10. The parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the stipulations as set forth below.

11. Operator shall pay \$3,750 of the \$4,500 originally assessed in this docket. Operator has already made a \$2,000 payment. Operator shall pay the remaining \$1,750 by July 31, 2018.

12. Operator understands and agrees that failure to comply with the provisions of any of the above paragraphs will result in the Commission suspending Operator's license without further notice until all past-due payments are paid. Operator further understands and agrees that if Operator is found conducting oil and gas operations following suspension of Operator's license, and Operator's license is still suspended, then the Commission shall order all of Operator's oil and gas operations sealed and shall assess an additional \$5,000 penalty.

13. Operator acknowledges that upon any suspension of Operator's license, this matter may be submitted for judicial enforcement or enforcement through the Kansas Attorney General's Office.

14. Staff agrees to recommend to the Commission that this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

### **IV. RESERVATIONS**

15. This Settlement Agreement fully resolves the issues specifically addressed between the parties. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

16. The terms and provisions of this Agreement have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any party has the option to terminate this Agreement and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the terms or provisions hereof, unless otherwise provided herein.

17. Unless (and only to the extent) otherwise specified in this Agreement, the signatories to this Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, if the Commission decides not to approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either party fail to fulfill all terms and provisions.

18. Unless (and only to the extent) otherwise specified in this Agreement, this Agreement does not prejudice or waive any party's legal rights, positions, claims, assertions or arguments in any proceedings in this docket, or any other proceeding before the Commission or in any court.

19. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.

20. This Settlement Agreement shall be binding on all parties upon signing.

IN WITNESS WHERETO, the parties hereby execute and approve this Settlement

Agreement by subscribing their signatures below.

Commission Staff  
266 N. Main, Ste. 220  
Wichita, Kansas 67202

By: 

Printed Name:

Lauren Wright

Title:

Litigation Counsel, KCC

Date:

06/22/2018

Prairie Gas Operating, LLC  
427 S. Boston Street, Suite 520  
Tulsa, OK 74103

By: 

Printed Name:

IAN B. AVERY

Title:

MANAGER, PRAIRIE GAS CO.

Date:

6/22/18

**CERTIFICATE OF SERVICE**

18-CONS-3278-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of electronic service on 07/10/2018.

DUSTIN KIRK, DEPUTY GENERAL COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3354  
d.kirk@kcc.ks.gov

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

IAN B. ACREY  
Prairie Gas Operating, LLC  
PO BOX 2170  
TULSA, OK 74101  
iacrey@pge-llc.com

LEE THOMPSON, ATTORNEY  
THOMPSON LAW FIRM, LLC  
D/B/A THOMPSON LAW FIRM, LLC  
106 E 2nd Street N  
WICHITA, KS 67202  
Fax: 316-267-3901  
lthompson@tslawfirm.com

/S/ DeeAnn Shupe  
\_\_\_\_\_  
DeeAnn Shupe