

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
18-CONS-3372-CPEN

May 10, 2018

Wendell Unruh
HDH Resources, Inc.
2366 RD 23
Wilmore, KS 67155-9700

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 \$100 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 HDH Resources, Inc. (“Operator”) to comply with K.A.R. 82-3-126 at the Unruh #1-22 in Comanche County, Kansas.)	Docket No.: 18-CONS-3372-CPEN
)	
)	CONSERVATION DIVISION
)	
)	License No.: 33270

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. 82-3-126(a) provides that all oil tanks, tank batteries, tanks used for salt water collection or disposal, and tanks used for sediment oil treatment or storage shall be identified by a sign posted on, or not more than 50 feet from, the tank or tank battery. The sign

shall be of durable construction and shall be large enough to be legible under normal conditions at a distance of 50 feet. The sign shall identify: 1) the name and license number of the operator; 2) the name of the lease being served by the tank; and 3) the location of the tank by unit name, section, township, range, and county.

4. K.A.R. 82-3-126(b) provides that the failure to post an identification sign shall be punishable by a penalty of \$100.

II. FINDINGS OF FACT

5. Operator conducts oil and gas activities in Kansas under license number 33270.

6. Operator is responsible for the care and control of the Unruh Lease (“the subject lease”), located in Section 22, Township 31 South, Range 17 West, Comanche County, Kansas.

7. District Staff inspected the subject lease and was unable to locate a current identification sign posted on or within 50 feet of the tank or tank battery, legible under normal conditions at a distance of 50 feet.

8. District Staff sent a Notice of Violation letter to Operator, requiring Operator to bring the subject lease into compliance with K.A.R. 82-3-126 by a deadline.

9. District Staff inspected the subject lease after the deadline, verifying that the subject lease continued to be in violation of K.A.R. 82-3-126.

10. District Staff collected evidence and submitted it to the Legal Department with a recommendation that the Commission issue this Order. The recommendation sheet submitted by District Staff is attached and incorporated into this Order, including Staff’s Notice of Violation letter sent to Operator and Staff’s inspection reports.

III. CONCLUSIONS OF LAW

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

12. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-126 because there is not a current identification sign posted on or within 50 feet of the tank or tank battery at the subject lease, such sign being legible under normal conditions at a distance of 50 feet.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$100 penalty.
- B. Operator shall post a current identification sign at the tank or tank battery at the subject lease pursuant to K.A.R. 82-3-126.
- C. 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.
- D. 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.

E. 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.

F. A corporation shall appear before the Commission by a Kansas licensed attorney.¹

G. 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; Keen, Commissioner

Dated: 05/10/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 05/11/2018

LW

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

PENALTY ORDER RECOMMENDATION

ROUTINE TANK IDENTIFICATION VIOLATION

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

Date of Recommendation:	5/01/2018
District/Department:	District #1
Person Recommending Penalty:	Steve Pfeifer, Compliance Officer
Operator Name:	HDH Resources, Inc.
Operator License Number:	33270
Tank Battery/Lease Name:	Unruh 1-22
Tank Battery/Lease Location:	E2E2 Sec. 22-31S-17W, Comanche County
Regulation Number:	K.A.R. 82-3-126
Description of Violation:	Failure to post an identification sign within 50 feet from the tank battery, legible under normal conditions at a distance of 50 feet.
Date of initial lease inspection:	11/20/2017
Date of NOV letter.	12/06/2017
Deadline in NOV letter.	1/03/2018
Date of follow-up lease inspection.	4/30/2018
Requested Monetary Penalty:	\$100
Requested Operator Activity:	Post identification sign in compliance with K.A.R. 82-3-126
Supervisor Initials	JA

Conservation Division
District Office No. 1
210 E. Frontview, Suite A
Dodge City, KS 67801



Phone: 620-682-7933
<http://kcc.ks.gov/>

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

Sam Brownback, Governor

December 6, 2017

NOTICE OF VIOLATION

WENDELL UNRUH
HDH RESOURCES INC.
2366 RD 23
WILMORE KS 67155

**Re: UNRUH 1-22
E2E2 SEC. 22-31S-17W
COMANCHE COUNTY, KANSAS
OPERATOR LICENSE NO. 33270**

Dear Operator:

During a lease inspection conducted on November 20, 2017, on the above-referenced lease, a KCC representative documented the following probable regulatory violations:

1. K.A.R. 82-3-126 No lease ID sign

Please contact me at the number listed below, to discuss how to cure the above-listed violations. If I have not heard from you by **January 03, 2018**, or the violations have not otherwise been cured by that date, this matter will be referred to our legal department, with a recommendation that the Commission take formal enforcement action, including assessment of monetary penalties, for the violations. In the event the Commission issues a penalty order for the above-listed violations, the recommended monetary penalties would total **\$100.00**. You may contact me if you have any questions.

Sincerely,


Eric MacLaren
KCC District #1

Cc: District Supervisor
Legal Department

KCC OIL/GAS REGULATORY OFFICES

Date: 11/20/17

District: 1

Case #: _____

- ☐ New Situation
☐ Response to Request
☒ Follow-Up

- ☒ Lease Inspection
☐ Complaint
☐ Field Report

Operator License No: 33270

API Well Number: see back

Op Name: HDH Resources, Inc.

Spot: SW-SE-SE-NE Sec 22 Twp 31 S Rng 17 ☐ E / ☒ W

Address 1: 2366 Rd. 23

Feet from ☐ N / ☒ S Line of Section

Address 2: _____

Feet from ☒ E / ☐ W Line of Section

City: Wilmore

GPS: Lat: _____ Long: _____ Date: 11/17/16

State: KS Zip Code: 67155 -9700

Lease Name: Unruh Well #: 1-22

Operator Phone #: (620) 738-4337

County: Comanche

Reason for Investigation:

Routine lease inspection.

Problem:

No lease sign and no CP-111.

Persons Contacted:

None.

Findings:

11/20/17 There is has been no change of status to this well, and I could not find a lease ID sign.

11/17/16 The tank battery is located just West of the well. The tank battery consists of: 200 bbl fiberglass stock tank; 2' X 10' vertical separator; and a gas compressor. The existing dike is washed out. There is also a junk gas compressor on location. There is old spill evidence around the well and tank battery. There are no current leaks or spills. KGS shows the last production from November 2013. The well is fully-equipped to produce. I could not locate a lease ID sign.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

Send lease sign and TA letters.

NOV TA ltr + sign ltr sent 12/6/17 MD

Verification Sources:

Photos Taken: 0

- ☒ RBDMS ☒ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☒ Other: On-site inspection.

By: _____

Eric MacLaren

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: _____

KCC OIL/GAS REGULATORY OFFICES

Date: 2/5/18

District: 1

Case #: _____

☐ New Situation

☐ Lease Inspection

☒ Response to Request

☐ Complaint

☒ Follow-Up

☒ Field Report

Operator License No: 33270

API Well Number: see back

Op Name: HDH Resources, Inc

Spot: SW-SE-SE-NE Sec 22 Twp 31 S Rng 17 ☐ E / ☒ W

Address 1: 2366 Rd 23

2644 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

641 Feet from ☒ E / ☐ W Line of Section

City: Wilmore

GPS: Lat: 37.33296 Long: 99.14943 Date: 11/17/16

State: KS Zip Code: 67155 -9700

Lease Name: Unruh Well #: 1-22

Operator Phone #: (620) 738-4337

County: Comanche

Reason for Investigation:

Follow-up lease inspection.

Problem:

No lease sign or CP-111.

Persons Contacted:

None.

Findings:

The fully-equipped well is not producing. I could not find a current lease ID sign. KGS records still show the last gas production from November 2013. The lease road is unused. I took pictures of the pumping unit and tank battery.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

Send to legal TA + sign SPD

Verification Sources:

Photos Taken: 2

<input checked="" type="checkbox"/> RBDMS	<input checked="" type="checkbox"/> KGS	<input type="checkbox"/> TA Program
<input type="checkbox"/> T-I Database	<input type="checkbox"/> District Files	<input type="checkbox"/> Courthouse
<input checked="" type="checkbox"/> Other: <u>On-site inspection.</u>		

By: Eric MacLaren

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: _____

2/5/18

H0H Resources

Unit #1-22

NE 22-31-17 CM

facing West



2/5/18

H0H Resources

Crush #1-22

NE 22 - 31-17 CM

facing North



KCC OIL/GAS REGULATORY OFFICES

Date: 4/30/18

District: 1

Case #: _____

☐ New Situation
☒ Response to Request
☒ Follow-Up

☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 33270

API Well Number: 15-033-20808-00-00

Op Name: HDH Resources, Inc.

Spot: SW-SE-SE-NE Sec 22 Twp 31 S Rng 17 ☐ E / ☒ W

Address 1: 2366 Rd. 23

2644 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

641 Feet from ☒ E / ☐ W Line of Section

City: Wilmore

GPS: Lat: 37.33296 Long: 99.14943 Date: 11/17/16

State: KS Zip Code: 67155 -9700

Lease Name: Unruh Well #: 1-22

Operator Phone #: (620) 738-4337

County: Comanche

Reason for Investigation:

Request to recheck for a lease ID sign.

Problem:

Wrong operator shown on the lease ID sign.

Persons Contacted:

Steve Pfeifer.

Findings:

4/30/18 I could not find a lease ID sign, other than the one that is showing the wrong operator.

4/5/18 The lease ID sign was facing the saltwater tank. I turned it around, but the sign does not show HDH Resources as the operator.

2/5/18 The fully-equipped well is not producing. I could not find a current lease ID sign. KGS records still show the last gas production from November 2013. The lease road is unused.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

Verification Sources:

Photos Taken: 1

☒ RBDMS ☒ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☒ Other: On-site inspection.

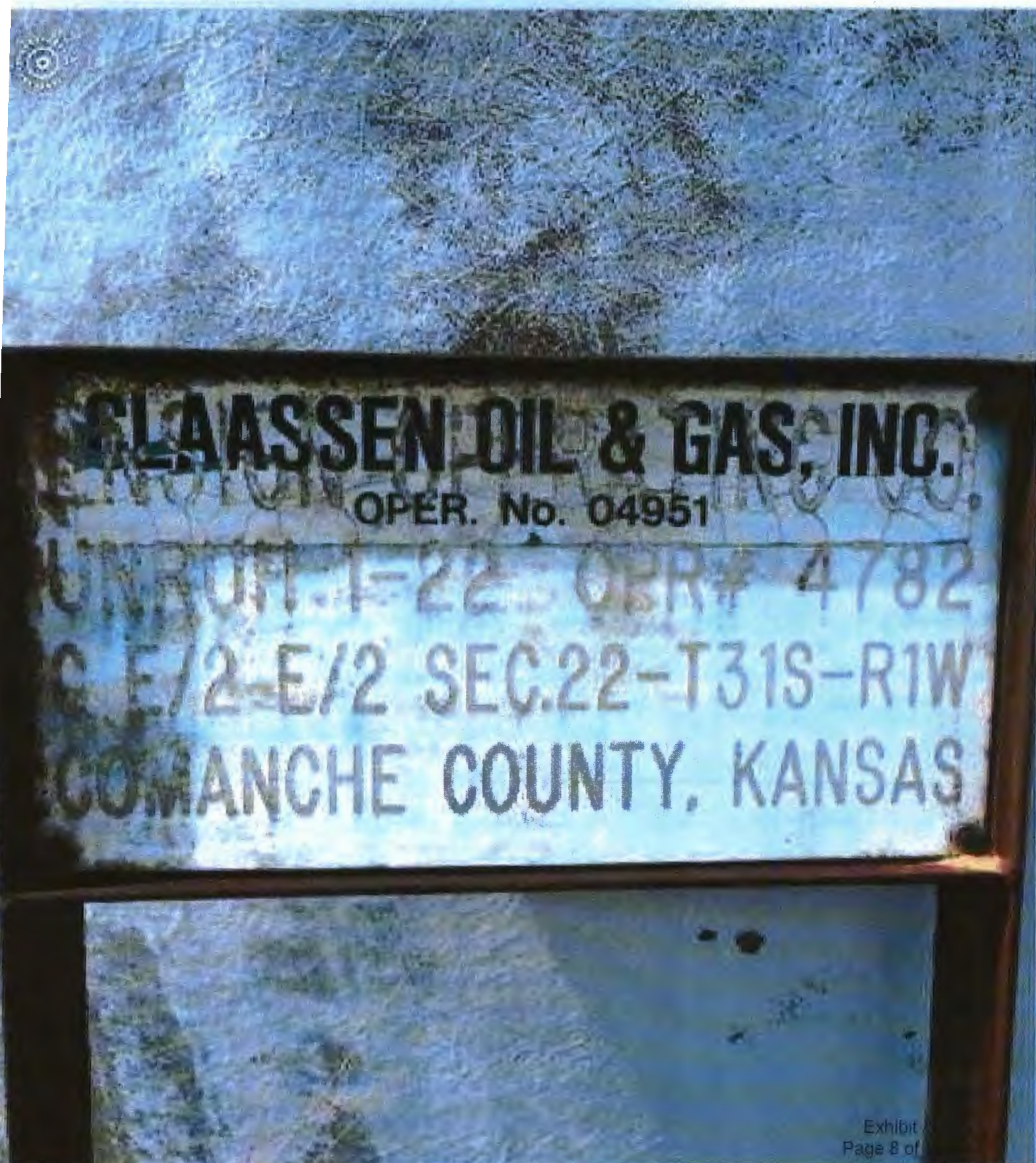
By: Eric MacLaren

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: _____

Images

Attachments



CERTIFICATE OF SERVICE

18-CONS-3372-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 05/10/2018.

STEPHEN PFEIFER
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
s.pfeifer@kcc.ks.gov

WENDELL UNRUH
HDH RESOURCES, INC.
2366 RD 23
WILMORE, KS 67155-9700

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