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Topeka, KS 66604-4027



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<http://kcc.ks.gov/>

Susan K. Duffy, Chair
Shari Feist Albrecht, Commissioner
Dwight D. Keen, Commissioner

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT
20-CONS-3195-CPEN

January 23, 2020

Arlene Valliquette
Merit Energy Company, LLC
13727 Noel Rd., Ste. 1200
Dallas, TX 75240

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 \$200 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. 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,

Michael Glamann
Litigation Counsel
316-337-6200

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

Before Commissioners: Susan K. Duffy, Chair
 Shari Feist Albrecht
 Dwight D. Keen

In the matter of the failure of Merit Energy)	Docket No.: 20-CONS-3195-CPEN
Company, LLC (“Operator”) to comply with)	
K.A.R. 82-3-111 at the Turmorrow Morrow)	CONSERVATION DIVISION
Unit #105S and Victory Morrow Lansing)	
Unit #303S in Morton and Haskell Counties,)	License No.: 32446
Kansas.)	

PENALTY ORDER

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). 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. Within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service, or production of oil, gas, or other minerals, the operator of that well shall: (1) plug the well, (2) return the well to service, or (3) file an application with the Conservation Division requesting temporary abandonment (“TA”) authority, on a form prescribed by the Conservation Division.⁷ No well shall be temporarily abandoned unless first approved by the Conservation Division.⁸ A well shall not be eligible for TA status if the well has been shut in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the Commission.⁹ The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty,¹⁰ and the failure to obtain approval of temporary abandonment status shall subject the operator to additional administrative action.¹¹

4. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped for production of oil or gas or for injection; (2) capable of immediately resuming production of oil or gas or of injection; (3) subject to a valid continuing oil and gas lease; when (4) the cessation period for the well is less than 365 days; and (5) the well is otherwise in full compliance with all of the Commission’s regulations.

II. FINDINGS OF FACT

5. Operator conducts oil and gas activities in Kansas under active license number 32446.

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ *See* K.A.R. 82-3-111(a).

⁸ K.A.R. 82-3-111(b).

⁹ *Id.*

¹⁰ *Id.*

¹¹ K.S.A. 55-164; K.A.R. 82-3-111(b).

6. Operator is responsible for the care and control of the following wells (“the subject well(s)”).

- a. Turmorrow Morrow Unit #105S, API #15-129-21725-00-00, located in Section 7, Township 33 South, Range 43 West, Morton County, Kansas; and
- b. Victory Morrow Lansing Unit #303S, API #15-081-20957-00-00, located in Section 28, Township 30 South, Range 33 West, Haskell County, Kansas.

7. On October 8, 2019, Commission records indicated that the Turmorrow Morrow Unit #105S had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that the well was not exempt pursuant to K.A.R. 82-3-111(e). The well had also not been approved for temporary abandonment status. Operator had applied for temporary abandonment status for the subject well, but this application was denied because the well had been shut-in over 10 years. Thus, District Staff sent a letter to Operator, requiring Operator to bring the subject well into compliance with K.A.R. 82-3-111 by November 5, 2019.¹²

8. On October 22, 2019, Commission records indicated that the Victory Morrow Lansing Unit #303S, had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that the well was not exempt pursuant to K.A.R. 82-3-111(e). The well had also not been approved for temporary abandonment status. Operator had applied for temporary abandonment status for the subject well, but this application was denied because the well had been shut-in over 10 years. Thus, District Staff sent a letter to Operator, requiring Operator to bring the subject well into compliance with K.A.R. 82-3-111 by November 19, 2019.¹³

¹² See Exhibit A

¹³ See Exhibit B.

9. On December 11, 2019, District Staff inspected the subject wells, because the deadline in the letters had passed and the violations had not been resolved, verifying that the wells continued to be inactive and unplugged.¹⁴

III. CONCLUSIONS OF LAW

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

11. The Commission concludes Operator committed two violations of K.A.R. 82-3-111 because the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.¹⁵

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$200 penalty.

B. Operator shall plug the subject wells, or return the wells to service, or obtain TA status for the wells if eligible. Obtaining TA status shall include application for an exception to the 10-year limit on TA status, if applicable.

C. 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, 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.

D. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days from the date of service of this Order, then Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this Order shall constitute the

¹⁴ Exhibit C.

¹⁵ K.S.A. 55-164; K.A.R. 82-3-111(b).

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. 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. Credit card payments may be made by calling the Conservation Division at 316-337-6200.

F. A corporation shall appear before the Commission by a Kansas licensed attorney.¹⁶

G. 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.

Duffy, Chair; Albrecht, Commissioner; Keen, Commissioner

Dated: 01/23/2020



Lynn M. Retz
Executive Director

Mailed Date: 01/23/2020

JMG

¹⁶ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

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



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

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

October 08, 2019

Katherine McClurkan
Merit Energy Company, LLC
13727 Noel Road, Suite 1200
Dallas, TX 75240

Re: Temporary Abandonment
API 15-129-21725-00-00
Turmorrow Morrow Unit 105 S
SE/4 Sec.07-33S-43W
Morton County, Kansas

Dear Katherine McClurkan:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

Shut-in Over 10 years

Pursuant to K.A.R. 82-3-111, the well must be plugged or returned to service by November 05, 2019.

If you wish to instead file an application for an exception to the 10-year limitation of K.A.R. 82-3-111, demonstrating why it is necessary to TA the well for more than 10 years, then you must file the application for an exception by November 05, 2019.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Michael Maier
KCC DISTRICT 1

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



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

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

October 22, 2019

Katherine McClurkan
Merit Energy Company, LLC
13727 Noel Road, Suite 1200
Dallas, TX 75240

Re: Temporary Abandonment
API 15-081-20957-00-00
Victory Morrow Lansing Unit 303S
SW/4 Sec.28-30S-33W
Haskell County, Kansas

Dear Katherine McClurkan:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

Shut-in Over 10 years

Pursuant to K.A.R. 82-3-111, the well must be plugged or returned to service by November 19, 2019.

If you wish to instead file an application for an exception to the 10-year limitation of K.A.R. 82-3-111, demonstrating why it is necessary to TA the well for more than 10 years, then you must file the application for an exception by November 19, 2019.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Michael Maier
KCC DISTRICT 1

KCC OIL/GAS REGULATORY OFFICES

Date: 12/11/19

District: 1

Case #: _____

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

- ☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 32446

API Well Number: 15-129-21725-00-00

Op Name: Merit Energy Company, LLC

Spot: SW NE SE SE Sec 7 Twp 33 S Rng 43 ☐ E / ☒ W

Address 1: 13727 Noel Rd. STE 1200

768 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

395 Feet from ☒ E / ☐ W Line of Section

City: Dallas

GPS: Lat: 37.18718 Long: 102.02790 Date: 12/11/19

State: TX Zip Code: 75240 -

Lease Name: TMU Well #: 105S

Operator Phone #: (972) 628-1558

County: Morton

Reason for Investigation:

Check well status

Problem:

Well is inactive

Persons Contacted:

None

Findings:

TMU 105S is a oil well that was denied TA for being shut in for more then 10 years. The well is inactive and the valves at the wellhead are shut. No response since the NOV letter was sent to the operator on 10-8-19.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Send to Legal

Verification Sources:

Photos Taken: 2

- ☒ RBDMS ☐ KGS ☒ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☒ Other: On Site Inspection

By: _____

Heith Walsh

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: _____



12/11/19

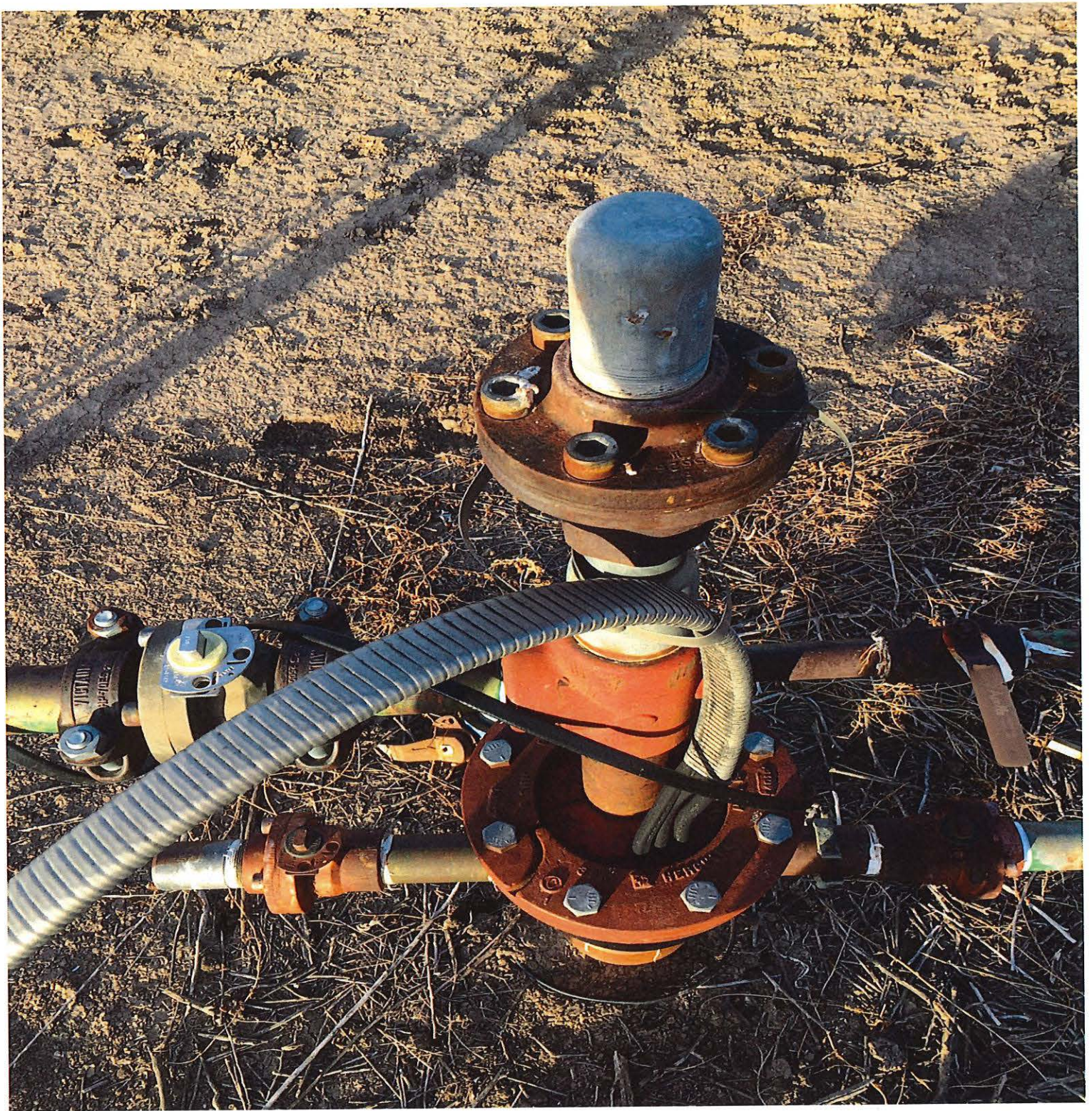
Merit Energy Company, LLC

TMU 105S

Morton Co.

7-33-43

Facing west in picture showing lease sign information.



12/11/19

Merit Energy Company, LLC

TMU 105S

Morton Co.

7-33-43

Facing west in picture showing that the valves are closed and well is not producing.

KCC OIL/GAS REGULATORY OFFICES

Date: 12/11/19

District: 1

Case #: _____

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

- ☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 32446

API Well Number: 15-081-20957-00-00

Op Name: Merit Energy Company, LLC

Spot: SE SW SE SW Sec 28 Twp 30 S Rng 33 ☐ E / ☒ W

Address 1: 13727 Noel Rd. STE 1200

329 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

3304 Feet from ☒ E / ☐ W Line of Section

City: Dallas

GPS: Lat: 37.40323 Long: 100.93699 Date: 12/11/19

State: TX Zip Code: 75240 -

Lease Name: VMLU Well #: 303S

Operator Phone #: (972) 628-1558

County: Haskell

Reason for Investigation:

Check well status

Problem:

Well is inactive

Persons Contacted:

None

Findings:

VMLU 303S is a oil well with a submergible pump. The pump is off and the total flow on the wellhead is not working. The well was denied TA because is has been shut in for 10 years. No response since NOV letter was sent to operator on 10/22/19.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Send to Legal

Verification Sources:

Photos Taken: 3

- ☒ RBDMS ☐ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☒ Other: On Site Inspection

By: _____

Heith Walsh

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: _____



12/11/19

Merit Energy Company, LLC

VMLU 303S

Haskell Co.

28-30-33

Facing north in picture showing lease sign information.



12/11/19

Merit Energy Company, LLC

VMLU 303S

Haskell Co.

28-30-33

Facing west in picture showing wellhead and total flow meter.

MODEL MC-II FLOW ANALYZER



TOTAL (BBLs)



RATE (BPD)



HALLIBURTON

12/11/19

Merit Energy Company, LLC

VMLU 303S

Haskell Co.

28-30-33

Facing west in picture showing total flow meter not working.

CERTIFICATE OF SERVICE

20-CONS-3195-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 01/23/2020.

MICHAEL GLAMANN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
m.glamann@kcc.ks.gov

MICHELE PENNINGTON
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
m.pennington@kcc.ks.gov

FRED MACLAREN
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ARLENE VALLIQUETTE
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13727 NOEL ROAD, SUITE 1200
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arlene.valliquette@meritenergy.com

/S/ DeeAnn Shupe

DeeAnn Shupe