

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

Before Commissioners: Susan K. Duffy, Chair
Dwight D. Keen
Andrew J. French

In the matter of a Compliance Agreement) Docket No: 17-CONS-3474-CMSC
between Gateway Resources U.S.A. Inc. and)
Commission Staff regarding bringing 75 wells) CONSERVATION DIVISION
in Montgomery County into compliance with)
K.A.R. 82-3-111.) License No: 32353

**ORDER GRANTING MOTION TO APPROVE
UPDATED COMPLIANCE AGREEMENT**

The Commission rules as follows:

1. On February 9, 2017, the Commission approved a Compliance Agreement wherein Operator was to bring 75 wells into compliance with K.A.R. 82-3-111, at a rate of three wells every three months, with all wells in compliance by May 31, 2023. On December 30, 2019, three more wells were added to the Compliance Agreement, extending the compliance deadline to August 2023.
2. On October 29, 2020, Commission Staff motioned for approval of an updated Compliance Agreement, proposing replacement of the original Compliance Agreement with an agreement wherein Operator is to bring 42 wells into compliance with K.A.R. 82-3-111, at a rate of two wells every three months, with all wells in compliance by December 21, 2025. Commission records indicate the 42 wells are subject to the current Compliance Agreement, and that all other wells that were subject to the Compliance Agreement were brought into compliance with K.A.R. 82-3-111.
3. Staff states that switching Operator to an agreement that uses an updated template comes with various advantages, and that Operator has never been suspended for non-compliance with the terms of the current Compliance Agreement.¹ The Commission finds the benefits of the proposed updated Compliance Agreement to be acceptable.

¹ See Motion to Approve Updated Compliance Agreement, ¶ 6 (Oct. 29, 2020).


THEREFORE, THE COMMISSION ORDERS:

- A. Staff's Motion to Approve Updated Compliance Agreement is granted.
- B. The updated Compliance Agreement is approved and incorporated into this Order.

BY THE COMMISSION IT IS SO ORDERED.

Duffy, Chair; Keen, Commissioner; French, Commissioner

Dated: 11/17/2020



Lynn M. Retz
Executive Director

Mailed Date: 11/17/2020

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COMPLIANCE AGREEMENT

This Agreement is between Gateway Resources USA Inc. ("Operator") (License #32353) and the Kansas Corporation Commission Staff ("Staff"). If the Kansas Corporation Commission ("Commission") does not approve this Agreement as evidenced by a signed order of the Commission, this Agreement shall not be binding on either party.

A. Background

1. Operator is responsible for the 42 wells ("the subject wells") on the attached list. All of the subject wells are out of compliance with K.A.R. 82-3-111. Operator has asked for an agreement to avoid penalties while Operator works to plug the subject wells, return them to service, or repair and obtain TA status for such subject wells if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable. Staff is supportive of an agreement to this effect with the Operator.

B. Terms of Compliance Agreement

2. By December 31, 2020, Operator shall plug, return to service, or repair and obtain temporary abandonment status for 2 of the subject wells. Operator shall plug, return to service, or repair and obtain temporary abandonment status for an additional 2 subject wells within each three calendar months thereafter, resulting in all subject wells being returned to compliance by December 31, 2025. Staff may prioritize the order in which the subject wells are addressed pursuant to this Agreement by indicating priority on the attached list and may adjust the prioritization at any time during this Agreement should a subject well or wells become known to Staff to be a pollution or public safety threat. Operator shall notify Staff in writing of all subject wells returned to service during each three calendar month period throughout the term of this Agreement.

3. Upon good cause shown, the Operator may receive an extension of the time to achieve compliance for up to 30 days from an applicable deadline pursuant to this Agreement so that the Operator may plug, return to service, or repair and TA the well or wells that was or were the subject of the applicable deadline. If the Operator seeks a time extension for any deadline under this Agreement, the Operator shall request such an extension at least seven days prior to the applicable deadline. Staff will file a status update in the docket created for this matter containing the District Supervisor's recommendation to approve or deny the extension and place an order requesting Commission approval of the terms of the status update on the next available Consent Agenda for Commission consideration and possible approval. If Operator is denied a requested

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extension by the Commission or otherwise remains out of compliance with this Agreement for any other reason, Staff shall immediately send a Notice of Non-Compliance and License Suspension to Operator, which shall suspend the Operator's license and become effective 10 days from the date of the Notice of Non-Compliance and License Suspension. The Operator's license shall remain suspended until well plugging or repair is resumed in accordance with the compliance schedule contained in the Status Update. If Staff finds that the Operator is conducting oil and gas operations after 10 days from the date of a Notice of Non-Compliance and License Suspension, and Operator's license remains suspended, Staff is authorized to seal all of Operator's oil and gas operations.

4. This Agreement, in its entirety, may be transferable between operators only by an Order of the Commission approving the transfer. Staff will file a status update in the docket created for this matter containing a recommendation regarding any proposed transfer between operators and will place an order regarding the transfer on the next available Consent Agenda for Commission consideration and possible approval. If the Operator intends to transfer any of the subject wells to another Operator, but does not intend to transfer this Agreement in its entirety, such subject wells must be returned to compliance pursuant to Commission, rules, regulations, or orders before Staff will process the transfer.

5. Except as provided by and under this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 for the subject wells that occurred or occurs prior to December 31, 2025, except for wells brought into compliance after Commission approval of this Agreement that subsequently fall out of compliance and remain the Operator's responsibility under the Operator's license.

6. This Agreement may be amended to add additional wells with the written consent of the District Supervisor. If this Agreement is amended, then Staff shall file a status update in the Commission docket created for this matter, also indicating that Operator is not opposed to the addition of the wells. The addition of wells may not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline. Any changes to a previously approved timeline will be included in the status update. Staff will place an order approving the addition of wells and extending the final compliance deadline on the next available Consent Agenda for Commission consideration and possible approval.

7. Operator may bring more than 2 wells into compliance during any three calendar month term. The excess number of wells brought into compliance will be attributed to a future three-month compliance period.

8. None of the subject wells to be brought into compliance hereunder are currently authorized for injection. Upon Commission approval of this Agreement, Staff shall revoke the Operator's injection authorization for such subject wells that are to be plugged. These subject wells are highlighted in yellow on the attached list, and have an "x" marked in the far right column.

9. After this Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staff's intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for its consideration and possible approval within 90 days of Staff's written notice, then this Agreement shall be terminated upon Staff's filing a statement to that effect in the Commission docket for this matter.

Commission Staff

Gateway Resources USA Inc. #32353

By: 

By: 

Printed Name: Troy A. Russell

Printed Name: A. Blaine Hanks

Title: District 3 Supervisor, P.G.

Title: President

Date: 7/23/2020

Date: 7-15-2020

Gateway_KCC_17-CONS-3474-CMSC Query

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
MONTGOMERY										
ASCARATE 1-1		15-125-30914-00-00	NENWNE	1	34	15	GAS			2
BEAN 1		15-125-29295-00-00	NESWSE	17	35	15	CM			2
BILLER 1-28		15-125-30915-00-00	NWNWNW	28	34	15	GAS			2
BOULANGER 16-1		15-125-30626-00-00	NENENE	16	34	14	CM			2
BOULANGER 2-16		15-125-31162-00-00	SENESW	16	34	14	GAS			2
BUFORD MILLER 4		15-125-26656-00-00	SESENEW	11	35	15	OIL			2
COLLINS-TRAVIS 2-CT		15-125-21753-00-00	NENWSE	4	35	15	OIL			2
COLLINS-TRAVIS 3-CT		15-125-21928-00-00	SENWSE	4	35	15	OIL			2
DAMEWOOD 1		15-125-29613-00-00	SENESE	31	33	16	CM			2
DENTON 1-28		15-125-30800-00-00	SENWNE	28	33	16	CM			2
HARDING 1		15-125-01120-00-00	N2SENWSW	4	35	15	OIL			2
MOONSHINE 10		15-125-27354-00-00	SENWSWNE	10	35	15	GAS			2
MOONSHINE 2		15-125-27059-00-00	SENWNWSE	10	35	15	GAS			2
MOONSHINE 3		15-125-27060-00-00	NWSWNWS	10	35	15	GAS			2
MOONSHINE 4		15-125-27061-00-00	NWSWNWS	10	35	15	GAS			2
MOONSHINE 5		15-125-27183-00-00	NWNENWSE	10	35	15	GAS			2

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
MOONSHINE 6	15-125-27184-00-00	SESWSWNE	10	35	15	GAS			2	
MOONSHINE 7	15-125-27185-00-00	W2SESWNE	10	35	15	GAS			2	
MOONSHINE 8	15-125-27186-00-00	NWNESWNE	10	35	15	GAS			2	
MOONSHINE 9	15-125-27301-00-00	SWNE	10	35	15	GAS			2	
MOONSHINE W-1	15-125-27057-00-00	NWNWSWN	10	35	15	GAS			2	
MOONSHINE W-2	15-125-27058-00-00	SWNWSWN	10	35	15	GAS			2	
MOONSHINE W-3	15-125-27187-00-00	SWSWSWNE	10	35	15	GAS			2	
MOONSHINE W-4	15-125-27188-00-00	W2NWNWS	10	35	15	GAS			2	
OBRIEN SEWELL 1-27	15-125-30713-00-00	SWNENWS	27	33	16	GAS			2	
OLDFIELD 1-33	15-125-30710-00-01	NWNESW	33	33	16	CM			2	
PATTESON 1	15-125-26653-00-00	NW	11	35	15	GAS			2	
PATTESON 2	15-125-26654-00-00	NW	11	35	15	GAS			2	
PATTESON 3	15-125-26655-00-00	NW	11	35	15	GAS			2	
PATTON 1	15-125-29850-00-00	NESESE	8	35	15	GAS			2	
PERKINS 1	15-049-21827-00-00	NENESESE	11	35	15	GAS			2	
PERKINS 2	15-049-21579-00-00	NENWSESE	11	35	15	GAS			2	
SLATON 1-36	15-125-31130-00-00	NENWSW	36	33	15	GAS			2	
STROPE 7-14	15-125-30706-00-01	NESWSWNE	14	33	16	CM			2	

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Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
THOMPSON 2-6		15-125-30803-00-00	SENE	6	34	16	CM			2
VAN WINKLE 1		15-125-21578-00-00	SWSWSW	5	35	15	OIL			2
WALLS 1		15-001-29082-01-00	SWSWNW	5	35	15	GAS			2
WHEELER-HADDAN OW 2		15-125-02971-00-00	SWESE	32	33	15	OIL			2
WHEELER-HADDAN OW 3		15-125-02972-00-00	SWESE	32	33	15	OIL			2
WILLIAMS 1-30		15-125-31161-00-00	NWNESW	30	34	16	GAS			2
WILMOTH 2		15-125-24404-00-00	NWNESE	8	35	15	GAS			2
WILMOTH 3		15-125-01525-00-00	NENWSE	8	35	15	GAS			2

Total Wells

42

Current Quarter End Date

12/31/2020

Monday, July 13, 2020

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Compliance Agreement Schedule for Gateway Resources USA Inc. #32353

Wells to be brought into compliance per Quarter, per year ending December 31, 2025.

Q1 Jan	2020	2021	2022	2023	2024	2025
Feb						
Mar	0	2	2	2	2	2
Q2 Apr						
May						
Jun	0	2	2	2	2	2
Q3 Jul						
Aug						
Sep	0	2	2	2	2	2
Q4 Oct						
Nov						
Dec	2	2	2	2	2	2
Total	2	8	8	8	8	8

Totals Wells Brought into Compliance ending December 31, 2025: 42

THX

CERTIFICATE OF SERVICE

17-CONS-3474-CMSC

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 11/17/2020.

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/S/ DeeAnn Shupe

DeeAnn Shupe