

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

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

MOTION TO APPROVE SETTLEMENT AGREEMENT

Commission Staff (Staff) of the State Corporation Commission of the State of Kansas (Commission) files this Motion to Approve Settlement Agreement. In support of its Motion, Staff states as follows:

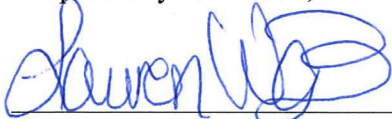
1. On January 18, 2018, the Commission issued a Penalty Order against Operator for one violation of K.A.R. 82-3-603(b) for failure to notify the appropriate District office of a spill in a timely manner and one violation of K.A.R. 82-3-603(e)(1) for failure to clean up and remediate the spill in a timely manner.

2. Staff and Operator have reached a settlement in this matter. Staff believes the attached Settlement Agreement constitutes a reasonable resolution of all issues in this docket and respectfully requests that it be approved.

3. In the event that the Commission that is not inclined to approve the attached Settlement Agreement, Staff would ask that the procedural schedule be amended to allow the Parties time to file Pre-filed Testimony.

WHEREFORE, Staff requests this motion be granted.

Respectfully submitted,



Lauren N. Wright, #27616
Litigation Counsel,
Kansas Corporation Commission
266 N. Main, Suite 220, Wichita, Kansas 67202
Phone: 316-337-6200; Fax: 316-337-6211

**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
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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.



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.

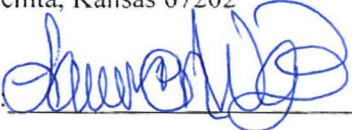
20. This Settlement Agreement shall be binding on all parties upon signing.

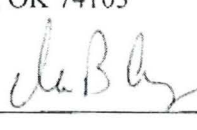
IN WITNESS WHERETO, the parties hereby execute and approve this Settlement

Agreement by subscribing their signatures below.

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

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

By:  _____

By:  _____

Printed Name: Lauren Wright

Printed Name: IAN B AVERY

Title: Litigation Counsel, KCC

Title: MANAGER, PRAIRIE GAS CO.

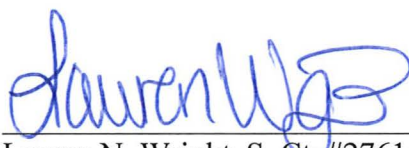
Date: 06/22/2018

Date: 6/22/18

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SEDGWICK)

Lauren N. Wright, of lawful age, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Motion*, and attests that the statements therein are true to the best of her knowledge, information and belief.

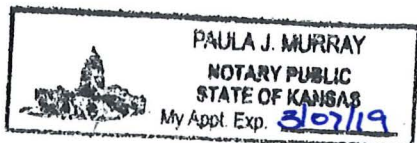


Lauren N. Wright, S. Ct. #27616
Litigation Counsel
State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 22 day of June, 2018.


Notary Public

My Appointment Expires: 3/07/19



CERTIFICATE OF SERVICE

18-CONS-3278-CPEN

I, the undersigned, certify that the true copy of the attached Motion has been served to the following parties by means of electronic service on 6/22/18.

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l.wright@kcc.ks.gov

/S/ Paula J. Murray

Paula J. Murray