

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

In the matter of the failure of Midwest Oil, LLC) Docket No. 22-CONS-3119-CPEN
(Operator) to comply with K.A.R. 82-3-120.)
) CONSERVATION DIVISION
)
) License No. 34497

MOTION TO APPROVE SETTLEMENT AGREEMENT

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

1. On August 3, 2021, the Commission issued an Order Denying Application for License in Docket 22-CONS-3038-CMSC (Docket 22-3038) regarding the license renewal application submitted by Operator. The license denial also acted as a revocation since the denial was made pursuant to K.S.A. 55-155(c)(3) or (4). The license denial ordered Operator could not reapply for a license for at least one year from the date of the denial in accordance with K.A.R. 82-3-120(j).

2. On September 9, 2021, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3119-CPEN (Docket 22-3119) for one violation of K.A.R. 82-3-120(a) finding that an unplugged well or unplugged wells for which Operator is responsible, remained on Operator's expired license. The Penalty Order in the Docket 22-3119 assessed a \$500 penalty, required Operator to immediately shut-in all unplugged wells on its license, and cease oil and gas operations, until Operator is in compliance with the Docket 22-3119 Penalty Order. The Docket 22-3119 Penalty Order also directed Operator to renew its license or obtain a new license and

transfer the well(s) to that license, transfer the well(s) to another operator by filing the appropriate form(s) with the Commission, or plug the well(s).

3. On September 15, 2021, Operator paid the \$500 fine assessed by the Commission in Docket 22-3119.

4. On September 16, 2021, Operator timely filed a request for hearing in Docket 22-3119.

5. On December 15, 2021, Operator filed an Application for Midwest Oil, LLC in Docket 22-CONS-3248-CEXC (Docket 22-3248). Operator's application seeks an exemption from the one year revocation period under K.A.R. 82-3-120. This application is still pending.

6. On January 11, 2022, the Commission issued a Presiding Officer Order Setting Evidentiary Hearing and Establishing Settlement Deadline, wherein, an evidentiary hearing was scheduled for January 28, 2022, and the parties were given a settlement deadline of January 21, 2022.

7. After the Commission's January 11th Order, the Parties discussed resolution of the underlying issues in these dockets, and reached a settlement in this matter. The settlement has been reduced to writing and is attached hereto as **Attachment A**, and incorporated herein by reference (Agreement).

5. The Agreement holds the Docket 22-3119 Penalty Order in abeyance pending the outcome of Operator's application in Docket 22-3248. Once Operator's application is approved or denied Operator shall have 30 days from the date of approval to transfer the remaining unplugged wells onto its license or the license of another operator in good standing. If Operator fails to take this action, then Ordering Clause D of the Docket 21-3119 Penalty Order comes into effect and Operator shall pay an additional \$5,000 penalty, Staff shall revoke any injection authorizations

applicable to Operator, and Staff shall place the wells on the state plugging list. Staff believes the Agreement constitutes a reasonable resolution of all issues in this docket. Further the Agreement will allow Staff and Operator to avoid potential litigation costs, and it should foster administrative efficiency.

WHEREFORE, Staff respectfully requests the Commission grant this motion, thereby approving the Settlement Agreement attached hereto as Attachment A.

Respectfully submitted,

/s/ Kelcey A. Marsh
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**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the matter of the failure of Midwest Oil, LLC)
(Operator) to comply with K.A.R. 82-3-120.) Docket No.: 22-CONS-3119-CPEN
) CONSERVATION DIVISION
)
_____) License No.: 34497

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 Operator (collectively referred to herein as the Parties). If the Commission does not approve this Agreement by a signed Order, then the Agreement shall not be binding on either party. The effective date of this Agreement shall be the date the Commission enters an order on the Agreement.

I. BACKGROUND

1. On August 3, 2021, the Commission issued an Order Denying Application for License in Docket 22-CONS-3038-CMSC (Docket 22-3038) regarding the license renewal application submitted by Operator. The license denial also acted as a revocation since the denial was made pursuant to K.S.A. 55-155(c)(3) or (4). The license denial ordered Operator could not reapply for a license for at least one year from the date of the denial in accordance with K.A.R. 82-3-120(j).

2. On September 9, 2021, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3119-CPEN (Docket 22-3119) for one violation of K.A.R. 82-3-120(a) finding that an unplugged well or unplugged wells for which Operator is responsible, remained on Operator's expired license. The Penalty Order in the Docket 22-3119 assessed a \$500 penalty,

ATTACHMENT A

required Operator to immediately shut-in all unplugged wells on its license, and cease oil and gas operations, until Operator is in compliance with the Docket 22-3119 Penalty Order. The Docket 22-3119 Penalty Order also directed Operator to renew its license or obtain a new license and transfer the well(s) to that license, transfer the well(s) to another operator by filing the appropriate form(s) with the Commission, or plug the well(s).

3. On September 15, 2021, Operator paid the \$500 fine assessed by the Commission in Docket 22-3119.

4. On September 16, 2021, Operator timely filed a request for hearing in Docket 22-3119.

5. On September 23, 2021, the Commission issued an Order Designating Presiding Officer and Setting Prehearing Conference, wherein, a prehearing conference was scheduled for October 7, 2021. At the prehearing conference a procedural schedule was set, providing the Parties with deadlines to pre-file direct and rebuttal testimony.

6. On October 29, 2021, Operator filed an Application for Reinstatement of Operator License and for Exception From Provisions of K.A.R. 82-3-120(j) in Docket 22-3119.

7. On December 14, 2021, the Commission issued an Order Denying Requests for Reinstatement/Renewal of Operator's License and Exception from Provisions of K.A.R. 82-3-120 in Docket 22-3119.

8. On December 15, 2021, Operator filed an Application for Midwest Oil, LLC in Docket 22-CONS-3248-CEXC (Docket 22-3248). Operator's application seeks an exemption from the one year revocation period under K.A.R. 82-3-120. This application is still pending.

9. On January 11, 2022, the Commission issued a Presiding Officer Order Setting Evidentiary Hearing and Establishing Settlement Deadline, wherein, an evidentiary hearing was

ATTACHMENT A

scheduled for January 28, 2022, and the parties were given a settlement deadline of January 21, 2022.

10. After the Commission's January 11th Order, the Parties discussed resolution of the underlying issues in these dockets, and reached a settlement in this matter. As part of the settlement, Staff agreed to reduce the terms to writing and submit the same for Commission approval. The terms of the settlement are set forth below.

II. TERMS OF THE SETTLEMENT AGREEMENT

11. The Parties agree that the Commission has jurisdiction and authority over these matters. The Parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the terms as set forth below.

12. Operator stipulates that it committed one violation of K.A.R. 82-3-120(a). Additionally, Operator has paid the \$500 fine assessed by the Commission in Docket 22-3119.

13. The Parties agree to seek Commission approval to hold the outcome of Docket 22--3119 in abeyance, pending the resolution of Operator's application in Docket 22-3248.

14. If Operator's application in Docket 22-3248 is granted, then Operator will have 30 days from the date of the Order Granting Application to renew its license, or obtain a new license and transfer all of the wells associated with license number 34497 onto that new license, if necessary. If the application is granted and a new license is needed, but the wells are not transferred onto the new license, or to the active license of a different operator in good standing, within 30 days of the Order Granting Application, then Operator shall be assessed an additional \$5,000 penalty, Staff shall revoke any injection authorizations applicable to Operator, and Staff shall place the remaining wells on the appropriate state plugging list, to plug the wells according to priority and as funds allow, and to assess the plugging costs to Operator in accordance with the Docket 22-3119 Penalty Order.

ATTACHMENT A

15. If Operator's application in Docket 22-3248 is denied and there are still unplugged wells associated with Operator's license, then Operator shall be assessed an additional \$5,000 penalty, Staff shall revoke any injection authorizations applicable to Operator, and Staff shall place the remaining wells on the appropriate state plugging list, to plug the wells according to priority and as funds allow, and to assess the plugging costs to Operator in accordance with the Docket 22-3119 Penalty Order unless, within 30 days after the Order denying the application on Docket 22-3248 the wells associated with license number 34497 are transferred to the active license of a different operator in good standing.

16. If Operator shall comply with the provisions of paragraph 14 or 15 above, then Operator shall not be required to pay the additional \$5,000.00 penalty under section D of the Penalty Order in this docket 22-3119.

17. Operator agrees to waive its right to appeal the Commission's Order approving this Agreement, and any penalties assessed under this Agreement.

IN WITNESS WHERETO, the Parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

Commission Staff

Midwest Oil, LLC

By: Kelcey Marsh

By: John C. Chappell

Printed Name: Kelcey Marsh

Printed Name: John C. Chappell

Title: Litigation Counsel

Title: Attorney

Date: 1/21/22

Date: 01/21/2022

CERTIFICATE OF SERVICE

22-CONS-3119-CPEN

I, the undersigned, certify that a true and correct copy of the attached Motion to Approve Settlement Agreement has been served to the following by means of electronic service on January 24, 2022.

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/s/ Paula J. Murray

Paula J. Murray