

STATE OF KANSAS

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

19-CONS-3033-CPEN

July 31, 2018

Blaine Haag
Legacy Petroleum LLC
PO Box 3336
Bartlesville, OK 74006

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 \$1,100 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 Legacy)	Docket No.: 19-CONS-3033-CPEN
Petroleum, LLC. ("Operator") to comply)	
with K.A.R. 82-3-603 and K.A.R. 82-3-128)	CONSERVATION DIVISION
at the McGill lease in McPherson County,)	
Kansas.)	License No.: 34374

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 economic deterrent to the

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.

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. K. A.R. 82-3-101(a)(69) defines “spill” as any escape of saltwater, oil, or refuse by overflow, seepage, or other means from the vicinity of oil, gas, injection, service, or gas storage wells, or from tanks, pipelines, dikes, or pits, if the wells, tanks, pipelines, dikes, or pits are involved in or related to any of the following:

- a. the exploration or drilling for oil or gas;
- b. the lease storage, treatment, or gathering of oil or gas; or
- c. the drilling, operating, abandonment, or postabandonment of wells. For purposes of this regulation, “vicinity” means the area within six feet of the wellhead.

4. K.A.R. 82-3-603(b) provides that the operator shall notify the appropriate district office of any escape of saltwater, oil, or refuse that meets the definition of “spill” in K.A.R. 82-3-101. This notification shall be made no later than the next business day following the date of discovery or knowledge of the spill.⁷ The point of discovery or knowledge means that point when the operator knew or reasonably should have known of the spill.⁸

5. K.A.R. 82-3-603(e) provides that the operator shall clean up any spill that requires notification under this regulation in accordance with the cleanup method approved by the appropriate district office. The operator shall complete the cleanup of the spill within 10 days after discovery or knowledge, or by the deadline prescribed in writing by the district office.⁹

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ K.A.R. 82-3-603(b)(2).

⁸ K.A.R. 82-3-603(b)(4).

⁹ K.A.R. 82-3-603(e)(1).

6. K.A.R. 82-3-603(f) provides that failure to contain and clean up the spill in accordance with this regulation 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 for the third violation.

7. K.A.R. 82-3-128 provides that failure to verify requested information shall be punishable by a \$100 penalty.

II. FINDINGS OF FACT

8. The Operator conducts oil and gas activities in Kansas under active license number 34374.

9. The Operator is responsible for the care and control of the McGill Lease, located in Section 20, Township 19 South, Range 1 West, McPherson County, Kansas.

10. On May 07, 2018, District Staff conducted a follow up lease inspection of the McGill lease and discovered an unreported spill. On May 08, 2018, District Staff sent a Notice of Violation letter to the Operator, requiring the Operator to submit in writing, a detailed remediation plan for approval by District staff by May 18, 2018. Additionally the Notice of Violation Letter required the Operator to complete remediation by May 31, 2018.¹⁰

11. Because there was no response from the Operator and the deadline in the letter passed, on June 01, 2018, District Staff inspected the spill site and found that while the Operator had run a disc through the contaminated area, some of the nearby trees were showing signs of stress from the spill. Soil Samples were taken and the results showed that no effective remediation had taken place.¹¹

12. On July 19, 2018, a District Staff Geologist performed an analytical evaluation of the contaminated area including taking deeper soil boring samples. The chloride levels present in

¹⁰ Exhibit A.

¹¹ Exhibit B.

the soil samples showed that areas of pooling allowed more time for the spill contaminants to penetrate into the subsoil. The District Staff Geologist recommends a deeper ripping of the soil is necessary in order to facilitate adequate remediation of the contaminated soil.¹²

III. CONCLUSIONS OF LAW

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

14. The Commission finds and concludes that the Operator committed one violation of K.A.R. 82-3-603(e) because the Operator failed to clean up the spill in a timely manner in accordance with a cleanup method approved by the appropriate district office.

15. The Commission finds and concludes that the Operator committed one violation of K.A.R. 82-3-128 because the Operator failed to submit a remediation plan as requested by District Staff.

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall pay a \$1,100 penalty.

B. The Operator shall clean up the spill and remediate the affected area according to District #2 specifications. If the spill site is not fully cleaned up and remediated by August 22, 2018, then the Operator shall pay an additional \$2,500 penalty.

C. In addition, if the spill site is not fully cleaned up and remediated by September 21, 2018, then Staff is directed to clean up the spill and remediate the affected areas, and to assess the costs to the Operator, with an additional \$5,000 penalty.

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

¹² Exhibit C.

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. 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 the Operator's right to a hearing.

G. A corporation shall appear before the Commission by a Kansas licensed attorney.¹³

H. 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.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner.

Dated: 07/31/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 08/01/2018

LW

¹³ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT OFFICE No. 2
3450 N. ROCK ROAD
BUILDING 600, SUITE 601
WICHITA, KS 67226



PHONE: 316-337-7400
FAX: 316-630-4005
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

May 8, 2018

Legacy Petroleum, LLC.
P.O. Box 3336
Bartlesville, OK 74006
Attn: Blaine Haag

KCC #34374

RE: Spill on McGill Lease from 4-27-2018. NW/4 Sec. 20-19-1W, McPherson Co., KS

Dear Mr. Haag:

Following a recent spill follow-up inspection on 5-7-2018, this above referenced spill has not been remediated, and shows no sign of clean-up progression. As you can see from the enclosed photo the spill is quite severe.

Per K.A.R. 82-3-603(e), the operator shall complete the cleanup of the spill or escape within 10 days after discovery or knowledge of the spill or escape, or by the deadline prescribed in writing by the District Office. The remediation must be completed by **May 31, 2018**. Prior to starting the remediation, Legacy Petroleum, LLC will submit in writing, for approval, a thorough remediation plan detailing the material, amounts, and personnel / contractors used onsite. If soil is physically removed it will be taken to an authorized site approved by KCC or KDHE. The written plan must be received in this office no later than Friday, May 18th. Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Klock".

Jeff Klock
District 2 Supervisor

Cc: Jerry Sparling – ECRS
Dan Fox – Compliance Officer
David Bollenback – Geologist
Jon Myers – Litigation Counsel
file

Legacy Petroleum # 34374 McGill lead line leak
taken May 7, 2018 J. Spaulding KCC ECRS



KCC OIL/GAS REGULATORY OFFICES

Date: 06/01/18

District: 02

Case #: _____

☐ New Situation

☐ Response to Request

☒ Follow-Up

☒ Lease Inspection

☐ Complaint

☐ Field Report

Operator License No: 34374

Op Name: Legacy Petroleum LLC dba

Address 1: PO Box 3336

Address 2: _____

City: Bartlesville

State: Oklahoma Zip Code: 74006 -

Operator Phone #: (918) 798-4510

API Well Number: _____

Spot: NW Sec 20 Twp 19 S Rng 1 ☐ E ☒ W

Feet from ☒ N ☐ S Line of Section

Feet from ☐ E ☒ W Line of Section

GPS: Lat: _____ Long: _____ Date: _____

Lease Name: McGill Well #: _____

County: McPherson

Reason for Investigation:

Spill follow up

Problem:

Legacy Petroleum was required by the District Supervisor to submit a remediation plan by Friday, May 18th, but failed to do so. The operator did not contact the District Office prior to running a disc through the kill area in the wheat.

Persons Contacted:

Findings:

6/1/2018 - Operator was given a 5/18/2018 deadline to submit a remediation plan and a 5/31/2018 deadline to complete remediation. No remediation plan has been submitted to the District 2 Supervisor by the deadline put forth. In following up on 6/1 I found that the operator had run a disc through the kill area of the wheat which was approx. 1,240' long and up to 40' wide in the low lying areas and ran east to southwest. This area of McPherson County has received 2.5 inches of rain in the past week, therefore the operator had to run the disc prior to the rain. I also collected a water sample from the edge of the field to the west. Some trees in the tree line are showing signs of stress. Soil and water samples have been collected. Soil samples near the line break tested at 2,791ppm CL-. Middle soil sample tested 622ppm CL-, and the standing water sample tested 91 ppm CL-. (Photos were taken on April 30th, May 7th, and June 1st.)

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

Recommendations will be made by District 2 Supervisor Jeff Klock. Legacy Petroleum, LLC should be penalized under K.A.R. 82-3-603(a) for failure to cleanup the spill under an approved method approved by the District 2 Office. This spill was discovered by myself and Geologist David Bollenback while working in the area on April 27, 2018. A crew from Sunflower Well Service was found applying absorbent to the oil stained areas and the spill had not been called into the District Office. Field staff for Legacy Petroleum, LLC were notified of the spill, but did not bother to come out to the site until Monday, April 30th, only to cap the lead line that had leaked. Field staff for Legacy also work for other related companies in the area and have shown a lack of response to spill cleanup, therefore my letter of May 8, 2018 set deadlines and requirements which were not met.

\$1,000 PENALTY PER K.A.R. 82-3-603 (f)(1) JK

Verification Sources:

Photos Taken: YES

<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 type="checkbox"/> Other: _____		

By: Jerry Sparling

Environmental Compliance and Regulatory Specialist

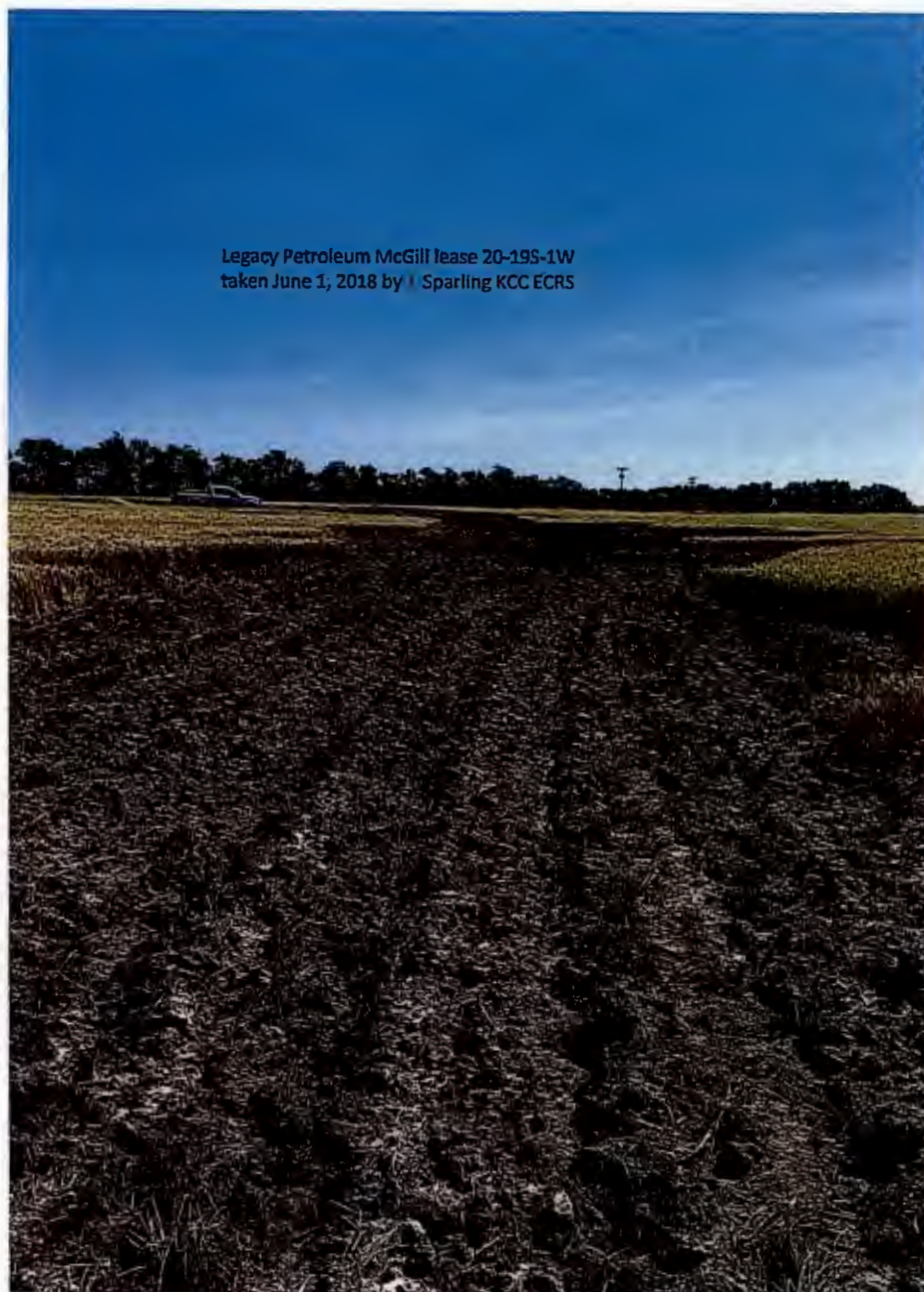
Retain 1 Copy District Office
Send 1 Copy to Conservation Division

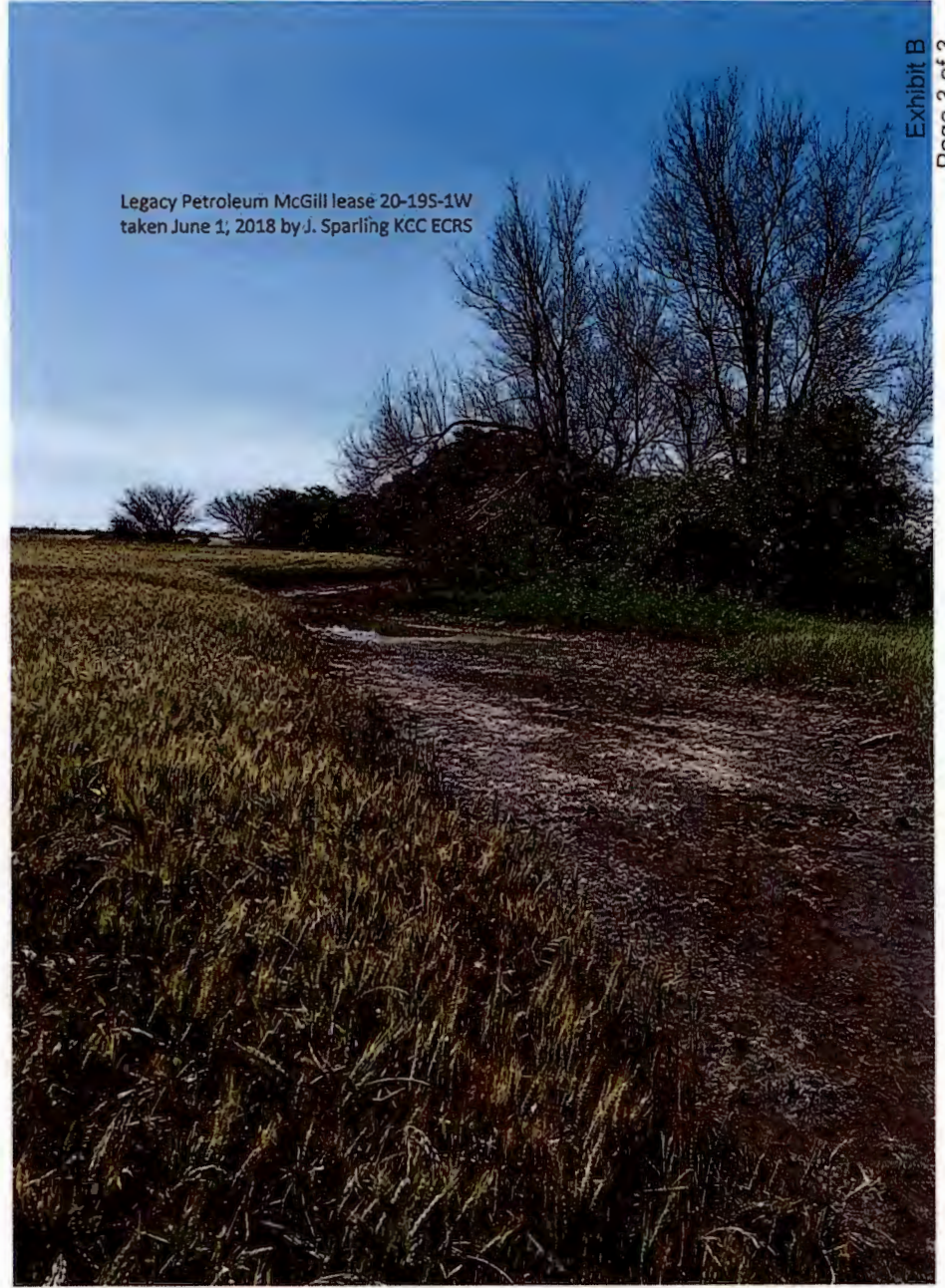
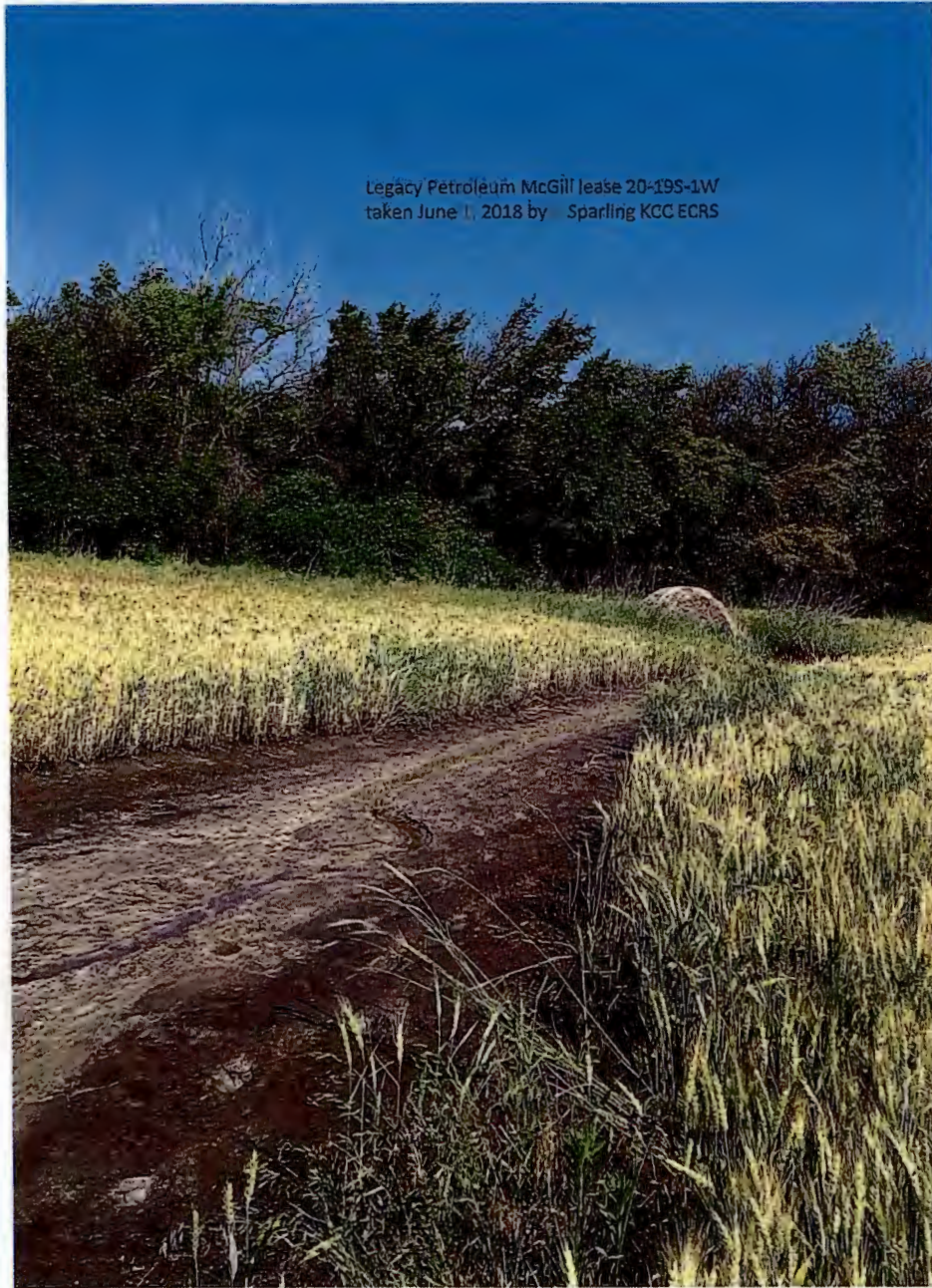
Form: Exhibit B
Page 1 of 3

Legacy Petroleum McGill lease 20-19S-1W
taken June 1, 2018 by J. Sparling KCC ECRS



Legacy Petroleum McGill lease 20-19S-1W
taken June 1, 2018 by J. Sparling KCC ECRS





KCC OIL/GAS REGULATORY OFFICES

Date: 06/19/18

District: 02

Case #: _____

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

- ☒ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 34374

API Well Number: _____

Op Name: Legacy Petroleum LLC dba

Spot: NW Sec 20 Twp 19 S Rng 1 ☐ E ☒ W

Address 1: PO Box 3336

Feet from ☒ N ☐ S Line of Section

Address 2: _____

Feet from ☐ E ☒ W Line of Section

City: Bartlesville

GPS: Lat: _____ Long: _____ Date: _____

State: Oklahoma Zip Code: 74006

Lease Name: McGill Well #: _____

Operator Phone #: (918) 798-4510

County: McPherson

Reason for Investigation:

Spill follow up

Problem:

Legacy Petroleum was required by the District Supervisor to submit a remediation plan by Friday, May 18th, but failed to do so. The operator did not contact the District Office prior to running a disc through the kill area in the wheat.

Persons Contacted:

Findings:

The KCC District #2 Geologist was on-site on 6/19/2018 to perform hand borings and retrieve soil samples for analytical evaluation from the spill site of the McGill lease. Three Soil borings were drilled to 1.0' and discreet soil samples were taken at the 0.0'-0.5' and 0.5'-1.0' soil zones. Each Sample was bagged and taken to the KCC District lab for analysis. Chloride levels ranged from 736 ppm on the surface near the line leak to 3402 ppm on the surface soils farther down gradient. There is a map attached with GPS locations of each boring along with the analytical data. Soils here transmit water moderately low (0.06 to 0.10 in/hr), which would allow for pooling during the spill event. Soils consists of very silty loams with heavy clay content. It appears that the higher chloride samples were located in areas of pooling that had more time for penetration into the subsoil.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

Spill areas will need deep ripping in order to facilitate amendments into the lower soils that are contaminated.

Verification Sources:

- ☐ RBDMS ☒ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☒ Other: USDA Soil survey

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Photos Taken: 11
 By: David Bollenback
District #2 Geologist

McGill Spill

Chloride levels and soil boring locations

Legend

- Soil Boring Location
- ▲ Spill Extent



CERTIFICATE OF SERVICE

19-CONS-3033-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 07/31/2018.

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 2
3450 N. ROCK RD BLDG 600 STE 601
WICHITA, KS 67226
Fax: 316-630-4005
d.fox@kcc.ks.gov

BLAINE HAAG
LEGACY PETROLEUM LLC
PO BOX 3336
BARTLESVILLE, OK 74006

JONELLE RAINS
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
j.rains@kcc.ks.gov

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