

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

Before Commissioners:                      Shari Feist Albrecht, Chair  
   Jay Scott Emler  
   Pat Apple

In the matter of an Order to Show Cause issued	)	Docket No.: 14-CONS-921-CSHO
to CherokeeNRG LLC regarding responsibility	)	
under K.S.A. 55-179 for plugging 27 wells in	)	CONSERVATION DIVISION
Allen, Wilson, and Woodson Counties,	)	
Kansas.	)	License No.: 34769

**ORDER APPROVING SETTLEMENT AGREEMENT**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

1.        On June 17, 2014, Staff moved the Commission to issue a show cause order in this docket regarding responsibility for 27 abandoned wells. No response was received, and the Commission issued the Show Cause Order on July 10, 2014.
2.        On August 5, 2014, Thomas McGeady entered his appearance on behalf of the operator. A Motion for Admission Pro Hac Vice was filed on August 6, 2014, and granted by the Commission by order issued September 16, 2014.
3.        On August 5, 2014, the Prehearing Officer held the prehearing conference, which was attended by Mr. McGeady and Jon Myers on behalf of Staff. A Prehearing Officer Order Setting Procedural Schedule was issued the same day, setting the matter for hearing in October.
4.        On September 22, 2014, Staff moved the Commission to approve a settlement agreement, which was signed by both parties. The settlement sets a schedule for addressing the wells and provides for automatic penalties. No response to the motion was filed by the operator.

5. The Commission finds and concludes that the settlement agreement provides a fair and efficient resolution to the issues in this docket.

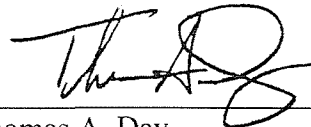
**THEREFORE, THE COMMISSION ORDERS:**

- A. The attached Settlement Agreement is approved and incorporated into this Order.
- B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). Such petition shall be filed within fifteen (15) days after service of this Order and must state the specific grounds upon which relief is requested. This petition for reconsideration shall be filed with the Executive Director of the Conservation Division, 266 N. Main, Ste. 220, Wichita, Kansas 67202.
- C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: OCT 02 2014

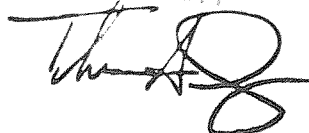


Thomas A. Day  
Acting Executive Director

Mailed Date: 10/3/14

LRP

I CERTIFY THE ORIGINAL  
COPY IS ON FILE WITH  
The State Corporation Commission

OCT 02 2014  


## SETTLEMENT AGREEMENT

This Settlement Agreement is between CherokeeNRG LLC ("Operator") and the Staff of the Corporation Commission of the State of Kansas ("Staff"). The effective date of this Settlement Agreement shall be the date it is approved by an Order of the Commission. If the Commission does not approve this Settlement Agreement by a signed Order, this Settlement Agreement shall not be binding on either party. This Settlement Agreement addresses certain matters in Commission Docket Number 14-CONS-921-CSHO.

### A. Background

1. In August 2012, Operator filed a Well Inventory Form, claiming responsibility for the 27 wells listed in Exhibit A of this Settlement Agreement.
2. On June 17, 2014, Staff filed a motion for an order to show cause, on the grounds that Operator had failed to either file appropriate paperwork to transfer the wells to Operator's license, or to plug the wells. The Commission has scheduled a hearing for October 16, 2014.
3. Since June 17, 2014, Operator has filed appropriate paperwork to transfer the Eck #2 and V York #7 wells to its license. The remaining 25 wells remain out of compliance with Commission regulations. Operator has claimed these wells, but they remain unplugged and are not on a current, valid operator's license.

### B. Terms of Settlement

4. For the following wells, Operator shall either file the paperwork necessary to transfer the wells to its license, or plug the wells, by September 30, 2014: Beckman #1, Bruce Schulz #3, Cress #2, Gudde #3-13, Meyers #5-31, Newland #2, Newland #4, Newland #6, Schulz #2, Shulz #1, and White #11.

5. If the following wells have not been successfully transferred to a current, valid license by October 30, 2014, then Operator shall file acceptable CP-1's for the wells by November 15, 2014, and shall plug the wells by December 31, 2014: Dennis Seller #1-25, John Head #3, Smalley #1, Smalley #2, Stepanich #1-31, Stepanich #1A, Stepanich #2-30, Stepanich #2-31, Stepanich #2-A, Stepanich #3-A, Stepanich #4-31, Stepanich #6-30, Stepanich #7-30, and Stepanich #8-30.

6. If Operator fails to comply with any portion of Paragraph 4 of this Settlement Agreement, then Operator shall be assessed a \$1,000 penalty. Additionally, if Operator fails to comply with any portion of Paragraph 5 of this Settlement Agreement, then Operator shall be assessed a \$2,000 penalty.

7. If, after January 31, 2015, any of the wells in Exhibit A remain unplugged and are not on a current, valid Operator's license, then Staff is directed to plug the wells and assess the costs to Operator.

8. If Operator fails to comply with Paragraph 4 or Paragraph 5 of this Settlement Agreement, or if penalties or costs are owed under Paragraph 6 or Paragraph 7, then Commission Staff shall suspend Operator's license until compliance is obtained and all penalties or costs are paid. Operator agrees to waive its right to appeal any future orders of the Commission regarding this matter, or any suspension of Operator's license implemented by Commission Staff due to Operator's failure to comply with this Settlement Agreement.

#### C. Conclusion

Both parties believe that this Settlement Agreement represents a fair and appropriate resolution to the matters in this docket, and that the Settlement Agreement accomplishes the

Commission's duty to enforce Kansas laws pertaining to the protection of usable waters and the prevention of pollution caused by oil and gas activities.

This Settlement Agreement has been agreed to by the undersigned:

Commission Staff

CherokeeNRG LLC

By: Jon Myers

By: Pamela Graves

Printed Name: JOHN MYERS

Printed Name: Pamela Graves

Title: LITIGATION COUNSEL

Title: Operations Manager

Date: 9/22/14

Date: 9/22/2014

API WELL #	Dckt	Well Name	Spot	Sec	Twp	N/S	Rng	W/E	Type	Status	County	TVD	Ftg N/S	F N/S	Ftg E/W	F E/W
15-207-26428-00-00		BECKMAN 1	SESENE	15	25	S	17	E	GAS	PR	WOODSON	820	4290	S	330	E
15-205-25536-00-00		BRUCE SCHULZ 3	NENWNWSW	33	30	S	17	E	CM	IN	WILSON	940	2460	S	4840	E
15-001-27314-00-00		CRESS 2	NENEN2NE	35	25	S	17	E	GAS	PR	ALLEN	800	4950	S	1330	E
15-205-26565-00-00		DENNIS SELLER 1-25	SWSWNESW	25	30	S	16	E	GAS	PR	WILSON	1105	1650	S	3630	E
15-205-01187-00-00		ECK 2	NESENWNE	25	27	S	13	E	OIL	PR	WILSON		4411	S	1616	E
15-205-27806-00-00		GUDDE 3-13	SWSWNWNE	13	30	S	16	E	GAS	IN	WILSON	1055	4360	S	2310	E
15-205-25504-00-00		JOHN HEAD 3	N2N2NWSW	7	30	S	17	E	GAS	PR	WILSON	801	2310	S	4620	E
15-205-24327-00-02		MEYERS 5-31	N2SESENE	31	30	S	17	E	GAS	PR	WILSON	915	3280	S	330	E
15-205-20752-00-01		NEWLAND 2	SWSWSWSW	6	30	S	17	E	OIL	PR	WILSON	820	660	S	660	W
15-205-21007-00-00		NEWLAND 4	E2E2E2SW	6	30	S	17	E	GAS	PR	WILSON	730	1310	S	2310	W
15-205-25136-00-00	D27483.0	NEWLAND 6	SESEENW	6	30	S	17	E	SWD	AI	WILSON	1316	2970	S	2970	E
15-205-25339-00-00		SCHULZ 2	NWSWNWSW	33	30	S	17	E	GAS	PR	WILSON	883	1980	S	4620	E
15-205-25333-00-00		SHULZ 1	NWNWNWNW	33	30	S	17	E	GAS	PR	WILSON	900	4950	S	4950	E
15-205-24829-00-00		SMALLEY 1	SESENWNE	19	30	S	17	E	GAS	PR	WILSON	827	4290	S	1650	E
15-205-24830-00-00		SMALLEY 2	SWSWNENW	19	30	S	17	E	GAS	PR	WILSON	653	4290	S	3630	E
15-205-22916-00-01		STEPANICH 1-31	NENENWNE	31	30	S	17	E	GAS	PR	WILSON	979	5115	S	1900	E
15-205-25288-00-00		STEPANICH 1A	NWNWNWNW	31	30	S	17	E	GAS	PR	WILSON	1105	330	N	330	W
15-205-23060-00-00		STEPANICH 2-30	NENENESE	30	30	S	17	E	GAS	PR	WILSON	890	2250	S	565	E
15-205-23704-00-00		STEPANICH 2-31	SWSWNENW	31	30	S	17	E	GAS	PR	WILSON	1040	4290	S	3630	E
15-205-25337-00-00		STEPANICH 2-A	W2W2NENW	31	30	S	17	E	GAS	PR	WILSON	823	4620	S	3630	E
15-205-25338-00-00		STEPANICH 3-A	SWSWSWSW	31	30	S	17	E	GAS	PR	WILSON	923	330	S	4950	E
15-205-25364-00-00		STEPANICH 4-31	NWSWNWSW	31	30	S	17	E	CM	PR	WILSON	863	1980	S	4620	E
15-205-24213-00-00		STEPANICH 6-30	NWNWNESE	30	30	S	17	E	GAS	PR	WILSON	890	2310	S	990	E
15-205-24214-00-00		STEPANICH 7-30	SESESESE	30	30	S	17	E	GAS	PR	WILSON	890	2310	S	990	E
15-205-24215-00-00		STEPANICH 8-30	SWSWSESE	30	30	S	17	E	GAS	PR	WILSON	905	1320	S	1320	E
15-205-25583-00-00	D28146.0	V YORK 7	SENWNWNE	16	30	S	17	E	SWD	AI	WILSON	1638	4930	S	2300	E
15-207-26771-00-00		WHITE 11	N2N2NWSW	34	25	S	17	E	OG	IN	WOODSON	1125	2310	S	4620	E

Exhibit A

**CERTIFICATE OF SERVICE**

I certify that on 10/3/14, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Kip C. Sagehorn  
Loy & Sagehorn, LLC  
112 W. 4<sup>th</sup> St.  
Pittsburg, KS 66762  
Attorney for CherokeeNRG

Thomas J. McGeady  
Logan & Lowry, LLP  
P.O. Box 558  
Vinita, OK 74301  
Attorney for CherokeeNRG

And delivered by hand to:

Jon Myers  
KCC Litigation Counsel

/s/ Lane R. Palmateer  
Lane R. Palmateer  
Litigation Counsel  
Kansas Corporation Commission