

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

In the matter of the failure of SX54, LLC) Docket No. 18-CONS-3286-CPEN
("Operator") to comply with K.A.R. 82-3-407)
at the Hawthorne (A) #1 in Greenwood) CONSERVATION DIVISION
County, Kansas.)
_____) License No. 35339

PRE-FILED TESTIMONY

OF

LARRY MARCHANT

On Behalf of Commission Staff

October 22, 2018

1 **Q. What is your name and business address?**

2 A. Larry Marchant, 137 East 21st Street, Chanute, Kansas 66720.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by the Conservation Division of the Kansas Corporation Commission,
5 Chanute District #3 Office, as Underground Injection Control (“UIC”) Coordinator and a
6 Environmental Compliance & Regulatory Specialist.

7 **Q. How long have you been employed by the KCC?**

8 A. Since August 1997, and as a UIC Coordinator for District #3 since 2000.

9 **Q. Have you previously testified before this Commission?**

10 A. Yes.

11 **Q. What duties does your position with the Conservation Division involve?**

12 A. As UIC Coordinator, I track and maintain files on all injection and salt water disposal wells
13 in District #3, and work with operators during the permitting process. My job includes
14 notifying operators of upcoming and overdue mechanical integrity tests (MIT) by assisting in
15 sending reminder letters and Notice of Violation letters. I help witness MITs, observe well
16 repairs, and verify proper construction of wells. I help with District Staff and work with
17 Commission Staff in Wichita regarding issues with enhanced oil recovery and salt-water
18 disposal wells. I conduct inspections when necessary.

19 **Q. Are you familiar with this docket, 18-CONS-3286-CPEN?**

20 A. Yes, I have reviewed all fillings in this docket. The Operator was penalized for one violation
21 of K.A.R. 82-3-407 because a current, successful MIT has not been performed on the subject
22 well.

23 **Q. Would you please explain the requirements of K.A.R. 82-3-407?**

24 A. Yes. Under K.A.R. 82-3-407(a), injection wells must be completed, equipped, operated, and
25 maintained in a manner that prevents pollution of fresh and usable water, prevents damage to
26 sources of oil or gas, and confines fluids to the interval approved for injection. Operators
27 demonstrate this by performing an MIT at least once every five years.

28 **Q. Was the Operator notified that the subject well’s MIT deadline was approaching?**

29 A. Yes. Staff mailed the Operator a reminder letter on June 13, 2017. The letter listed the subject
30 well’s current MIT expiration date as September 12, 2017. The reminder letter is attached as
31 L.M. Exhibit 1.

1 **Q. Did the Operator conduct an MIT by the listed expiration date?**

2 A. No.

3 **Q. Did you send the Operator a notice of violation letter?**

4 A. Yes. I mailed a notice of violation letter on December 14, 2017. The letter gave the Operator
5 until December 28, 2017, to conduct an MIT. The notice of violation letter is attached as L.M.
6 Exhibit 2.

7 **Q. Did the Operator conduct an MIT by the December 28, 2017 deadline?**

8 A. No. On January 10, 2018, I submitted a penalty recommendation pursuant to K.A.R. 82-3-
9 407 for failure to conduct a successful MIT on the subject well. On March 29, 2018, the
10 Commission issued a Penalty Order finding the Operator violated K.A.R. 82-3-407 and
11 assessing the Operator a \$1,000 penalty.

12 **Q. As of today, has the Operator conducted a successful MIT on the subject well?**

13 A. No, the subject well has not been tested.

14 **Q. What is the penalty for failing to conduct an MIT?**

15 A. Under K.A.R. 82-3-407(g), failure to test a well to show its mechanical integrity is punishable
16 by a \$1,000 penalty and the well shall be shut in until the required test has been passed.

17 **Q. Do you have a recommendation regarding the Penalty Order in this docket?**

18 A. Yes. The Penalty Order should be affirmed. The Operator failed to conduct the necessary MIT
19 by the deadline and remains in violation of K.A.R. 82-3-407 as of this date. The assessment
20 of the \$1,000 penalty in the Commission's Penalty Order is reasonable and should be upheld.
21 The subject well should be shut in until it has passed an MIT.

22 **Q. Does this conclude your testimony as of this date, October 22, 2018?**

23 A. Yes.

CONSERVATION DIVISION
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



Corporation Commission

Sam Brownback, Governor

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

June 13, 2017

Casey Minshew
SX54, LLC
1900 W. GRAY #130945
HOUSTON TX 77219

License: 35339

REMINDER
MECHANICAL INTEGRITY TEST
APPROACHING DEADLINE

RE: Mechanical Integrity Test Reminder

Dear Operator:

Commission records indicate that the wells on the attached list will soon be due for a Mechanical Integrity Test (MIT). The applicable due date for each well is on the list.

For any questions, or to schedule a testing date, please contact the appropriate District Staff at one of the following phone numbers:

District #1, (620) 225-8888
District #2, (316) 630-4000
District #3, (620) 432-2300
District #4, (785) 625-0550

- The date of the MIT must be mutually agreed upon with District Staff.
- Please contact the appropriate district staff at least 2 days prior to your proposed testing date.
- A representative of the operator must be on site during each MIT.

Failure to conduct any MIT by the applicable due date shall be punishable by a \$1,000 per-well penalty.

Sincerely,

KCC Underground Injection Control Staff

June 13, 2017

List of Wells: Due for a Mechanical Integrity Test

DOCKET	API Well #	Lease Name / Well #	Well Location	County	MIT Expiration
E21647.1	15-073-01204-00-01	HAWTHORNE (A) 1	19-24S-10E, SWSENW	GREENWOOD	9/12/2017
D02719.0	15-073-01383-00-00	HOLMES (A C) 3	7-27S-11E, SWSWNE	GREENWOOD	8/5/2017
D20506.0	15-073-22073-00-00	GRUNDY B (R A) 1 SWD	7-27S-11E, SESEENW	GREENWOOD	8/5/2017
D24701.0	15-073-22198-00-00	GRUNDY B 5 SWD	7-27S-11E, S2SEENW	GREENWOOD	9/12/2017



Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Corporation Commission

Sam Brownback, Governor

NOTICE OF VIOLATION
MECHANICAL INTEGRITY TEST (MIT)

LICENSE 35339
SX54, LLC
1900 W. GRAY #130945
HOUSTON TX 77219

December 14, 2017

Re: Past Due Mechanical Integrity Test

Operator:

Commission records indicate that a current Mechanical Integrity Test (MIT) has not been conducted for the wells listed on the next page.

It is a violation of K.A.R. 82-3-407 for an operator to fail to conduct a timely MIT.

**Failure to conduct an MIT on the well(s)
by December 28, 2017
shall be punishable by a \$1,000 per well penalty.**

- The date of the MIT must be mutually agreed upon with Commission staff.
- Please contact the Commission district staff at least 2 days prior to your proposed testing date.
- A representative of the operator must be on site during the MIT.
- The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c) of the General Rules and Regulations for the State of Kansas.

You will be penalized if you do not contact District staff by December 28, 2017.

If you received a letter with a later deadline because this well failed an MIT, disregard this letter.

Sincerely,

LARRY MARCHANT
KCC District # 3

December 14, 2017

List of Wells: PAST Due for a Mechanical Integrity Test

DOCKET	API Well #	Lease Name / Well #	Well Location	County	MIT Expiration
E21647.1	15-073-01204-00-01	HAWTHORNE (A) 1	19-24S-10E, SWSEW	GREENWOOD	9/12/2017

CERTIFICATE OF SERVICE

18-CONS-3286-CPEN

I, the undersigned, certify that the true copy of the attached "Prefiled Testimony of Larry Marchant" has been served to the following parties by means of first class mail and electronic service on October 22, 2018.

JOHN ALMOND
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
Fax: 785-271-3354
j.almond@kcc.ks.gov

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
m.duenes@kcc.ks.gov

BLAKE HUDSON
HUDSON LAW, LLC
P.O. Box 866
FORT SCOTT, KS 66701
blake@hudsonmullies.com

CASEY MINSHEW
SX54, LLC
30 N GOULD ST STE 7099
SHERIDAN, WY 82801

RENE STUCKY
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
r.stucky@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/ Paula J. Murray

Paula J. Murray