

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

In the Matter of the application of Quito, Inc. ) Docket Nos.: 22-CONS-3115-CMSC  
(Operator) for an Operator's license renewal. )  
) CONSERVATION DIVISION  
)  
\_\_\_\_\_ ) License No.: 33594

**BRIEF OF COMMISSION STAFF**

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) submits its Brief (Staff Brief) on the applicability of K.S.A. 55-155(c)(4) and K.A.R. 82-3-120(g)(2), pursuant to the Commission's March 8, 2022, *Order On Briefing, and Requiring Staff Report and Further Investigation*.

Pursuant to K.S.A. 55-155(c)(4), no application or renewal application shall be approved until the applicant has demonstrated to the Commission's satisfaction that the following comply with all requirements of Chapter 55 of the Kansas Statutes Annotated, and amendments thereto, all rules and regulations adopted thereunder and all Commission Orders and enforcement agreements, if the applicant is not registered with the Federal Securities and Exchange Commission: (A) the applicant, (B) any officer, director, partner or member of the applicant; (C) any stockholder owning in the aggregate more than 5% of the stock of the applicant; and (D) any spouse, parent, brother, sister, child, parent-in-law, brother-in-law or sister-in-law of the foregoing.

Under K.A.R. 82-3-120(g)(2), if the applicant is not registered with the Federal Securities and Exchange Commission the applicant shall demonstrate to the Commission that the applicant complies with all requirements of K.S.A. 55-101 et seq. and amendments thereto, all implementing regulations, and all Commission Orders and enforcement agreements.

Staff has correctly applied and construed K.S.A. 55-155(c)(4) and K.A.R. 82-3-120(g)(2) to Operator for the reasons described below.

Mr. McCann was the sole officer and sole stockholder of McC Oil Company, Inc. (McC Oil) and Quito, Inc. (Operator).<sup>1</sup> Operator is not currently licensed with the Federal Securities and

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<sup>1</sup> Stipulations of fact ¶2 and 11.

Exchange Commission.<sup>2</sup> At the time of its license expiration McC Oil was responsible for the Austin #10, API #15-019-91774; Casement FLO #6, API #15-019-25043; Focht Andy #A-1, API #15-019-20590; and Sears #4, API #15-019-91986 wells (McC Wells).<sup>3</sup> On January 26, 2016, McC Oil's license was suspended for non-compliance with Docket No. 16-CONS-361-CSHO (Docket 16-361).<sup>4</sup>

As Mr. McCann remains liable for plugging the McC Wells, he is out of compliance with the rules and regulations of the Commission. Mr. McCann is an officer of Operator, therefore, under K.A.R. 82-3-155(c)(4) and K.A.R. 82-3-120(g)(2), Operator is not in compliance with the Commission's rules and regulations because the officer and sole stockholder is not in compliance with the Commission's rules and regulations. Specifically, Mr. McCann is suspended for non-compliance with the Commission in Docket 16-361. Based upon this information, Mr. McCann is unable to demonstrate to Commission's Staff's satisfaction that any officer and stockholder owning more than 5% of the stock of Operator complies with all requirements of Chapter 55 of the Kansas Statutes Annotated, and amendments thereto, all rules and regulations, and all Commission Orders and enforcement agreements.

WHEREFORE, for the reasons stated above, Staff believe that the denial of Operator's license was based on an appropriate interpretation of K.S.A. 55-155(c)(4) and K.A.R. 82-3-120(g)(2).

Respectfully submitted,

/s/ Kelcey Marsh  
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<sup>2</sup> ¶18.

<sup>3</sup> ¶5.

<sup>4</sup> KCC Docket No. 16-CONS-361-CSHO, Default Order (Jan. 14, 2016).

## **CERTIFICATE OF SERVICE**

22-CONS-3115-CMSC

I, the undersigned, certify that a true and correct copy of the attached Brief of Commission Staff has been served to the following by means of electronic service on March 25, 2022.

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/s/ Paula J. Murray

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