

**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 JTC Oil, Inc.) Docket No: 17-CONS-3680-CPEN
("Operator") to comply with K.A.R. 82-3-407 at)
the Day C #OW 10 W, Day J #OW 6 W, Day J) CONSERVATION DIVISION
#OW 11 W, Cook #2W, Cook #39 W and Cook)
#W-50 in Linn and Miami County, Kansas.) License No: 32834

ORDER APPROVING SETTLEMENT AGREEMENT

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having reviewed the files and records, and being fully advised in the premises, the Commission makes the following findings:

1. On June 15, 2017, the Commission issued a *Penalty Order* to JTC Oil, Inc. (Operator), finding that the subject wells have not been successfully tested for mechanical integrity pursuant to K.A.R. 82-3-407.¹
2. On July 13, 2017, the Operator timely filed its request for a hearing.
3. On July 27, 2017, the Commission issued an *Order Designating Prehearing Officer and Setting Prehearing Conference*, setting a Prehearing Conference for September 14, 2017.²
4. On September 19, 2017, the Commission issued a procedural schedule setting pre-filed testimony deadlines and an evidentiary hearing for December 14, 2017.³

¹ *Penalty Order*, ¶ 9 (June 15, 2017).

² *Order Designating Prehearing Officer and Setting Prehearing Conference*, Ordering Clause B (July 27, 2017).

³ *Order Setting Procedural Schedule*, ¶ 2 (Sept. 19, 2017).

5. On December 12, 2017, the Commission cancelled the settlement deadline, the procedural schedule, and the evidentiary hearing in this matter,⁴ based on its finding that Commission Conservation Staff (Staff) and the Operator had reached a tentative settlement.⁵

6. On April 23, 2018, Staff filed a Motion to Approve Settlement Agreement with an attached proposed Settlement Agreement. The relevant terms of the Settlement Agreement state:

- a. Operator shall pay \$3,000 of the \$6,000 originally assessed in this docket. Operator has already made the \$3,000 payment. Operator does not admit to any violations, but Operator recognizes that for the purposes of Operator's license renewal under K.S.A. 55-155 and K.A.R. 82-3-120, resolution of this matter will count as six violations of K.A.R. 82-3-407.
- b. By May 31, 2018, Operator shall perform successful MITs upon, or plug, the subject wells. Operator understands and agrees that failure to comply with this deadline shall result in Commission assessment of a \$5,000 penalty. Operator further understands and agrees that if the subject wells have not had successful MITs performed or have not been plugged by June 30, 2018, then the Commission shall assess Operator an additional \$5,000 penalty, and Staff may be directed by the Commission to plug the wells and assess the costs to Operator.
- c. Operator understands and agrees that failure to comply with the provisions of any of the above paragraphs, and the assessment of any penalties or costs under this Agreement, will result in the Commission suspending Operator's license without further notice until compliance is obtained and all outstanding penalties and costs are paid. Operator further understands and agrees that if Operator is found conducting oil and gas operations following suspension of Operator's license, and Operator's license is still suspended, then the Commission shall order all of Operator's oil and gas operations sealed and shall assess an additional \$5,000 penalty.
- d. Operator acknowledges that upon any suspension of Operator's license, this matter may be submitted for judicial enforcement or enforcement through the Kansas Attorney General's Office.
- e. Staff agrees to recommend to the Commission that this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.⁶

⁴ *Order Cancelling Settlement Deadline, Procedural Schedule, and Evidentiary Hearing*, ¶ 5 (Dec. 12, 2017).

⁵ *Id.* at ¶ 4.

⁶ Motion to Approve Settlement Agreement, attached Settlement Agreement, ¶¶ 10-14 (Apr. 23, 2018).

7. By signing the proposed Settlement Agreement, both Staff and the Operator have agreed that the Agreement “fully resolves the issues specifically addressed between the parties” and “[t]he terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.”⁷

8. The Commission finds that the law encourages settlements.⁸ The Commission agrees that the Settlement Agreement attached to Staff’s Motion to Approve Settlement Agreement fully resolves the issues specifically addressed between the parties and constitutes a fair and reasonable resolution of this matter. The Settlement Agreement is incorporated into and made a part of this Order.


THEREFORE, THE COMMISSION ORDERS:

- A. Staff’s Motion to approve the attached Settlement Agreement is granted.
- B. The parties have 15 days, plus three days if mailed service, from the date of service of this Order to petition for reconsideration.⁹
- C. The Commission retains the jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it deems necessary.

BY THE COMMISSION IT IS SO ORDERED

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 05/15/2018



Lynn M. Retz
Secretary to the Commission

Date Mailed: 05/16/2018

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⁷ Settlement Agreement, ¶ 15.

⁸ *Bright v. LSI Corp.*, 254 Kan. 853, 858, 869 P.2d 686 (1994).

⁹ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 77-529(a)(1); *see* K.S.A. 66-118b.

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("Operator") to comply with K.A.R. 82-3-407)	
at the Day C #OW 10 W, Day J #OW 6 W,)	CONSERVATION DIVISION
Day J #OW 11 W, Cook #2W, Cook #39 W)	
and Cook #W-50 in Linn and Miami County,)	License No.: 32834
Kansas.)	

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 JTC Oil, Inc ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

I. JURISDICTION

1. Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.
2. Pursuant to K.S.A. 55-150 *et seq.*, the Commission has authority to regulate the construction, operation, and abandonment of any well and the protection of the useable water of this state from any actual or potential pollution from any well.
3. Pursuant to K.S.A. 55-155, operators and contractors, as defined in K.S.A. 55-150, shall be licensed by the Commission.
4. Pursuant to K.S.A. 55-162, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.

5. Pursuant to K.A.R. 82-3-407, an injection well's mechanical integrity shall be established at least one every five years, and failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty.

II. BACKGROUND

6. Under the above jurisdiction and authority, on June 15, 2017, the Commission issued a Penalty Order against Operator for six violations of K.A.R. 82-3-407. The Penalty Order assessed a \$6,000 penalty and directed Operator to perform successful MITs on the six wells at issue, or plug them. Operator timely filed a request for hearing, and Staff and Operator have timely submitted pre-filed direct testimony.

7. Operator plugged four of the six well at issue in November 2017. Two of the wells, specifically the Day C #OW 10W, API #15-107-19860 and the Day J #OW 6W, API #15-107-19858 ("the subject wells") remain out of compliance with the Commission's Penalty Order.

8. To avoid potential litigation costs and to foster administrative efficiency, Operator and Staff have reached the following agreement.

III. TERMS OF THE SETTLEMENT AGREEMENT

9. The parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the stipulations as set forth below.

10. Operator shall pay \$3,000 of the \$6,000 originally assessed in this docket. Operator has already made the \$3,000 payment. Operator does not admit to any violations, but Operator recognizes that for the purposes of Operator's license renewal under K.S.A. 55-155 and K.A.R. 82-3-120, resolution of this matter will count as six violations of K.A.R. 82-3-407.

11. By May 31, 2018, Operator shall perform successful MITs upon, or plug, the subject wells. Operator understands and agrees that failure to comply with this deadline shall result in Commission assessment of a \$5,000 penalty. Operator further understands and agrees that if the subject wells have not had successful MITs performed or have not been plugged by June 30, 2018, then the Commission shall assess Operator an additional \$5,000 penalty, and Staff may be directed by the Commission to plug the wells and assess the costs to Operator.

12. Operator understands and agrees that failure to comply with the provisions of any of the above paragraphs, and the assessment of any penalties or costs under this Agreement, will result in the Commission suspending Operator's license without further notice until compliance is obtained and all outstanding penalties and costs are paid. Operator further understands and agrees that if Operator is found conducting oil and gas operations following suspension of Operator's license, and Operator's license is still suspended, then the Commission shall order all of Operator's oil and gas operations sealed and shall assess an additional \$5,000 penalty.

13. Operator acknowledges that upon any suspension of Operator's license, this matter may be submitted for judicial enforcement or enforcement through the Kansas Attorney General's Office.

14. Staff agrees to recommend to the Commission that this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

IV. RESERVATIONS

15. This Settlement Agreement fully resolves the issues specifically addressed between the parties. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

16. The terms and provisions of this Agreement have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any party has the option to terminate this Agreement and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the terms or provisions hereof, unless otherwise provided herein.

17. Unless (and only to the extent) otherwise specified in this Agreement, the signatories to this Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, if the Commission decides not to approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either party fail to fulfill all terms and provisions.

18. Unless (and only to the extent) otherwise specified in this Agreement, this Agreement does not prejudice or waive any party's legal rights, positions, claims, assertions or arguments in any proceedings in this docket, or any other proceeding before the Commission or in any court.

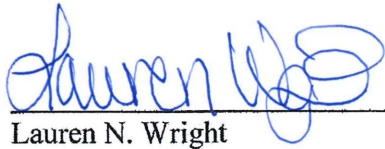
19. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.

20. This Settlement Agreement shall be binding on all parties upon signing.

IN WITNESS WHERETO, the parties hereby execute and approve this Settlement

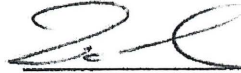
Agreement by subscribing their signatures below.

By:



Lauren N. Wright
Litigation Counsel
Kansas Corporation Commission
266 N. Main, Ste. 220
Wichita, KS 67202

By:



Tom Cain
JTC Oil, Inc.
35790 Plum Creek Road
Osawatomie, Kansas 66064

CERTIFICATE OF SERVICE

17-CONS-3680-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of electronic service on 05/15/2018.

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/S/ DeeAnn Shupe

DeeAnn Shupe