Conservation Division 266 N. Main St., Ste. 220 Wichita, KS 67202-1513



2017-06-27 14:48:40 Kansas Corporation Commission /s/ Lynn M. Retz Phone: 316-337-6200

Fax: 316-337-6200 Fax: 316-337-6211 http://kcc.ks.gov/

Sam Brownback, Governor

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

NOTICE OF PENALTY ASSESSMENT 17-CONS-3684-CPEN

This is a notice of a penalty assessment for violation 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:

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay \$2,600. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, and <u>must include a reference to the docket number</u> of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order 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.

THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

Before Commissioners:

Pat Apple, Chairman Shari Feist Albrecht Jay Scott Emler

)	Docket No.: 17-CONS-3684-CPEN
)	
)	CONSERVATION DIVISION
)	
_)	License No.: 5446
)

PENALTY ORDER

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:

I. JURISDICTION

- 1. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities. K.S.A. 55-152 provides that 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. The Commission has licensing authority pursuant to K.S.A. 55-155.
- 2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.
- 3. K.A.R. 82-3-104 provides that every person who drills a well that penetrates formations containing oil, gas, fresh water, mineralized water, or valuable minerals shall case or seal off the formations to effectively prevent migration of oil, gas, or water from or into strata

that would be damaged by such migration. The effectiveness of the casing or sealing off shall be tested in a manner prescribed or approved by an agent of the Commission.

4. K.A.R. 82-3-111 provides that within 90 days after operations cease on any well, the operator of that well shall plug the well, return the well to service, or file an application with the Conservation Division requesting temporary abandonment ("TA") status. A well shall not be eligible for TA status if the well has been shut-in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the Commission. The failure to file an application for TA status shall be punishable by a \$100 penalty. K.A.R. 82-3-111(e) provides an exemption for certain wells for 365 days if they are fully equipped and capable of production.

II. FINDINGS OF FACT

- 5. Operator conducts oil and gas activities in Kansas under license number 5446, and is responsible for the care and control of the Flying J Geer #2 OWWO well, API #15-015-01490-00-01, ("the subject well") located in Section 32, Township 25 South, Range 4 East, Butler County, Kansas.
- 6. The subject well was originally completed in 1963 and was subsequently plugged. On May 10, 2013, Operator submitted an Intent-to-Drill (C-1) Form, proposing to work over the subject well. Operator also sought an exception to the Table 1 Minimum Surface Casing Requirements. Commission Staff granted the exception with the condition that the production or long string casing nearest the formation wall would be immediately cemented from a depth of at least 250 feet back to surface. Operator was further instructed in writing to notify the KCC

¹ See, Exhibit 1 (Notice of Intent to Drill).

² See, Exhibit 2 (Letter from Operator to Commission Staff, dated May 10, 2013).

District Office prior to spudding the well, and also one day before cementing the longstring, so Staff could witness the procedure.³

- 7. On June 13, 2013, Operator spudded the subject well and notified Staff by telephone.
- 8. On January 29, 2014, Operator submitted a Well Completion (ACO-1) Form for the subject well. The ACO-1 indicated that the well was completed on November 20, 2013. No casing records, cement tickets, or perforation records were included with the ACO-1 form. Furthermore, Operator did not contact Commission Staff about cementing the casing.
- 9. On September 3, 2015, Commission Staff performed a lease inspection and found the subject well inactive and shut in with no lease infrastructure present. Staff subsequently met with Operator and required submission of a completed ACO-1 form, including cement tickets, and directed that Operator obtain temporary abandonment status to bring the subject well into compliance.
- 10. On August 30, 2016, Commission Staff conducted a lease inspection which revealed the subject well remained inactive and shut in with no lease infrastructure present.

 Furthermore, Operator had neither submitted a completed ACO-1 form, including cement tickets, nor obtained temporary abandonment status as required by Staff.
- 11. On October 19, 2016, Staff sent a notice of violation letter regarding Operator's apparent violation of the Commission's temporary abandonment regulations at the subject well. The letter gave a November 16, 2016, deadline to remedy the violation.
- 12. On November 18, 2016, Operator submitted a Temporary Abandonment (CP-111)

 Application for the subject well. No supporting documentation to verify the well construction information was provided. On December 19, 2016, Staff denied temporary abandonment status

³ See, Exhibit 3 (Commission Staff letter to Operator, dated May 14, 2013).

for the well due to Operator's failure to submit a completed ACO-1. Staff then set a deadline of January 6, 2017, for the subject well to be brought into compliance. Staff subsequently extended the deadline to January 13, 2017 to allow Operator to submit the missing well information regarding casing and production.

- 13. On January 13, 2017, Operator submitted a cement ticket that failed to provide information indicating whether cement was circulated or returned to surface as required by Staff. Commission Staff determined there was not sufficient evidence to demonstrate that the requirements of the surface casing exception were met by Operator. Staff then received a second copy of the cementing ticket with the addition of a handwritten note from an employee of Consolidated Oil Well Services stating "[c]ement did circulate approx. 4 BBL to pit." Since the only evidence of appropriate cement circulation was now an addition of a handwritten note to a cement ticket, for work performed over three years prior, Commission Staff requested a cement bond log be performed to ensure casing requirements were met as is authorized by K.A.R. 82-3-104.
- 14. On April 14, 2017, Commission Staff sent a letter to Operator, giving an April 28, 2017 deadline to run a bond long on the subject well. The letter also notified Operator that it was required to contact Staff's District Office prior to performing the work, so that Staff could witness the procedure. On April 26, 2017, Operator ran the bond log. Operator did not provide notice to Staff, which was therefore unable to witness the procedure.
- 15. On April 26, 2017, Commission Staff received the bond log and noted irregularities in the log method utilized and corresponding results, which included no data from 40 feet up to surface, and identical sections between the depths of 776-899 feet and 899-1022 feet.

⁴ See, Exhibit 4 (Field Ticket & Treatment Report).

16. Operator has failed to comply with the temporary abandonment requirements of K.A.R. 82-3-111, has failed to demonstrate compliance with the requirements of the surface casing exception granted under K.A.R. 82-3-106(f), and has not tested the effectiveness of the casing or sealing off of the subject well according to Commission Staff's instructions in violation of K.A.R. 82-3-104.

III. CONCLUSIONS OF LAW

- 17. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.
- 18. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-104 because Operator has failed to demonstrate the effectiveness of the casing or sealing off in a manner prescribed or approved by an agent of the Commission.
- 19. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-111 because the subject well has been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$2,500 penalty for its violation of K.A.R. 82-3-104.
- B. Operator shall pay a \$100 penalty for its violation of K.A.R. 82-3-111.
- C. Staff shall seal the subject well until such time as Operator conducts a Staff-witnessed bond log. Operator shall not perform any work on the well until such time as the bond log is conducted. If Operator either fails to perform a Staff-witnessed bond log, or if the bond log is performed and fails to demonstrate the effectiveness of the casing to the satisfaction of Staff,

then Staff is directed to notify the Commission and seek an additional \$7,500 penalty be assessed against Operator.

- D. If the bond log fails to demonstrate the effectiveness of the casing to the satisfaction of Staff, then Operator shall either rework the well and then demonstrate the effectiveness of the casing to the satisfaction of Staff, or plug the well.
- E. If Operator demonstrates the effectiveness of the casing to the satisfaction of Staff and does not plug the well, then Operator shall return the well to service or obtain temporary abandonment status for the well.
- F. If Operator remains out of compliance with this Penalty Order after 60 days, then Staff is directed to plug the subject well and assess the costs to Operator, and to notify the Commission and seek an additional \$5,000 penalty be assessed against Operator.
- G. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days, then Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this order shall constitute the 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.
- H. Checks and money orders shall be payable to the Kansas Corporation

 Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number, and expiration date. 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.

- I. 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 Operator's right to a hearing.
- J. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.
- K. 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.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated:	JUN 2 7 2017	June U. Ret
		Lynn M. Retz
		Secretary to the Commission
Mailed Date:	June 27, 2017	
IDW		



For KCC Use: 06/09/2013 Effective Date: District # Yes X No

Expected Soud Date:

OPERATOR: License# Name Gles, Benjamin M. Address 1 346 S. LULU .

Contact Person: BEN GILES Phone: 316-265-1992

Other

If Yes, true vertical depth:

Rottom Hole I restion

KCC DKT#:

CONTRACTOR License# 5446 Name: Gles Benjamin M Well Drilled For

> Operator SACO OIL CO Well Name GEER #2

Directional, Deviated or Horizontal wellbore?

Enh Rec

Storage

Disposal

XII OWWO: old well information as follows:

of Holes

Address 2 City WICHITA

Kansas Corporation Commission Oil & Gas Conservation Division

Form C-1 March 2010 Form must be Typed Form must be Signed All blanks must be Filled

NOTICE OF INTENT TO DRILL

Must be approved by KCC five (3) days prior to commencing well

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

•	
Spot Description E2 E2 NE	
1320 Sec 32 Twp 25	S R 1 XE W W / S Line of Section E / W Line of Section
Is SECTION Regular Irregular?	E / [] W Line of Section
(Note: Locale well on the Section Plat on	reverse side)
County: Butler	
Lease Name FLYING J GEER	Well # 20WWO
Field Name PIERCE	4+
Is this a Prorated / Spaced Field?	Yes XNo
Target Formation(s): MISSISSIPPI	
Nearest Lease or unit boundary line (in footage): 330	
Ground Surface Elevation 1338 Operator Supplied	feet MSL
Water well within one-quarter mile:	Yes XNo
Public water supply well within one mile	☐Yes X No
Depth to bottom of fresh water: 150	
Depth to bottom of usable water: 180	
Surface Pipe by Alternate:	
Length of Surface Pipe Planned to be set 130	
Length of Conductor Pipe (if any): 0	
Projected Total Depth 2543	

(Note: Apply for Permit with DWR

Formation at Total Depth: MISSISSIPPI

Well Farm Pond X Other: HAULED

Water Source for Drilling Operations:

DWR Permit #:

Will Cores be taken? If Yes, proposed zone.

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq. It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office prior to spudding of well;

Original Completion Date: 06/13/1963 Original Total Depth. 2543

05/20/2013

Well Class

XIntests

Pool Ext

Mildcat

Other

5446

dav

State KS Zip 67211 +

Type Equipment

X Mud Rolary

Cable

Air Rotary

- 2. A copy of the approved notice of intent to drill shall be posted on each drilling rig;
- 3. The minimum amount of surface pipe as specified below shall be set by circulating cement to the top; in all cases surface pipe shall be set through all unconsolidated materials plus a minimum of 20 feet into the underlying formation
- 4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary prior to plugging;
- 5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
- 6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within 120 DAYS of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged In all cases, NOTIFY district office prior to any cementing

Submitted Electronically

For KCC Use ONLY API # 15 15-015-01490-00-01	
Conductor pipe required . 9 Minimum surface pipe required . 13 Approved by Rick Hesterman	0 feet per ALT. ☐ I 🔀 t
This authorization expires: 06/04/2 (This authorization void if drilling not st	

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

1	Remember to:	
	 File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill; 	32
	 File Drill Pit Application (form CDP-1) with Intent to Drill; 	
	 File Completion Form ACO-1 within 120 days of spud date. 	25
ı	 File acreage attribution plat according to field proration orders, 	15
Ì	 Notify appropriate district office 48 hours prior to workover or re-entry; 	•
	 Submit plugging report (CP-4) after plugging is completed (within 60 days). 	4
-	 Obtain written approval before disposing or injecting salt water 	
	 If well will not be drilled or permit has expired (See authorized expiration date) please check the box below and return to the address below 	×
	Well will not be drilled or Permit Expired Date Signature of Operator or Agent:	
		~

☐Yes 区No

,

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

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In plotting the proposed location of the well, you must show:

- The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
- 2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
- 3. The distance to the nearest lease or unit boundary line (in footage).
- 4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells, CG-8 for gas wells).
- 5 The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.



MWM Oil Co., Inc. 346 S. Lulu St. Wichita, KS 67211 Phone: (316) 265-1992 Fax: (316) 265-1999

May 10, 2013

Kansas Corporation Commission 130 S. Market Wichita, KS 67202

Dear friends,

I have attached this letter with the electronic submission of the Intent to Drill for the Flying J Geer #2 OWWO. I have also attached a copy of the scout card and the KCC plugging report. I am requesting an exception to the 200 feet of surface casing requirement. If this well is successful and casing is set, the top 200 feet of production casing will be cemented in place.

Thank you very much for your consideration to this matter.

Very truly yours,

Beymand, Islan Benjamin M. Giles Conservation Division Finney State Office Building 130 S. Market, Rm. 2078 Wichita, KS 67202-3802



Phone: 316 337-6200 Fax: 316-337-6211 http://kcc.ks.gov/

Sam Brownback, Governor

Mark Sievers, Chairman Thomas E. Wright, Commissioner Shart Feist Albrecht, Commissioner

May 14, 2013

Benjamin M. Giles 346 S. Lulu Wichita, KS 67211

RE: Table | Exception

Flying J Greer 2 OWWO, E2-E2-NE Sec.32-T25S-R4E, Butler County, Kansas

Dear Mr. Giles:

The Kansas Corporation Commission (KCC) has received your request, dated May 10, 2013, for an exception to the Table 1 minimum surface pipe requirement of 200 feet for the proposed well. From your request, the KCC understands that your are to utilize the existing 130 feet of surface casing in this well bore and Alternate II cementing rules.

After review of this matter by technical staff it was determined that:

- 1. Bedrock at this location is the Permian Chase Group and is located at or near surface.
- The depth of the deepest water well of record within one mile of the proposed location is 147 feet.

Based on this information, an exception is granted for the Table 1 Minimum Surface Casing Requirements with the following stipulations:

- Upon completion of the well, the production or long string casing nearest the formation
 wall shall be immediately cemented from a depth of at least 250 feet back to the surface.
 Notify the KCC District #2 office prior to spudding the well and one day before cementing
 the longstring so they may have the opportunity to witness the procedure.
- In the event the well is dry and no additional production pipe has been cemented inplace, plugging will be performed according to KCC rules and KCC District #2 requirements.

Sincerely Yours,

Doug Louis Director

cc: Steve Bond 58

Jeff Klock - Dist #2 / 114 - mail

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(CONSOLIDATED OF WAR SUPPLIES, LLC

269685

LOCATION & DOLADO FOREMAN EVENT

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i ecknowledge that the payment terms, unless specifically amended in writing on the front of the form or latins customer's account records, at our office, and conditions of service on the back of this form are in effect for services identified on this form.

CERTIFICATE OF SERVICE

I certify that on of this Order to be served vi addressed to the following:	, I caused a complete and accurate copy e postage prepaid and properly
Benjamin M. Giles 346 S. Lulu Wichita, KS 67211	
and delivered by e-mail to:	
Dan Fox KCC District #2	
Rene Stucky KCC Central Office	

/s/ Paula J. Murray
Paula J. Murray
Legal Assistant
Kansas Corporation Commission