

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

Before Commissioners: Andrew J. French, Chairperson
 Dwight D. Keen
 Annie Kuether

In the matter of the failure of M G Oil, Inc.)	Docket No.: 25-CONS-3361-CPEN
(Operator) to comply with K.A.R. 82-3-)	
600 at the Coberly #2-19 well in Gove)	CONSERVATION DIVISION
County, Kansas.)	
_____)	License No.: 31385

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-600 at the captioned well, assesses a \$2,000 penalty, directs Operator to come into compliance, and further rules as more fully described below.

I. JURISDICTION

1. K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also 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 authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

3. K.A.R. 82-3-600(a) provides that pits shall not be used to contain fluids resulting from oil and gas activities until approved by the Commission. Pits shall be permitted only upon application to and approval by the Commission. Use of a pit without a pit permit shall be punishable by a \$500 penalty.

4. K.A.R. 82-3-601a(b) provides that the Conservation Division may require pits to be sealed.

5. K.A.R. 82-3-601b(a) adopts by reference the table of sensitive groundwater areas titled, “Table III: Established Sensitive Groundwater Areas for Surface Ponds,” dated March 2000.

II. FINDINGS OF FACT

6. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the Coberly #2-19 well (Subject Well), API #15-063-22453-00-00, located in Section 19, Township 15 South, Range 28 West, Gove County, Kansas. This location is a sensitive groundwater area as determined by the Commission in Table III: Established Sensitive Groundwater Areas for Surface Ponds.

7. On August 23, 2024, Operator submitted an Application for Surface Pit (CDP-1) for a drilling pit at the Subject Well.¹ On the CDP-1, Operator marked that the pit would be located in a sensitive groundwater area.² Commission Staff approved the application, but noted on the CDP-1 that the pit must be a steel pit.³ On August 28, 2024, Staff mailed a letter to Operator stating that an unsealed pit in the location of the Subject Well would present a pollution threat to water resources.⁴ The letter also stated that no earthen pits were to be used, and that steel pits must be used.⁵

8. On April 22, 2025, Staff performed an inspection of the Subject Well. During that inspection, Staff discovered an unpermitted workover pit.⁶ The unpermitted pit contained fluids, including oil, and was not a steel pit as required in that location by Staff.⁷

¹ Exhibit A.

² *See id.*

³ *Id.*

⁴ Exhibit B.

⁵ *Id.*

⁶ Exhibit C.

⁷ *See id.*

III. CONCLUSIONS OF LAW

9. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

10. Operator has committed one violation of K.A.R. 82-3-600 because Operator used a pit associated with the Subject Well without a permit.

11. Operator's unpermitted pit is located in a sensitive groundwater area and is not a steel pit as required by Staff, thereby increasing the risk of environmental damage being caused by the pit. Thus, the commission concludes a heightened monetary penalty is necessary so as to constitute the actual and substantial economic deterrent mandated by K.S.A. 55-164. The Commission concludes a \$2,000 penalty for Operator's violation of K.A.R. 82-3-602 is appropriate.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$2,000 penalty.
- B. Operator shall close the pit associated with the Subject Well within 30 days of the date of this order. Operator shall grade the surface of the soil, and the soil shall be returned, as nearly as practicable, to the condition that existed before the construction of the pit.
- C. Operator shall submit a complete, accurate Closure of Surface Pit form (CDP-4) for the pit associated with the Subject Well within 30 days of the closure of the pit.
- D. If the pit associated with the Subject Well is not closed within 30 days from the date of this order, then Operator shall be assessed an additional \$5,000 penalty, and Staff is directed to close the pit and assess the costs to Operator
- E. If a complete, accurate CDP-4 form has not been submitted within 30 days of the closure of the pit associated with the Subject Well, then Operator shall be assessed an additional \$500 penalty.
- F. Operator 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, to the Commission at

266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.

G. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is not in compliance with this Order and the Order is final, then Operator's license shall be suspended without further notice and shall remain suspended until Operator complies. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

H. Credit card payments may be made by calling the Conservation Division at 316-337-6200. Checks and money orders shall be payable to the Kansas Corporation Commission. Payments shall be mailed to the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. Payments must reference the docket number of this proceeding.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 05/08/2025



Celeste Chaney-Tucker
Executive Director

Mailed Date: 05/08/2025

TSK

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION**

Form CDP-1
May 2010
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: M G Oil Inc		License Number: 31385
Operator Address: P.O. Box 162		Russell KS 67665
Contact Person: Chad A Counts		Phone Number: 785-483-1627
Lease Name & Well No.: Coberly 2-19		Pit Location (QQQQ): NW - NE - NE - SE Sec. 19 Twp. 15 R. 28 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2430 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section 534 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Gove County
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit (If WP Supply API No. or Year Drilled)	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: Pit capacity: 5700 (bbls)	
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l (For Emergency Pits and Settling Pits only)
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? Native Clay/Bentonite
Pit dimensions (all but working pits): _____ 80 Length (feet) _____ 80 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: _____ 5 (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one-mile of pit: _____ 2670 feet Depth of water well _____ 20 feet		Depth to shallowest fresh water _____ 10 feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Fresh water/Bentonite Number of working pits to be utilized: 3 Abandonment procedure: Air dry and backfill. Drill pits must be closed within 365 days of spud date.
Submitted Electronically		

KCC OFFICE USE ONLY

Date Received: 08/23/2024 Permit Number: 15-063-22453-00-00 Permit Date: 08/28/2024 Lease Inspection: ☒ Yes ☐ No

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



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

Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

August 28, 2024

Chad A Counts
M G Oil Inc
P.O. Box 162
Russell, KS 67665-0162

Re: Drilling Pit Application
Coberly 2-19
SE/4 Sec.19-15S-28W
Gove County, Kansas

Dear Chad A Counts:

District staff has inspected the location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has instructed that no earthen pits are to be used at this location. Steel pits are to be used. Please inform the Commission in writing as to which disposal well you utilized to dispose of the contents in the steel pits and the amount of fluid that was disposed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, within 30 days of fluid removal.

Should a haul-off pit be necessary please file form CDP-1 (April 2004), Application for Surface Pit, through KOLAR. This location will have to be inspected prior to approval of the haul-off pit application.

KCC OIL/GAS REGULATORY OFFICES

Date: 04/22/25

District: 04

Case #: _____

☐ New Situation
☐ Response to Request
☐ Follow-Up

☒ Lease Inspection
☐ Complaint
☐ Field Report

Operator License No: 31385

Op Name: M G Oil Inc.

Address 1: Curtis Counts

Address 2: PO Box 162

City: Russell

State: KANSAS Zip Code: 67665 -0162

Operator Phone #: (785) 483-1627

API Well Number: _____

Spot: SE Sec 19 Twp 15 S Rng 28 ☐ E ☒ W

Feet from ☐ N ☒ S Line of Section

Feet from ☒ E ☐ W Line of Section

GPS: Lat: _____ Long: _____ Date: 4/22/25

Lease Name: Coberly 2-19 Well #: _____

County: Gove

Reason for Investigation:

Lease Inspection

Problem:

No sign meeting KAR 82-3-126 at tank battery, open non-permitted work over pit at well location.

Persons Contacted:

NA

Findings:

Lease inspection found lease actively operating. The lease has a tank battery that sets in the NW/4 20-15-28W. The tank battery has no tank identification sign as required by KAR 82-3-126. The fiberglass gun barrel appears to be cracked on the bottom of the clean out plate and is leaking. It appears someone has tried to repair so I will continue to monitor the progress. The lease only contains 1 well, the Coberly 2-19. Well was spudded 8/31/2024. Pit inspection at that time required operator to use steel pits and a haul off pit. Well was actively operating at time of inspection. There is a small well head leak that I will follow up on with the pumper. Well has a non-permitted workover pit that still contains fluids.

Action/Recommendations:

Follow Up Required ☒ Yes ☐ No ☐

Date: _____

I have sent a Sign NOV with a deadline of 5/25/2025 to the Operator. I will forward this report to Compliance for further review and recommendation for penalty for non-permitted pit.

Verification Sources:

☒ RBDMS ☒ KGS ☒ TA Program
☒ T-I Database ☒ District Files ☐ Courthouse
☒ Other: KOLAR

Photos Taken: _____

By:  _____

M Shane Jones

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: _____



April 22, 2025 at 1:00:13 PM
Gove KS 67736
United States

Coberly 2-19
API# 15-063-22453-00-00
GPS: 38.73550, -100.46900
2415' NSL & 711' WEL
NE NW NE SE 19-15-28W
Gove Co., KS
M G Oil Inc. # 31385
(Active, small well head spill and non-permitted pit containing fluids at well.

CERTIFICATE OF SERVICE

25-CONS-3361-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 05/08/2025.

CURTIS COUNTS
M G OIL INC
PO BOX 162
RUSSELL, KS 67665-0162
cac711@gmail.com

KATHLEEN HAYNES
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
kathy.haynes@ks.gov

TRISTAN KIMBRELL, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
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RICHARD WILLIAMS
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 4
2301 E. 13TH STREET
HAYS, KS 67601-2654
richard.williams@ks.gov

/S/ KCC Docket Room

KCC Docket Room