

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

Before Commissioners: Mark Sievers, Chairman
Ward Loyd
Thomas E. Wright

In the matter of the failure of Pickrell Drilling Company, Inc., to comply with the provisions of K.A.R. 82-3-407 at the Wells F #1 well located in the Northeast Quarter of the Northwest Quarter of Section 36, Township 20 South, Range 21 West, Ness County, Kansas and the Seacat D #3 well located in the Northeast Quarter of the Southeast Quarter of Section 31, Township 30 South, Range 21 West, Clark County, Kansas.) Docket No.: 12-CONS-223-CPEN
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) CONSERVATION DIVISION
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) License No.: 5123

PENALTY ORDER

Now, the above matter comes before the State Corporation Commission of the State of Kansas ("Commission" or "KCC") on its own motion. The Commission, being fully advised in the premises, and giving due consideration to the statutes of Kansas and the regulations of this Commission, finds and concludes as follows:

1. Pickrell Drilling Company, Inc. ("Pickrell" or the "operator"), is a Kansas corporation that can be served through its resident agent, Carl W. Sebits, at 100 S. Main, Ste. 505, Wichita, Kansas 67202-3738. KCC records indicate the operator is currently licensed to conduct oil and gas activities in Kansas pursuant to K.S.A. 55-155.

2. KCC records indicate that the operator is responsible for the care and control of the Wells F #1 well, which is identified as API #15-135-30158-00-00 ("Wells F #1"). The Wells F #1 is located in the Northeast Quarter of the Northwest Quarter of Section 36, Township 20 South, Range 21 West, Ness County, Kansas. KCC records indicate the Wells F #1 is authorized for injection activities pursuant to Underground Injection Control ("UIC") Permit #D-12,411.

KCC records further indicate the operator is responsible for the care and control of the Seacat D #3 well, which is identified as API #15-025-20099-00-01 ("Seacat D #3"). The Seacat D #3 is located in the Northeast Quarter of the Southeast Quarter of Section 31, Township 30 South, Range 21 West, Clark County, Kansas. KCC records indicate the Seacat D #3 is authorized for injection activities pursuant to UIC Permit #E-21,001. Collectively, the Wells F #1 and Seacat D #3 will be referred to herein as "the subject wells."

I. JURISDICTION

3. Pursuant to K.S.A. 55-164, the Commission may assess monetary penalties to operators or contractors who are in violation of Chapter 55 of the Kansas Statutes Annotated, or any rule, regulation, or order of the Commission. The maximum monetary penalty is \$10,000, and each day of a continuing violation constitutes a separate violation.

4. K.A.R. 82-3-407(a) provides that each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water, prevent damage to sources of oil or gas, and confine fluids to the interval or intervals approved for injection. An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer and no fluid movement into fresh or usable water. K.A.R. 82-3-407(a) further provides that operators shall establish an injection well's mechanical integrity at least once every five years.

5. K.A.R. 82-3-407(g) provides that no injection well shall be operated before having passed a mechanical integrity test. Furthermore, the operator's failure to test a well to show its mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the required test has been passed.

II. FACTUAL FINDINGS

A. Wells F #1

6. KCC records indicate that the Wells F #1 last passed a Mechanical Integrity Test ("MIT") on August 9, 2006. Pursuant to K.A.R. 82-3-407, it was due for its next MIT on August 8, 2011.

7. On July 1, 2011, KCC District #1 ("District #1") Staff mailed a MIT reminder letter to Pickrell regarding the Wells F #1. The letter reminded Pickrell that a MIT on the Wells F#1 was required on or before August 8, 2011 and that the date for the MIT must be mutually agreed upon by the operator and the District #1 Office. District #1 Staff requested the operator contact the District #1 Office two days prior to scheduling the MIT. The letter provided further information on preparing for the MIT and warned that failing to conduct the MIT was punishable by a monetary penalty of \$1,000 pursuant to K.A.R. 82-3-407.

8. On September 1, 2011, after hearing no response from the operator, District #1 Staff mailed a Notice of Violation ("NOV") letter to Pickrell regarding the probable violation of K.A.R. 82-3-407 at the Wells F #1. The letter warned that if the operator had not cured the violation or contacted District #1 Staff by September 15, 2011, the matter would be referred to KCC Legal Staff for formal enforcement action, including a \$1,000 monetary penalty.

9. KCC records indicate that, to date, Pickrell has not performed a successful MIT on the Wells F #1 well.

B. Seacat D #3

10. KCC records indicate that the Seacat D #3 last passed an MIT on December 19, 2006. Pursuant to K.A.R. 82-3-407, it was due for its next MIT on December 18, 2011.

11. On October 28, 2011, District #1 Staff mailed a MIT reminder letter to Pickrell regarding the Seacat D #3. The letter reminded Pickrell that a MIT on the Seacat D #3 was required on or before December 18, 2011 and that the date for the MIT must be mutually agreed upon by the operator and the District #1 Office. District #1 Staff requested the operator contact the District #1 Office two days prior to scheduling the MIT. The letter provided further information on preparing for the MIT and warned that failing to conduct the MIT was punishable by a monetary penalty of \$1,000 pursuant to K.A.R. 82-3-407.

12. On January 3, 2012, after hearing no response from the operator, District #1 Staff mailed a NOV letter to Pickrell regarding the probable violation of K.A.R. 82-3-407 at the Seacat D #3. The letter warned that if the operator had not cured the violation or contacted District #1 Staff by January 17, 2012, the matter would be referred to KCC Legal Staff for formal enforcement action, including a \$1,000 monetary penalty.

13. KCC records indicate that, to date, Pickrell has not performed a successful MIT on the Seacat D #3 well.

III. STAFF'S RECOMMENDATIONS

14. Based upon the above facts, Staff recommended the Commission find that the operator has committed two violations of K.A.R. 82-3-407, and that the operator should be assessed a monetary penalty of \$2,000.

15. Staff recommended that the operator should be ordered to perform a successful MIT on both of the subject wells or plug them.

16. Staff recommended that the operator should be ordered to cease injection activities at the subject wells until such time as compliance has been achieved.

IV. CONCLUSIONS

17. The Commission finds and concludes that it has jurisdiction over the operator and over this matter, pursuant to K.S.A. 55-100 et seq.

18. The operator has committed two violations of K.A.R. 82-3-407.

19. The operator should be assessed a total monetary penalty of \$2,000.

20. The operator should be ordered to perform a successful MIT on both of the subject wells or plug them.

21. The operator should be ordered to cease injection activities at both of the subject wells until such time as compliance has been achieved.

22. The failure of the operator to comply with this Penalty Order should be punishable by license suspension until such time as compliance is obtained.

THEREFORE, THE COMMISSION ORDERS THAT:

A. Pickrell is hereby assessed a total monetary penalty of \$2,000.

B. Pickrell shall perform a successful MIT on both of the subject wells or plug them.

C. Pickrell shall cease injection activities at both of the subject wells until such time as compliance has been achieved.

D. The operator shall comply with this Penalty Order within 30 days of the service date of this order. If service is by mail, three days will be added to the deadline.

E. The operator has 30 days from service of this Penalty Order to appeal, pursuant to K.S.A. 55-164. If service is by mail, three days will be added to the deadline. The appeal must indicate whether the appellant requests a full evidentiary hearing before the Commission. If a hearing is not requested, the appeal will be considered administratively, without a hearing. All

appeals must be served on the Executive Director of the Commission, at 130 South Market, Room 2078, Wichita, Kansas 67202.

F. The failure by the operator to comply with this Penalty Order or timely submit an appeal shall be punishable by license suspension until such time as compliance is obtained.

G. The Commission retains jurisdiction of the subject matter and the parties. The Commission may enter additional orders as it deems appropriate, and additional orders may include the imposition of additional requirements or monetary penalties.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn.; Loyd, Com.; Wright, Com.

Dated: MAR 05 2012



Patrice Petersen-Klein
Executive Director

Mailed Date: 03-05-2012

RAH

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

MAR 05 2012



CERTIFICATE OF SERVICE

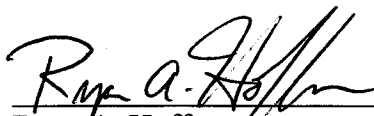
I hereby certify that on 03-05-2012, I caused a true and correct copy of the foregoing "Penalty Order" to be served by placing the same in the United States mail, postage prepaid, and properly addressed to the following:

Carl W. Sebits
Pickrell Drilling Company, Inc.
100 S. Main, Ste. 505
Wichita, Kansas 67202-3738

Richard Lacey
KCC District #1 Office
210 E. Frontview, Suite A
Dodge City, Kansas 67801

and by hand-delivery to:

Alan Snider
UIC Department
Central Office



Ryan A. Hoffmar
Litigation Counsel
Kansas Corporation Commission