

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

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Pat Apple

In the matter of the failure of Black Tea Oil,) Docket No.: 15-CONS-580-CSHO
LLC ("Operator") to comply with K.A.R. 82-)
3-600 at the McGuire C #1 in Logan County,) CONSERVATION DIVISION
Kansas.)
_____) License No.: 34639

**ORDER TO SHOW CAUSE, DESIGNATING A PREHEARING OFFICER,
AND SETTING A PREHEARING CONFERENCE**

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. The Commission has jurisdiction to regulate oil and gas production in Kansas under Chapter 55 of the Kansas Statutes Annotated and the General Rules and Regulations for the Conservation of Crude Oil and Natural Gas, K.A.R. 82-3-100 *et seq.*

2. K.S.A. 55-162 provides the Commission with authority to issue an order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule or regulation of the Commission adopted pursuant to Chapter 55.

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.

II. FINDINGS OF FACT

4. On February 13, 2015, Commission Staff moved the Commission to set this matter for hearing. In support of the motion, Staff alleged facts regarding an alleged violation of K.A.R. 82-3-600 occurring at the McGuire C #1 in Logan County during December 2014. Staff noted that the operator had produced 350,761 barrels of oil during the first nine months of 2014, and since February 2013, the operator had been assessed \$17,500 in penalties for 30 violations, resulting in their license being temporarily suspended on two occasions. Several of the violations implicated environmental hazards. Staff requested that the Commission conduct a hearing whereby Staff would request a substantial economic deterrent to future violations.

5. On February 24, 2015, Charles C. Steincamp and David W. Nickel of Depew Gillen Rathbun & McInteer entered their appearance on behalf of Black Tea Oil, LLC.

6. On March 2, 2015, Staff filed a supplemental allegation of facts alleging spill and well completion report violations.

7. No response has been filed in opposition to this matter being set for hearing.

8. The Commission finds and concludes that Staff has presented sufficient allegations to warrant an evidentiary hearing.

III. CONCLUSIONS OF LAW

9. The Commission concludes that Black Tea Oil, LLC, should show cause why it should not be assessed a penalty by the Commission.

10. Pursuant to K.S.A. 77-551(c), the Commission finds that a Prehearing Officer should be designated in this proceeding to address any matters listed in K.S.A. 77-517(b). The Commission also finds that an initial prehearing conference should be scheduled in this matter.

THEREFORE, THE COMMISSION ORDERS:

A. The Prehearing Officer in this proceeding shall be Lane R. Palmateer, Counsel, Kansas Corporation Commission, 266 N. Main, Ste. 220, Wichita, Kansas 67202, telephone number 316-337-6200, email address l.palmateer@kcc.ks.gov.

B. A Prehearing Conference is scheduled for Thursday, April 30, 2015. The Prehearing Conference shall begin at 11:00 am, and shall end by 12:00 pm, at the Commission's offices, 266 N. Main, Ste. 220, Wichita, Kansas 67202. Telephonic attendance may be permitted by advance request. The Prehearing Conference will focus on the development of a procedural schedule for this docket.

C. At the Prehearing Conference, parties shall be prepared to discuss deadlines for filing testimony and briefs, discovery procedures, scheduling of a hearing with the Commission, and any other issues that will promote the orderly and prompt resolution of this proceeding.

D. At the Prehearing Conference, without further notice, this proceeding may be converted into a conference hearing or a summary proceeding for disposition of this matter as provided by the Kansas Administrative Procedure Act ("KAPA"). Any party that fails to attend or participate in the Prehearing Conference, hearing, or other stage of this proceeding shall be held in default under the KAPA.

E. Pursuant to K.A.R. 82-3-228(d)(2), corporations must enter an appearance via an attorney. If a corporation fails to enter an appearance via an attorney prior to the Prehearing Conference, it shall be held in default under the KAPA.

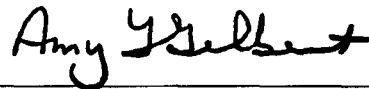
F. The attorney designated to appear on behalf of the agency in this proceeding is Jonathan R. Myers, Litigation Counsel, telephone number 316-337-6200, email address j.myers@kcc.ks.gov.

G. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: APR 16 2015



Amy L. Gilbert
Secretary

Mailed Date: April 16, 2015

LRP

CERTIFICATE OF SERVICE

I certify that on 4/16/15, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

David W. Nickel
Charles C. Steincamp
Depew Gillen Rathbun & McInteer, LC
8301 East 21 Street North, Suite 450
Wichita, Kansas 67206
Attorney for Black Tea Oil, LLC

Christopher C. Leiker
Black Tea Oil, LLC
1014 E. 29th Street
Hays, Kansas 67601

Case Morris
KCC District #4
2301 E. 13th Street
Hays, Kansas 67601

And delivered by hand to:

Jon Myers and Jonelle Rains
Conservation Division Central Office

/s/ Lane R. Palmateer
Lane R. Palmateer
Litigation Counsel
Kansas Corporation Commission