

**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 RL Investment,) Docket No.: 25-CONS-3120-CPEN
LLC (Operator) to comply with K.A.R. 82-3-)
400 at the Breeden #8, Denio P #1, and Koster) CONSERVATION DIVISION
H #2-32 wells, and K.A.R. 82-3-603 at the)
Denio lease, in Graham and Sheridan) License No.: 33268
Counties, Kansas.)

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-400 and K.A.R. 82-3-603, assesses a \$17,250 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 under 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. 82-3-101(a)(69) defines “spill” as any escape of saltwater, oil, or refuse by overflow, seepage, or other means from the vicinity of oil, gas, injection, service, or gas storage wells, or from tanks, pipelines, dikes, or pits, if the wells, tanks, pipelines, dikes, or pits are involved in or related to the exploration or drilling for oil or gas; the lease storage, treatment, or gathering of oil or gas; or the drilling, operating, abandonment, or post-abandonment of wells. For purposes of the regulation, “vicinity” means the area within six feet of the wellhead.

4. K.A.R. 82-3-400(a) provides that injection shall be permitted only after an operator has filed an application for injection authority with the Conservation Division and provided notice, and the Conservation Division has issued a written permit granting the application. K.A.R. 82-3-400(b) provides that the penalty for unauthorized injection shall be \$1,000 for first-time violators, \$5,000 for second-time violators, and \$10,000 and operator license review for third-time violators. Additionally, injection wells found to be operating without a permit shall be shut-in until compliance is achieved.

5. K.A.R. 82-3-603(a) provides that each operator shall act with reasonable diligence to prevent spills and safely confine saltwater, oil, and refuse in tanks, pipelines, pits, or dikes.

6. K.A.R. 82-3-603(b)(2) provides that, except as otherwise specified in the regulation, each operator shall notify the appropriate District Office of any spill as defined in K.A.R. 82-3-101. This notification shall meet the requirements of subsection (c) of the regulation, and shall be made not later than the next business day following the date of discovery or knowledge of the spill.

7. K.A.R. 82-3-603(d) provides that the failure to comply with subsection (b) of the regulation shall be punishable by a \$250 penalty for the first violation, a \$500 penalty for the second violation, and a \$1,000 penalty and operator license review for the third violation.

8. K.A.R. 82-3-603(e) provides that each operator shall clean up any spill that requires notification within 10 days after discovery or knowledge, or by the deadline prescribed in writing by the District Office, and that each operator shall clean up any spill that does not require notification upon completion of the routine operation or condition that caused the leak, drip, or escape, or within 24 hours of discovery or knowledge, whichever occurs sooner.

9. K.A.R. 82-3-603(f) provides that failure to contain and clean up a spill in accordance with K.A.R. 82-3-603 shall be punishable by the following penalties: \$1,000 for the first violation; \$2,500 for the second violation; and \$5,000 and operator license review for the third violation

II. FINDINGS OF FACT

10. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the following wells (Subject Wells):

- a. Breeden #8, API #15-179-20712-00-00, located in Section 13, Township 9 South, Range 27 West, Sheridan County, Kansas;
- b. Denio P #1, API #15-065-20903-00-01, located in Section 5, Township 10 South, Range 24 West, Graham County, Kansas; and
- c. Koster H #2-32, API #15-179-21487-00-00, located in Section 32, Township 8 South, Range 29 West, Sheridan County, Kansas.

11. Operator is also responsible for the Denio lease (Subject Lease), located in Section 5, Township 10 South, Range 24 West, Graham County, Kansas.

12. Between August 29, 2024, and September 12, 2024, Commission Staff inspected the Subject Wells and found each well in use as an injection well.¹ Commission records indicate that the Subject Wells have not been authorized for injection.²

13. Additionally, pursuant to a landowner complaint, Commission Staff discovered a spill at the Subject Lease on August 29, 2024.³ Oil from the spill traveled approximately 900 feet from a tank into a milo field.⁴ On September 3, 2024, Staff sent a Notice of Violation (NOV) letter to Operator.⁵ The letter gave a September 10, 2024, deadline to complete a Report of Incident form for the spill, and a September 17, 2024, deadline to clean up the spill.⁶ Staff received a Report of Incident form from Operator on September 17, 2024, after the deadline in the NOV.⁷ In the Report of Incident form, Operator indicated that the spill at the Subject Lease occurred on or around August 27, 2024.⁸ To date, the spill has not been fully remediated.

III. CONCLUSIONS OF LAW

14. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, and K.S.A. 55-155.

15. Operator committed three violations of K.A.R. 82-3-400 because Operator conducted unauthorized injection at the three Subject Wells. Under K.A.R. 82-3-400, a first-time violation of this regulation carries a penalty of \$1,000, a second violation carries a penalty of \$5,000, and a third violation carries a penalty of \$10,000. Accordingly, the Commission concludes Operator should be assessed a \$16,000 penalty.

¹ See Exhibit A.

² The Commission takes administrative notice of its records. See K.A.R. 82-1-230(h).

³ Exhibit B.

⁴ See *id.*

⁵ Exhibit C.

⁶ *Id.*

⁷ Exhibit D.

⁸ *Id.*

16. Operator committed one violation of K.A.R. 82-3-603(b)(2) because Operator did not notify the appropriate District Office by the next business day following the date of discovery or knowledge of the spill at the Subject Lease. Under K.A.R. 82-3-603(d), a first violation of this regulation carries a \$250 penalty. Accordingly, the Commission concludes Operator should be assessed a \$250 penalty for this violation.

17. Operator committed one violation of K.A.R. 82-3-603(e) because Operator failed to clean up the spill at the Subject Lease in a timely manner. Under K.A.R. 82-3-603(f), a first violation of this regulation carries a \$1,000 penalty. Accordingly, the Commission concludes Operator should be assessed a \$1,000 penalty for this violation.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$17,250 penalty.

B. Operator shall cease injection activities at the Subject Wells, and shall also shut-in and disconnect the wells. Staff is authorized to seal the wells to prevent additional unauthorized injection. The Subject Wells shall remain shut-in and disconnected until such time as the wells are plugged, Operator receives injection authority, or the wells are converted to producing wells.

C. Operator shall fully remediate the spill at the Subject Lease within 30 days. Due to the time of year, Staff will not be able to determine whether any remediation efforts undertaken by Operator at the Subject Lease have been successful until the next growing season in Spring 2025. Consequently, if Staff determines in Spring 2025 that any remediation efforts undertaken by Operator at the Subject Lease have been unsuccessful, Operator will undertake additional remediation efforts at the Subject Lease as directed by Staff. If Operator fails to comply with any of the provisions of this paragraph, then Operator shall pay an additional

\$5,000 penalty, and Commission Staff is directed to remediate the spill and assess the costs to Operator.

D. 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.

E. 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).

F. 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: 10/01/2024



Lynn M. Retz
Executive Director

Mailed Date: 10/01/2024
TSK

KCC OIL/GAS REGULATORY OFFICES

Date: 09/10/24

District: 04

Case #: _____

- New Situation
- Response to Request
- Follow-Up

- Lease Inspection
- Complaint
- Field Report

Operator License No: 33268

API Well Number: 15-179-20,712

Op Name: RL Investment LLC

Spot: SE-SW-NE-NW Sec 13 Twp 9 S Rng 27 E W

Address 1: 2777 US HWY 24

4291 Feet from N S Line of Section

Address 2: _____

3626 Feet from E W Line of Section

City: Hill City

GPS: Lat: 39.27444 Long: 100.28777 Date: 9/10/24

State: Kansas Zip Code: 67642 -

Lease Name: Breeden Well #: 8

Operator Phone #: (785) 421-6448

County: Sheridan

Reason for Investigation:

Response to request.

Problem:

TA'd oil well. Possible violation of K.A.R. 82-3-400. (Unauthorized injection).

Persons Contacted:

Rich Williams (Compliance Officer)

Findings:

9/10/2024: # 8 oil well located SE-SW-NE-NW/4 of section 13-9-27W. GPS location: 39.27444N & -100.28777W. TA # 4-005-985. The well is equipped with a pumping unit. The tubing appears to be installed in the 5.50" casing. A rod string is located on rods racks near the wellhead. The rods are very rusty and laid out in doubles. The bridle reins are hanging loose which may indicate little weight is connected to the polish rod. The chimney valve is closed. The brine tank located NE-NW-SE-NW/4 is equipped with a halo valve. Two 3" tees in a vertical position are connected to the brine exit line. The two PVC flo-lines penetrate the ground and have shut off valves. The inside valve was in the open position and the outside valve was in the closed position. A 3" flapper was found under the pumping unit. The lead line valve on the wellhead was in the closed position. The 3" lead line valve was opened. Fluid could be heard rushing past the check valve through the lead line. The one inch bleeder valve was opened prior to the opening of the lead line valve and was found to be on a very strong vacuum.

Action/Recommendations:

Follow Up Required Yes No

Date: 9/10/24

The Breeden # 8 is not currently equipped to produce oil. It is equipped to allow fluid from the lead line to fall through the tubing and go down the well. No fluids were going down the well at the time of inspection. It is suspected that the check valve has been altered to allow fluid to pass through. The brine tank is also connected to the H & C Goetz SWD well located C-SE-SE-NE/4 of section 11-9-27W. The docket # is D-23,218. The operator may be in violation of K.A.R. 82-3-400 in regards to the failure to obtain proper injection authority.

Verification Sources:

Photos Taken: Yes

- | | | |
|---|--|--|
| <input checked="" type="checkbox"/> RBDMs | <input checked="" type="checkbox"/> KGS | <input checked="" type="checkbox"/> TA Program |
| <input type="checkbox"/> T-I Database | <input checked="" type="checkbox"/> District Files | <input type="checkbox"/> Courthouse |
| <input type="checkbox"/> Other: _____ | | |

By: Darrel Dipman ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Photographic Record

Incident/Activity Description

Inspector Name: Darrel Dipman

Inspector Title: ECRS

Inspection Date: September 10, 2024

Lease Name: Breeden

Location: NW/4 Section 13-9-27W SD

Company: RL Investment LLC # 33268

Address: 2777 US HWY 24

Hill City, Kansas 67642

(785)-421-6448



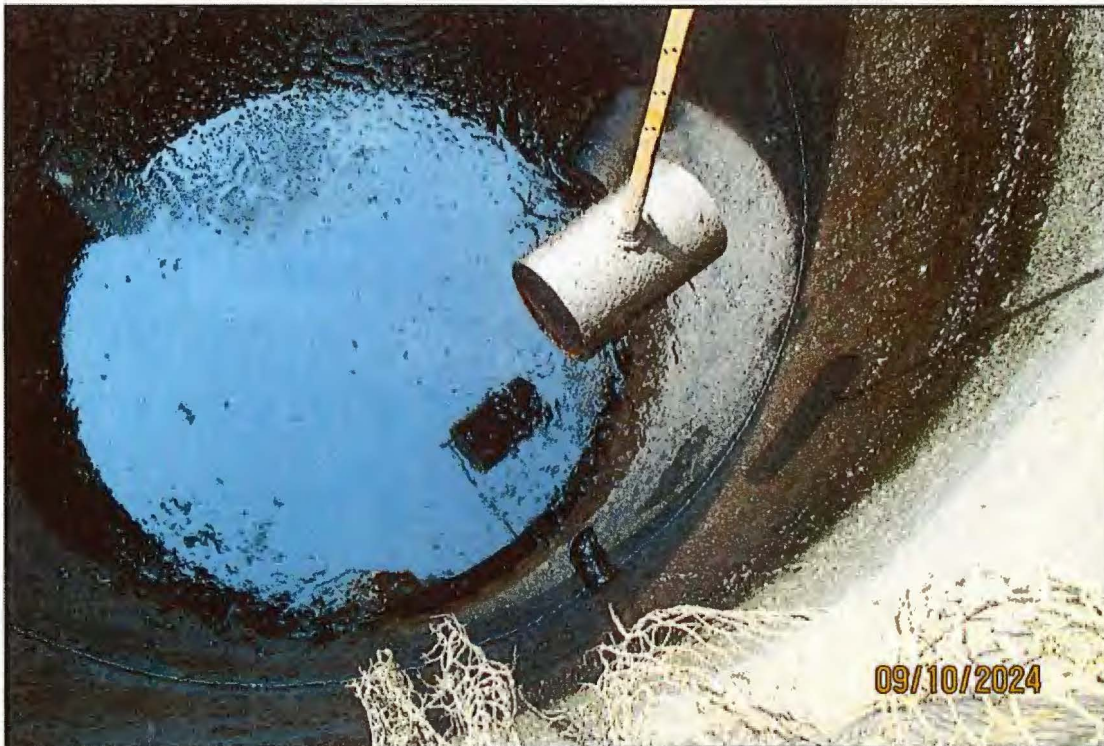
Above: View of the Breeden # 8 located SE-SW-NE-NW/4 Sec. 13-9-27W. GPS: 39.27444N & -100.28777W, 4291' FSL & 3626' FEL. The well is currently TA'd however, it may have been used to inject brine down the well. Note the lack of weight on the bridle reins. The lead line valve closest to the ground was in the closed position. The check valve allowed fluid to pass through and enter the flo-tee and fall down the tubing. The chimney valve on the wellhead was in the closed position. When the bleeder valve was open on the flo-tee it was found to be on a very strong vacuum. When the lead line valve was opened a rush of fluid could be heard passing from the lead line and into the tubing. The check valve may have been altered to allow fluid to pass through. A flapper from a 3" check valve was found inside of the pumping unit frame.





Above: View of the brine tank located at the tank battery. The brine tank is located @ 39.27303N & -100.28703W. Leo: NE-NW-SE-NW/4 of section 13-9-27W. 3782' FSL & 3411' FEL. At the time of inspection the outside (vertical) 3" valve was in the closed position. The inside (vertical) valve was in the open position. The brine tank fluid level was slightly above the halo valve exit line. The tank float was approximately 5' above the fluid level.

Below: View of the inside of the Breeden brine tank. Note: the fluid level appears to have been much higher in the tank as the crude oil residue on top of the water left a deposit on the tank wall. The fluid level was drawn down to the exit outlet. Apparently the halo valve is washed out or the valve was manipulated to remain in the open position.





Above: View of the Breeden # 8 check valve located on the wellhead. The top of the check valve appears to have pipe wrench marks indicating that the flapper valve may have been accessed.

Below: View of the check valve flapper that was located inside the pumping unit frame. When opening the lead line at the wellhead, the check valve sounded as if there was a flapper installed. It is possible that the check valve may have been altered to allow fluid to pass through.



INSPECTION REPORT

Case# _____

<input checked="" type="checkbox"/>	Complaint
<input type="checkbox"/>	New Situation
<input type="checkbox"/>	Response to request
<input type="checkbox"/>	Follow-up

Date of Inspection: August 20, 2024

Operator: RL Investment, LLC

License: 33268

Address: 2777 US Hwy 24

Location: NW 5-10-24w

City/St: Hill City, Kansas

Lease: Denio

Phone: (785) 421-6448

County: Graham

Reason for investigation: Landowner Complaint

Problem: Non reported spill; suspected illegal injection well; unauthorized water on lease

Findings:

- On August 20, 2024, a complaint was received by the Hays District Office regarding the Denio Lease. The complainant reported a non-reported spill, the evidence that off-lease water was being hauled onto the lease for disposal, and the presence of a possible illegal disposal well.
- On August 29, 2024, Chris Neeley, PG and Ed Schumacher, ECRS, inspected the above lease pursuant to a landowner complaint.

Spill

- The spill originated from a stock tank which had the inspection plate removed. Rain flushed the oil from the tank. The dike is not adequate to contain spilled fluids. The oil washed into a milo field and traveled approximately 900 feet.

Unauthorized Water

- There is a load line equipped with a hose and quick disconnect going over the top of the brine tank.
- SWD Permit does not list off-lease water.

Suspected Illegal SWD/ABD Well

- The Denio P 1 oil well (API: 15-065-20903-00-01) is not equipped to produce crude oil.
- There is a hose connected to the tubing on the P 1, which has no check valve to prevent fluids from going into the well. The stuffing box assembly and check valve are on the pumping unit frame.
- Ball valves on the hose and tubing assembly are open.
- A manifold on the outlet of the brine tank splits to two brine lines. One is labeled SWD and presumably goes to the Denio P 4-5 SWD (API: 15-065-21116-00-02; D32868.0), the other is not labeled. Both brine lines are controlled by gate valves.

Photos: Y

Action /recommendations:

- This matter will be referred to legal in response to the above issues.
- The operator will be contacted regarding the non-reported spill, and cleanup

Chris Neeley, Professional Geologist

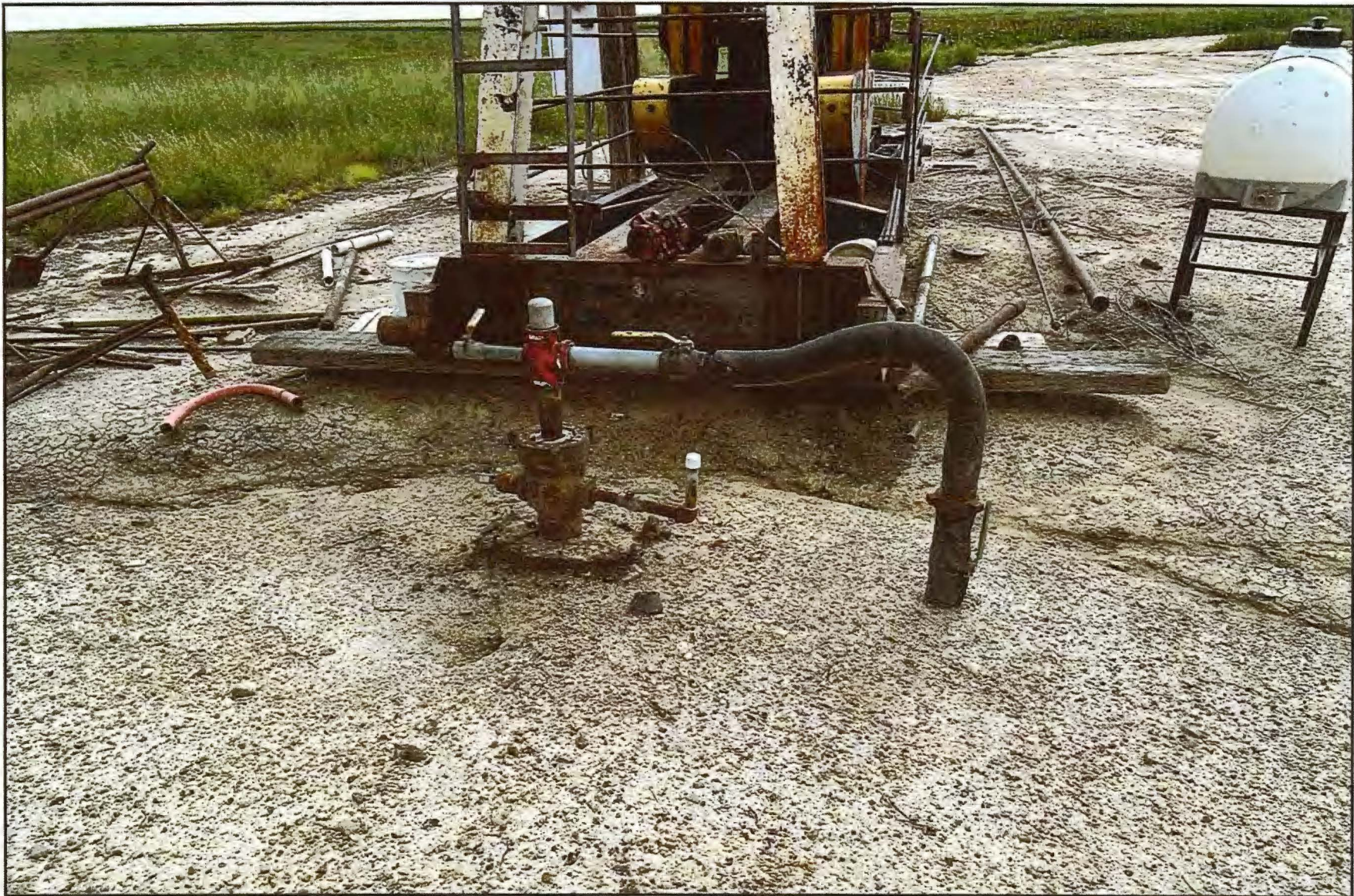


cc: file



Above: The brine tank is equipped with a load line with a quick coupler on the end of the hose.





Above: The Denio P1 (API: 15-065-20903-00-01) is not equipped to produce crude oil. The stuffing box is laying on the pumping unit frame, and there are no rods in the well. The check valve has been removed from the flowline, which will allow fluid to flow into the tubing and down the well. Both ball valves on the flowline assembly are open, further indicating that this well is more equipped to dispose of water than produce fluid.

8/29/24, 10:42 AM
+39.215159,-100.028836
Graham County



Above: The brine tank is equipped with a manifold system after the main gate valve and halo valve. The lease has a single permitted disposal well, while there are two brine line outlets at the tank.





Above: The opposite side of the manifold shows that one line is labeled "SMD", while the other is unlabeled.

INSPECTION REPORT

Case# _____

<input type="checkbox"/>	Complaint
<input checked="" type="checkbox"/>	New Situation
<input type="checkbox"/>	Response to request
<input type="checkbox"/>	Follow-up

Date of Inspection: September 12, 2024

Operator: RL Investment, LLC

License: 33268

Address: 2777 U.S. Hwy 24

Location: NE/4 Sec. 32-08-29W

City/St: Hill City, Kansas 67642-2800

Lease: Koster H

Phone: 785-627-6616

County: Sheridan

Reason for investigation: Routine Lease inspection

Problem: Located a possible illegal injection well

Findings:

- RL Investment, LLC filed an Intent to drill for the **Koster H #1-32 API# 15-179-21434-00-00** located in the SW-SE-NW-NE of Sec. 32-08-29W Sheridan County. Well drilled for: Oil marked on Intent to drill.
- According to AC-01 Completion Report filed by RL Investment this well was spudded on 03/31/2017, with a date reached TD on 04/11/2017, and completion date 05/26/2017 as an Oil well.
- On 07/09/2019 RL Investment LLC performed a State Witnessed barrel test for severance tax exemption. This barrel test was performed by pumper landowner Mr. Harold Koster and ECRS Darrel Dipman with the KCC. Barrel test reported 7.18 total fluid with Oil production rate 6.68 bpd, and .50 bwpd.
- RL Investment, LLC filed an Intent to drill for the **Koster H #2-32 API# 15-179-21487-00-00** located in the NW-SE-SW-NE of Sec. 32-08-29W Sheridan County. Well drilled for: Oil marked on intent to drill.
- According to AC-O1 Completion Report filed by RL Investment this well was spudded on 08/01/2022, with a date reached TD on 08/09/2022, and a completion date reported on 09/26/2022.
- On 12/07/2022 a Notice of Violation letter was generated thru RBDMS license query, with a deadline of 01/04/2023.
- On 12/20/2022 RL Investment LLC submitted a CP-111 for the Koster H #2-32 along with a fluid level tape indicating fluid was 4000' from surface, and production perforations reported from 4129'- 4133' and was Approved for 1 year T/A status, with a renewal date of 12/20/2023.
- On 01/05/2024 a Notice of Violation letter was once again created thru RBDMS license query, with a deadline of 02/02/2024.
- On 01/24/2024 RL Investment LLC submitted a CP-111 for the Koster H #2-32 along with a fluid level tape indicating fluid was 4118' from surface and it was Approved TA status till 01/24/2025.
- On September 12, 2024 a routine lease inspection was performed and found the **Koster H #2-32 API# 15-179-21487-00-00** located in the NW-SE-SW-NE of Sec. 32-08-29W Sheridan County was an injection well, with a recent ditch dug from the brine tank to the well, with all valves open. What was suspicious was a 1" steple valve on top of 2" pvc above 2" ball valve attached to the tubing from the wellbore. After researching data base records I located a Design Approval for Enhanced Recovery Well Application had been filed for the Koster H #2-32 on 07/15/2024.
- On September 09, 2024 RL Investment was notified the application needed more information before it could be processed. 1). Copy of the cement ticket from the Bottom Stage Production Casing cementing.2). Satisfactory Mechanical Integrity Test results. 3). AC-O1 (Well Completion form) submitted in Kolar for the re-completion and conversion of the Koster H #2-32 to an EOR well.

- After discovery of this well being used for an EOR and has not received to start injection, I took photo's of well and tank battery,
- Further investigating I found production records on KGS indicating that this well was possibly being used as an injection well back in 06/2023. Attached are the production records showing a large increase from 2022 to 2023 and 2024 with no new oil wells added or injection wells approved. With a State Witnessed Productivity test showing Oil production 6.68 BOPD and .50 BWPD in 07/09/2019, and no new AC-O1 filed for recompletion it is obvious what was going on. With a swab tank close by the #2-32 well and a load line attached to the brine tank line, and several heavy truck tracks going into the lease it was rigged up as an dump flood and then after seeing results they filed for an EOR permit.


Photos: Yes

Action /recommendations:

- Found Operator in Violation of K.A.R. 82-3-400 (b) : The Failure to obtain a written permit from the conservation division before beginning injection operations shall be punishable by a penalty of \$1000 for first-time violator, \$5,000 for second-time violators, and \$10,000 and operator license review for third-time violators. In addition, each injection well found to be operating without a conservation division permit shall be shut in until compliance is achieved.

Richard Williams

Compliance Officer



(signature)

cc: file

Photographic Record

Incident/Activity Description

Inspector Name: Richard Williams

Inspector Title: Compliance Officer

Inspection Date: September 12, 2024

Lease Name: Koster H #2-32

Location: NW-SE-SW-NE Sec. 32-08-29W

County : Sheridan

Company: RL Investment, LLC #33268

Attn: Randall Pfeifer

Address: 2777 U.S. Hwy 24

City, State: Hill City, Kansas 67642-2800



Above: RL Investment, LLC #33268

Koster H #2-32 API#15-179-21487-00-00 NW-SE-SW-NE Sec. 32-08-29W Sheridan County.

GPS: 39.31598,-100.57864 or 3313' FSL & 1835' FEL.

Well listed on Intent to Drill as Oil Well , Spud date : 08/01/2022 Completion date: 09/26/2022.

Photo shows well not an Oil Well, but and Injection well.





Sep 12, 2024 at 1:42:19 PM
 S Road 50 W
 Hoxie KS 67740
 United States
 Richard Williams
 Compliance Officer



Above: RL Investment, LLC #33268 Koster H #2-32 API# 15-179-21487-00-00 NW-SE-SW-NE Sec. 32-08-29W Sheridan County. Photo taken facing North towards Tank Battery behind backhoe, with the salt water tank on the East end of tank battery. Also note 2" ball valve located on top of tubing is open, and above 2" pvc T is a steeple valve and on 2" T North side is a 2" brass stem valve connected to a 2" PVC line and then changes over to 3" PVC going into the ground.

Below: This photo was taken facing South from Tank Battery towards the Koster H #2-32, the tank on the left of photo is a 200 bbl steel swab tank not presently hooked up to anything.



Sep 12, 2024 at 2:07:52 PM
 Hoxie KS 67740
 United States
 Richard Williams
 Compliance Officer



Sep 12, 2024 at 2:07:33 PM
Hoxia KS 67740
United States
Richard Williams
Compliance Officer



Above: RL Investment, LLC #33268 Koster H Tank Battery. Photo taken from inside of cattle panels facing South towards the Koster H #2-32 well. Note 3" PVC load line outside of dike area, then a 3" brass gate valve inside of earth dike is closed, and connected to 3" pvc line going downward with a 3" halo valve that is in the open position, and connected to a 3" TBE pvc nipple to another 3" brass gate valve connected to the fiberglass brine tank. .

Below: Below photo shows close up of 3" halo valve with valve stem in opened position and the 3" brass stem valve attached to the fiberglass brine tank, this valve was also opened at time of inspection.



INSPECTION REPORT

Case# _____

<input checked="" type="checkbox"/>	Complaint
<input type="checkbox"/>	New Situation
<input type="checkbox"/>	Response to request
<input type="checkbox"/>	Follow-up

Date of Inspection: August 20, 2024

Operator: RL Investment, LLC

License: 33268

Address: 2777 US Hwy 24

Location: NW 5-10-24w

City/St: Hill City, Kansas

Lease: Denio

Phone: (785) 421-6448

County: Graham

Reason for investigation: Landowner Complaint

Problem: Non reported spill; suspected illegal injection well; unauthorized water on lease

Findings:

- On August 20, 2024, a complaint was received by the Hays District Office regarding the Denio Lease. The complainant reported a non-reported spill, the evidence that off-lease water was being hauled onto the lease for disposal, and the presence of a possible illegal disposal well.

- On August 29, 2024, Chris Neeley, PG and Ed Schumacher, ECRS, inspected the above lease pursuant to a landowner complaint.

Spill

- The spill originated from a stock tank which had the inspection plate removed. Rain flushed the oil from the tank. The dike is not adequate to contain spilled fluids. The oil washed into a milo field and traveled approximately 900 feet.

Unauthorized Water

- There is a load line equipped with a hose and quick disconnect going over the top of the brine tank.
- SWD Permit does not list off-lease water.

Suspected Illegal SWD/ABD Well

- The Denio P 1 oil well (API: 15-065-20903-00-01) is not equipped to produce crude oil.
- There is a hose connected to the tubing on the P 1, which has no check valve to prevent fluids from going into the well. The stuffing box assembly and check valve are on the pumping unit frame.
- Ball valves on the hose and tubing assembly are open.
- A manifold on the outlet of the brine tank splits to two brine lines. One is labeled SWD and presumably goes to the Denio P 4-5 SWD (API: 15-065-21116-00-02; D32868.0), the other is not labeled. Both brine lines are controlled by gate valves.

Photos: Y

Action /recommendations:

- This matter will be referred to legal in response to the above issues.
- The operator will be contacted regarding the non-reported spill, and cleanup

Chris Neeley, Professional Geologist



cc: file



Photographic Record

Lease Inspection Pursuant to Landowner Complaint

Inspector Name: Chris Neeley

Company: RL Investments

Inspector Title: Professional Geologist

Address:

Inspection Date: August 29, 2024

Attn: Randall Pfeifer

Lease Name: Denio

2777 US HWY 24

Location: NW 5-10s-24w

Hill City, KS 67642

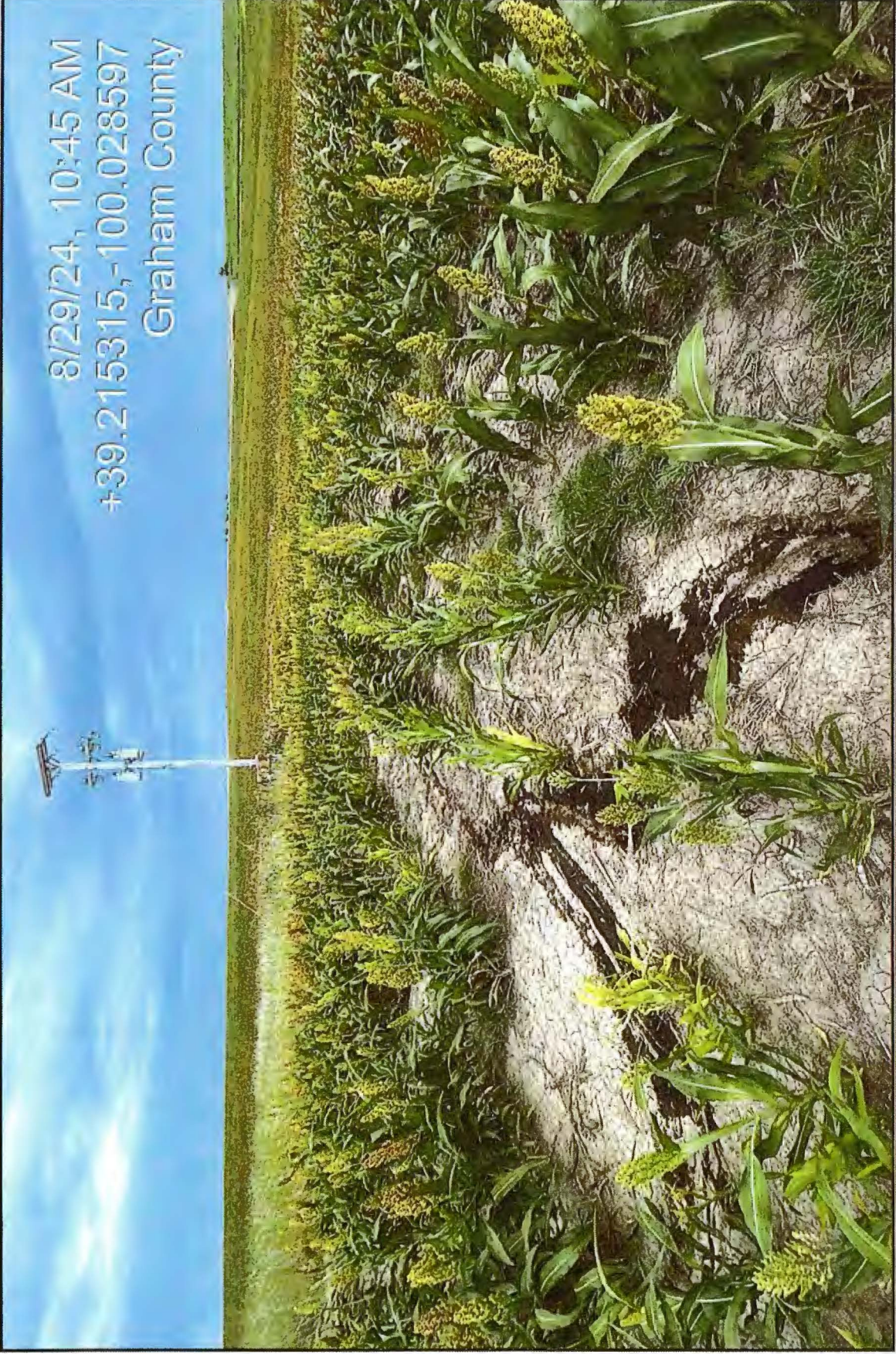
Pictured: The spill originated from a stock tank at the tank battery (A). Oil flowed across the lease road and into the milo. The oil followed a drainage towards (B) for approximately 900' to a point south of the Denio P 4-5 SWD.





Above: Crude oil entered the milo at this wash, and along the edge just off picture to the right side. A consistent stream of oil was visible for a considerable distance. One pool of water and oil was found in the milo.





8/29/24, 10:45 AM
+39.215315,-100.028597
Graham County

Above: Residual oil heading north into the milo.





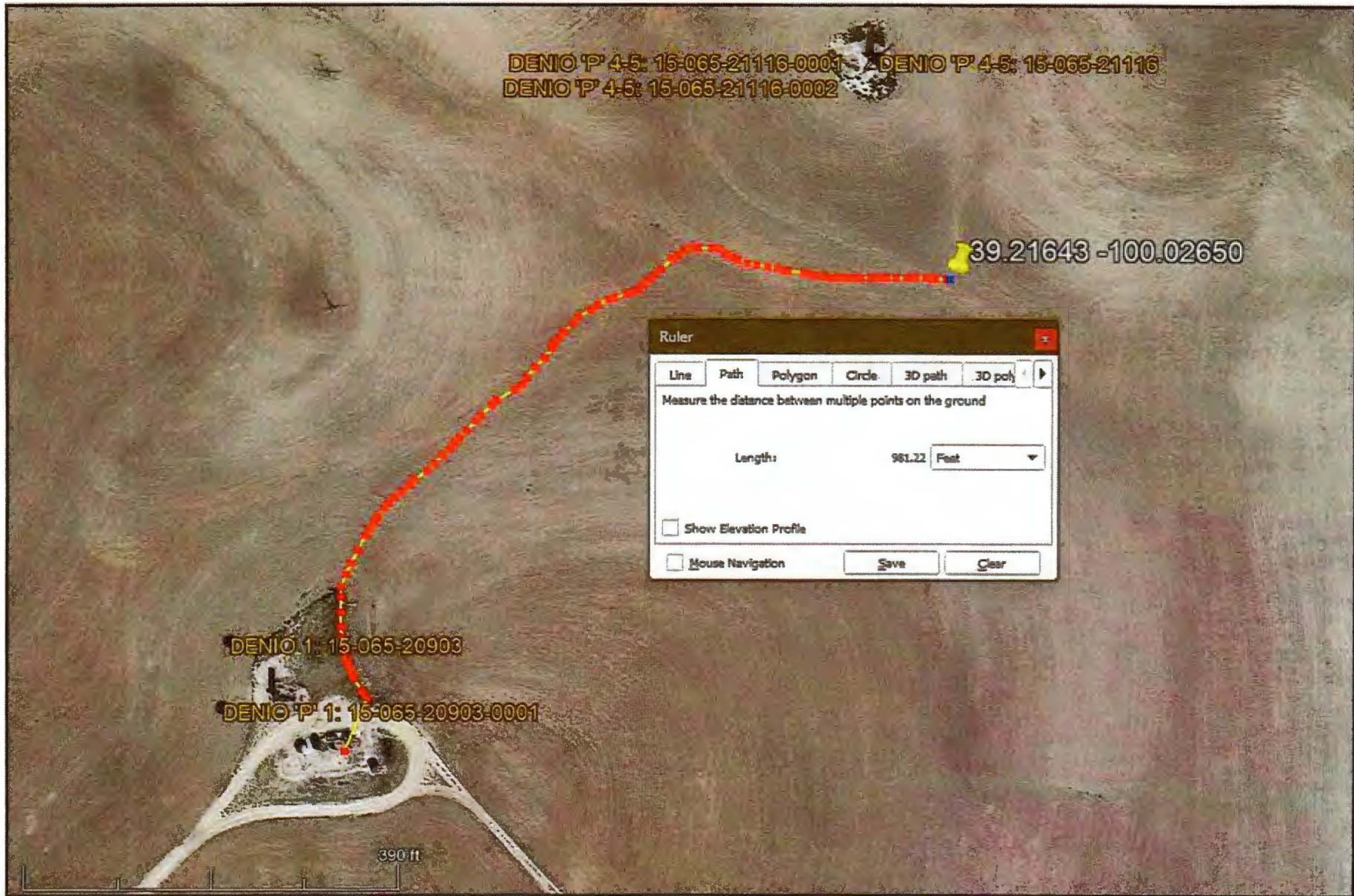
Above: Most oil had dried onto the soil or plant matter, but one low area containing oil on water was located in the spill path.





Above: The impacts at the farthest reaches of the spill were detected as spotty oil or oiled plant matter which had washed down following rain events. This GPS represents the end of the spill; however, it is possible that oil farther along the drainage may be found.





Above: This Google Earth image shows the generalized path of the oil. Note that the Denio P1 is laid out in this 2022 photo.



Conservation Division
District Office No. 4
2301 E. 13th Street
Hays, KS 67601-2651



Phone: 785-261-6250
<http://kcc.ks.gov/>

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

Laura Kelly, Governor

NOTICE OF VIOLATION

September 3, 2024

RL Investments, LLC #33268
Attention: Randall Pfeifer
2777 US HWY 24
Hill City, KS 67642
(785) 421-6448

Re: Denio Lease
NW 5-10-24w
Graham County, Kansas

Following a lease inspection conducted **August 29, 2024**, on the above captioned lease, it has been determined that you are currently in violation of the General Rules and Regulations of the Kansas Corporation Commission regarding the conservation of crude oil and natural gas. Specifically, you are in violation of K.A.R. 82-3-603. **The operator shall notify the appropriate district of any escape of saltwater, oil, or refuse that meets the definition of "spill" in K.A.R. 82-3-101. This notification shall meet the requirements K.A.R 82-3-603(c) and shall be made no later than the next business day following the date of discovery or knowledge of the spill.** We are referring this violation to our Legal Staff with a penalty recommendation.

The spill must be cleaned up by **September 17, 2024**. Prior to commencing cleanup operations, contact the District Office for approval of your cleanup plan. Failure to clean up this spill by the above date will result in this matter being referred to our Legal Staff with a recommendation for an additional penalty and other possible action.

Enclosed is a Report of Incident form to be completed by the operator and returned to the district office by **September 10, 2024**. *This form is for informational purposes only and not to be construed as to supersede regulatory requirements for reporting.* Your cooperation in this matter is appreciated. Should you have any questions, you may reach me by writing the KCC District Office #4, 2301 East 13th, Hays, Kansas 67601 or by calling (785) 261-6250.

Sincerely,

Chris Neeley, P.G.

cc: File
Enclosure

REPORT OF INCIDENT
(TO BE COMPLETED BY OPERATOR)

Operator Name: RL Investment LLC License # 33268

Address: 2777 U.S Hwy 24 Hill City, KS 67642 Tel. no. 785-421-6448

Date or Approximate Date of Incident: 8/27/24

Contact Person: Ryan Pfeiffer Title: Engineer

Name and Address of Owner: Leon Pfeiffer 2777 U.S Hwy 24 Hill City, KS 67642

Parent Company: _____

SPECIFIC INFORMATION REGARDING INCIDENT:

Lease Name (if the incident is associated with Lease): Denio

Legal Location of Incident: NW/4 5-10s-24w County: Graham

Type and Amount of Material(s) Spilled: Oil less than 1 bbl

Amount of Material or fluids Recovered: Spoked away

Cause of Incident: Tank Cleaning

Did spill material enter any waterway: No

Name of waterway involved: _____

How was incident contained and cleaned up: Dike built around TB. Dirt spread over oily spots

Extent of damages caused by the incident: minimal

Proposed method for further cleanup: When dike is cut will clean to farmers Desire

Was the incident reported by your company to the Kansas Corporation Commission? NO

Was the landowner notified of the spill? Yes

If reported, name of person receiving report _____

Date and time reported 9/9/24

Phone number of person receiving report _____

KCC
SEP 17 2024
HAYS, KS

If not, why wasn't the incident reported: _____

Date: 9/10/24 Signature: Ry J Pfeiffer

(person filing report)

CERTIFICATE OF SERVICE

25-CONS-3120-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 10/01/2024.

TODD BRYANT, GEOLOGIST SPECIALIST
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
todd.bryant@ks.gov

TRISTAN KIMBRELL, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
tristan.kimbrell@ks.gov

RANDALL PFEIFER
RL INVESTMENT, LLC
2777 US HWY 24
HILL CITY, KS 67642-2800
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KRAIG STOLL, EP&R SUPERVISOR
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RICHARD WILLIAMS
KANSAS CORPORATION COMMISSION
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2301 E. 13TH STREET
HAYS, KS 67601-2654
richard.williams@ks.gov

/S/ KCC Docket Room
KCC Docket Room
