

**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 Chesapeake) Docket No.: 15-CONS-972-CPEN
Operating, LLC ("Operator") to comply with)
K.A.R. 82-3-111 at the Runnymede Unit B) CONSERVATION DIVISION
#1-23 and Trophy Farms 32-34-16 #1H wells)
in Kiowa and Comanche County, Kansas.) License No.: 32334

MOTION FOR THE COMMISSION TO ADOPT
A SETTLEMENT AGREEMENT

Commission Staff moves for the Commission to adopt and approve the attached Settlement Agreement, which has been signed by both parties. Staff notes that if the Commission approves the Settlement Agreement, then the evidentiary hearing currently scheduled for December 17, 2015, will no longer be necessary. Staff believes that the Settlement Agreement represents a fair manner of resolving the issues described therein.

Respectfully submitted,



Jonathan R. Myers, #25975
Litigation Counsel
Kansas Corporation Commission
266 N. Main, Suite 220
Wichita, Kansas 67202
Phone: 316-337-6200
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SETTLEMENT AGREEMENT

This Settlement Agreement is between Chesapeake Operating L.L.C. ("Operator") (License #32334) and the Staff of the Corporation Commission of the State of Kansas ("Staff"). If the Commission does not approve this Settlement Agreement by a signed Order, then this Settlement Agreement shall not be binding on either party. This Settlement Agreement shall settle the proceedings in Commission Docket Number 15-CONS-972-CPEN.

A. Background

1. On July 2, 2015, the Commission issued a Penalty Order in this docket, requiring Operator to pay \$200 for two violations of K.A.R. 82-3-111 at the Runnymede Unit B # 1-23 and the Trophy Farms #32-34-16 IH ("the subject wells"). The Commission also directed Operator to plug the subject wells, return them to service, or to obtain temporary abandonment approval for them, within 30 days. Operator has paid the \$200 penalty and filed a timely appeal.

2. Operator admits to its violations of K.A.R. 82-3-111. Operator has plugged the Trophy Farms #32-34-16 IH, but requests more time to bring the Runnymede Unit B #1-23 into compliance. Staff finds the request to be acceptable.

B. Terms of Settlement

3. Operator shall plug the Runnymede Unit B #1-23, return it to service, or obtain temporary abandonment approval for it, by January 1, 2016. If Operator fails to comply with this deadline, then Staff is directed to assess an additional \$2,500 penalty.

4. If Operator fails to comply with the deadline in Paragraph 3, then Staff shall suspend Operator's license until compliance is obtained and any additional penalty or penalties are paid. If Staff suspends Operator's license, then Staff shall send its standard notice of license suspension letter to Operator. If Staff finds Operator conducting oil and gas operations after 10

days from the date of a notice of license suspension letter, and Operator's license is still suspended, then Staff is authorized to seal all of Operator's oil and gas operations, and is directed to assess an additional \$10,000 penalty. Operator agrees to waive its right to appeal any suspension of Operator's license implemented by Staff, or any additional penalty assessed, due to Operator's failure to comply with this Settlement Agreement.

5. Operator hereby withdraws its appeal of the Penalty Order in this docket.

C. Conclusion

Both parties believe that this Settlement Agreement represents a fair and appropriate resolution to the matters in this docket

This Settlement Agreement has been agreed to by the undersigned:

Commission Staff

By: Jon Myers

Printed Name: JON MYERS

Title: LITIGATION COUNSEL

Date: 11/17/15

Chesapeake Operating, L.L.C.

By: Jason L. Ashmun PAT

Printed Name: Jason L. Ashmun

Title: Vice President – Mid-Continent
Business Unit

Date: 16 - Nov - 2015

CERTIFICATE OF SERVICE

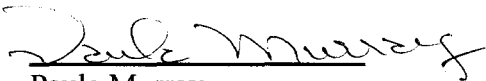
I certify that on 11/17/15, I caused a complete and accurate copy of this Motion to be served via United States mail, with the postage prepaid and properly addressed to the following:

Stanford J. Smith, Jr.
Martin, Pringle, et al.
100 North Broadway, Suite 500
Wichita, Kansas 67202
Attorney for Chesapeake Operating, LLC

Scott Alberg & Steve Pfeifer
KCC District #1

And delivered by hand to:

Lane Palmateer
Conservation Division Central Office



Paula Murray
Legal Assistant
Kansas Corporation Commission