

**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 #1-) CONSERVATION DIVISION
23 and Trophy Farms 32-34-16 #1H wells in)
Kiowa and Comanche County, Kansas.) License No.: 32334

ORDER APPROVING SETTLEMENT AGREEMENT

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:

1. Commission Staff and the Operator have executed a settlement agreement, which is attached as an exhibit to this Order and incorporated by reference.
2. The settlement agreement provides a fair and efficient resolution of this matter.

THEREFORE, THE COMMISSION ORDERS:

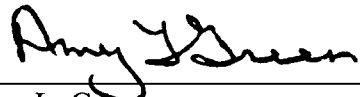
- A. The Settlement Agreement is approved and incorporated into this Order.
- B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order. If service of this Order is by mail, three days are added to the deadline. The petition shall be addressed to the Commission and sent to 266 N. Main, Ste. 220, Wichita, Kansas 67202. Pursuant to K.S.A. 55-606 and K.S.A. 77-529(a), reconsideration is prerequisite for judicial review of this Order. Any party taking an action permitted by this summary proceeding before the deadline for a petition for reconsideration does so at their own risk.

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

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: DEC 01 2015



Amy L. Green
Secretary to the Commission

Mailed Date: Dec. 1, 2015

LRP

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 12/1/15, 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:

Stanford J. Smith, Jr.
Martin Pringle Oliver Wallace & Bauer LLP
100 N. Broadway, Suite 500
Wichita, KS 67202
Attorney for Chesapeake Operating, LLC

Katie Wright
Chesapeake Operating, LLC
PO Box 18496
Oklahoma City, OK 73118-1046

Steve Pfeifer
KCC District #1
210 E. Frontview, Suite A
Dodge City, KS 67801

and hand-delivered to:

Jonathan R. Myers
KCC Central Office

/s/ Paula Murray
Paula Murray
Legal Assistant
Kansas Corporation Commission