

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

Before Commissioners: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Susan K. Duffy

In the matter of the failure of Seymour Oil) Docket No: 19-CONS-3210-CPEN
Co., Inc. (“Operator”) to comply with K.A.R.)
82-3-407 at the Bennett #3 in Chautauqua) CONSERVATION DIVISION
County, Kansas.)
_____) License No: 31767

ORDER APPROVING SETTLEMENT AGREEMENT

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds the following:

1. On January 3, 2019, the Commission issued a *Penalty Order* against Seymour Oil Co., Inc. (Operator) for one violation of K.A.R. 82-3-407 because a current and successful mechanical integrity test had not been performed on the subject well.¹
2. On January 28, 2019, Operator requested a hearing.²
3. On June 4, 2019, Commission Staff filed a *Motion to Approve Settlement Agreement*, stating that “Staff and Operator have reached a settlement in this matter. Staff believes the attached Settlement Agreement constitutes a reasonable resolution of all issues in this docket.”³
4. In relevant part, the Settlement Agreement stipulates that one violation of K.A.R. 82-3-407 occurred, but eliminates the \$1,000 penalty in exchange for Operator having now plugged all six wells known to be on the Bennett Lease, including the subject well.⁴

¹ *Penalty Order*, ¶ 8, 13 (Jan. 3, 2019).

² Request for Hearing, (Jan. 28, 2019).

³ Motion to Approve Settlement Agreement, ¶ 3 (Jun. 4, 2019).

⁴ See Motion to Approve Settlement Agreement, attached Settlement Agreement at ¶¶ 10, 13.

5. By signing the proposed Settlement Agreement, Staff and Operator concurred that the Agreement constitutes “a fair and reasonable resolution of the issues addressed.”⁵

6. The law encourages settlements.⁶ The Commission finds the Settlement Agreement attached to Staff’s Motion to Approve Settlement Agreement constitutes a fair and reasonable resolution of this proceeding. The Settlement Agreement is attached to and made part of this Order.

THEREFORE, THE COMMISSION ORDERS:

A. Staff’s motion to approve the attached Settlement Agreement is granted; the Settlement Agreement is approved.


B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁷

C. 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.

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 06/13/2019 _____



Lynn M. Retz
Secretary to the Commission

Mailed Date: 06/13/2019 _____

JRM

⁵ Motion to Approve Settlement Agreement, attached Settlement Agreement at ¶ 15.

⁶ *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

⁷ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

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SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and Seymour Oil Co., Inc. ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

I. JURISDICTION

1. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ The Commission has jurisdiction to regulate the "construction, operation, and abandonment of any well and the protection of the useable water of this state from any actual or potential pollution from any well."² Every Operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing monetary penalty "not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. 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 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. An injection well’s mechanical integrity shall be established at least once every five years.⁷

4. The operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.⁸

5. Mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.⁹

6. No injection well shall be operated before passing a mechanical integrity test (“MIT”). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.¹⁰

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ K.A.R. 82-3-407(a).

⁸ K.A.R. 82-3-407(c).

⁹ K.A.R. 82-3-407(d).

¹⁰ K.A.R. 82-3-407(g).

II. BACKGROUND

7. On January 3, 2019, the Commission issued a Penalty Order against Operator for one violation of K.A.R. 82-3-407 because a current and successful MIT had not been performed on the subject well.¹¹ The Penalty Order assessed a \$1,000 penalty.¹²

8. The Penalty Order gave the Operator 30 days to perform a successful MIT on the subject well or plug the well.¹³ The Penalty Order stated that if the Operator failed to comply, the Operator's license would be suspended without further notice.¹⁴

9. On January 28, 2019, the Operator timely filed an appeal of the Penalty Order stating they had hired a contractor to plug all of the wells located on the lease.¹⁵

10. On January 31, 2019, the Operator plugged the subject well leaving only the \$1,000 penalty at issue. At this time, the Operator also plugged all wells known to be located on the Bennett Lease in Chautauqua County, Kansas.

11. To avoid potential litigation costs and to foster administrative efficiency, Operator and Staff have agreed to the following settlement agreement.

III. TERMS OF THE SETTLEMENT AGREEMENT

12. The parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the stipulations as set forth below.

13. The parties stipulate that one violation of K.A.R. 82-3-407 has occurred but in exchange for the Operator plugging the six wells known to be located on the Bennett lease in

¹¹ See Penalty Order – Seymour Oil Co., Inc., (Jan. 3, 2019).

¹² *Id.*

¹³ *Id.* at Ordering Clause B.

¹⁴ *Id.* at Ordering Clause D.

¹⁵ Request for Hearing, (Jan. 28, 2019).

Chautauqua County, Kansas, Staff has agreed to recommend the Commission waive the \$1,000 penalty issued in this docket.

14. Staff agrees to recommend to the Commission that this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

IV. RESERVATIONS

15. This Settlement Agreement fully resolves the issues specifically addressed between the parties. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

16. The terms and provisions of this Agreement have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any party has the option to terminate this Agreement and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the terms or provisions hereof, unless otherwise provided herein.

17. Unless (and only to the extent) otherwise specified in this Agreement, the signatories to this Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, if the Commission decides not to approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either party fail to fulfill all terms and provisions.

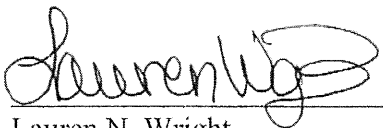
18. Unless (and only to the extent) otherwise specified in this Agreement, this Agreement does not prejudice or waive any party's legal rights, positions, claims, assertions or

arguments in any proceedings in this docket, or any other proceeding before the Commission or in any court.

19. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.

20. This Settlement Agreement shall be binding on all parties upon signing.

IN WITNESS WHERETO, the parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

By: 
Lauren N. Wright
Litigation Counsel
Kansas Corporation Commission
266 N. Main, Ste. 220
Wichita, KS 67202

By: 
Rita Bolejack
Seymour Oil Co. Inc.
205 E. Blaine St.
Latham, KS 67072

CERTIFICATE OF SERVICE

19-CONS-3210-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of

electronic service on 06/13/2019.

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/S/ DeeAnn Shupe

DeeAnn Shupe