

NOTICE OF PENALTY ASSESSMENT
13-CONS-335-CPEN

This is a notice of a penalty assessment for violation of Kansas oil and gas conservation statutes, rules, and regulations. For a full description of the penalty and process please refer to the Penalty Order that is attached to this notice.

IF YOU ACCEPT THE PENALTY:

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 130 S. Market St., Room 2078, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission's Executive Director at 130 S. Market, Room 2078, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order may result in additional sanctions, including additional monetary penalties, the suspension of your oil and gas operating license, and the shutting-in of all operations until compliance is obtained.

5. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.

6. K.A.R. 82-3-117 provides that within 60 days after plugging any well, the owner or operator of the well shall file a well plugging report with the Conservation Division, on a form furnished by the Commission. Failure to file a plugging report shall be punishable by a \$100 penalty.

III. STAFF'S STATEMENT OF FACTS

7. Commission records indicate the Operator spudded the subject well on October 13, 2010, and plugged the well on April 8, 2011.

8. On January 30, 2013, Commission Legal Staff sent the Operator a Notice of Violation letter, indicating that the Commission had not received a Well Plugging Record ("CP-4") for the subject well. The letter gave the Operator until March 1, 2013, to submit a CP-4 for the well and noted that failure to file the CP-4 may result in a monetary penalty.

9. To date, Commission records indicate a CP-4 has not been filed for the subject well.

IV. CONCLUSIONS OF LAW

10. The Commission finds it has jurisdiction over the Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

11. The above findings of fact demonstrate that the Operator committed one violation of K.A.R. 82-3-117 because the Operator has not submitted a CP-4 for the subject well in a timely manner.

THEREFORE, THE COMMISSION ORDERS:

- A. The Operator shall pay a \$100 penalty.
- B. The Operator shall submit a complete and accurate CP-4 for the subject well.

Compliance shall be obtained within 30 days of service of this Penalty Order.

C. **Pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, any party may request a hearing on the above issues by submitting a written request, setting forth the specific grounds upon which relief is sought, to the Commission's Executive Director, at 130 S. Market, Room 2078, Wichita, Kansas 67202, within 30 days from the date of service of this Penalty Order.** If service is by mail, three days will be added to the Mailed Date listed at the end of this Penalty Order. Hearings will be scheduled only upon written request. **Failure to timely request a hearing will result in a waiver of the Operator's right to a hearing, and this Penalty Order will become a Final Order.**

D. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record. A corporation or similar entity shall not be permitted to enter an appearance except by its attorney.

E. If you do not request a hearing, the payment of the monetary penalty is due within 30 days from the date of service of this Order. Checks and Money Orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number and expiration date. Payments shall be mailed to the Kansas Corporation Commission at 130 S. Market, Wichita, Kansas 67202. **The payment shall include a reference to the docket number of this proceeding.**

F. Failure to pay any assessed monetary penalty within 30 days of service of this Penalty Order, and/or failure to comply with the provisions of this Order, may result in

suspension of the Operator's oil and gas operating license without further notice. In addition, the Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

G. 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.

Sievers, Chmn.; Wright, Com.; Albrecht, Com.

Dated: APR 09 2013



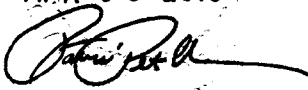
Patrice Petersen-Klein
Executive Director

Mailed Date: 4-9-2013

LRP

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Commission Commission

APR 09 2013



CERTIFICATE OF SERVICE

I certify that on 4-9-2013, 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:

Mark W. McCann
Quito, Inc.
1613 W. 6th Street
Bartlesville, Oklahoma 74003-3712

John R. Horst
Resident Agent for Quito, Inc.
207 W. 4th Avenue
PO Box 560
Caney, Kansas 67333

John Almond
District Office No. 3

And delivered by hand to:

Steve Bond
Conservation Division Central Office

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