

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

Before Commissioners: Pat Apple, Chairman  
Shari Feist Albrecht  
Jay Scott Emler

In the matter of the failure of American Patriot ) Docket No.: 17-CONS-3520-CPEN  
Oil, LLC ("Operator") to comply with K.A.R. )  
82-3-103 and K.A.R. 82-3-106 at the Hamit #20 ) CONSERVATION DIVISION  
well in Rooks County, Kansas. )  
\_\_\_\_\_ ) License No.: 34686

**MOTION TO APPROVE STIPULATED SETTLEMENT AGREEMENT**

The Staff of the State Corporation Commission of the State of Kansas ("Staff" and  
"Commission," respectively), moves the Commission to adopt and approve the attached  
Stipulated Settlement Agreement, which has been signed by both parties.

Staff believes the attached Stipulated Settlement Agreement constitutes a reasonable  
resolution of all issues in this docket and respectfully requests it be approved. Furthermore, Staff  
requests the status conference scheduled for September 28, 2017, be canceled.

WHEREFORE, for the reasons set forth above, Staff respectfully requests the  
Commission approve the attached Stipulated Settlement Agreement and cancel the remaining  
procedural schedule in this docket.

Respectfully submitted,

  
\_\_\_\_\_  
Joshua D. Wright, #24118  
Litigation Counsel  
Kansas Corporation Commission  
266 N. Main, Suite 220  
Wichita, Kansas 67202  
Phone: 316-337-6200; Fax: 316-337-6211

**THE STATE CORPORATION COMMISSION  
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Before Commissioners:      Pat Apple, Chairman  
                                      Shari Feist Albrecht  
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In the matter of the failure of American Patriot Oil, LLC ("Operator") to comply with K.A.R. 82-3-103 and K.A.R. 82-3-106 at the Hamit #20 well in Rooks County, Kansas.	)	Docket No.: 17-CONS-3520-CPEN
	)	
	)	CONSERVATION DIVISION
	)	
	)	License No.: 34686
	)	

**STIPULATED SETTLEMENT AGREEMENT**

This Stipulated 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 American Patriot Oil, LLC ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

**I.      JURISDICTION**

1.      Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.

2.      Pursuant to K.S.A. 55-150 *et seq.*, the Commission has authority 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.

3.      Pursuant to K.S.A. 55-155, operators and contractors, as defined in K.S.A. 55-150, shall be licensed by the Commission.

4.      Pursuant to K.S.A. 55-162, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.



5. Pursuant to K.S.A. 55-164, in addition to any other penalty provided by law, the Commission, upon finding that an operator or contractor has violated the provisions of K.S.A. 55-150 *et seq.*, or any rule and regulation or order of the Commission, may impose a penalty not to exceed \$10,000, which shall constitute an actual and substantial economic deterrent to the violation for which the penalty is assessed. In the case of continuing violation, every day such violation continues shall be deemed a separate violation.

6. K.A.R. 82-3-106(c)(2)(C)(i) provides that the operator shall notify the appropriate district office prior to cementing of additional casing.

7. K.A.R. 82-3-103(c) provides that failure to complete Alternate II cementing pursuant to K.A.R. 82-3-106 shall be punishable by a penalty of up to \$5,000.

8. K.A.R. 82-3-106(c)(2)(C)(ii) provides that additional cementing shall be completed within 120 days after the spud date unless otherwise provided in the documents adopted in K.A.R. 82-3-106(b), namely Table I and Appendix A of the Commission Order dated August 1, 1991, in KCC Docket No. 34,780-C, and Appendix B of the Commission Order dated June 29, 1994 in KCC Docket No. 133,891-C. For wells located in Township 6 South of Rooks County, the documents adopted in K.A.R. 82-3-106(b) do not provide a timeframe for completing additional cementing different than K.A.R. 82-3-106(c)(2)(C)(ii).

## **II. BACKGROUND**

9. Under the above jurisdiction and authority, on April 13, 2017, the Commission issued a Penalty Order finding:

- a. Operator conducts oil and gas activities in Kansas under license number 34686.
- b. Operator is responsible for the care and control of the Hamit #20 ("subject well") API # 15-163-24325-00-00, located in Rooks County, Kansas.

- c. The Commission has jurisdiction over Operator and this matter pursuant to K.S.A. 55-150 *et. seq.* and K.S.A. 74-623.
  - d. Operator has committed one violation of K.A.R. 82-3-103 and K.A.R. 82-3-106 because Alternate II cementing has not been completed within 120 days of the spud date of the well.
10. The Commission's Penalty Order assessed a \$5,000 fine against Operator. The Commission's Penalty Order further ordered Operator to either complete the subject well using Alternate II methods, or plug the subject well.
11. Operator requested a hearing on May 15, 2017.
12. On June 6, 2017, the Commission issued its Order Designating [a] Prehearing Officer and Setting [a] Prehearing Conference, scheduling a Prehearing Conference for June 22, 2017.
13. On June 22, 2017, the Prehearing Conference was continued to July 27, 2017.
14. On July 27, 2017, at the Prehearing Conference, the parties moved to continue the Prehearing Conference until August 24, 2017.
15. On August 24, 2017, a Prehearing Conference was held, and the parties subsequently agreed to continue the proceeding and hold a status conference, if necessary, in 30 days, in order to allow American Patriot Oil, LLC and Commission Conservation Staff to work out the details of a settlement agreement.
16. American Patriot Oil, LLC, Operator, and Joshua D. Wright, Litigation Counsel for Staff, informally discussed the possibility of a settlement. During the informal discussions: Staff and Operator were able to reach mutually agreeable terms in anticipated settlement of the



issues. It was agreed that Staff would subsequently reduce the terms to writing and forward the draft to Respondent for approval and signature.

### **III. TERMS OF THE STIPULATED SETTLEMENT AGREEMENT**

17. The parties agree that the Commission has jurisdiction and authority over this matter.

18. 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.

19. Operator stipulates to the violations as listed in the Commission's Penalty Order, which is hereby incorporated by reference.

20. Operator agrees to pay \$5000 for the above violation(s). Staff agrees to recommend extended payment deadlines of \$1000 due by the end of each calendar month until the full \$5000 is paid beginning on October 31, 2017 which will result in the final payment being due February 28, 2018.

21. The subject well is now in compliance as Alternate II cementing has been completed to the satisfaction of Commission Staff.

22. Operator understands and agrees that failure to make the payment(s) as described in Paragraph 20, above will result in the entire remaining penalty balance becoming due in full at that time, as well as the immediate suspension of the Operator's license without further notice.

23. Operator understands that failure to pay the penalty as set out in Paragraph 20 above could result in the suspension of its license without further notice and the Commission could submit the matter for judicial enforcement or enforcement through the Kansas Attorney General's Office.

24. 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**

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

26. 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.

27. 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.

28. 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.

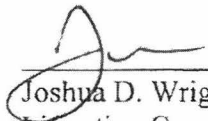


29. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.


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

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

By:

 9-26-17  
Joshua D. Wright  
Litigation Counsel  
Kansas Corporation Commission  
266 N. Main, Ste. 220  
Wichita, KS 67202

By:

 9-26-17  
American Patriot Oil, LLC  
10940 S. Parker Road, Suite 765  
Parker, CO 80134

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

Before Commissioners:            Pat Apple, Chairman  
   Shari Feist Albrecht  
   Jay Scott Emler

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**PROPOSED 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 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. The status conference in this docket is cancelled.
- C. 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.



D. 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.**

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: \_\_\_\_\_

\_\_\_\_\_  
Lynn M. Retz  
Secretary to the Commission

Mailed Date: \_\_\_\_\_

JDW

**CERTIFICATE OF SERVICE**

I certify that on September 26, 2017, I caused a complete and accurate copy of this Motion to be served electronically to the following:

Douglas Stewart  
American Patriot Oil LLC  
10940 S. Parker Road, Suite 765  
Parker, CO 80134  
doug@americanpatriotoil.com

and via e-mail to:

Joshua D. Wright, Litigation Counsel  
KCC Central Office

Michael J. Duenes, Assistant General Counsel  
KCC Topeka Office

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