

**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 Verde Oil) Docket No.: 15-CONS-284-CPEN
Company (“Operator”) to comply with)
K.A.R. 82-3-400 at the Chambers #9-W well) CONSERVATION DIVISION
in Woodson County, Kansas.)
_____) License No.: 4485

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. On October 7, 2014, the Commission issued a Penalty Order to the operator finding one violation of K.A.R. 82-3-400 and assessing a \$1,000 penalty. The Penalty Order was mailed October 8, 2014.
2. On October 31, 2014, the operator submitted a timely appeal.
3. On November 12, 2014, Commission Staff filed a Motion for the Commission to Approve a Settlement Agreement. The settlement agreement has been signed by both parties. The Settlement Agreement the violation of K.A.R. 82-3-400 to K.A.R. 82-3-409 and reduces the penalty from \$1,000 to \$500.
4. The Commission finds and concludes that the settlement agreement provides a fair and efficient resolution to the issues in this docket.

THEREFORE, THE COMMISSION ORDERS:

- A. The attached Settlement Agreement is approved and incorporated into this Order.

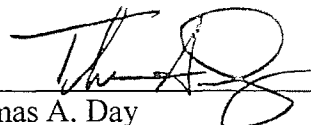
B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order. If service of this Order is by mail, three days are added to the deadline. The petition shall be addressed 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 of further proceedings.

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, Com.; Apple, Com.

Dated: DEC 02 2014

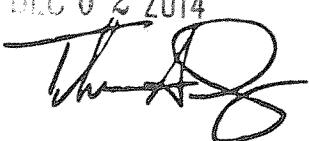


Thomas A. Day
Acting Executive Director

Mailed Date: 12/3/14

LRP

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

DEC 02 2014


SETTLEMENT AGREEMENT

This Settlement Agreement is between Verde Oil Company (“Operator”) and the Staff of the Corporation Commission of the State of Kansas (“Staff”). The effective date of this Settlement Agreement shall be the date it is approved by an Order of the Commission. 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 instituted in Commission Docket Number 15-CONS-284-CPEN.

A. Background

1. The October 7, 2014, Penalty Order in this docket required Operator to pay \$1,000 for one violation of K.A.R. 82-3-400 at the Chambers #9-W well. Operator filed a timely appeal.

2. Operator reports that it submitted erroneous data regarding the Chambers #9-W. Operator has submitted an updated Annual Fluid Injection Report (“U3C”) for the well. Staff recommends that the penalty regarding this well should be reduced to \$500, due to the erroneous data submission.

B. Terms of Settlement

3. Instead of paying \$1,000, Operator shall pay \$500 in this docket, which shall be due within 30 days from the date this Settlement Agreement is approved by an Order of the Commission.

4. The Commission shall find that Operator committed one violation of K.A.R. 82-3-409, rather than one violation of K.A.R. 82-3-400.

5. Operator agrees to waive its right to appeal any future orders of the Commission regarding this matter, or any suspension of Operator's license implemented by Commission Staff due to Operator's failure to comply with this Settlement Agreement.

C. Conclusion

Both parties believe that this Settlement Agreement represents a fair and appropriate resolution to the matters in this docket, and that the Settlement Agreement accomplishes the Commission's duty to enforce Kansas laws pertaining to the protection of usable waters and the prevention of pollution caused by oil and gas activities.

This Settlement Agreement has been agreed to by the undersigned:

Commission Staff

Verde Oil Company

By: Jon Myers

By: Jeff L. Dote

Printed Name: JON MYERS

Printed Name: Jeffrey L. Dote

Title: LITIGATION COUNSEL

Title: Vice President

Date: 11/12/14

Date: 11/12/14

CERTIFICATE OF SERVICE

I certify that on 12/3/14, 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:

Jeffrey L. Dale
Verde Oil Company
3345 Arizona Road
Savonburg, Kansas 66772

Stephen P. Ballantyne
Verde Oil Company
1020 NE Loop 410, Suite 555
San Antonio, Texas 78209

And delivered by hand to:

Jon Myers
Alan Snider
KCC Conservation Division

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