

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

In the matter of a Compliance Agreement ) Docket No.: 20-CONS-3044-CMSC  
between CEC Operations LLC and )  
Commission Staff regarding bringing 40 ) CONSERVATION DIVISION  
wells into compliance with K.A.R. 82-3-111. )  
\_\_\_\_\_ ) License No.: 34121

**MOTION TO APPROVE AMENDED COMPLIANCE AGREEMENT**

Staff of the Kansas Corporation Commission (Staff and Commission, respectively), moves the Commission to approve the amended compliance agreement in this docket. In support of its motion, Staff states the following:

1. On August 20, 2019, the Commission issued an *Order Approving Compliance Agreement*, wherein, Operator and Commission Staff executed a Compliance Agreement (Agreement) which required Operator to bring 40 wells into compliance with K.A.R. 82-3-111 at a rate of two wells per quarter with the first quarterly deadline being September 30, 2019. This would result in all of the wells being returned to compliance by September 30, 2024.

2. To date, Operator has returned 30 wells to compliance with K.A.R. 82-3-111. Commission Staff has suspended Operator's license twice due to non-compliance with the Agreement. Operator's license was suspended from July 13, 2020 to July 16, 2020 and also suspended April 3, 2023 to April 12, 2023. However, Operator is currently in compliance with its agreement.

3. Paragraph 9 of the Agreement states that after the Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this agreement at any time, upon giving Operator written notice of Staff's intent to do so.

4. Based on that provision, Staff and Operator reopened negotiations about the terms of the agreement and have executed an Amended Compliance Agreement (Amended

Agreement), which is attached hereto as **Attachment A**. The Amended Agreement requires Operator to bring two wells into compliance with K.A.R. 82-3-111 by July 31, 2023. The remaining eight wells will be brought into compliance at a rate of one well per quarter with a first quarterly deadline of October 31, 2023. This would result in all of the wells being brought into compliance by July 31, 2025.

5. The Amended Agreement is beneficial to Operator and Commission Staff. The Amended Agreement is an updated version of the Agreement initially signed by Operator and District Staff. Additionally, Operator claims that the wells remaining on the agreement are deeper and will be more costly to plug than the wells that have been brought into compliance to date. The Amended Agreement will facilitate bringing the remaining wells into compliance with the Commission's rules and regulations.

WHEREFORE, for the reasons set forth above, Staff requests the Commission approve the Amended Agreement in this docket. The Amended Agreement is an updated version of the Compliance Agreement initially signed in 2020, and Staff believes it provides a fair and efficient resolution of the issues described therein.

Respectfully submitted,

/s/ Kelcey A. Marsh  
Kelcey A. Marsh, #28300  
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**COMPLIANCE AGREEMENT**

This Agreement is between CEC Operations, LLC (Operator) (License #34121) and Kansas Corporation Commission Staff (Staff). If the Kansas Corporation Commission (Commission) does not approve this Agreement by a signed order of the Commission, this Agreement shall not be binding on either party.

**A. Background**

1. Operator is responsible for the 10 wells (Subject Wells) on the attached list. All of the Subject Wells are out of compliance with K.A.R. 82-3-111. Operator has asked for an agreement to avoid penalties while Operator works to plug the Subject Wells, return them to service, or repair and obtain temporary abandonment (TA) status for such Subject Wells if eligible. Staff is supportive of an agreement to this effect with the Operator.

**B. Terms of Compliance Agreement**

2. By July 31, 2023, Operator shall plug, return to service, or repair and obtain TA status for 2 of the Subject Wells. Operator shall plug, return to service, or repair and obtain TA status for an additional Subject Well within each three calendar months thereafter, resulting in all Subject Wells being returned to compliance by July 31, 2025. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable. Operator shall notify Staff in writing of all Subject Wells returned to service during each three-calendar-month period throughout the term of this Agreement.
3. Staff may prioritize the order in which the Subject Wells are addressed pursuant to this Agreement by indicating priority on the attached list and may adjust the prioritization at any time during this Agreement should a Subject Well or Wells become known to Staff to have a heightened pollution or public safety threat. Further, Staff may require Staff-witnessed static fluid level measurements before a Subject Well is returned to service. A Subject Well may not be returned to service if (1) any measurement has shown fluid in the wellbore at or above the appropriate minimum surface casing requirement described in Table I of the Commission's August 1, 1991, Order in Docket 34,780, (2) any measurement has shown fluid in the wellbore at or above any salt formation or other corrosive formation, or (3) in the opinion of Staff, variation in measurements indicates the possibility of a casing leak. Provided, however, a Subject Well may be returned to service upon (1) passing a casing integrity test to the satisfaction of Staff, or (2) Staff providing written, well-specific authorization.
4. Operator may request an extension of time to achieve compliance for up to 30 days from an applicable deadline established under this Agreement upon good cause shown. Staff will grant or deny such request. If granted, Staff shall cause a status update to be filed in the docket created for this matter, stating what deadline has been extended. No further extensions of the extended deadline are permitted. If denied, and Operator is out of compliance with this Agreement, or if Operator is out of compliance with this Agreement for any reason, Staff shall immediately send a Notice of License Suspension to Operator, which shall suspend the Operator's license and become effective 10 days from the date of the Notice of License Suspension. Operator's license shall remain suspended until Operator is in compliance with the compliance schedule, including any modifications contained in any status

update. If Staff finds that Operator is conducting oil and gas operations after 10 days from the date of a Notice of License Suspension, and Operator's license remains suspended, Staff is authorized to seal all of Operator's oil and gas operations and may seek assessment of a penalty from the Commission.

5. The terms of this Agreement shall remain binding upon Operator even if its interests in the Subject Wells are conveyed. Specifically, Operator shall remain responsible for any Subject Well transferred to another operator which has not been returned to compliance in accordance with this Agreement. However, any Subject Well transferred and then brought into compliance with K.A.R. 82-3-111 shall no longer be the responsibility of Operator under this Agreement, and shall count towards Operator meeting its compliance obligations under this Agreement.
6. Except as provided by and under this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 for the Subject Wells prior to July 31, 2025, except for wells brought into compliance after Commission approval of this Agreement that subsequently fall out of compliance and remain Operator's responsibility under Operator's license.
7. This Agreement may be amended to add additional wells with the written consent of the District Supervisor. If this Agreement is amended, then Staff shall file a status update in the Commission docket created for this matter, also indicating that Operator is not opposed to the addition of the wells. The addition of wells may not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline. Any changes to a previously approved timeline will be included in the status update.
8. Operator may bring more than 1 Subject Well into compliance during any three calendar month term. The excess number of wells brought into compliance will be attributed to the subsequent three-month compliance period.

Commission Staff

By: Jeff Klock

Printed Name: JEFF KLOCK

Title: DISTRICT SUPERVISOR

Date: 5-18-2023

CEC Operations, License #34121

By: Bruce W. Satterthwaite

Printed Name: Bruce W. Satterthwaite

Title: President

Date: 5-16-23

Well Name & Number	API #	Well type	Well location
Barton #1-A	15-035-24100-00-00	Oil well	NW/4 of 19-34S-3E
Born #2	15-035-24139-00-00	Gas well	NW/4 of 13-33S-4E
Born #4	15-035-24141-00-00	Gas well	SW/4 of 13-33S-4E
Born #5	15-035-24142-00-00	Gas well	SW/4 of 13-33S-4E
Holy Mackerel #1	15-035-24430-00-00	Oil well	SW/4 of 17-34S-3E
Kafie #1	15-035-24451-00-00	Gas well	SE/4 of 18-34S-3E
McCollum #1	15-035-22000-00-00	Gas well	NE/4 of 13-33S-4E
McFarland #1	15-035-00624-00-02	Oil well	SW/4 of 27-33S-4E
McFarland #P-3	15-035-24158-00-00	Gas well	SE/4 of 5-34S-4E
Payday #1	15-035-24452-00-00	Oil well	SW/4 of 16-34S-3E

## **CERTIFICATE OF SERVICE**

20-CONS-3044-CMSC

I, the undersigned, certify that a true and correct copy of the attached Motion to Approve Amended Compliance Agreement has been served to the following by means of first class mail and electronic service on June 8, 2023.

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/s/ Paula J. Murray  
Paula J. Murray

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