

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

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Annie Kuether

In the matter of the failure of Cycle Oil & Gas Ltd. (Operator) to comply with K.A.R. 82-3-120 and K.A.R. 82-3-133 by operating under a suspended license.) Docket No.: 25-CONS-3162-CPEN
)
) CONSERVATION DIVISION
)
) License No.: 36116

SHUT-IN ORDER

The Commission finds Operator has violated K.A.R. 82-3-120 and K.A.R. 82-3-133 by conducting oil and gas operations under a suspended license, finds Operator has failed to comply with orders of the Commission, assesses a \$10,000 penalty, directs Commission Staff to seal all oil and gas operations of Operator, and further rules as more fully described below.

I. JURISDICTION

1. K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority under K.S.A. 55-155.

2. K.S.A. 55-162(a) provides the Commission authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. K.S.A. 55-162(e) provides that whenever an operator is in violation of subsection (a) of the statute, “agents of the commission may enter upon the lease or any other leases under the control of such operator and seal any well operated by the offending party.”

3. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

4. K.A.R. 82-3-120 provides that no operator shall operate any well without a current license. K.A.R. 82-3-133 provides that production of oil or gas in violation of a Commission regulation or order shall be deemed unlawful.

II. FINDINGS OF FACT

5. On July 18, 2024, the Commission issued an order in Docket 25-CONS-3010-CMSC (Docket 25-3010) approving a Compliance Agreement between Commission Staff and Operator.¹ The Compliance Agreement stated that Operator would plug, return to service, or obtain temporary abandonment status for three of its wells every quarter.² In the event Operator fell out of compliance, the Compliance Agreement states that Staff shall immediately mail a Notice of License Suspension letter to Operator, which shall suspend Operator's license and become effective 10 days from the date of the letter, and the license shall remain suspended until Operator is in compliance with the Agreement's compliance schedule.³ The Compliance Agreement also states that if Staff finds Operator conducting oil and gas operations after 10 days from the date of the Notice of License Suspension letter, Staff is authorized to seal all of Operator's oil and gas operations and seek assessment of a penalty from the Commission.⁴

6. Operator did not bring three wells into compliance by September 30, 2024, as required by the Compliance Agreement.⁵ On October 1, 2024, Staff suspended Operator's

¹ Docket 25-CONS-3010-CMSC, *Order Approving Compliance Agreement* (Jul. 18, 2024).

² *Id.* at Attachment 1, ¶ 4.

³ *Id.* at Attachment 1, ¶ 7.

⁴ *Id.*

⁵ *Id.* at Attachment 1, ¶ 4.

license for non-compliance with the Agreement. Staff notified Operator of the suspension in a Notice of License Suspension letter. In the letter, Staff informed Operator that if, after 10 days from the date of the letter, Staff discovered Operator performing oil and gas operations, Staff would recommend a Shut-In Order, as well as an additional \$10,000 monetary penalty.⁶

7. On October 15, 2024, Staff found Operator actively operating the Fishman #1 well, API #15-071-20204-00-00, located in Section 8, Township 17 South, Range 40 West, Greeley County, Kansas, under a suspended license.⁷

8. To date, Operator's license remains suspended in Docket 25-3010.

III. CONCLUSIONS OF LAW

9. The Commission has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, K.S.A. 55-155, K.S.A. 55-162, and K.S.A. 55-164.

10. Operator has violated K.A.R. 82-3-120 by conducting oil and gas operations on a suspended license, resulting in unlawful production under K.A.R. 82-3-133.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$10,000 penalty.

B. Commission Staff is directed to shut-in and seal all oil and gas operations of Operator until: (i) Operator becomes current in its obligations under the Compliance Agreement in Docket 25-3010; and (ii) Operator's license is reinstated.

C. Operator may request a hearing on the above issues by submitting a written request, pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.

⁶ Exhibit A.

⁷ Exhibit B.


D. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is not in compliance with this Order and the Order is final, then Operator's license shall be suspended without further notice and shall remain suspended until Operator complies. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

E. Credit card payments may be made by calling the Conservation Division at 316-337-6200. Checks and money orders shall be payable to the Kansas Corporation Commission. Payments shall be mailed to the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. Payments must reference the docket number of this proceeding.

BY THE COMMISSION, IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 10/31/2024



Lynn M. Retz
Executive Director

Mailed Date: 10/31/2024

TSK

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

October 1, 2024

Mike McLaren
Cycle Oil & Gas Ltd
205 S. Bailey Street
Electra, TX 76360-2373

NOTICE OF LICENSE SUSPENSION

License No. 36116

Docket No. 25-CONS-3010-CMSC

Operator:

Our records indicate that you are in violation of the Compliance Agreement executed in the Commission Order in the above Docket.

Your license is hereby suspended.

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter (October 11, 2024), Commission Staff discovers you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$10,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order, which was mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page. If your license is reinstated it will be listed as "Active" at the following webpage: <https://www.kcc.ks.gov/kansas-oil-operators>.

Sincerely,

Legal Department Staff

KCC OIL/GAS REGULATORY OFFICES

Date: 10/15/24

District: _____

Case #: _____

New Situation

Lease Inspection

Response to Request

Complaint

Follow-Up

Field Report

Operator License No: 36116

API Well Number: 15-071-20204-00-00

Op Name: Cycle Oil and Gas Ltd.

Spot: NW SE SE Sec 8 Twp 17 S Rng 40 E / W

Address 1: 205 S. Baily Street

1314 Feet from N / S Line of Section

Address 2: _____

1335 Feet from E / W Line of Section

City: Electra

GPS: Lat: 38.58538 Long: 101.75705 Date: 10/15/24

State: Texas Zip Code: 76360 -

Lease Name: Fishman Well #: 1

Operator Phone #: (940) 205-1257

County: Greeley

Reason for Investigation:

Check gas well status

Problem:

Violation of License Suspension
Dkt # 25-CONS-3010-CMSC

Persons Contacted:

None

Findings:

Free flowing gas well up 2 3/8 tbg. Sales line valve open to a meter run.
2 phase separator 40' west. Not in use.
210 bbl F.G. water tank with open top 25' SW. No lease sign.
Meter run 60' west. Both inlet and outlet valves open. Electronic measurement meter showing 13 mcf.
Operator was sent a letter dated 10-1-24 advising him that his license was suspended for failure to bring three wells into compliance by 9-30-24 deadline. The letter further states that " it is illegal for you to conduct oil and gas operations in Kansas. If after 10 days (Oct 11, 2024) Commission Staff discovers you performing oil and gas operations, Staff will recommend a Shut in Order, including an additional \$10000 penalty".

Action/Recommendations:

Follow Up Required Yes No

Date: _____

Advise the KCC Legal Staff that the operator has violated the license suspension due to continuing to produce gas after the 10-11-24 deadline.

Verification Sources:

RBDMS KGS TA Program
 T-I Database District Files Courthouse
 Other: _____

Photos Taken: _____

By: Ken Jehlik

ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: _____



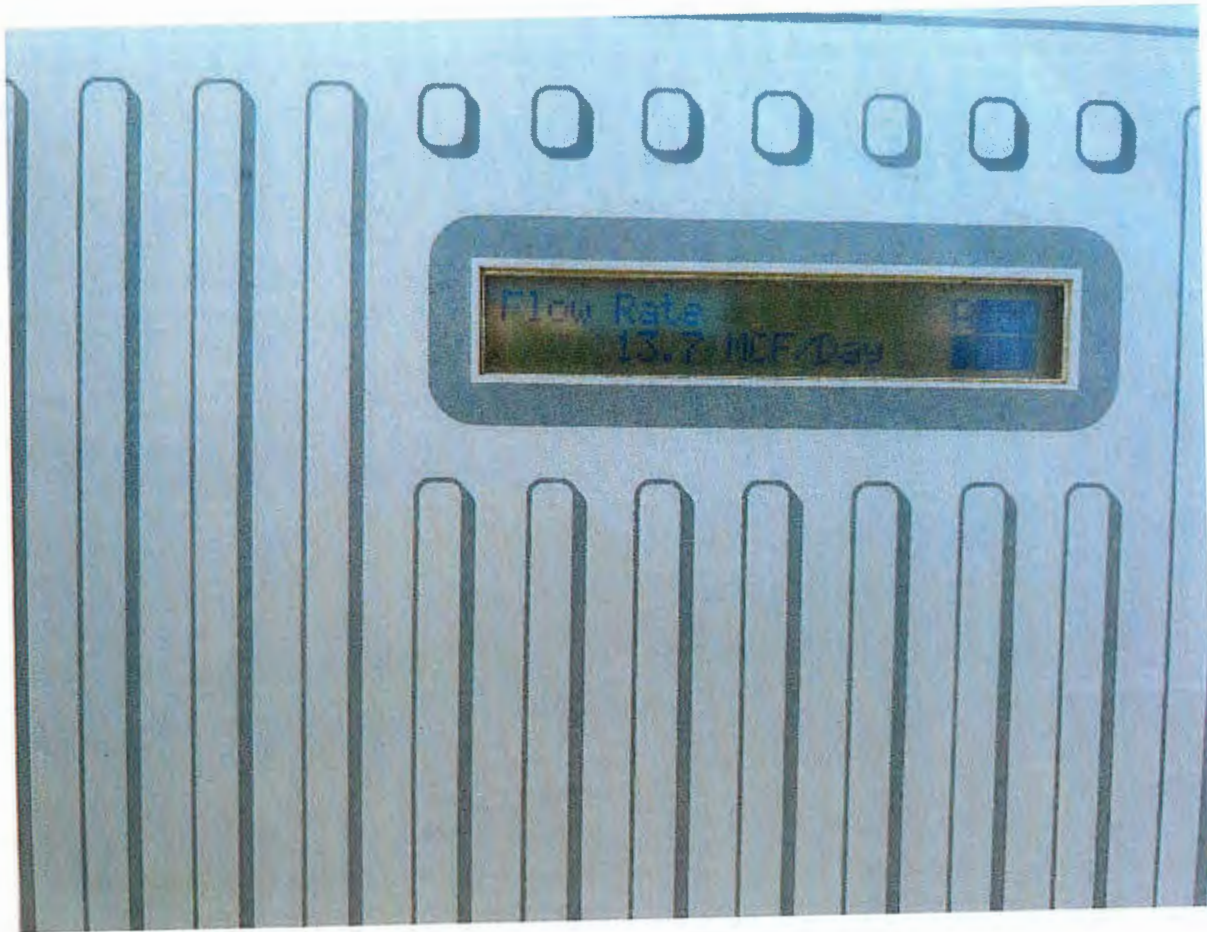
Cycle Oil & Gas Ltd.

Fishman #1

SE 8-17-40W Greeley County

Free flowing gas well with valves open.

10/15/2024



Cycle Oil & Gas Ltd.

Fishman #1

SE 8-17-40W Greeley County

Meter showing well is producing 13.7 mcf/day

10/15/2024



Cycle Oil & Gas Ltd.

Fishman #1

SE 8-17-40W Greeley County

Meter showing date and time of inspection

10/15/2024

CERTIFICATE OF SERVICE

25-CONS-3162-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 10/31/2024.

TRISTAN KIMBRELL, LITIGATION COUNSEL
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MIKE MCLAREN
CYCLE OIL & GAS LTD
205 S BAILEY ST
ELECTRA, TX 76360-2373

KENNY SULLIVAN, DISTRICT #1 SUPERVISOR
KANSAS CORPORATION COMMISSION
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210 E. FRONTVIEW SUITE A
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/S/ KCC Docket Room

KCC Docket Room