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Kansas Corporation Commission

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513

PHONE: 316-337-6200
FAX: 316-337-6211
http://kcc.ks.gov/

GOVERNOR JEFF COLYER, M.D.
SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

NOTICE OF PENALTY ASSESSMENT

19-CONS-3093-CPEN

August 30, 2018

Christopher Leiker
Black Stone Petroleum LLC
2542 N. Longfellow
Wichita, KS 67206

This is a notice of a penalty assessment for violation(s) 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:

You have been assessed a $250 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 and mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and 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. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Lauren N. Wright
Litigation Counsel
316-337-6200

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Dwight D. Keen

In the matter of the failure of Black Stone Petroleum LLC ("Operator") to comply with K.A.R. 82-3-608 at the SWOB #2 well in Rush County, Kansas.	)	Docket No.: 19-CONS-3093-CPEN
	)	CONSERVATION DIVISION
	)	License No.: 35425

PENALTY ORDER

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:

I. JURISDICTION

1. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.[1] The Commission has jurisdiction to regulate the "construction, operation, and abandonment of any well and the protection of the usable water of this state from any actual or potential pollution from any well."[2] Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.[3]

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq*., rule, regulation, or order of the Commission.[4] The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty "not to exceed $10,000, which shall constitute an actual and substantial

[1] K.S.A. 74-623.
[2] K.S.A. 55-152.
[3] K.S.A. 55-155.
[4] K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed."[5] "In the case of a continuing violation, every day such violation continues shall be deemed a separate violation."[6]

3. Unless otherwise specified in writing by the Commission, each operator shall close drilling pits within 365 calendar days after the spud date of a well.[7]

4. Before backfilling any pit, the operator shall dispose of the pit contents according to K.A.R. 82-3-607 and shall submit the required form pursuant to K.A.R. 82-3-608.[8]

5. Each operator shall file a form prescribed by the commission within 30 days after the operator transfers refuse from any pit or diked area or refuse relating to any remediation or cleanup activity.[9]

6. The failure to timely submit the form specified in subsection (a) shall be punishable by the following penalties: $250 for the first violation, $500 for the second violation, and $1,000 and an operator license review for the third violation.[10]

II. FINDINGS OF FACT

7. The Operator conducts oil and gas activities in Kansas under active license number 35425.

8. The Operator is responsible for the care and control of the SWOB #2 ("the subject well"), API #15-165-22145-00-00, located in Section 26, Township 18 South, Range 16 West, Rush County, Kansas.

9. Commission records indicate that the Operator filed an Application for Surface Pit ("CDP-1") along with the Notice of Intent to Drill ("C-1") for the subject well. As part of the

[5] K.S.A. 55-164.
[6] *Id*.
[7] K.A.R. 82-3-602(a).
[8] K.A.R. 82-3-602(b).
[9] K.A.R. 82-3-608(a).
[10] K.A.R. 82-3-608(b).

CDP-1 approval process, either Operator stated refuse would be transferred or Commission Staff required refuse to be transferred, prior to the closure of a drilling pit.

10. Commission regulations require drilling pits to be closed within 365 calendar days of the spud date of the associated well. Commission regulations further require an Exploration and Production Waste Transfer ("CDP-5") form to be filed within 30 days after an operator transfers refuse from any pit.

11. Commission records indicate an excess of 395 days (365 plus 30) have passed since the subject well was spud. Commission records further indicate a CDP-5 form has not been filed for the subject well.

12. On August 02, 2018, Commission Staff sent a Notice of Violation letter to the Operator, requiring the Operator to file a CDP-5 to comply with K.A.R. 82-3-608 by August 16, 2018.[11] Commission Staff did not receive a complete and accurate CDP-5 by the deadline in the letter.

III. CONCLUSIONS OF LAW

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

14. The Commission finds and concludes the Operator committed one violation of K.A.R. 82-3-608 because the Operator has not submitted a complete and accurate CDP-5 for the subject well in a timely manner.

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall pay a $250 penalty.

B. The Operator shall submit a complete, accurate CDP-5 for the subject well.

[11] Exhibit A.

C. If no party requests a hearing, and the Operator is not in compliance with this Order within 30 days from the date of service of this Order, then the Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. The Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

D. 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. The payment must include a reference to the docket number of this proceeding. Credit card payments may be made by calling the Conservation Division at 316-337-6200.

E. Any party 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, setting forth the specific grounds upon which relief is sought, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

F. A corporation shall appear before the Commission by a Kansas licensed attorney.[12]

G. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary.

[12] K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 08/30/2018

Lynn M. Retz
Secretary to the Commission

Mailed Date: 08/31/2018

LW

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Kansas
Corporation Commission

Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Dwight D. Keen, Commissioner

Jeff Colyer, M.D., Governor

August 02, 2018

Christopher Leiker
Black Stone Petroleum LLC
2542 N. LONGFELLOW
WICHITA, KS 67206

License No. 35425

NOTICE OF VIOLATION

Re: Waste Transfer Form(s) - ("CDP-5")

Operator:

Commission records indicate that for the well(s) on the attached list, you filed an Application for Surface Pit (CDP-1) form for each well along with your Intent to Drill. The CDP-1 indicated that fluids would be transferred from a drilling pit, or Commission Staff required that fluids be transferred from a drilling pit.

We have not received the necessary Waste Transfer Form(s).

Commission records indicate that the well(s) were spudded more than 13 months ago.
Under K.A.R. 82-3-602, drilling pits must be closed within 12 months after the spud date of the well.
Further, an operator must submit a CDP-5 within 1 month after transferring waste.

Since no CDP-5 is on file for the well(s), you are in violation of K.A.R. 82-3-608.

Failure to submit a complete, accurate CDP-5
for the pit(s) associated with the well(s) on the attached list
by AUGUST 16, 2018
shall be punishable by a $250 per-well administrative penalty.

The information requested above must be submitted on KOLAR. If a CDP-5 is returned to you as incomplete, you do not have additional time - the deadline above governs.

Please contact me at (316) 337-6200 if you have any questions.

Sincerely,

KATHY HAYNES
Environmental Protection and Remediation Department

List of Wells: Missing CDP-5

API Well #	Lease Name / Well #	Well Location	County
15-165-22145-00-00	SWOB 2	26-18S-16W, NWNESWSW	RUSH

CERTIFICATE OF SERVICE

19-CONS-3093-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail and electronic service on 08/30/2018.

CHRISTOPHER LEIKER
BLACK STONE PETROLEUM LLC
2542 N. LONGFELLOW
WICHITA, KS 67206

JONELLE RAINS
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
j.rains@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
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Conservation Division
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l.wright@kcc.ks.gov

/S/ DeeAnn Shupe
DeeAnn Shupe