

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

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

In the matter of an Order to Show Cause) Docket No.: 18-CONS-3024-CSHO
issued to Highlite Energy, Inc. ("Operator"))
regarding responsibility under K.S.A. 55-179) CONSERVATION DIVISION
for unplugged wells on an expired license.)
_____) License No.: 8244

**ORDER TO SHOW CAUSE, DESIGNATING A PREHEARING OFFICER,
AND SETTING A PREHEARING CONFERENCE**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds and concludes as follows:

I. JURISDICTION

1. The Commission has jurisdiction to regulate oil and gas production in Kansas pursuant to K.S.A. 55-101 *et seq.* and K.A.R. 82-3-100 *et seq.* K.S.A. 55-162 gives the Commission jurisdiction to institute proceedings to enforce the laws of Kansas and Commission rules, regulations, and orders.

2. K.S.A. 55-179 gives the Commission jurisdiction to determine the persons legally responsible for the proper care and control of oil and gas wells, including the responsibility to plug the wells. Subsection (b) provides that a person who is legally responsible for the proper care and control of an abandoned well shall include one or more of the following:

- a. Any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water;

- b. the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well;
- c. the original operator who plugged or abandoned such well; and
- d. any person who without authorization tampers with or removes surface equipment or downhole equipment from an abandoned well.

3. K.S.A. 55-180(c) gives the Commission a cause of action against responsible parties for the reasonable plugging costs of abandoned wells. K.A.R. 82-3-120 provides that no Operator shall conduct activities at a well without a current license.

II. FINDINGS OF FACT

4. On July 19, 2017, Commission Conservation Staff filed a Motion for an Order to Show Cause, the Designation of a Prehearing Officer, and the Scheduling of a Prehearing Conference (Motion).

5. The Commission finds, based on Staff's Motion, that the wells on Exhibit A of Staff's Motion, said Exhibit being attached and incorporated into this Order, are listed on the Operator's expired license, and thus, the wells are abandoned.

6. The Commission finds that, pursuant to Kansas statutes and Commission regulations, the Operator is responsible for plugging the wells.

7. The Commission also finds that Staff's Motion was served on the Operator, and no response was filed.

III. CONCLUSIONS OF LAW

8. The Commission finds that the Operator should attend an evidentiary hearing to show cause why the Operator is not responsible for bringing into compliance the wells listed on Exhibit A of Staff's Motion.

9. Pursuant to K.S.A. 77-551(c), the Commission finds that a Prehearing Officer should be designated in this proceeding to address any matters listed in K.S.A. 77-517(b). The Commission also finds that an initial Prehearing Conference should be scheduled in this matter.

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall show cause why it is not responsible for bringing into compliance the wells listed on Exhibit A of Staff's Motion.

B. The Prehearing Officer in this proceeding shall be Michael J. Duenes, Assistant General Counsel, Kansas Corporation Commission, 1500 SW Arrowhead Road, Topeka, Kansas 66604, telephone number (785) 271-3181, email m.duenes@kcc.ks.gov.

C. A Prehearing Conference is scheduled for September 14, 2017 at 1:30 p.m. by telephone. The conference call information is: telephone number (866) 620-7326, Conference Code PIN: 7632914771#.

D. At the Prehearing Conference, parties shall be prepared to discuss deadlines for filing testimony and briefs, discovery procedures, scheduling of a hearing with the Commission, and any other issues that will promote the orderly and prompt resolution of this proceeding.

E. At the Prehearing Conference, without further notice, this proceeding may be converted into a conference hearing or a summary proceeding for disposition of this matter as provided by the Kansas Administrative Procedure Act (KAPA). Any party that fails to attend or participate in the Prehearing Conference, hearing, or other stage of this proceeding may be held in default under the KAPA.

F. A corporation shall appear before the Commission by a Kansas licensed attorney.¹

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

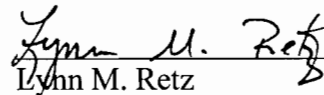
G. The attorney designated to appear on behalf of the agency in this proceeding is Joshua D. Wright, Litigation Counsel, telephone number 316-337-6200, email address j.wright@kcc.ks.gov.

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

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: AUG 22 2017


Lynn M. Retz
Secretary to the Commission

Mailed Date: August 23, 2017

MJD/pjm

Exhibit A

Highlite Energy, Inc. License: 8244

| <u>Unplugged Wells on Operator's License</u> | | | |
|-----------------------------------------------------|----------------------------|----------------------|---------------|
| API Well # | Lease Name / Well # | Well Location | County |
| 15-099-21961-00-00 | VAN ORSDALE 3 | 25-33S-17E, SESWNW | LABETTE |
| 15-099-21998-00-00 | VAN ORSDALL 6 | 25-33S-17E, NESWNW | LABETTE |

CERTIFICATE OF SERVICE

I certify that on August 23, 2017, 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:

Philip H. Sharman
Highlite Energy, Inc.
RR 1, Box 126
Cherryvale KS 67335

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