

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



20190212152209
Kansas Corporation Commission

Phone: 316-337-6200
Fax: 346-337-6211
<http://kcc.ks.gov/>

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

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT
19-CONS-3265-CPEN

February 12, 2019

Ian B. Acrey
Prairie Gas Operating, LLC
PO Box 2170
Tulsa, OK 74101-2170

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 \$200 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: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Jay Scott Emler

In the matter of the failure of Prairie Gas)	Docket No.: 19-CONS-3265-CPEN
Operating, LLC (“Operator”) to comply with)	
K.A.R. 82-3-111 at the Beard #1 and)	CONSERVATION DIVISION
Sinsabaugh #1 in Greeley and Hamilton)	
County, Kansas.)	License No.: 35442

PENALTY ORDER

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). 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. Within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service, or production of oil, gas, or other minerals, the operator of that well shall: (1) plug the well, (2) return the well to service, or (3) file an application with the Conservation Division requesting temporary abandonment (“TA”) authority, on a form prescribed by the Conservation Division.⁷ No well shall be temporarily abandoned unless first approved by the Conservation Division.⁸ A well shall not be eligible for TA status if the well has been shut in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the Commission.⁹ The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty,¹⁰ and the failure to obtain approval of temporary abandonment status shall subject the Operator to additional administrative action.¹¹

4. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped for production of oil or gas or for injection; (2) capable of immediately resuming production of oil or gas or of injection; (3) subject to a valid continuing oil and gas lease; when (4) the cessation period for the well is less than 365 days; and (5) the well is otherwise in full compliance with all of the Commission’s regulations.

II. FINDINGS OF FACT

5. The Operator conducts oil and gas activities in Kansas under active license number 35442.

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ *See* K.A.R. 82-3-111(a).

⁸ K.A.R. 82-3-111(b).

⁹ *Id.*

¹⁰ *Id.*

¹¹ K.S.A. 55-164; K.A.R. 82-3-111(b).

6. The Operator is responsible for the care and control of the following wells.
 - a. Beard #1, API #15-071-20040-00-01, Section 36, Township 20 South, Range 41 West, Greeley County, Kansas; and
 - b. Sinsabaugh #1, API #15-075-20596-00-00, Section 17, Township 22 South, Range 41 West, Hamilton County, Kansas.

7. On October 9, 2018 and November 2, 2018, respectively, Commission records indicated that the subject wells had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that the wells were not exempt pursuant to K.A.R. 82-3-111(e). The wells had also not been approved for temporary abandonment status. Thus, District Staff sent a letter to the Operator, requiring the Operator to bring the subject well into compliance with K.A.R. 82-3-111 by November 6, 2018 and November 30, 2018, respectively.¹²

8. Because the deadline in the letter passed and the violation had not been resolved, on January 18, 2019, District Staff inspected the subject well, verifying that the well continued to be inactive and unplugged.¹³

III. CONCLUSIONS OF LAW

9. 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.

10. The Commission finds and concludes the Operator committed two violations of K.A.R. 82-3-111 because the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.¹⁴

THEREFORE, THE COMMISSION ORDERS:

- A. The Operator shall pay a \$200 penalty.

¹² Exhibit A.

¹³ Exhibit B.

¹⁴ K.S.A. 55-164; K.A.R. 82-3-111(b).

B. The Operator shall plug the subject wells, or return the wells to service, or obtain TA status for the wells if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable.

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.¹⁵

¹⁵ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

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.

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Albrecht, Commissioner; Emler, Commissioner

Dated: 02/12/2019



Lynn M. Retz
Secretary to the Commission

Mailed Date: 02/13/2019

LW

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT No. 1
210 E. FRONTVIEW, SUITE A
DODGE CITY, KS 67801



PHONE: 620-682-7933
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

October 09, 2018

Jim Williams
Prairie Gas Operating, LLC
114 E. 5TH ST.
SUITE 100
TULSA, OK 74103

Re: Temporary Abandonment
API 15-071-20040-00-01
BEARD 1
SE/4 Sec.36-20S-41W
Greeley County, Kansas

Dear Jim Williams:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

High Fluid Level

Pursuant to K.A.R. 82-3-111, the well must be plugged, or returned to service, or obtain temporary abandonment status by November 06, 2018.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Michael Maier
KCC DISTRICT 1



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

Corporation Commission

Jeff Colyer, M.D., Governor

NOTICE OF VIOLATION

November 02, 2018

KCC Lic.-35442

PRAIRIE GAS OPERATING, LLC
114 E. 5TH ST., SUITE 100
PO BOX 2170
TULSA OK 74101-2170

RE: **TEMPORARY ABANDONMENT**
API Well No. 15-075-20596-00-00
SINSABAUGH 1
17-22S-41W, SESENWSW
HAMILTON County, Kansas

Operator:


On November 02, 2018, a lease inspection documented a probable violation of the following regulation at the referenced well:

- K.A.R. 82-3-111. Within 90 days after operations cease on a well, the operator must return the well to service, plug the well, or obtain approval for temporary abandonment status.

**Failure to remedy this violation
by NOVEMBER 30, 2018
shall be punishable by a \$100 penalty.**

You may contact me if you have any questions.

Sincerely,


MICHAEL MAIER
KCC District # 1

KCC OIL/GAS REGULATORY OFFICES

Date: 01/18/19

District: 01

Case #: _____

- ☒ New Situation
☐ Response to Request
☐ Follow-Up

- ☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 35442

API Well Number: 15-071-20040-00-01

Op Name: Prairie Gas Operating, LLC

Spot: SE NW SE Sec 36 Twp 20 S Rng 41 ☐ E / ☒ W

Address 1: 114 E. 5th ST, Ste 100

1508 Feet from ☐ N / ☒ S Line of Section

Address 2: P.O. Box 2170

1544 Feet from ☒ E / ☐ W Line of Section

City: Tulsa

GPS: Lat: 38.26655 Long: 101.79388 Date: 12/18/18

State: Okla Zip Code: 74101 -2170

Lease Name: Beard Well #: 1

Operator Phone #: (817) 681-7600

County: Greeley

Reason for Investigation:

Check well status

Problem:

TA application was denied on 10-9-18 due to a high fluid level of 640'. Deadline for remedial action was 11-6-18. The fluid level was re shot on 12-3-18. FL was 680'

Persons Contacted:

Brett Cook--pumper

Findings:

12-18-18 Pumping unit w/ elec motor. No belts on motor. Well head valves closed
Meter run 60' east. Valves closed. No chart.
No water tank. Water goes direct to a disposal.
Nothing has been done to the well since 11-6-18. It is still inactive.
12-31-18 Pumper advises that nothing has been done to the well.
1-18-19 Re check. No change from 12-18-18 inspection. No work hqas been done to the well.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

1-18-19 Send to legal

SA

Verification Sources:

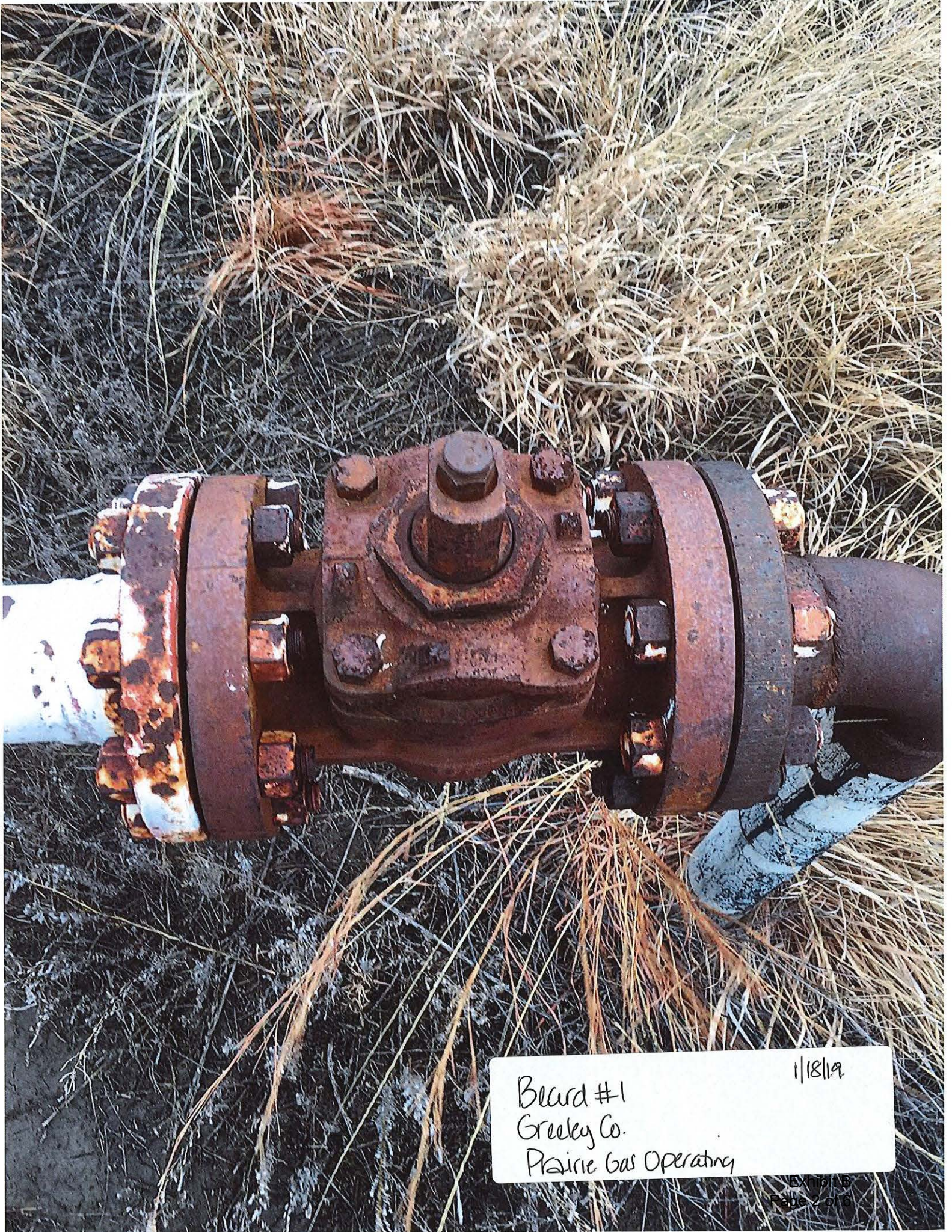
Photos Taken: Yes 2

- | | | |
|---------------------------------------|---|-------------------------------------|
| <input type="checkbox"/> RBDMS | <input type="checkbox"/> KGS | <input type="checkbox"/> TA Program |
| <input type="checkbox"/> T-I Database | <input type="checkbox"/> District Files | <input type="checkbox"/> Courthouse |
| <input type="checkbox"/> Other: _____ | | |

By: Ken Jehlik
ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 02/22/2008



Beard #1
Greeley Co.
Prairie Gas Operating

1/18/19

Exhibit B
Page 2 of 6

SN: 202A-146704

BEARD #1 3.068 / 100" X 250#

Prairie Gas Operating
Greeley Co.

1/18/19
Inactive
Chart

KCC OIL/GAS REGULATORY OFFICES

Date: 01/18/19

District: 01

Case #: _____

- ☒ New Situation
☒ Response to Request
☒ Follow-Up

- ☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 35442

API Well Number: 15-075-20596-00-00

Op Name: Prairie Gas Operating, LLC

Spot: SE NW SW Sec 17 Twp 22 S Rng 41 ☐ E / ☒ W

Address 1: 427 S. Boston St. Ste 520

1331 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

3991 Feet from ☒ E / ☐ W Line of Section

City: Tulsa

GPS: Lat: 38.13518 Long: 101.84952 Date: 9/14/17

State: Okla Zip Code: 74103 -

Lease Name: Sinsabaugh Well #: 1

Operator Phone #: (918) 734-7727

County: Hamilton

Reason for Investigation:

Check well status

Problem:

Last KGS productio 6/17

No response to NOV letter dated 11-2-18 to re-file a TA application. Deadline was 11-30-18.

Persons Contacted:

Findings:

1-3-19 Pumping unit w/ elec motor. Power shut off.

Meter run 1000' south. No current chart.

200 bbl netted FG water tank & 210 bbl open top over flow tank 1000' south.

1-18-19 Re check. No change from 1-3-19 inspection. No current chart. Clock on recorder not running

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

1-3-19 Send to legal for failure to file a TA.

1-18-19 Send to legal for failure to file a TA

Verification Sources:

Photos Taken: Yes 2

☒ RBDMS

☐ T-I Database

☐ Other: _____

☒ KGS

☐ District Files

☒ TA Program

☐ Courthouse

By: Ken Jehlik

ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 02/22/2008

Exhibit B
Page 4 of 6

Electrical Supply, Sales & Service
HULCHAY KADDES 1942
1943 574 6400 04-2892

START

Sinsabaugh #1
Hamilton Co.
Prairie Gas Operating
1/18/19
Power shut
off

Inactive Chart



CERTIFICATE OF SERVICE

19-CONS-3265-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 02/12/2019.

IAN B. ACREY
Prairie Gas Operating, LLC
PO BOX 2170
TULSA, OK 74101
iacrey@pge-llc.com

SCOTT ALBERG, DISTRICT #1 SUPERVISOR
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
s.alberg@kcc.ks.gov

MICHELE PENNINGTON
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
m.pennington@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe