

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-3153-CPEN

October 25, 2018

Robert E. Housel  
1451 N. Olive St.  
Cherryvale, KS 67335-1625

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 \$1,000 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 Robert E.	)	Docket No.: 19-CONS-3153-CPEN
Housel ("Operator") to comply with K.A.R.	)	
82-3-407 at the Coats #1 in Montgomery	)	CONSERVATION DIVISION
County, Kansas.	)	
<hr/>		License No.: 6700

**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.<sup>1</sup> 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."<sup>2</sup> Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.<sup>3</sup>

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.<sup>4</sup> 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

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<sup>1</sup> K.S.A. 74-623.

<sup>2</sup> K.S.A. 55-152.

<sup>3</sup> K.S.A. 55-155.

<sup>4</sup> K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”<sup>5</sup> “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”<sup>6</sup>

3. Each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water, prevent damage to sources of oil or gas, and confine fluids to the intervals approved for injection. An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer, and no fluid movement into fresh or usable water. An injection well’s mechanical integrity shall be established at least once every five years.<sup>7</sup>

4. The operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.<sup>8</sup>

5. Mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.<sup>9</sup>

6. No injection well shall be operated before passing a mechanical integrity test (“MIT”). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.<sup>10</sup>

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<sup>5</sup> K.S.A. 55-164.

<sup>6</sup> *Id.*

<sup>7</sup> K.A.R. 82-3-407(a).

<sup>8</sup> K.A.R. 82-3-407(c).

<sup>9</sup> K.A.R. 82-3-407(d).

<sup>10</sup> K.A.R. 82-3-407(g).

## II. FINDINGS OF FACT

7. The Operator conducts oil and gas activities in Kansas under active license number 6700.

8. The Operator is responsible for the care and control of the Coats #1 (“the subject well”), API #15-125-23073-00-01 authorized for injection pursuant to Underground Injection Control Permit #E-25488.1, and located in Section 3, Township 32 South, Range 17 East, Montgomery County, Kansas.

9. On November 27, 2017, Commission Staff (Staff) sent a letter to the Operator, notifying the Operator that the subject well’s MIT deadline was approaching.<sup>11</sup>

10. The Operator’s five-year annual MIT was due on June 2, 2018. On June 13, 2018, the subject well failed an MIT, meaning the well was considered an environmental threat.<sup>12</sup> Immediately after the subject well failed, Staff notified the Operator that he had 90 days to bring the subject well into compliance.

11. On June 20, 2018, Commission Staff followed up the verbal notification by sending a letter to the Operator, requiring the Operator to bring the subject well into compliance with K.A.R. 82-3-407 by September 11, 2018.<sup>13</sup>

12. On July 18, 2018, Staff spoke to the Operator’s representative in person to remind him of the approaching 90-day deadline.<sup>14</sup> On September 4, 2018, Staff sent the Operator’s representative a text message, reminding him of the September 11, 2018, deadline to retest or

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<sup>11</sup> Exhibit A.

<sup>12</sup> Exhibit B.

<sup>13</sup> Exhibit C.

<sup>14</sup> Exhibit D.

plug the subject well.<sup>15</sup> The Operator waited until the day before the deadline to schedule a retest of the subject well.

13. On September 11, 2018, the deadline date, Staff went to witness the MIT; the subject well failed again. On September 13, 2018, two days after the 90-day deadline and 103 days after the original MIT due date, the subject well passed an MIT.

### **III. CONCLUSIONS OF LAW**

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

15. The Commission finds the Operator committed one violation of K.A.R. 82-3-407 because a successful MIT had not been performed on the subject well within 90 days of a failed MIT as required by K.A.R. 82-3-407(c).

#### **THEREFORE, THE COMMISSION ORDERS:**

A. The Operator shall pay a \$1000 penalty.

B. If no party requests a hearing, and the Operator is not in compliance with this Order within 30 days, 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.

C. Checks and money orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number, and expiration date. Payments shall be mailed to the

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<sup>15</sup> *Id.*

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.

D. 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 the Operator's right to a hearing.

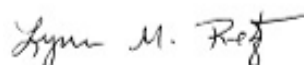
E. A corporation shall appear before the Commission by a Kansas licensed attorney.<sup>16</sup>

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

**BY THE COMMISSION IT IS SO ORDERED.**

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 10/25/2018



\_\_\_\_\_  
Lynn M. Retz  
Secretary to the Commission

Mailed Date: 10/26/2018

LW

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<sup>16</sup> K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

Pat Apple, Chairman  
Shari Feist Albrecht, Commissioner  
Jay Scott Emler, Commissioner

November 27, 2017

License: 6700

Housel, Robert E.  
1030 E 3RD ST  
CHERRYVALE KS 67335-1609

**REMINDER**  
**MECHANICAL INTEGRITY TEST**  
**APPROACHING DEADLINE**

**RE: Mechanical Integrity Test Reminder**

Dear Operator:

Commission records indicate that the wells on the attached list will soon be due for a Mechanical Integrity Test (MIT). The applicable due date for each well is on the list.

For any questions, or to schedule a testing date, please contact the appropriate District Staff at one of the following phone numbers:

District #1, (620) 225-8888  
District #2, (316) 630-4000  
District #3, (620) 432-2300  
District #4, (785) 625-0550

- The date of the MIT must be mutually agreed upon with District Staff.
- Please contact the appropriate district staff at least 2 days prior to your proposed testing date.
- A representative of the operator must be on site during each MIT.

**Failure to conduct any MIT by the applicable due date shall be punishable by a \$1,000 per-well penalty.**

Sincerely,

KCC Underground Injection Control Staff

**List of Wells: Due for a Mechanical Integrity Test**

DOCKET	API Well #	Lease Name / Well #	Well Location	County	MIT Expiration
E25488.1	15-125-23073-00-01	COATS 1	3-32S-17E, SWSWNE	MONTGOMERY	6/2/2018



## CASING MECHANICAL INTEGRITY TEST

DOCKET# E-25-488Disposal Well ☐ Enhanced Recovery:

OWOP

Repressuring ☒Flood ☐Tertiary ☐

Date injection started

API #15- 125-23073-00SWSWNE, Sec 3, T 32 S, R 17 E/WGPS 3053

Feet from South Section Line

RHH 2319

Feet from East Section Line

Lease CoatsWell # 1County MGOperator: Robert E. HauselOperator License# 6700

Name &amp;

Address 1030 E 3rd StContact Person Robert HauselCherryvale, KS 67335Phone 620-336-2961Max. Auth. Injection Press 350 Psi; Max Inj. Rate 200 bbl/d;

If Dual Completion - Injection above production

Injection below production

	Conductor	Surface	Production	Liner		Tubing
Size		<u>7"</u>	<u>27/8</u>		Size	<u>None</u>
Set at		<u>50'</u>	<u>745'</u>		Set at	
Cement Top		<u>0</u>	<u>0</u>		Type	
" Bottom		<u>50' (845)</u>	<u>745 (8645)</u>			
DV/Perf.					TD (and plug back)	<u>807 / 745</u> ft. depth
Packer type					Size	
Zone of injection	<u>689</u>	ft. to ft. <u>694</u>			Set at	
					Perf. or open hole	<u>port</u>

Type MIT: Pressure: ☒ Radioactive Tracer Survey: ☐ Temperature Survey: ☐F Time: Start 20 Min 40 Min 60 Min

I

E Pressures: Fail Set up 1 System Pres. during test

L

D would not pressure and Set up 2 Annular Pres. during test

D

D up, not enough in casing Set up 3 Fluid loss during test

A

T Tested: Casing ☒ or Casing - Tubing Annulus ☐

A

The bottom of the tested zone in shut in with Fluid DepressionTest Date 6-13-18 Using Co. Tools Company's EquipmentThe operator hereby certifies that the zone between 689' feet and 0' feet

was the zone tested

Signature Robert HauselTitle AgentThe results were Satisfactory ☐ Marginal ☐ Not Satisfactory ☒State Agent: Paul Title: ECRS Witness: YES ☒ NO ☐REMARKS: (TP) 689-(FL) 511 = 178 x .43 = 76.54 psi☐ Origin, Conservation Div.: ☐ KDHE/T: ☒ Dist. Office☒ Computer Update Is there Chemical Sealant or a Mechanical Casing patch in the annular space? (Y/N) ☐

8-5-13 RHH

GPS Lat 37.288922GPS Long -95.526791

JUN 20 2018

(If YES please describe in REMARKS)  
KCC Form U-7



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

Corporation Commission

Jeff Colyer, M.D., Governor

**FAILED MECHANICAL INTEGRITY TEST (MIT)**  
**\*DEADLINE FOR COMPLIANCE\***

LICENSE 6700

June 20, 2018

HOUSEL, ROBERT E.  
1030 E 3RD ST  
CHERRYVALE KS 67335-1609

Re: API No. 15-125-23073-00-01  
DOCKET No. E25488.1  
COATS 1  
3-32S-17E, SWSWNE  
MONTGOMERY County, Kansas

Operator:

On June 13, 2018, the referenced well failed a mechanical integrity test. Under K.A.R. 82-3-407(c), you have 90 days to:

- 1) repair and retest the well to show mechanical integrity,
- 2) plug the well, or
- 3) isolate all leaks to demonstrate the well does not pose a threat to fresh or usable water or endanger correlative rights.

The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c).

**Failure to comply with K.A.R. 82-3-407(c)  
by September 11, 2018  
shall be punishable by a \$1,000 penalty.**

Please contact this office as soon as possible to let us know your plans for this well.

Sincerely,

LARRY MARCHANT  
KCC District # 3

## KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 09/11/2018 District: 3 Incident Number: 6241

☒ New Situation ☐ Lease Inspection  
☐ Response to Request ☐ Complaint  
☐ Follow-up ☒ Field Report

Operator License No: 6700 API: 15-125-23073 Q3: SW Q2: SW Q1: NE  
Operator Name: Robert Housel SEC 3 TWP 32 RGE 17 RGEDIR: e  
Address: 1451 N. Olive St FSL: 3053  
City: Cherryvale FEL: 2319  
State: KS Zip Code: 67335-1625 Lease: Coats Well No.: 1  
Phone contact: 620-336-2961 County: MG

### Reason for Investigation:

Scheduled MIT for failed well #1 Coats lease.

### Problem:

Coats #1 was due for MIT on June 03, 2018. MIT conducted 10-days late on June 13, 2018 and the well FAILED MIT. K.A.R. 82-3-407 states in part that wells that fail the MIT shall be repaired and re-tested or plugged within 90-days of the failed date.

### Persons contacted:

Robert Housel / Rick Housel 620-252-8656

### Findings:

June 13, 2018 The initial date the Coats #1 well failed the MIT.

June 20, 2018 Date of failed letter to operator with 90-day deadline to repair and re-test or plug by September 11, 2018.

July 18, 2018 Duane Sims and I reminded Rick Housel in person that the deadline was September 11, 2018 to re-test or plug failed well.

September 4, 2018 I sent Rick Housel a text, reminding him of the September 11, 2018 deadline to retest or plug failed well.

(See details on additional findings page)

Actions / Recommendations Follow-up Required ☐ Deadline Date:

I will refer this report to John Almond, KCC District #3 Compliance Officer.

Photo's Taken: 0

☒ RBDMS ☐ KGS ☐ TA DB Report Prepared By: Russell Hine  
☐ T1 DBF ☐ District Files ☐ Courthouse Position: E.C.R.S.

## KCC OIL/GAS REGULATORY OFFICES

### Additional Findings:

Summary of contacts to operator prior to operator testing the Coats #1 well;

December 2017 Wichita staff sent reminder letter to operator that the Coats #3 well was due for a MIT test on June 3, 2018.

Six months after the original reminder notification was sent, Wichita sent a second reminder that the Coats #3 well was due for a MIT on June 3, 2018.

June 13, 2018 Coats well was tested and failed MIT, Rick Housel tested the well and signed the U-7 as the agent for Robert Housel. Duane Sims gave Rick Housel a verbal 90-day deadline to repair and re-test or plug the well.

Summary of notifications after the Coats #3 well failed MIT on June 13, 2018.

June 20, 2018 UIC Coordinator Larry Marchant sent Failed MIT letter to operator with 90-day deadline to repair and re-test or plug by September 11, 2018.

July 18, 2018

Duane Sims and I met Rick Housel at his shop and they discussed the failed MIT and the deadline of September 11, 2018 to correct the violation. We told him no extensions of time would be given past the deadline.

September 4, 2018

I sent a text to Rick Housel reminding him of the deadline to retest or plug Coats well is next week.

September 11, 2018

I arrived at Coats #1 location to test well at scheduled time 1:30 pm. I stayed at the well location until 4:00 pm, well not tested. Operator working on well, Rick Housel said he would test the well the next morning at 8:30 am. I told him that the penalty recommendation for failure to meet the deadline would be sent to Wichita.

September 12, 2018

I called Rick Housel at 8:30 am to see if he was ready to test the Coats #1 well. Rick told me that the well was not ready to test, he would have to call me back later in the day when he was ready to test the well. I told Rick he that the penalty recommendation would be sent to Wichita because he was late. I did not have any further contact with Rick Housel until I received a missed called from him on 9/13/2018 and I sent him a text and told him I had the day off and he need to call the KCC office to schedule the MIT.

September 13, 2018

Rick Housel scheduled the MIT and Larry Marchant witnessed the MIT on the Coats #1 well at 4:00 pm. Rick told Larry Marchant that he was going to call Wichita when Larry told him the penalty recommendation had been sent.

## **CERTIFICATE OF SERVICE**

19-CONS-3153-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 10/25/2018.

JOHN ALMOND  
KANSAS CORPORATION COMMISSION  
DISTRICT OFFICE NO. 3  
137 E. 21ST STREET  
CHANUTE, KS 66720  
Fax: 785-271-3354  
j.almond@kcc.ks.gov

ROBERT E. HOUSEL  
1451 N OLIVE STREET  
CHERRYVALE, KS 67335-1625

RENE STUCKY  
KANSAS CORPORATION COMMISSION  
Conservation Division  
266 N. Main St. Ste. 220  
WICHITA, KS 67202-1513  
Fax: 785-271-3354  
r.stucky@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
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l.wright@kcc.ks.gov

/S/ DeeAnn Shupe  
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DeeAnn Shupe