

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

In the matter of the failure of Ace Energy, LLC) Docket No.: 22-CONS-3336-CPEN
(Operator) to comply with K.A.R. 82-3-111 at)
the Gillman #A-1 well in Montgomery) CONSERVATION DIVISION
County, Kansas.)
_____) License No.: 34998

MOTION TO APPROVE SETTLEMENT AGREEMENT

Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) hereby files this Motion to Approve Settlement Agreement. In support of its Motion, Staff states as follows:

1. On March 22, 2022, the Commission issued a Penalty Order against Operator for one violation of K.A.R. 82-3-111. The Commission found that Operator's Gillman #A-1 well (Subject Well) had been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for temporary abandonment (TA) status. The Penalty Order assessed a \$100 penalty, and directed Operator to plug the Subject Well, return the well to service, or obtain TA status for the well if eligible.

2. Operator filed a Motion to Approve Settlement Agreement on September 22, 2022. However, Staff and Operator had not come to a final agreement when that motion was filed. Subsequently, Staff and Operator continued to discuss resolution of the underlying issues in this docket, and reached a final agreement in this matter. The finalized Settlement Agreement (Agreement) has been reduced to writing and is attached hereto as **Attachment A**.

3. The Agreement requires Operator to bring the Subject well into compliance with the Commission's Penalty Order by October 31, 2022. The Agreement also requires Operator to pay the \$100 penalty by October 31, 2022. Failure to meet any of the deadlines as described in the

Agreement shall result in the immediate suspension of Operator's license. The license shall remain suspend until Operator has brought the Subject Well into compliance and paid the penalty. Staff believes the Agreement constitutes a reasonable resolution of all issues in this docket. Further, the Agreement will allow Staff and Operator to avoid potential litigation costs, and thus foster administrative efficiency.

WHEREFORE, Staff respectfully requests the Commission deny Operator's Motion to Approve Settlement Agreement filed September 22, 2022, and grant this motion, thereby approving the final Settlement Agreement attached hereto as Attachment A.

Respectfully Submitted,

/s/Tristan Kimbrell
Tristan Kimbrell, #27720
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(Operator) to comply with K.A.R. 82-3-111 at)	
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County, Kansas.)	
_____)	License No.: 34998

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the Staff of the Corporation Commission of the State of Kansas (Staff and Commission, respectively) and ACE ENERGY, LLC, as Operator (collectively referred to herein as the Parties). If the Commission does not approve this Agreement by a signed Order, then this Agreement shall not be binding on either party. The effective date of this Agreement will be the date the Commission enters an order approving or amending the terms of the Agreement.

I. BACKGROUND

1) On March 22, 2022, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3336-CPEN for failing to comply with K.A.R. 82-3-111 at the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00, located in Section 1, Township 34 South, Range 15 East, Montgomery County, Kansas, finding that the subject well has been inactive in excess of the time allowed by regulation without being plugged, returned to service or approved for temporary abandonment (TA) status. The Penalty Order assessed a \$100.00 penalty, and directed Operator to plug the wells, return the wells to service, or obtain TA status for the wells if eligible.

2) On or about April 15, 2022, Operator timely filed a request for hearing in Docket 22-CONS-3336-CPEN.

3) On July 19, 2022, a prehearing conference was held. The Parties discussed possible resolution of the underlying issues this pending Docket. Subsequent to the prehearing conference, the Parties reached a settlement in this matter to be submitted to the Commission for approval. The terms of the settlement are set forth below.

II. TERMS OF THE SETTLEMENT AGREEMENT

4) The Parties agree that the Commission has jurisdiction and authority over this matter and pending Docket case. The Parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the terms as set forth below.

(a) Operator stipulates that it committed a violation of K.A.R. 82-3-111 with respect to the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00, located in Section 1, Township 34 South, Range 15 East, Montgomery County, Kansas.

(b) Operator stipulates that it is required to comply with K.A.R. 82-3-111 regarding the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00, located in Section 1, Township 34 South, Range 15 East, Montgomery County, Kansas.

(c) Operator shall pay the \$100 penalty assessed by the Commission in Docket 22-CONS-3336-CPEN by the 31st day of October, 2022.

(d) Operator agrees to bring the Gillman #A-1 well (Subject Well), API #15-125-30847-00-00 into compliance with K.A.R. 82-3-111 by plugging the well, returning the well to service or obtaining TA status for the well. Operator will bring the Subject Well into compliance with K.A.R. 82-3-111 by October 31, 2022. To obtain TA status for the well, Operator will file a completed Well Completion Form (ACO-1) for the Subject Well, provide proof of a valid lease for the well, perform a successful mechanical integrity test (MIT) on the well, and file an exception to the 10-year TA rule in K.A.R. 82-3-111(b) that receives approval from the Commission. To

return the Subject Well to service, Operator will file a completed ACO-1 for the Subject Well, provide proof of a valid lease for the well, perform a successful MIT on the well, and inform District Staff in writing that the well has been returned to service. If Operator files an ACO-1, Operator will provide appropriate documentation for all the information included in the ACO-1, or the Subject Well will be logged by Operator in order to provide accurate information for the ACO-1. If Operator performs an MIT on the Subject Well, Staff must witness the MIT.

(e) Failure to timely bring the Subject Well into compliance by the appropriate deadline, or to pay the penalty by the appropriate deadline, shall result in suspension of Operator's license. Operator agrees and understands that if its license is suspended for the failure to meet the deadlines above, the license shall remain suspended until the Subject Well has been brought into compliance with K.A.R. 82-3-111. Staff may prioritize the order in which the Subject Well is addressed pursuant to this Agreement and may adjust the prioritization at any time during this Agreement should the Subject Well become known to Staff to be a pollution or public safety threat. Operator shall notify Staff in writing if the Subject Well is returned to service following compliance with the terms of this Agreement.

5) Operator agrees to waive its right to appeal the Commission's order approving this Agreement, and any penalties assessed under this Agreement.

IN WITNESS WHERETO, the Parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

Commission Staff:

By: /s/ Tristan Kimbrell
Printed Name: Tristan Kimbrell
Title: Litigation Counsel
Date: 9/27/2022

ACE ENERGY, LLC,
a Kansas Limited Liability Company
(Operator)

By: /s/ Jonathan Freiden
Printed Name: Jonathan Freiden
Title: Member/Manager
Date: 9/27/2022

CERTIFICATE OF SERVICE

22-CONS-3336-CPEN

I, the undersigned, certify that a true and correct copy of the attached Motion to Approve Settlement Agreement has been served to the following by means of electronic service on September 27, 2022.

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/s/ Paula J. Murray

Paula J. Murray