

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

Before Commissioners: Andrew J. French, Chairperson
 Dwight D. Keen
 Annie Kuether

In the matter of the failure of Daystar) Docket No.: 25-CONS-3140-CPEN
Petroleum, Inc. (Operator) to comply with)
K.A.R. 82-3-603 at the Odessa Unit lease) CONSERVATION DIVISION
in Rice County, Kansas.)
_____) License No.: 30931

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-603 regarding the captioned lease, assesses a \$250 penalty, directs Operator to come into compliance, and further rules as more fully described below.

I. JURISDICTION

1. K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority pursuant to K.S.A. 55-155.

2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

3. K.A.R. 82-3-101(a)(69) defines “spill” as any escape of saltwater, oil, or refuse by overflow, seepage, or other means from the vicinity of oil, gas, injection, service, or gas storage wells, or from tanks, pipelines, dikes, or pits, if the wells, tanks, pipelines, dikes, or pits are involved in or related to the exploration or drilling for oil or gas; the lease storage, treatment,

or gathering of oil or gas; or the drilling, operating, abandonment, or post-abandonment of wells. For purposes of the regulation, “vicinity” means the area within six feet of the wellhead.

4. K.A.R. 82-3-603(a) provides that each operator shall act with reasonable diligence to prevent spills and safely confine saltwater, oil, and refuse in tanks, pipelines, pits, or dikes.

5. K.A.R. 82-3-603(b)(2) provides that, except as otherwise specified in the regulation, each operator shall notify the appropriate District Office of any spill as defined in K.A.R. 82-3-101. This notification shall meet the requirements of subsection (c) of the regulation, and shall be made not later than the next business day following the date of discovery or knowledge of the spill.

6. K.A.R. 82-3-603(d) provides that the failure to comply with subsection (b) of the regulation shall be punishable by a \$250 penalty for the first violation, a \$500 penalty for the second violation, and a \$1,000 penalty and operator license review for the third violation.

II. FINDINGS OF FACT

7. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the Odessa Unit lease (Subject Lease), located in Section 33, Township 18 South, Range 6 West, Rice County, Kansas.

8. On September 23, 2024, Commission Staff discovered an unreported spill at the Subject Lease.¹ On September 24, 2024, Staff sent a Notice of Violation (NOV) letter to Operator, requiring Operator to submit an Unreported Spill Data form by September 29, 2024.²

9. Operator did not submit an Unreported Spill Data form by the deadline in the letter.

¹ Exhibit A.

² Exhibit B.

III. CONCLUSIONS OF LAW

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

11. Operator committed one violation of K.A.R. 82-3-603(b)(2) because Operator did not notify the appropriate District Office by the next business day following the date of discovery or knowledge of the spill at the Subject Lease. Under K.A.R. 82-3-603(d), a first violation of this regulation carries a \$250 penalty. Accordingly, the Commission concludes Operator should be assessed a \$250 penalty for this violation.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$250 penalty.

B. Operator shall submit an Unreported Spill Data form for Subject Lease.

C. Operator 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, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.

D. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is not in compliance with this Order and the Order is final, then Operator's license shall be suspended without further notice and shall remain suspended until Operator complies. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

E. Credit card payments may be made by calling the Conservation Division at 316-337-6200. 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. Payments must reference the docket number of this proceeding.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 10/22/2024



Lynn M. Retz
Executive Director

Mailed Date: 10/22/2024

TSK

KCC OIL/GAS REGULATORY OFFICES

Date: 09/23/24

District: 02

Case #: _____

New Situation

Lease Inspection

Response to Request

Complaint

Follow-Up

Field Report

Operator License No: 30931

API Well Number: _____

Op Name: Daystar Petroleum, Inc

Spot: NW Sec 33 Twp 18 S Rng 6 E / W

Address 1: 522 N. Main St

Feet from N / S Line of Section

Address 2: PO Box 560

Feet from E / W Line of Section

City: Eureka

GPS: Lat: 38.44839 Long: 97.99626 Date: 9/23/24

State: KS Zip Code: 67045 -0560

Lease Name: Odessa Well #: _____

Operator Phone #: (620) 583-5527

County: Rice

Reason for Investigation:

Routine Lease Inspection.

Problem:

Unreported spill at tank battery site.

Persons Contacted:

None

Findings:

Unreported spill at tank battery site. Oil flowed over dike South-West into adjacent grassland 150'. No report from operator.
Operator has not sent back the "Spill Data Sheet" required in the NOV letter.

Action/Recommendations:

Follow Up Required Yes No

Date: _____

Staff recommends penalty for failing to report spill as per K.A.R. 82-3-603(d) Failure to notify District 2 Field Office. \$250 penalty for the first violation.

Verification Sources:

Photos Taken: Yes

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

By: Keith Karlin, ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Daystar Petroleum, Inc. Lic # 30931
Odessa Unit #1 Unreported Spill
NW ¼ 33-18-6w Rice County, Kansas
9/23/2024

Photos by: Keith Karlin, ECRS



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9/23/2024

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Conservation Division
District Office No. 2
3450 N. Rock Road
Building 600, Suite 601
Wichita, KS 67226



Phone: 316-337-7400
<http://kcc.ks.gov/>

Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

NOTICE OF VIOLATION

September 24, 2024

Daystar Petroleum
PO Box 580
Eureka, Ks 67045

RE: UNREPORTED SPILL
Well Name: Odessa Unit #1
Legal: NW 33-18-6W
County: Rice
License: 30931

9049
Spill FD#
31139

Dear Sir:

Following a recent lease inspection conducted on 09/23/2024, it has been determined that you are currently in violation of the General Rules and Regulations of the Kansas Corporation Commission regarding the conservation of crude oil and natural gas. Specifically, you are in violation of K.A.R. 82-3-603 (b) (2):

The Operator shall notify the appropriate district of any escape of saltwater, oil, or refuse that meets the definition of "spill" in K.A.R. 82-3-101. This notification shall meet the requirements of K.A.R. 82-3-603 (c) and shall be made no later than the next business day following the date of discovery or knowledge of the spill.

Enclosed is an Unreported Spill Data Form to be completed by the operator and returned to the District #2 office within **five (5) days of the date of this letter**. A self-addressed envelope is enclosed for your convenience.

Prior to commencing remediation of the affected area, contact the District #2 office for approval of your remediation plan. Failure to remediate the contaminated soil according to KCC requirements, and in a time frame acceptable to the KCC, will result in this matter being referred to our legal staff with a recommendation for an additional penalty and other possible actions.

Your cooperation in this matter is appreciated. If you have any questions, please contact me at this number 316-337-7400.

Sincerely,

Keith Karlin
KCC District #2

CERTIFICATE OF SERVICE

25-CONS-3140-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 10/22/204.

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 2
3450 N. ROCK RD BLDG 600 STE 601
WICHITA, KS 67226
dan.fox@ks.gov

TRISTAN KIMBRELL, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
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MATTHEW S. OSBORN
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KRAIG STOLL, EP&R SUPERVISOR
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kraig.stoll@ks.gov

/S/ KCC Docket Room
KCC Docket Room