

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

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

In the matter of the failure of NPF Energy) Docket No.: 17-CONS-3406-CPEN
Corporation ("Operator") to comply with K.A.R.)
82-3-603 at the Brainerd Tank Battery, Quinn Tank) CONSERVATION DIVISION
Battery, and Toews A#1 well in Butler County,)
Kansas.) License No.: 3182

ORDER GRANTING MOTION TO APPROVE SETTLEMENT AGREEMENT

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:

1. On January 5, 2017, the Commission issued a Penalty Order which stated Operator is responsible for the care and control of the: a) Brainerd lease, located at least in part in the SE/4 of Section 35, Township 24 South, Range 3 East, Butler County, Kansas; b) Quinn lease, located at least in part in the SE/4 of Section 2, Township 25 South, Range 3 East, Butler County, Kansas; and c) Toews A#1 well, API #15-015-21234-00-00, located in the SW/4 of Section 35, Township 24 South, Range 3 East, Butler County.¹ Commission Staff (Staff) had identified three spills for which Operator was responsible: one on the Brainerd lease; one on the Quinn lease; and, one at the Toews A #1 well. Substantial communication with the Operator resulted in Staff eventually approving Operator's remediation plan, and establishing a November 1, 2016 deadline for completion of remediation.² On November 3, 2016, Staff inspection revealed that no remedial work had been done at the spill sites. On November 22, 2016, Staff

¹ Penalty Order at 2-3 (Jan. 5, 2017).

² *Id.* at 3.

inspection indicated the Toews A #1 spill site had been remediated, but the spills on the Brainerd lease and Quinn lease had not been remediated.³

2. The Commission ordered the Operator to pay a \$12,500 penalty, representing Operator's second, third, and fourth violations of K.A.R. 82-3-603(e) in the last three years.⁴ Operator was ordered to clean up and remediate the remaining affected areas according to Staff specifications by January 13, 2017 or pay an additional \$2,500 penalty.⁵ The Commission further ordered that if the affected areas were not cleaned up and remediated by January 27, 2017, Staff was to clean up the spills and remediate the affected areas, and assess the costs to Operator, with an additional \$5,000 penalty.⁶

3. On January 25, 2017, the Operator requested a hearing.⁷

4. On March 20, 2017, Staff filed a Motion to Approve Settlement Agreement. According to the Settlement Agreement (SA) (attached and incorporated herein), the sites have been remediated and the Operator admits to the violations and agrees to pay the \$12,500 penalty in installments.⁸

5. Kansas law favors compromising and settling disputes when the agreement is entered intelligently, and in good faith.⁹ The Commission finds that the SA provides a fair and efficient resolution of the matter.

6. The Operator is hereby on notice that failure to comply with the SA may result in Operator's license being suspended.

³ *Id.*

⁴ *Id.* at 3-4.

⁵ *Id.* at 4.

⁶ *Id.*

⁷ Letter Requesting Hearing (Jan. 25, 2017).

⁸ SA at 1.

⁹ *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

THEREFORE, THE COMMISSION ORDERS:

A. The Motion to Approve Settlement Agreement is granted and the Settlement Agreement is approved.


B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order and must state the specific grounds upon which relief is requested.¹⁰ The petition shall be addressed to the Commission and sent to 266 N. Main, Ste. 220, Wichita, Kansas 67202.

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

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: APR 18 2017



Amy L. Green
Secretary to the Commission

Mailed Date: April 18, 2017

DLK/sc

¹⁰ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

SETTLEMENT AGREEMENT

This Agreement is between NPF Energy Corporation ("Operator") (License #3182) and Commission Staff ("Staff"). If the Commission does not approve this Agreement by a signed Order, then this Agreement shall not be binding on either party. This Agreement shall settle the proceedings in Commission Docket Number 17-CONS-3406-CPEN.

A. Background

1. On January 5, 2017, the Commission issued a Penalty Order against Operator, finding three violations of K.A.R. 82-3-603(e), directing Operator to remediate three spills, and assessing a \$12,500 penalty. Operator admits to the violations and has remediated the spills, but asks for a payment plan on the penalty assessed. Staff finds such an agreement acceptable.

B. Terms of Settlement

2. Of the \$12,500 owed, Operator shall pay \$2,500 by May 20, 2017; \$2,500 by June 20, 2017; \$2,500 by July 20, 2017; \$2,500 by August 20, 2017; and the remaining \$2,500 by September 20, 2017.

3. If Operator fails to comply with any deadline in Paragraph 2, then Staff shall suspend Operator's license and shall assess an additional \$1,000 penalty for each missed deadline date. If Operator's license is suspended, it shall remain suspended until Operator submits each late payment, along with any additional penalty owed.

4. If Staff suspends Operator's license, then Staff shall send its standard notice of license suspension letter to Operator. If Staff finds Operator conducting oil and gas operations after 10 days from the date of the notice of license suspension letter, and Operator's license is still suspended, then Staff is authorized to seal all of Operator's oil and gas operations and to assess an additional \$5,000.

5. Operator agrees to waive its right to appeal the Commission's Order approving this Agreement, any penalties assessed under this Agreement, and any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Agreement.

Commission Staff

By: Joshua D. Wright

Printed Name: Joshua D. Wright

Title: Litigation Counsel

Date: 3/20/17

NPF Energy Corporation

By: Pat H. Cochran

Printed Name: PAT H. COCHRAN

Title: PRESIDENT

Date: 03/10/2017

CERTIFICATE OF SERVICE

I certify that on 4/18/17, I caused a complete and accurate copy of this Motion to be served via United States mail, with the postage prepaid and properly addressed to the following:

Pat H. Cochran
NPF Energy Corporation
PO Box 3827
Tustin, CA 92781-3827

and delivered by e-mail to:

Dan Fox
KCC District #2

Jonelle Rains
KCC Central Office

Joshua D. Wright, Litigation Counsel
KCC Central Office

Dustin L. Kirk, Deputy General Counsel
KCC Topeka Office

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