

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

In the matter of the failure of Three Rivers) Docket No. 22-CONS-3045-CPEN
Exploration, LLC (Operator) to comply with)
K.A.R. 82-3-120.) CONSERVATION DIVISION
)
) License No. 33217

MOTION TO APPROVE SETTLEMENT AGREEMENT

Commission Staff hereby files this Motion to Approve Settlement Agreement. In support of its Motion, Staff states as follows:

1. On August 5, 2021, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3045-CPEN (Docket 22-3045) for one violation of K.A.R. 82-3-120(a) finding that an unplugged well or unplugged wells for which Operator is responsible, remained on Operator's expired license. The Docket 22-3045 Penalty Order assessed a \$500 penalty, and required Operator to immediately shut-in all unplugged wells on its license, ceasing oil and gas operations until Operator is in compliance with the Penalty Order. Additionally, the Penalty Order directed Operator to renew its license or obtain a new license and transfer the well(s) to that license, transfer the well(s) to another operator by filing the appropriate form(s) with the Commission, or plug the well(s).

2. On August 16, 2021, Operator timely requested a hearing in Docket 22-3045.

3. On August 24, 2021, the Commission issued an Order Designating Presiding Officer and Setting Prehearing Conference, wherein, a prehearing conference was scheduled for September 9, 2021. Several prehearing conferences followed with the most recent being scheduled on January 27, 2022, where the Parties agreed upon a procedural schedule.

4. Prior to an evidentiary hearing, the Parties discussed resolution of the underlying issues in these dockets, and reached a settlement in this matter. The settlement has been reduced to writing and is attached hereto as **Attachment A**, and incorporated herein by reference (Agreement).

5. The Agreement requires Operator to pay all outstanding penalties by April 30, 2022. Additionally, Operator shall renew its license or obtain a new license and transfer the remaining wells to that license, transfer the wells to another active operator, or plug the wells by April 30, 2022. If Operator fails to meet the deadline, then Operator shall be assessed an additional \$5,000 penalty, Staff shall revoke any injection authorizations applicable to Operator, and Staff shall place the wells on the state plugging list. Staff believes the Agreement constitutes a reasonable resolution of all issues in this docket. Further, the Agreement will allow the Parties to avoid potential litigation costs, and it should foster administrative efficiency.

WHEREFORE, Staff respectfully requests the Commission grant this motion, thereby approving the Settlement Agreement attached hereto as Attachment A.

Respectfully submitted,

/s/ Kelcey A. Marsh
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ATTACHMENT A

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OF THE STATE OF KANSAS**

In the matter of the failure of Three Rivers) Docket No.: 22-CONS-3045-CPEN
Exploration, LLC (Operator) to comply with)
K.A.R. 82-3-120.) CONSERVATION DIVISION
)
) License No.: 33217

SETTLEMENT AGREEMENT

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

I. BACKGROUND

1. On January 7, 2020, Operator's license was suspended for non-compliance with a signed compliance agreement in Docket 17-CONS-3518-CMSC (Docket 17-3518). On February 25, 2022, Operator completed its objectives under Docket 17-3518. However, Operator's license remains suspended because Operator has not paid the \$2,500 penalty assessed for failing to have all of the wells in compliance by August 30, 2019.

2. On August 5, 2021, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3045-CPEN (Docket 22-3045) for one violation of K.A.R. 82-3-120(a) finding that an unplugged well or unplugged wells for which Operator is responsible, remained on Operator's expired license. The Penalty Order in the Docket 22-3045 assessed a \$500 penalty, required Operator to immediately shut-in all unplugged wells on its license, and cease oil and gas

ATTACHMENT A

operations, until Operator is in compliance with the Docket 22-3045 Penalty Order. The Docket 22-3045 Penalty Order also directed Operator to renew its license or obtain a new license and transfer the well(s) to that license, transfer the well(s) to another operator by filing the appropriate form(s) with the Commission, or plug the well(s).

3. On August 16, 2021, Operator timely filed a request for hearing in Docket 22-3045.

4. On August 24, 2021, the Commission issued an Order Designating Presiding Officer and Setting Prehearing Conference, wherein, a prehearing conference was scheduled for September 9, 2021. Afterward, a series of prehearing conferences was set in order to provide the Parties the opportunity to resolve the underlying issues in these dockets, if possible, with the most recent prehearing conference being held January 27, 2022, wherein a procedural schedule was set.

5. Prior to a hearing being held, the Parties discussed resolution of the underlying issues in these dockets, and reached a settlement in this matter. Meeting the terms of the settlement agreement resolves all outstanding issues in Docket 17-3518 and Docket 22-3045. As part of the settlement, Staff agreed to reduce the terms to writing and submit the same for Commission approval. The terms of the settlement are set forth below.

II. TERMS OF THE SETTLEMENT AGREEMENT

6. The Parties agree that the Commission has jurisdiction and authority over these matters. 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.

7. Operator stipulates that it committed one violation of K.A.R. 82-3-120(a) in Docket 22-3045. Operator shall pay all outstanding penalties by April 30, 2022. Further, Operator shall have until April 30, 2022, to obtain a new license and transfer the remaining wells to that license,

ATTACHMENT A

transfer the wells to another operator by filing the appropriate form(s) with the Commission, or plug the wells.

8. Failure to meet the deadline above will result in the suspension of Operator's license in Docket 22-3045. If Operator's license becomes suspended, Operator shall be assessed an additional \$5,000 penalty, Staff shall revoke any injection authorizations applicable to Operator, and Staff shall place the remaining wells on the appropriate state plugging list, to plug the wells according to priority and as funds allow, and to assess the plugging costs to Operator.

9. 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: Kelcey Marsh

Printed Name: Kelcey Marsh

Title: Litigation Counsel

Date: 4/13/22

Three Rivers Exploration, LLC

By: David Farthing

Printed Name: DAVID FARTHING

Title: OWNER

Date: 4-4-22

CERTIFICATE OF SERVICE

22-CONS-3045-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 April 14, 2022.

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/s/ Paula J. Murray

Paula J. Murray