

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

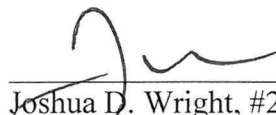
Before Commissioners: Pat Apple, Chairman
Shari Feist Albrecht
Jay Scott Emler

In the matter of the failure of Peak Energy,) Docket No.: 17-CONS-3434-CPEN
LLC ("Operator") to comply with K.A.R. 82-)
3-111 at the L V Scott #1, Klink #1 and Klink) CONSERVATION DIVISION
#3 wells in Cowley County, Kansas.)
_____) License No.: 32776

MOTION TO APPROVE SETTLEMENT AGREEMENT

Commission Staff moves for the Commission to adopt and approve the attached Settlement Agreement, which has been signed by both parties. Staff believes the Agreement represents an appropriate manner of resolving the issues described therein.

Respectfully submitted,



Joshua D. Wright, #24118
Litigation Counsel
Kansas Corporation Commission
266 N. Main, Suite 220
Wichita, Kansas 67202
Phone: 316-337-6200; Fax: 316-337-6211

SETTLEMENT AGREEMENT

This Agreement is between Peak Energy, LLC (“Operator”) (License #32776) 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-3434-CPEN.

A. Background

1. On January 12, 2017, the Commission issued a Penalty Order against Operator, finding a total of three violations of K.A.R. 82-3-111 at the L V Scott #1, Klink #1 and Klink #3 wells (collectively “the subject wells”), assessing a \$300 penalty, and directing Operator, within 30 days, to plug the subject wells, return them to service, or obtain TA status for them. Operator filed a timely appeal.

2. Operator admits to the violations and agrees to pay the \$300 penalty, but requests additional time to bring the subject wells into compliance with K.A.R. 82-3-111. Staff is willing to enter into such an agreement.

B. Terms of Settlement

3. By April 15, 2017, Operator shall pay the \$300 penalty. By May 1, 2017, Operator shall plug, return to service, or obtain temporary abandonment status for one of the subject wells. If Operator fails to comply with this deadline, then Operator shall be assessed a \$1,000 penalty. Operator shall plug, return to service, or obtain temporary abandonment status for one of the two remaining subject wells every 45 days thereafter (June 15, 2017 and July 31, 2017, respectively). If Operator fails to comply with either of these deadlines, then Operator shall be assessed a \$1,000 penalty. If any of the subject wells are not in compliance with K.A.R. 82-3-111 by being plugged, returned to service, or having temporary abandonment status by

November 1, 2017, then Operator shall be assessed an additional \$5,000 penalty, and Staff may plug the wells and assess the costs to Operator.

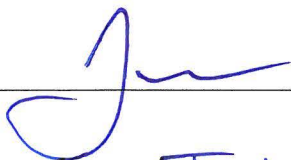
4. If Operator fails to comply with any deadline in Paragraph 3, or if any costs or penalties are owed pursuant to this agreement, then Staff shall suspend Operator's license until compliance is obtained and full payment is made. If Staff finds Operator conducting oil and gas operations after 10 days 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 or costs assessed under this Agreement, and any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Agreement. The terms of this Agreement shall remain binding upon Operator even if its interests in the subject wells are conveyed.

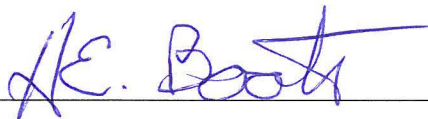
Commission Staff

Peak Energy, LLC

By: _____



By: _____



Printed Name: _____

Joshua D. Wright

Printed Name: _____

Henry E. Boots

Title: _____

Litigation Counsel

Title: _____

Mgr.

Date: _____

3-24-2017

Date: _____

3/20/2017

CERTIFICATE OF SERVICE

I certify that on March 24, 2017, 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:

Jon R. Viets
PO Box 1176
Independence, KS 67301
Attorney for Peak Energy, LLC

and delivered by e-mail to:

Dan Fox
KCC District #2

Michael J. Duenes, Assistant General Counsel
KCC Topeka Office

/s/ Cynthia K. Maine
Cynthia K. Maine
Administrative Assistant
Kansas Corporation Commission