

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

Before Commissioners:            Thomas E. Wright, Chairman  
   Joseph F. Harkins  
   Ward Loyd

In the matter of the failure of Oil Producers	)	Docket No.: 11-CONS-138-CPEN
Inc. of Kansas, to follow the provisions of	)	
K.A.R. 82-3-603 and K.A.R. 82-3-603a with	)	CONSERVATION DIVISION
regard to its Grewell Lease located in the	)	
Southwest Quarter of Section 4, Township 34	)	
South, Range 38 West, Stevens County,	)	License No.: 8061
Kansas.	)	

**PENALTY ORDER**

Now, the above captioned matter comes on before the State Corporation Commission of the State of Kansas ("Commission" or "KCC") on its own motion. The Commission, being fully advised in the premises, and giving due consideration to the statutes of Kansas and the regulations of this Commission, finds and concludes as follows:

1. Oil Producers Inc. of Kansas ("Oil Producers") is a Kansas corporation that can be served at 1710 Waterfront Parkway, Wichita, Kansas 67206. Pursuant to K.S.A. 55-155, Oil Producers holds Commission oil and gas operator's license number 8061 which expires January 30, 2011.
2. According to Commission records, Oil Producers is the current operator of the Grewell Lease located in the Southwest Quarter of Section 4, Township 34 South, Range 38 West, Stevens County, Kansas.
3. K.S.A. 55-164 authorizes the Commission to impose penalties upon operators or contractors who have been found in violation of the oil and gas act found in Chapter 55 of the Kansas Statutes Annotated, or any rule, regulation, or order of the Commission. Such a penalty

shall not exceed \$10,000; each day of a continuing violation is a separate violation. A penalty serves as an actual and substantial economic deterrent to the violation assessed. Such a penalty shall be imposed only upon the issuance of a written order of the Commission to the violating party.

4. K.A.R. 82-3-101(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 any of the following:

- (a) the exploration or drilling for oil or gas;
- (b) the lease storage, treatment, or gathering of oil or gas; or
- (c) the drilling, operating, abandonment, or post abandonment of wells. For purposes of this regulation, "vicinity" means the area within six feet of the wellhead.

5. K.A.R. 82-3-603(a) provides that no person shall permit saltwater, oil, or refuse from any well to escape by overflow, seepage, or other means from the vicinity of the well.

6. K.A.R. 82-3-603(b)(2) provides in pertinent part that the operator shall notify the appropriate district office of any escape of saltwater, oil, or refuse that meets the definition of "spill" in K.A.R. 82-3-101 no later than the next business day following the date of discovery or knowledge of the spill. K.A.R. 82-3-603(b)(4) defines "discovery or knowledge" as the point when the operator knew or reasonably should have known of the spill or escape.

7. K.A.R. 82-3-603(d) provides that the failure to comply with K.A.R. 82-3-603(b) by timely notifying the district office no later than the next business day following the date of discovery or knowledge of the spill, shall be punishable by a \$250 penalty for the first violation,

a \$500 penalty for the second violation, and a \$1,000 penalty and an operator license review for the third violation.

8. K.A.R. 82-3-603(e)(1) provides that the operator shall clean up any spill or escape that requires notification under this regulation in accordance with the cleanup method approved by the appropriate district office. Except as otherwise required by law or regulation, the operator shall complete the cleanup of the spill or escape within ten (10) days after discovery or knowledge of the spill or escape, or by the deadline prescribed in writing by the district office.

9. K.A.R. 82-3-603(f) provides that the failure to contain and clean up the spill or escape in accordance with Commission regulations shall be punishable by a \$1,000 penalty for the first violation, a \$2,500 penalty for the second violation, and a \$5,000 penalty and an operator license review for the third violation.

10. K.A.R. 82-3-603a requires that the operator notify the landowner within five (5) business days following the discovery or knowledge of the spill or escape.

11. K.A.R. 82-3-603a(e) provides that failure to give the landowner notice of a spill or escape as required shall be punishable by a \$250 penalty for a first violation, a \$500 penalty for a second violation, and a \$1,000 penalty for each subsequent violation.

12. On September 21, 2009, the District #1 office received a landowner complaint about a possible leak in the saltwater line on the lease and stuffing box leaks at the Grewell Twin #1 well on the lease.

13. Following the complaint, District #1 staff conducted a lease inspection. A buried saltwater line was found to be leaking and what appeared to be continual stuffing box leaks at the Grewell Twin #1 well were found. Later sampling showed high chloride concentrations at the saltwater line leak. There did not appear any attempt had been made to clean up the spills.

14. On January 22, 2010, District #1 staff received a letter from the attorney for Oil Producers stating that its investigation found that leaks occurred in the saltwater line on February 24, 2009 and March 6, 2009. These leaks were in addition to the leak found during District #1's inspection on September 22, 2009.

15. On November 9, 2009, District #1 sent Notice of Violation letters concerning the saltwater line leaks and the continual stuffing box leaks at the Grewell Twin #1 well. The letters indicated that these violations could not be cured and enforcement action was being recommended.

16. In response to the Notice of Violation letters, Oil Producers filed Unreported Spill Data forms with the Commission that indicate none of the spills had been reported by the operator to the District #1 office.

17. Based on the foregoing, the Commission finds and concludes that Oil Producers has committed two (2) violations of K.A.R. 82-3-603(b) by failing to notify the district office of the saltwater line spill and the spill at the Grewell Twin #1 well within twenty-four (24) hours of discovery or knowledge and should be assessed a penalty of \$250 for each violation for a total of \$500.

18. The Commission further finds that Oil Producers has committed two (2) violations of K.A.R. 82-3-603(e) by failing to timely start clean up of the two (2) spills or to timely propose a clean up plan to the District office and should be assessed a penalty of \$1,000 for each violation for a total of \$2,000.

19. The Commission further finds that Oil Producers has committed two (2) violations of K.A.R. 82-3-603a by failing to notify the landowner of the two (2) spills within the time

required by the regulation and should be assessed a penalty of \$250 for each violation for a total of \$500.

20. At the current time, Oil Producers is developing a clean up plan to address the spills for approval by District #1 staff. The Commission finds that Oil Producers fully and timely comply with the clean up plan approved by District #1 staff.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. Oil Producers Inc. of Kansas ("Oil Producers") is hereby assessed a total combined penalty of \$3,000; \$250 for each of the two (2) violations of K.A.R. 82-3-603(b), \$1000 for each of the two (2) violations of K.A.R. 82-3-603(e) and \$250 each for the two (2) violations of K.A.R. 82-3-603a, payable within thirty (30) days of the date of this Order.

B. Oil Producers is hereby ordered to fully and timely comply with the spill clean up plan approved by the District #1 office.

C. Oil Producers has thirty (30) days from receipt to appeal this Order pursuant to K.S.A. 55-164. Hearings shall be granted only upon written request. All other appeals shall be determined without a hearing. All petitions of appeal must be served on Executive Director of the Commission, 130 South Market, Room 2078, Wichita, Kansas 67202.

D. Should Oil Producers fail to pay the penalty assessed and remedy the violation, or in the alternative, fail to appeal this Order within thirty (30) days, its operator's license shall be suspended or shall not be renewed, and additional administrative penalties may be assessed.

The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem proper.

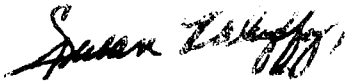
**BY THE COMMISSION IT IS SO ORDERED.**

Wright, Chmn.; Harkins, Com.; Loyd, Com.

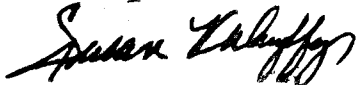
Date: JAN 13 2011

Date Mailed: 1/18/11

JM

  
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Susan K. Duffy  
Executive Director

I CERTIFY THE ORIGINAL  
COPY IS ON FILE WITH  
The State Corporation Commission

JAN 13 2011  


**CERTIFICATE OF SERVICE**

I hereby certify that on 1/18/11, I caused a true and correct copy of the foregoing "Penalty Order" to be served by placing the same in the United States mail, postage prepaid, and properly addressed to the following:


John S. Weir  
Oil Producers Inc. of Kansas  
1710 Waterfront Parkway  
Wichita, Kansas 67206-6603

John S. Weir  
Resident agent for Oil Producers Inc. of Kansas  
20 Cedar Drive  
Halstead, Kansas 67056

Richard Lacey  
KCC District #1 Office  
210 E. Frontview, Suite A  
Dodge City, Kansas 67801

And by hand delivery to the following:

Jonelle Rains  
Environmental Protection & Remediation  
Central Office

  
John McCannon  
Litigation Counsel  
Kansas Corporation Commission