

MAR 28 2018

CONSERVATION DIVISION  
WICHITA, KS

## Ace Energy LLC

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March 24, 2018

Shari Feist Albrecht, Chair  
Kansas Corporation Commission  
266 North Main Street Suite 220  
Wichita, Kansas 67202

Dear Chairman Feist Albrecht -

I am formally requesting a hearing to CONTEST the Docket Number 18-CONS-3339-CPEN regarding this penalty order and to address the concerns that Ace Energy LLC has been routinely, unfairly and wrongfully targeted by the KCC for minor infractions and or errors caused due to internal KOLAR system issues.

Over the past three plus years our team has worked EXTENSIVELY with Mr. Hines and the Regional Office to address ANY and ALL concerns - quickly and immediately. As the local office is FULLY aware, we acquired leases/wells which were in horrendous condition due to the lack of care and proper oversight by previous operators and routinely had to deal with inaccurate KCC data regarding our wells/leases. Since Dennis Schultz and Cassey Jessep assumed daily oversight of our leases/wells, we have spent over \$200K and countless hours repairing and trying the fix years of neglect by previous operators - albeit during an oil market crash. Regional Staff and Mr. Hines himself is FULLY aware of the tremendous progress and effort our team has dedicated to manage more wells/leases than most operators in the entire State of Kansas.

When concerns have been brought to our attention by Mr. Hines and or District Staff - OUR TEAM HAS ALWAYS IMMEDIATELY addressed and fixed any issues. Prior to Dennis Schultz and Cassey Jessep's DIRECT involvement with managing the Ace Energy LLC leases, we unfortunately had contract workers, who were NOT properly supervised. We later learned, these former contractors were LIVING in our pump houses, using drugs, stealing property off the leases and NOT doing their job. Per a previous Docket 16-CONS-3914-CPEN, as a method of revenge, upon firing these previous contractors, they knowingly activated unauthorized injection wells on our Pearson lease - which Staff KNEW had previously been shut-in - and called in the violation anonymously - thus Ace Energy LLC was forced to pay an \$11K fine due to this obvious act of vandalism. The KCC showed zero effort to acknowledge that Ace Energy LLC had been purposely vandalized - thus we were forced to pay the fine. As you can imagine, Ace Energy LLC

was shocked by the lack of understanding by the KCC - with Staff knowing that these wells were intentionally activated - and still levied the fine against Ace Energy LLC.

It is our opinion, that the KCC and or the Regional Office seems to be unfairly targeting Ace Energy LLC with unjustified fines (such as 16-CON-3914-CPEN) - and the pending docket we are currently fighting 18-CONS-3235-CPEN over a \$2K fine due to an internal systems issues with KOLAR related to proper communication NOT getting to Ace Energy LLC management to properly submit reports. When this issue was brought the the attention of KCC counsel - it was our understanding that staff acknowledged the INTERNAL error, which was documents by internal emails, and would drop the pending Docket. However, this was not the case. Ace Energy LLC is now forced to incur time and expense defending ourselves against a fine related directly to internal KCC email system error. This is another example unfair and unjustified treatment.

Regarding the current Docket 18-CON-3339-CPEN, we completely disagree with the ruling that Ace Energy LLC 'fraudulently' submitted a well inventory report. Yes, unfortunately, during the 'uploading' of over 300 wells, - an error was made on the spreadsheet changing the status of the wells on this report. There was a 'clear' miscommunication with our ground team regarding the 'current' status of wells and management mistakenly changed the status of the wells on the submission spreadsheet.

As soon as this SUBMISSION ERROR was brought to our attention by the KCC Well Inventory Staff - the well status WAS IMMEDIATELY changed back to the prior status - which was PRIOR to the STAFF INSPECTION report done in December. The well inventory report was submitted with the 'best of my knowledge' and this was a spreadsheet 'submission error' not an act of 'fraud', especially due to the fact that the errors were corrected immediately upon notice from the KCC well inventory manager.

Over the past few years, a tremendous amount of work has been done and it was MY UNDERSTANDING that these wells were either in Temporary Abandonment status, fixed, plugged and or operational. The report was submitted to the 'best of my knowledge' and yes there were submission errors - however, the report was IMMEDIATELY corrected to address the errors.

Mr. Hines has spent a great deal of his time working directly with our team to help clean up decades worth or KCC data errors on the locations and status of the hundreds of wells on our leases - working directly with our team on a daily basis to update and address the wrong information. It is unacceptable, wrong and insulting to accused by the KCC and Regional Staff of 'fraud' and referencing FIVE 'license suspensions' related to outdated violations - many of which were MINOR issues related related to KOLAR system errors and and credit-card payment processing errors related to fees/fines and or ongoing issues with KOLAR email notifications.

Regional Staff failed to include in this report, the fact that Ace Energy LLC was forced to spend over \$25K to drain a large lake and plug a previously 'unknown' well - which was

NOT leaking and could have been sealed off as a TA well. Furthermore, Regional Staff used a metal detector and FORCED Ace Energy LLC to incur expenses to dig-up an area, even after our team informed Staff that this was NOT an abandoned well. After the inspection, our team was CORRECT and NOTHING was found in this location. No apology or disciplinary action was taken by the Regional Office against Staff for this mistake. Ace Energy LLC paid the expensive bill and never filed a disciplinary complaint with the KCC regarding either of the above mentioned over-reaches and costly mistakes made by your Regional Staff. We could have filed formal complaints, but we chose to keep our head down and focus on our work to improve our leases.

Mr. Hines has worked EXTENSIVELY with both Dennis and Casey and has routinely thanked and complemented our team on the TREMENDOUS amount of time, effort and money we have and continue to spend fixing the legacy issues associated with our wells/leases; especially given the decades worth of inaccurate KCC data - which Staff regularly acknowledges - we have to work regarding well locations, and the neglect by previous operators. Our team works VERY hard and we are deeply offended by the harsh treatment handed down to Ace Energy LLC with these Dockets/Fines accusing Ace Energy LLC of fraud. Mr. Hines knows first hand how dedicated our team is to quickly addressing any/all issues and fixing unknown problems.

Furthermore, included in THIS DOCKET was a NOTED VIOLATION for a well which we had already PLUGGED; which is another example of the over-reach and sloppy work done by Staff compiling this report. Additionally, some of the wells 'noted' in the report were equipped and needed minor work could be classified with an active status.

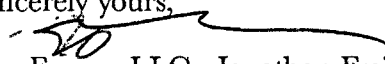
It is our recommendation that Staff spend time and effort to work with our team - which Mr. Hines HAS diligently done over the years to work with our team to put a plan of action together to update and address the inaccurate KCC data as well as our own issues. Therefore, we can work together in cooperation with Staff to agree on an action plan to activate, temporarily abandon or plug the identified 'problem' wells over a negotiated period of time.

The number of wells and leases Ace Energy LLC manages is far greater than most operators in the entire State. It has taken years and will still take more time to fully address ALL of the legacy issues once and for all.

Mr. Hines knows first hand of the work, effort, time and money our team has and will put into action to address these issues. Mr. Hines has stated personally to me that he would rather us put money into fixing wells/leases than collecting fines. I agree 100% with his assessment. However, it is not helpful or cooperative for the KCC to keep unreasonably levying fines upon us for minor 'errors' issues out of our control.

Thank you in advance for taking into consideration our formal request for a FAIR and HONEST hearing regarding rejecting this DOCKET and for removing the information regarding the 'past' license suspensions - which is unjustified.

Sincerely yours,

  
Ace Energy LLC - Jonathan Freiden Owner