

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



2016-08-04 14:14:44
Kansas Corporation Commission
/s/ Amy L. Green

Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Jay Scott Ender, Chairman
Shari Ferst Albrecht, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT

17-CONS-3008-CPEN

This is a notice of a penalty assessment for violation of Kansas oil and gas conservation statutes, rules, and regulations. For a full description of the penalty and process please refer to the Penalty Order that is attached to this notice.

IF YOU ACCEPT THE PENALTY:

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay \$500. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order may result in additional sanctions, including additional monetary penalties, the suspension of your oil and gas operating license, and the shutting-in of all operations until compliance is obtained.

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

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

In the matter of the failure of Andrew E.)	Docket No.: 17-CONS-3008-CPEN
Larson Trust ("Operator") to comply with)	
K.A.R. 82-3-307 and the Basic Integrated)	CONSERVATION DIVISION
Proration Order for the Hugoton Gas Field)	
and the Panoma Council Grove Gas Field in)	License No.: 3486
<u>Finney County, Kansas.</u>)	

PENALTY ORDER

The above captioned matter comes before the State Corporation Commission of the State of Kansas. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

I. JURISDICTION

1. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities. K.S.A. 55-152 provides that the Commission has jurisdiction to regulate the construction, operation, and abandonment of any well and the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority pursuant to K.S.A. 55-155.

2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.

3. K.A.R. 82-3-307 provides that a charge of 12.90 mills shall be assessed on each 1,000 cubic feet of gas sold or marketed each month. The purpose of the assessment is to pay

conservation division expenses and other costs in connection with the administration of the gas conservation regulations. Payment of the assessment is made to the Department of Revenue and credited to the conservation division fee fund.

4. Paragraph L of the Basic Integrated Proration Order for the Hugoton Gas Field and the Panoma Council Grove Gas Field (BPO) requires that all wells producing under the terms of the BPO be equipped with an approved type of meter and that gas production be reported to the Commission.

II. FINDINGS OF FACT

5. Operator conducts oil and gas activities in Kansas under license number 3486.

6. Operator is responsible for the care and control of the Larson #1 (“the subject well”), API #15-055-00355-00-00, located in Section 33, Township 23 South, Range 31 West, Finney County, Kansas.

7. During a review of wells producing under the terms of the BPO, Jim Hemmen of Commission Staff determined that production from the subject well was not being reported to the Commission, and that the gas assessment was not being paid on gas produced from the well.

8. On January 21, 2016, Mr. Hemmen sent a Notice of Violation letter to the Operator giving him 30 days to bring the subject well into compliance.

9. On February 25, 2016, Mr. Larson called Mr. Hemmen. During that phone conversation Mr. Larson stated that he had furnished gas production reports up until 2009. He stated he did not know about the requirement to pay the gas assessment.

10. Mr. Hemmen followed up this phone call with a letter dated February 26, 2016, summarizing the phone call and giving Mr. Larson contact persons and phone numbers for reporting gas production and to pay the gas assessment.

11. When compliance was not achieved, Mr. Hemmen recommended a penalty to Legal Staff. Legal Staff sent a letter to Mr. Larson on June 14, 2016, giving him a last chance to return the subject well to compliance within 30 days.

12. Mr. Larson has not responded and the subject well remains out of compliance.

III. CONCLUSIONS OF LAW

13. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

14. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-307 by failing to pay the assessment on produced gas and has committed one violation of the BPO by failing to report gas production to the Commission.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$500 penalty.

B. Operator shall report gas produced from the Larson #1 well for at least the last four years and pay the required assessment on the produced gas.

C. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days, then Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. The Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

D. Checks and money orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or

American Express), account number, and expiration date. Payments shall be mailed to the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.

E. Any party may request a hearing on the above issues by submitting a written request, pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, setting forth the specific grounds upon which relief is sought, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

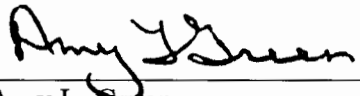
F. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

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

BY THE COMMISSION IT IS SO ORDERED.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: AUG 04 2016



Amy L. Green
Secretary to the Commission

Mailed Date: August 4, 2016

JM

CERTIFICATE OF SERVICE

I certify that on August 4, 2016, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Larson, Andrew E. Trust
Andrew Larson, Jr., Trustee
3510 N. Little Lowe Road
Garden City, Kansas 67846-9781

And delivered electronically to:

Jim Hemmen
KCC Conservation Division Central Office

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