

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

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 08/20/2019 _____



Lynn M. Retz
Executive Director

Mailed Date: 08/20/2019 _____

REV/kam/jmg

COMPLIANCE AGREEMENT

This Agreement is between CEC Operations, LLC (“Operator”) (License #34121) and the Kansas Corporation Commission Staff (“Staff”). If the Kansas Corporation Commission (“Commission”) does not approve this Agreement as evidenced by a signed order of the Commission, this Agreement shall not be binding on either party.

A. Background

1. Operator is responsible for the 40 wells (“the subject wells”) on the attached list. All of the subject wells are out of compliance with K.A.R. 82-3-111. Operator has asked for an agreement to avoid penalties while Operator works to plug the subject wells, return them to service, or repair and obtain TA status for such subject wells if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable. Staff is supportive of an agreement to this effect with the Operator.

B. Terms of Compliance Agreement

2. By September 30, 2019, Operator shall plug, return to service, or repair and obtain temporary abandonment status for 2 of the subject wells. Operator shall plug, return to service, or repair and obtain temporary abandonment status for an additional 2 subject wells within each three calendar months thereafter, resulting in all subject wells being returned to compliance by September 30, 2024. Staff may prioritize the order in which the subject wells are addressed pursuant to this Agreement by indicating priority on the attached list and may adjust the prioritization at any time during this Agreement should a subject well or wells become known to Staff to be a pollution or public safety threat. Operator shall notify Staff in writing of all subject wells returned to service during each three calendar month period throughout the term of this Agreement.

3. Upon good cause shown, the Operator may receive an extension of the time to achieve compliance for up to 30 days from an applicable deadline pursuant to this Agreement so that the Operator may plug, return to service, or repair and TA the well or wells that was or were the subject of the applicable deadline. If the Operator seeks a time extension for any deadline under this Agreement, the Operator shall request such an extension at least seven days prior to the applicable deadline. Staff will file a status update in the docket created for this matter containing the District Supervisor’s recommendation to approve or deny the extension and place an order requesting Commission approval of the terms of the status update on the next available Consent Agenda for Commission consideration and possible approval. If Operator is denied a requested

extension by the Commission or otherwise remains out of compliance with this Agreement for any other reason, Staff shall immediately send a Notice of Non-Compliance and License Suspension to Operator, which shall suspend the Operator's license and become effective 10 days from the date of the Notice of Non-Compliance and License Suspension. The Operator's license shall remain suspended until well plugging or repair is resumed in accordance with the compliance schedule contained in the Status Update. If Staff finds that the Operator is conducting oil and gas operations after 10 days from the date of a Notice of Non-Compliance and License Suspension, and Operator's license remains suspended, Staff is authorized to seal all of Operator's oil and gas operations.

4. This Agreement, in its entirety, may be transferable between operators only by an Order of the Commission approving the transfer. Staff will file a status update in the docket created for this matter containing a recommendation regarding any proposed transfer between operators and will place an order regarding the transfer on the next available Consent Agenda for Commission consideration and possible approval. If the Operator intends to transfer any of the subject wells to another Operator, but does not intend to transfer this Agreement in its entirety, such subject wells must be returned to compliance pursuant to Commission, rules, regulations, or orders before Staff will process the transfer.

5. Except as provided by and under this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 for the subject wells that occurred or occurs prior to September 30, 2024, except for wells brought into compliance after Commission approval of this Agreement that subsequently fall out of compliance and remain the Operator's responsibility under the Operator's license.

6. This Agreement may be amended to add additional wells with the written consent of the District Supervisor. If this Agreement is amended, then Staff shall file a status update in the Commission docket created for this matter, also indicating that Operator is not opposed to the addition of the wells. The addition of wells may not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline. Any changes to a previously approved timeline will be included in the status update. Staff will place an order approving the addition of wells and extending the final compliance deadline on the next available Consent Agenda for Commission consideration and possible approval.

7. Operator may bring more than 2 wells into compliance during any three calendar month term. The excess number of wells brought into compliance will be attributed to a future three-month compliance period.

8. One (1) of the subject wells to be brought into compliance hereunder are currently authorized for injection. Upon Commission approval of this Agreement, Staff shall revoke the Operator's injection authorization for such subject wells that are to be plugged. These subject wells are highlighted in yellow on the attached list, and have an "x" marked in the far right column.

9. After this Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staff's intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for its consideration and possible approval within 90 days of Staff's written notice, then this Agreement shall be terminated upon Staff's filing a statement to that effect in the Commission docket for this matter.

Commission Staff

By: Jeff Klock

Printed Name: JEFF KLOCK

Title: DISTRICT SUPERVISOR

Date: 8-9-2019

CEC Operations, LLC

By: Bruce W. Satterthwaite

Printed Name: Bruce W. Satterthwaite

Title: Managing Member

Date: 8-9-19

OPNO	WELL_NM	API_WELLNO	CNTY	WH_QTR	SEC	TWPN	RNGN	RNGD	WELL_TYP	STATUS	Plugging Permit Expires Date	Notes
34121	BARTON 1-A	15035241000000	CL	NENENW	19	34	3 E		OIL	PR		Last sale shown was 2009. 10 YR TA Well. No TA on file. *
34121	BIRDZELL P1	15035241460000	CL	NWNESESE	32	33	4 E		GAS	IN	30-Nov-19	CP-111 Denied. No Lease. Compliance Deadline-7/9/2019. *
34121	BORN 1	15035241380000	CL	NWNWSWNE	13	33	4 E		GAS	AX	10-Jun-19	
34121	BORN 1-11	15035220480000	CL	SWSE	11	33	4 E		GAS	AX	10-Jun-19	
34121	BORN 2	15035241390000	CL	NWSWNW	13	33	4 E		GAS	AX	10-Jun-19	
34121	BORN 3	15035241400000	CL	NWNWSESE	14	33	4 E		GAS	AX	10-Jun-19	
34121	BORN 4	15035241410000	CL	N2S2SESW	13	33	4 E		GAS	AX	10-Jun-19	
34121	BORN 5	15035241420000	CL	NESWSW	13	33	4 E		GAS	AX	10-Jun-19	
34121	EAST CARNEY-JONES 1	15035243460000	CL	SWNWNW	20	34	3 E		OIL	PR		Last Oil sale shown 6/2017. No TA on file.
34121	FULGHUM 1-1	15035220860000	CL	NWSW	1	33	4 E		GAS	AX	10-Jun-19	
34121	FULGHUM 2-1	15035220870000	CL	SESW	1	33	4 E		GAS	AX	10-Jun-19	
34121	FULGHUM 4-A	15035241880000	CL	N2NESW	1	33	4 E		GAS	AX	10-Jun-19	
34121	FULGHUM 5-A	15035241890000	CL	E2E2W2SW	1	33	4 E		GAS	AX	10-Jun-19	
34121	HOLY MACKEREL 1	15035244300000	CL	W2SESESW	17	34	3 E		OIL	IN		No TA on file. Last Gas sale 9/2014. Last Oil sale 7/2012. *
34121	KAFIE 1	15035244510000	CL	S2SWSE	18	34	3 E		GAS	PR		Last Gas sale shown 9/2017. No TA on file. *

34121	MARILYN JOHNSON 2-1	15035221300000	CL	S2SESE	1	33	4 E	GAS	AX 11	10-Jun-19	
34121	MARYLYN JOHNSON 1-1	15035220210000	CL	NWSE	1	33	4 E	GAS	AX 12	10-Jun-19	
34121	MCCOLLUM 1	15035220000000	CL	SWSWNE	13	33	4 E	GAS	AX 14	10-Jun-19	Last sale on the McCollum Lease was 1997. 10 YR Wells. No TA's.
34121	MCCOLLUM 2	15035222030000	CL	NESW	13	33	4 E	GAS	AX 14	10-Jun-19	
34121	MCCOLLUM 4	15035222040000	CL	E2NWNW	13	33	4 E	GAS	AX 15	10-Jun-19	
34121	MCCOLLUM B 2	15035224170000	CL	SENENW	24	33	4 E	GAS	AX 16	10-Jun-19	
34121	MCFARLAND 1	15035006240002	CL	NWNWSW	27	33	4 E	OIL 3	IN		
34121	MCFARLAND P-1	15035241520001	CL	SWNWSW	8	34	4 E	SWD	AI		No TA on file. T-1 in 7/2014 stated well was IN. Last production 1986. 10 YR TA Well
34121	MCFARLAND P-2	15035241550000	CL	N2NWSW	8	34	4 E	GAS	PR		Last MIT 9/12/2018. Zero volume reported for 2018. No TA on file.
34121	MCFARLAND P-3	15035241580000	CL	S2NENWSE	5	34	4 E	GAS	AX 17	10-Jun-19	Last Gas sale shown 9/2017.
34121	PAYDAY 1	15035244520000	CL	NWNWSESW	16	34	3 E	OIL	PR 5		Last Oil sale shown 12/2018. Last Gas sale shown 9/2017. No TA on file.
34121	PICK FULGHUM 1	15035218700000	CL	NWSE	2	33	4 E	GAS	AX 18	10-Jun-19	
34121	PICK FULGHUM 2	15035224530000	CL	NESE	2	33	4 E	GAS	AX 19	10-Jun-19	
34121	PICK FULGHUM 3	15035224540000	CL	SESE	2	33	4 E	GAS	AX 20	10-Jun-19	
34121	PICK FULGHUM 4	15035224550000	CL	SWSE	2	33	4 E	GAS	AX 21	10-Jun-19	
34121	R JOHNSON 1-A	15035241820000	CL	SWSWNENW	12	33	4 E	GAS	AX 22	10-Jun-19	

Last sale on the McCollum Lease was 1997. 10 YR Wells. No TA's.

No TA on file. T-1 in 7/2014 stated well was IN. Last production 1986. 10 YR TA Well

Last MIT 9/12/2018. Zero volume reported for 2018. No TA on file.

Last Gas sale shown 9/2017.

Last Oil sale shown 12/2018. Last Gas sale shown 9/2017. No TA on file.

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34121	R JOHNSON	2-A	15035241830000	CL	SWNWNW	12	33	4 E	GAS	AX	10-Jun-19	
34121	R. JOHNSON	1-12	15035220490000	CL	NWSENWNE	12	33	4 E	GAS	AX	10-Jun-19	
34121	R. JOHNSON	3-12	15035220880000	CL	NENENWNW	12	33	4 E	GAS	AX	10-Jun-19	
34121	REDMOND	P1	15035241470000	CL	SENWSW	33	33	4 E	GAS	PR		Last Gas sale shown 9/2017. No TA on file.
34121	SYBRANT	1	15035229550000	CL	N2SW	33	33	4 E	GAS	PR		Last Gas sale shown 9/2017. No TA on file.
34121	WALTON B	1	15035204840001	CL	SENWNWNW	36	33	3 E	GAS	PR		Last Gas sale shown 12/2015. No TA on file.
34121	WARREN SONS	#1A	15035243560000	CL	N2NESESW	30	34	3 E	OG	IN		Last Gas sale shown 9/2017. No TA on file.
34121	WHITACRE	P-2	15035241510000	CL	N2NENE	5	34	4 E	GAS	PR		Last sale for Whitacre P-1 & P-2 was 7/2015.
34121	WHITACRE (P-8)	P-1	15035241450000	CL	S2NENE	5	34	4 E	GAS	PR		

AX = Authorized for Plugging

IN=Inactive Well - TA Required

PR= Producing Well

CERTIFICATE OF SERVICE

20-CONS-3044-CMSC

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 08/20/2019.

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/S/ DeeAnn Shupe

DeeAnn Shupe