

**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 KC Resources,) Docket No.: 17-CONS-3449-CPEN
Inc. ("Operator") to comply with K.A.R. 82-3-)
111 at the Williams C D #1 in Harper) CONSERVATION DIVISION
County, Kansas.)
_____) License No.: 3880

SHUT-IN ORDER

Upon its own motion, the Commission finds and concludes Operator has violated a
Commission Order for the following reasons:

I. JURISDICTION

1. 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, with licensing authority pursuant to K.S.A. 55-155. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities.

2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue an order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. K.S.A. 55-164 provides that an order may include a monetary penalty of up to \$10,000, which shall constitute an actual and substantial economic deterrent to the violation for which the penalty is assessed. In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.

II. FINDINGS OF FACT

3. On January 24, 2017, the Commission issued a Penalty Order against Operator for one violation of K.A.R. 82-3-111 because the Williams C D #1 well had been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status. The Penalty Order gave Operator 30 days to pay a \$100 penalty and to plug the subject well, return the well to service, or obtain TA status. The Penalty Order stated that if Operator failed to comply, then Operator's license would be suspended without further notice.

4. On March 1, 2017, Staff suspended Operator's license for non-compliance with the Penalty Order. Staff sent a Notice of License Suspension to Operator, stating that Operator was in violation of the Penalty Order. Staff's letter stated that if, after 10 days, Staff discovered Operator performing oil and gas operations, Staff would recommend a Shut-In Order, including an additional \$10,000 penalty.¹

5. On March 28, 2017, Commission District #2 Staff conducted an inspection and found Operator's Cunningham Unit B #2 injection well to be in operation. Staff noted the control panel at the sub-pump showed it was powered up at 900 hrs. Furthermore, Staff noted feeling heat through the tubing which indicated that fluid was moving through the tubing despite a suspended license.

6. On March 29, 2017, District #2 Staff conducted an inspection and found Operator's Williams C D #1 well remained inactive and out of compliance with the Commission's Penalty Order in this docket.

7. As of April 7, 2017, Operator remained in non-compliance with the Penalty Order in this docket, and Operator's license remained suspended. Although Operator has paid the \$100

¹ See Exhibit A.

penalty associated with the Penalty Order, Operator has not plugged, returned to service, or obtained TA status for the Williams C D #1 well.

8. Operator is responsible for approximately 28 wells in Kansas. The Commission takes administrative notice that aside from the present docket, in the past three years Operator has been penalized in the following dockets: 15-CONS-465-CPEN, 15-CONS-552-CPEN, 15-CONS-766-CPEN, 16-CONS-4099-CPEN, 16-CONS-555-CPEN and 17-CONS-3399-CPEN, and was suspended for non-compliance in three of those dockets, although those matters are now resolved.

III. CONCLUSIONS OF LAW

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

10. The above findings of fact are sufficient evidence to support the conclusion that Operator has violated the Commission's Penalty Order in this docket, both by its failure to plug the subject well, return it to service, or obtain TA status for it, and by its failure to cease operations upon the March 1, 2017, suspension of Operator's license.

THEREFORE, THE COMMISSION ORDERS THAT:

- A. Operator is assessed a \$7,500 penalty.
- B. Staff is directed to shut-in and seal all oil and gas operations of Operator until such time as Operator complies with the Commission's Penalty Order in this docket.
- C. 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.

D. If no party requests a hearing, payment of the monetary penalty is due within 30 days from the date of service of this Order. Failure to timely submit the monetary penalty shall result in Operator's license being suspended without further notice, if it is not already. 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.

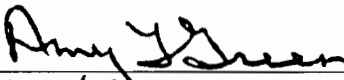
E. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

F. 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.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: APR 18 2017



Amy L. Green
Secretary to the Commission

Mailed Date: April 18, 2017

JDW

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



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

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

March 1, 2017

Reiner Klawiter
KC Resources, Inc.
PO Box 6749
Snowmass Village, CO 81615

NOTICE OF LICENSE SUSPENSION

License No. 3880

Docket No. 17-CONS-3449-CPEN

Operator:

Our records indicate that you are in violation of a Commission Order in the above Docket.

Your license is hereby suspended.

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter, Commission Staff discover you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$10,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order, which was mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page.

Sincerely,

Legal Department Staff

CERTIFICATE OF SERVICE

I certify that on 4/18/17, 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:

Reiner Klawiter
KC Resources, Inc.
PO Box 6749
Snowmass Village, CO 81615

and delivered by e-mail to:

Dan Fox
KCC District #2

Joshua D. Wright, Litigation
KCC Central Office

/s/ Paula J. Murray
Paula J. Murray
Legal Assistant
Kansas Corporation Commission