

CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513



PHONE: 316-337-6200
FAX: 316-337-6211
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.
SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | PAT APPLE, COMMISSIONER

NOTICE OF PENALTY ASSESSMENT
18-CONS-3286-CPEN

March 29, 2018

Casey Minshew
SX54, LLC
30 N. Gould Street, Suite 7099
Sheridan, WY 82801

This is a notice of a penalty assessment for violation(s) 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:

You have been assessed a \$1,000 penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission and mailed to the Conservation Division of 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. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and 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. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Lauren N. Wright
Litigation Counsel
316-337-6200

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

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

In the matter of the failure of SX54, LLC)	Docket No.: 18-CONS-3286-CPEN
("Operator") to comply with K.A.R. 82-3-407)	
at the Hawthorne (A) #1 in Greenwood)	CONSERVATION DIVISION
County, Kansas.)	
<hr/>		License No.: 35339

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. 82-3-407(a) provides each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water, prevent damage to sources of oil or gas, and confine fluids to the intervals approved for injection.

An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer, and no fluid movement into fresh or usable water. An injection well's mechanical integrity shall be established at least once every five years.

4. K.A.R. 82-3-407(c) provides that the operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.

5. K.A.R. 82-3-407(d) provides that mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and that the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.

6. K.A.R. 82-3-407(g) provides that no injection well shall be operated before passing a mechanical integrity test ("MIT"). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.

II. FINDINGS OF FACT

7. Operator conducts oil and gas activities in Kansas under license number 35339.

8. Operator is responsible for the care and control of the Hawthorne (A) #1 ("the subject well"), API #15-073-01204-00-01, Underground Injection Control Permit #E-21647, located in Section 19, Township 24 South, Range 10 East, Greenwood County, Kansas.

9. District Staff determined that the subject well has not been successfully tested for mechanical integrity as required by K.A.R. 82-3-407. Staff witnessed no such test and Operator did not inform Staff that such a test had been conducted.

10. District Staff sent a letter to the Operator, requiring the Operator to bring the subject well into compliance with K.A.R. 82-3-407 by a specified deadline.

11. District Staff collected evidence and submitted it to the Legal Department with a recommendation that the Commission issue this Order. The recommendation sheet submitted by District Staff is attached and incorporated into this Order and includes Staff's letter sent to Operator.

III. CONCLUSIONS OF LAW

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

13. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-407 because a current, successful MIT has not been performed on the subject well.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$1,000 penalty.
- B. Operator shall perform a successful MIT on the Hawthorne (A) #1 or plug the well.
- C. Operator shall shut-in and disconnect the Hawthorne (A) #1 until such time as a successful MIT has been performed.
- D. 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.

E. 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.

F. 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.

G. A corporation shall appear before the Commission by a Kansas licensed attorney.¹

H. 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.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: 03/29/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 03/30/2018



LW

¹ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

PENALTY ORDER RECOMMENDATION

ROUTINE MECHANICAL INTEGRITY TEST VIOLATION

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	01/10/2018
District/Department:	District #3
Person Recommending Penalty:	John Almond, Compliance Officer 
Operator Name:	SX54, LLC
Operator License Number:	35339
Well/Lease Name & Well Number:	Hawthorne (A) 1
Well/Lease Location, and County:	SWSNW 19-24S-10E, Greenwood County
Well API Number:	15-073-01204-00-01
UIC Docket Number:	E-21647.1
Regulation Number:	82-3-407
Description of Violation:	Failure to conduct successful MIT
Date Reminder Letter Sent:	NA
MIT Due Date:	9/12/2017
Date NOV letter Sent, and Deadline:	12/14/2017, Deadline: 12/28/2017
Extension Requested in Writing?	No
Extended Compliance Deadline, if Extension was Granted:	N/A
Failed MIT Date:	N/A
Date Repair or Plug Letter Sent, and Deadline:	NA
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Conduct successful MIT. Shut-in and disconnect well until successful MIT has been performed.
Supervisor Initials	TAR 



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

Corporation Commission

Sam Brownback, Governor

NOTICE OF VIOLATION
MECHANICAL INTEGRITY TEST (MIT)

LICENSE 35339

SX54, LLC

1900 W. GRAY #130945

HOUSTON TX 77219

Suspended

December 14, 2017

Re: Past Due Mechanical Integrity Test

Operator:

Commission records indicate that a current Mechanical Integrity Test (MIT) has not been conducted for the wells listed on the next page.

It is a violation of K.A.R. 82-3-407 for an operator to fail to conduct a timely MIT.

**Failure to conduct an MIT on the well(s)
by December 28, 2017
shall be punishable by a \$1,000 per well penalty.**

- The date of the MIT must be mutually agreed upon with Commission staff.
- Please contact the Commission district staff at least 2 days prior to your proposed testing date.
- A representative of the operator must be on site during the MIT.
- The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c) of the General Rules and Regulations for the State of Kansas.

You will be penalized if you do not contact District staff by December 28, 2017.

If you received a letter with a later deadline because this well failed an MIT, disregard this letter.

Sincerely,

LARRY MARCHANT
KCC District # 3

December 14, 2017

List of Wells: PAST Due for a Mechanical Integrity Test

DOCKET	API Well #	Lease Name / Well #	Well Location	County	MIT Expiration
E21647.1	15-073-01204-00-01	HAWTHORNE (A) 1	19-24S-10E, SWSENW	GREENWOOD	9/12/2017

CERTIFICATE OF SERVICE

18-CONS-3286-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail and electronic service on 03/29/2018.

JOHN ALMOND
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
Fax: 785-271-3354
j.almond@kcc.ks.gov

CASEY MINSHEW
SX54, LLC
30 N GOULD ST STE 7099
SHERIDAN, WY 82801

RENE STUCKY
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
r.stucky@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe