

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



20190611112502
Kansas Corporation Commission

Phone: 316-337-6200
Fax: 346-337-6211
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT

19-CONS-3396-CPEN

June 11, 2019

Ian B. Acrey
Prairie Gas Operating, LLC
PO Box 2170
Tulsa, OK 74101-2170

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: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Susan K. Duffy

In the matter of the failure of Prairie Gas)	Docket No.: 19-CONS-3396-CPEN
Operating, LLC (“Operator”) to comply with)	
K.A.R. 82-3-104 at the Boltz #1 well in)	CONSERVATION DIVISION
Hamilton County, Kansas.)	
<hr/>		License No.: 35442

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. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ 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.”² Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty “not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. K.A.R. 82-3-104 provides that every person who drills a well that penetrates formations containing oil, gas, fresh water, mineralized water, or valuable minerals shall case or seal off the formations to effectively prevent migration of oil, gas, or water from or into strata that would be damaged by such migration. The effectiveness of the casing or sealing off shall be tested in a manner prescribed or approved by an agent of the Commission.

II. FINDINGS OF FACT

4. Operator conducts oil and gas activities in Kansas under active license number 35442.

5. The Operator is responsible for the care and control of the Boltz #1 well, API #15-075-20031-00-00, (“the subject well”) located in Section 1, Township 24 South, Range 41 West, Hamilton County.

6. On June 4, 2018, the Operator submitted a TA application stating that the casing fluid level in the subject well was 1,408 feet from the surface.⁷ The TA application was approved on June 5, 2018.

7. On August 18, 2018, District 1 Staff tested the subject well’s fluid level using the KCC echometer. The fluid level test found that the casing fluid level in the subject well was approximately 640 feet from the surface.⁸ In this area, usable water is approximately 800 feet from surface.

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ Exhibit A.

⁸ Exhibit B.

8. On January 23, 2019, District 1 Supervisor, Scott Alberg, sent the Operator a letter stating that due to the high fluid level the Operator is required to retest the fluid level by February 23, 2019.⁹ On February 28, 2019, the Operator conducted a fluid level test on the subject well that was witnessed by District 1 Staff.¹⁰ The casing fluid level was approximately 496 feet from the surface, confirming the existence of a casing leak.¹¹

9. On March 21, 2019, District 1 Supervisor, Scott Alberg, sent the Operator a letter revoking the TA status on this well due to a high fluid level.¹² The letter also required the Operator to either obtain TA status by repairing the subject well, return the subject well to service, or plug the subject well by April 22, 2019.¹³

10. On April 23, 2019, District Staff conducted an inspection of the subject well and found that the Operator failed to repair the subject well, return the subject well to service, or plug the subject well.¹⁴

III. CONCLUSIONS OF LAW

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

12. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-104 because Operator has failed to demonstrate that the formations are effectively sealed off to prevent migration of oil, gas, or water from or into strata that would be damaged by migration.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$1,000 penalty for its violation of K.A.R. 82-3-104.

⁹ Exhibit C.

¹⁰ See Exhibit A.

¹¹ Exhibit D.

¹² Exhibit E.

¹³ *Id.*

¹⁴ See Exhibit A and Exhibit F.

B. The Operator shall repair the casing leak in a manner prescribed by Staff.

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. 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. Credit card payments may be made by calling the Conservation Division at 316-337-6200.

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. A corporation shall appear before the commission by a Kansas licensed attorney.¹⁵

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.

¹⁵ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 06/11/2019



Lynn M. Retz
Secretary to the Commission

Mailed Date: 06/11/2019

LW

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form CP-111

July 2017

Form must be Typed

Form must be signed

All blanks must be complete

TEMPORARY ABANDONMENT WELL APPLICATION

OPERATOR: License# 35442
 Name: Prairie Gas Operating, LLC
 Address 1: 114 E. 5TH ST., SUITE 100
 Address 2: PO BOX 2170
 City: TULSA State: OK Zip: 74101 + 2170
 Contact Person: Jim Williams
 Phone: (918) 409-6711
 Contact Person Email: jimb.williams@hotmail.com
 Field Contact Person: Brett Cook
 Field Contact Person Phone: (620) 874-8267

API No. 15- 15-075-20031-00-00
 Spot Description: S2 SE NW Sec. 1 Twp. 24 S. R. 41 ☐ E ☒ W
3250 feet from ☐ N / ☒ S Line of Section
3300 feet from ☒ E / ☐ W Line of Section
 GPS Location: Lat: _____, Long: _____
 Datum: ☐ NAD27 ☐ NAD83 ☐ WGS84
 County: Hamilton Elevation: _____ ☐ GL ☐ KB
 Lease Name: BOLTZ Well #: 1
 Well Type: (check one) ☐ Oil ☒ Gas ☐ OG ☐ WSW ☐ Other: _____
☐ SWD Permit #: _____ ☐ ENHR Permit #: _____
☐ Gas Storage Permit #: _____
 Spud Date: 12/31/1970 Date Shut-In: 07/14/2014

	Conductor	Surface	Production	Intermediate	Liner	Tubing
Size	N/A	7	4.5	N/A	N/A	2.375
Setting Depth		461	2435			2418
Amount of Cement		250	100			0
Top of Cement		0	0			0
Bottom of Cement		461	2435			0

Casing Fluid Level from Surface: 1408 How Determined? Acoustic Fluid Level Test Date: 05/18/2018

Casing Squeeze(s): _____ to _____ w / _____ sacks of cement, _____ to _____ w / _____ sacks of cement. Date: _____

Do you have a valid Oil & Gas Lease? ☒ Yes ☐ No

Depth and Type: ☐ Junk in Hole at _____ ☐ Tools in Hole at _____ Casing Leaks: ☐ Yes ☐ No Depth of casing leak(s): _____

Type Completion: ☐ ALT. I ☒ ALT. II Depth of: ☐ DV Tool: _____ w / _____ sacks of cement ☐ Port Collar: _____ w / _____ sack of cement

Packer Type: _____ Size: _____ Inch Set at: _____ Feet

Total Depth: 2436 Plug Back Depth: _____ Plug Back Method: _____

Geological Data:

Formation Name _____ Formation Top _____ Formation Base _____ Completion Information _____
 1. _____ At: _____ to _____ Feet Perforation Interval 2401 to 2409 Feet or Open Hole Interval _____ to _____ Feet
 2. _____ At: _____ to _____ Feet Perforation Interval _____ to _____ Feet or Open Hole Interval _____ to _____ Feet

UNDER PENALTY OF PERJURY I HEREBY ATTEST THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE

Submitted Electronically

Do NOT Write in This Space - KCC USE ONLY	Date Tested: _____	Results: _____	Date Plugged: _____	Date Repaired: _____	Date Put Back in Service: _____
	Review Completed by: <u>Michael Maier</u> Comments: _____				
TA Approved: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> Denied Date: <u>06/05/2018</u>					

Mail to the Appropriate KCC Conservation Office:

	KCC District Office #1 - 210 E. Frontview, Suite A, Dodge City, KS 67801	Phone 620.682.7933
	KCC District Office #2 - 3450 N. Rock Road, Building 600, Suite 601, Wichita, KS 67226	Phone 316.337.7400
	KCC District Office #3 - 137 E. 21st St., Chanute, KS 66720	Phone 620.902.6450
	KCC District Office #4 - 2301 E. 13th Street, Hays, KS 67601-2651	Phone 785.261.6250

KCC OIL/GAS REGULATORY OFFICES

Date: 04/23/19

District: 01

Case #: _____

- ☒ New Situation
☐ Response to Request
☐ Follow-Up

- ☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 35442
 Op Name: Prairie Gas Operating, LLC
 Address 1: 114 E. 5th ST, Ste 100
 Address 2: P.O. Box 2170
 City: Tulsa
 State: Okla Zip Code: 74101 -2170
 Operator Phone #: (817) 681-7600

API Well Number: 15-075-20031-00-00
 Spot: SE NW Sec 1 Twp 24 S Rng 41 ☐ E / ☒ W
3250 (3330) Feet from ☐ N / ☒ S Line of Section
3300 (3331) Feet from ☒ E / ☐ W Line of Section
 GPS: Lat: 37.99567 Long: 101.77337 Date: 2/28/19
 Lease Name: Boltz Well #: 1
 County: Hamilton

Reason for Investigation:

8-18-18 Re shoot fluid level using the KCC echometer
 2-28-19 Witness the fluid level re shot by Prairie Gas
 4-23-19 Re check well status

Problem:

The pumper shot the fluid level for a TA application on 5-11-18. He mistakenly reported the repeat "kick" on the echometer tape rather than the actual fluid level. The actual fluid level was 22 joints down on his tape rather than 44 joints down like he reported.
 4-23-19 No reply to letter dated 3-21-19 to Prairie Gas revoking TA status due to a high fluid level. Deadline for a response was 4-22-19

Persons Contacted:

Brent Cook---Prairie Gas

Findings:

8-18-18 Ken Jehlik with the KCC reshot the fluid level using the KCC echometer and found fluid 20 joints down from surface (approx 640'). Well has an apparent Glorietta csg leak. Usable water is at approximately 800'.
 On 9-24-18 I met with Brett Cook with Prairie Gas and showed him the two echometer tapes and he admitted he missed the first "kick" and made a mistake and called the 2nd "kick" the fluid level.
 The well is located on the edge of the western city limits of Syracuse, Kansas.
 2-28-19 Scott Alberg sent Jim Williams with Prairie Gas a letter dated 1-23-19 to have the fluid level reshot by 2-23-19. I met Brett Cook with Prairie Gas and witnessed the fluid level shot on 2-28-19. Fluid level was 16 joints down which is approximately 496' to fluid. Confirming that well has an apparent Glorietta csg leak and the TA status should be revoked.
 3-21-19 Scott Alberg sent a letter to Prairie Gas revoking the TA status on this well due to a high fluid. Deadline for a response to plug or produce was 4-22-19.
 4-23-19 Re check well status. Well is still shutdown. Sales line valve closed. Brake set on pumping unit. Motor sheaves rusty. Nothing has been done to the well to repair, plug or produce.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

The CP-111 was submitted and approved with a fluid level of 1408' on 6-5-18.
 8-18-18 Suggest we deny this fluid level due to a high fluid level & its close proximity to Syracuse town site.
 2-28-19 Revoke the TA status due to a high fluid level.
 4-23-19 Send to legal with pics for failure to repair, produce or plug the well.

Verification Sources:

Photos Taken: 2 tapes & 3 pics

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> RBDMS | <input checked="" type="checkbox"/> KGS | <input type="checkbox"/> TA Program |
| <input type="checkbox"/> T-I Database | <input type="checkbox"/> District Files | <input type="checkbox"/> Courthouse |
| <input type="checkbox"/> Other: _____ | | |

By: Ken Jehlik
ECRS

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: 02/22/2008

Conservation Division
District Office No. 1
210 E. Frontview, Suite A
Dodge City, KS 67801



Phone: 620-682-7933
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Laura Kelly, Governor

January 23, 2019

Prairie Gas Operating, LLC
114 E. 5th ST, Ste 100
P.O. Box 2170
Tulsa, Oklahoma 74101-2170

Re: Prairie Gas Operating, LLC
Boltz #1
API # 15-075-20031-00-00
SE NW Section 1-T24-41W
Hamilton County, Kansas

Dear Mr. Jim Williams:

It has come to my attention that the latest fluid level you have taken on the above well was reported on the TA application to be at 1408', but when looking at the tape it is at 640', which is above the usable water. Staff requests that Prairie Gas Operating reshoot the fluid level on this well by **February 23, 2019**.

Should Prairie Gas not report the new fluid level to staff by the above date, the current TA on file will be revoked and Prairie Gas deemed to be in violation. An assessment of monitory penalties will be recommended to legal staff. Should you have any questions, please do not hesitate to contact me.

Respectfully,

Scott Alberg

Professional Geologist Supervisor



District #1
Conservation Division
Kansas Corporation Commission
210 E. Frontview, Suite A | Dodge City, KS | 67801
Phone (620) 682-7933

Date: _____

☐ New situation
Response to Request

☐ Complaint
Field Report

ECHOMETER COMPANY PHONE-940-7

Pressure 6407

Well 2-2819

Casing Pressure 0

2-2819
Start by Best of Frances

JOINTS TO LIQUID.....

DISTANCE TO LIQUID.....

PRODUCTION RATE.....

02/28/2019 15:29:25

QUIET WELL

LOWER COLLARS A: 9.4

P-P 0.053 mV

GENERATE PULSE

LIQUID LEVEL A: 7.3

P-P 0.021 mV

13.0 VOLTS

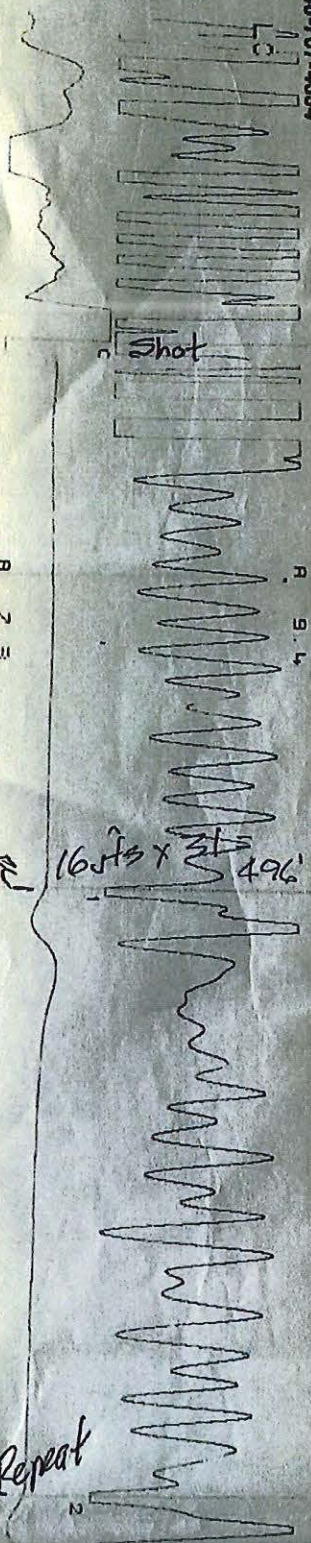
Exhibit D
Page 1 of 2

New Situation
Response to Request
Complaint
Field Report

COMPANY PHONE-840-767-4334

GENERATE
PULSE

13.0
VOLTS



Shot

R 9.4

R 7.3

16 Jfs x 31 = 496

V 2.1.5

Repeat
2

Exhibit D
Page 2 of 2

Conservation Division
District Office No. 1
210 E. Frontview, Suite A
Dodge City, KS 67801



Phone: 620-682-7933
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Laura Kelly, Governor

March 21, 2019

Prairie Gas Operating, LLC
114 E. 5th ST, Ste 100
P.O. Box 2170
Tulsa, Oklahoma 74101-2170

Re: Prairie Gas Operating, LLC
Boltz #1
API # 15-075-20031-00-00
SE NW Section 1-T24W-R41W
Hamilton County, Kansas

Dear Mr. Jim Williams:

I have been notified that the fluid level recently shot on the above mentioned well is at approximately 496'. This level is in the usable water in that area. As part of a valid CP-111 regulation, a well is required to have an acceptable fluid level. The fluid level that staff witnessed shows the fluid level to be too high. After review of the well and the recent data, the Temporary Abandonment (TA) for the above listed well is revoked for the following reason:

High Fluid Level

Pursuant to K.A.R. 82-3-111, the well must be plugged, or returned to service, or obtain temporary abandonment status by April 22, 2019.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions regarding this matter.

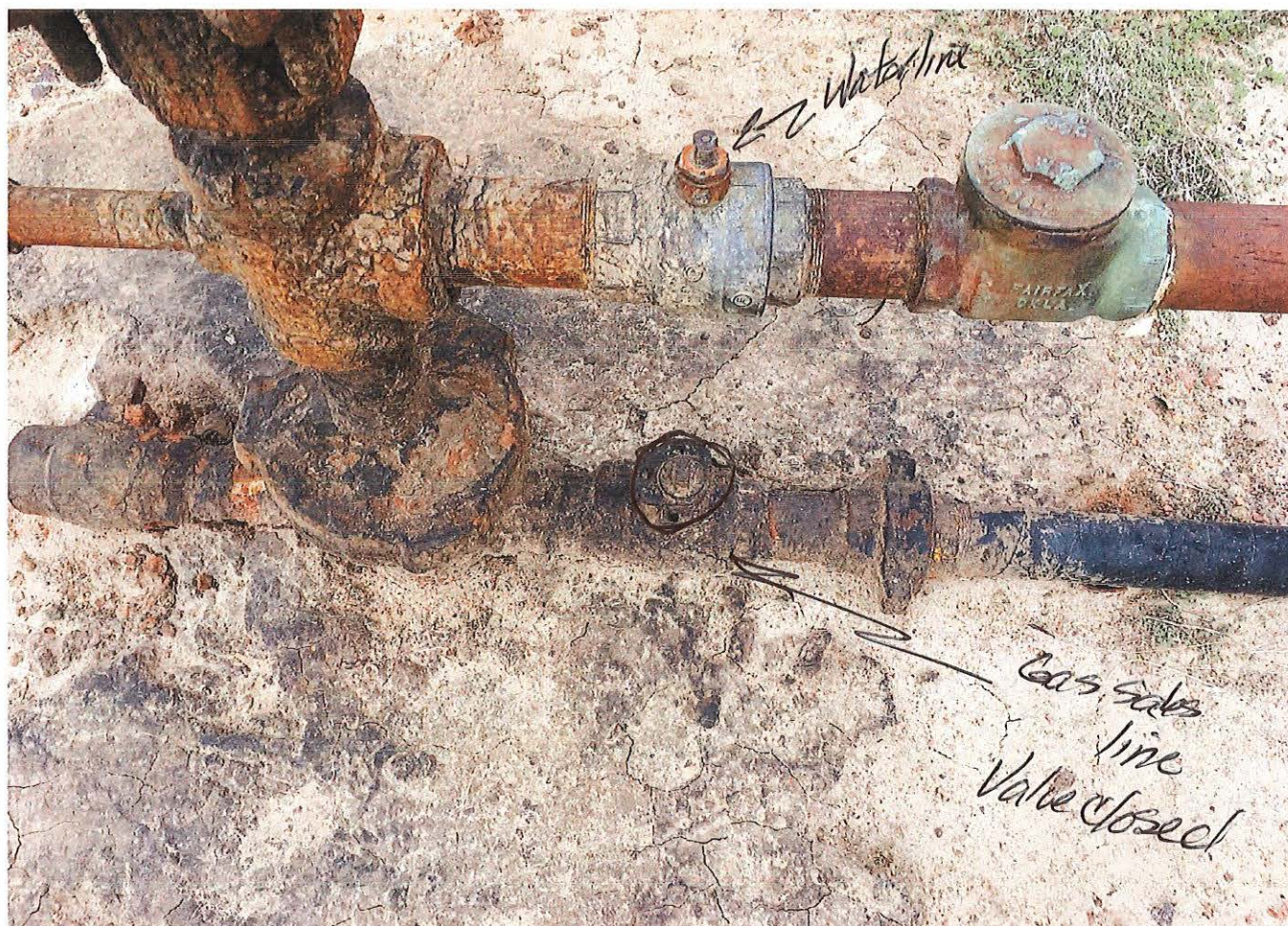
Respectfully,

Scott Alberg
Professional Geologist Supervisor

District #1
Conservation Division
Kansas Corporation Commission
210 E. Frontview, Suite A | Dodge City, KS | 67801
Phone (620) 682-7933



Electric power switch off Prairie Gas Boltz #1
NW Sec 1-24-41W 4-23-19 KJ
Hamilton Co



Bottom sol's line valve PrairieGas Bolt #1
closed. NW Sec 1-24-41W 4-23-19 KTS
Hamilton Co



Brakeset
Shafts rusty
Unit has not ran

Prairie Gas Bell #1
NW Sec. 1, 24-41W 4-23-19LS
Hamilton Co

CERTIFICATE OF SERVICE

19-CONS-3396-CPEN

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 06/11/2019.

IAN B. ACREY
Prairie Gas Operating, LLC
PO BOX 2170
TULSA, OK 74101
iacrey@pge-llc.com

FRED MACLAREN
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
e.maclaren@kcc.ks.gov

MICHELE PENNINGTON
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
m.pennington@kcc.ks.gov

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

/S/ DeeAnn Shupe

DeeAnn Shupe