

STATE OF KANSAS

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 | DWIGHT D. KEEN, COMMISSIONER

NOTICE OF PENALTY ASSESSMENT

18-CONS-3327-CPEN

April 12, 2018

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

In the matter of the failure of Prairie Gas)	Docket No.: 18-CONS-3327-CPEN
Operating, LLC (“Operator”) to comply with)	
K.A.R. 82-3-603 at the Kuttler G-1 well in)	CONSERVATION DIVISION
Greeley County, Kansas.)	
_____)	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. 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. 82-3-101(a)(69) defines “spill” as any escape of saltwater, oil, or refuse by overflow, seepage, or other means from the vicinity of oil, gas, injection, service, or gas

storage wells, or from tanks, pipelines, dikes, or pits, if the wells, tanks, pipelines, dikes, or pits are involved in or related to any of the following:

- a. the exploration or drilling for oil or gas;
- b. the lease storage, treatment, or gathering of oil or gas; or
- c. the drilling, operating, abandonment, or postabandonment of wells. For purposes of this regulation, “vicinity” means the area within six feet of the wellhead

4. K.A.R. 82-3-603(e)(1) provides that the operator shall clean up any spill or escape that requires notification under this regulation in accordance with the cleanup method approved by the appropriate district office. Except as otherwise required by law or regulation, the operator shall complete the cleanup of the spill or escape within 10 days after discovery or knowledge of the spill or escape, or by the deadline prescribed in writing by the district office.

5. K.A.R. 82-3-603(f) provides that the failure to contain and clean up the spill or escape in accordance with Commission regulations shall be punishable by a \$1,000 penalty for the first violation, a \$2,500 penalty for the second violation, and a \$5,000 penalty and an operator license review for the third violation.

II. FINDINGS OF FACT

6. Operator conducts oil and gas activities in Kansas under license number 35442, and is responsible for the care and control of the Kuttler G-1 (“the subject well”), API #15-071-20753, Section 29, Township 19 South, Range 39 West, Greeley County, Kansas.

7. On November 17, 2017, Operator contacted Commission District #1 Staff and reported a spill of 3 to 5 barrels of saltwater at the subject well.

8. On November 22, 2017, District #1 Staff conducted an inspection and determined that a second saltwater spill had occurred at the subject well. Staff estimated an additional 40 barrels of saltwater had spilled, and about 10 barrels of fluid were recovered.

9. On December 12, 2017, Staff conducted a follow up inspection at the subject well and noted no soil removal or remediation. On December 19, 2017, Staff mailed Operator a Notice of Violation letter, giving a January 5, 2018, deadline to clean up the spill site at the subject well.

10. On January 24, 2018, Staff conducted an inspection and determined the spill site at the subject well had not been remediated.

11. On February 05, 2018, Staff conducted an inspection and determined the spill site at the subject well had been remediated.

12. Staff photographs from prior to remediation, and Staff's inspection report regarding each inspection, are attached and incorporated into this Penalty Order as Exhibit A.

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. 82-3-603(e)(1) because Operator did not timely remediate the spill or spills at the subject well.

15. Under K.A.R. 82-3-603(f), a first violation of K.A.R. 82-3-603(e)(1) carries a \$1,000 penalty, a second violation carries a \$2,500 penalty, and subsequent penalties carry a \$5,000 penalty and a license review for the third violation.

16. The Commission takes administrative notice of its Penalty Order against Operator in Docket 18-CONS-3278-CPEN, which found Operator to have committed one violation of K.A.R. 82-3-603(e)(1). Operator has appealed that Penalty Order and the appeal is still pending. Accordingly, the Commission concludes Operator should be assessed a \$1,000 penalty for its violation of K.A.R. 82-3-603(e)(1) in this docket.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$1,000 penalty.
- B. 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.
- C. 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.
- D. 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.

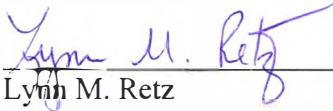
E. A corporation shall appear before the Commission by a Kansas licensed attorney.¹

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.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 04/12/2018 _____



Lynn M. Retz
Secretary to the Commission

Mailed Date: 04/13/2018 _____

LW

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

KCC OIL/GAS REGULATORY OFFICES

Date: 02/05/18

District: 01

Case #: _____

☐ New Situation
☐ Response to Request
☒ Follow-Up

☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 35442

API Well Number: 15-071-20753-00-00

Op Name: Prairie Gas Operating, LLC

Spot: NW NE SW Sec 29 Twp 19 S Rng 39 ☐ E / ☒ W

Address 1: 427 S. Boston St. Ste 520

2054 Feet from ☐ N / ☒ S Line of Section

Address 2: _____

3796 Feet from ☒ E / ☐ W Line of Section

City: Tulsa

GPS: Lat: 38.37000 Long: 101.65415 Date: 8/30/17

State: Okla Zip Code: 74103 -

Lease Name: Kuttler G Well #: 1

Operator Phone #: (918) 734-7727

County: Greeley

Reason for Investigation:

Follow up check on salt water spills that were reported on 11-17-17 and 11-22-17

Problem:

No clean up or remediation has taken place

Persons Contacted:

Jace Foster on 12-12-17 via email

Findings:

Two salt water spills occurred on this location. One was 3 to 5 bbls on 11-17-17 and one was 40 bbls on 11-22-17. About 10 bbls of brine was recovered. Operator was advised to remove & replace the soil.

12-12-17 No soil removal or remediation. I emailed Jace Foster a memo giving them a deadline of 12-16-17 to clean up the spill. (copy attached). A road drag had been used in attempt to cover up the spill with a thin layer of soil. I advised Jace that this was not satisfactory and not what we discussed on cleanup.

On 12-18-17 there had been no response to my email & no clean up had occurred and a notice was sent to our legal dept. The operator was given until 1-5-18 to comply.

1-24-18 Re-check. No cleanup or remediation has taken place.

2-5-18 Re check. Drilling Pipeline hauled out 39 yards of contaminated soil to the Wichita Co landfill and replaced with clean soil from the Hamilton Co road dept pit.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

1-24-18 Send to legal for a fine for failure to cleanup a spill in a timely manner.

2-5-18 Clean up is complete.

Verification Sources:

☐ RBDMS ☐ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☐ Other: _____

Photos Taken: _____

By: Ken Jehlik

ECRS

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form: 02/22/2008

Exhibit A
 Page 1 of 3

Prairie GWS
Kutter G-1
SW 29-19-39LL
Facing North
11-22-17 KJ
3 p.m. repeated 11-27-17-28-17



Prairie Gas
Kutler G-1
SW 29-19 39 Greeley
1-24-18
Facing North



CERTIFICATE OF SERVICE

18-CONS-3327-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 04/12/2018.

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

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

STEPHEN PFEIFER
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 1
210 E. FRONTVIEW SUITE A
DODGE CITY, KS 67801
Fax: 785-271-3354
s.pfeifer@kcc.ks.gov

JONELLE RAINS
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
j.rains@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
