

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



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
20-CONS-3018-CPEN

July 18, 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,

Carly Masenthin
Litigation Counsel
785-271-3110

**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.: 20-CONS-3018-CPEN
Operating, LLC ("Operator") to comply with)	
K.A.R. 82-3-104 at the Beard #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. 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 Beard #1 well, API #15-071-20040-00-01, (“the subject well”) located in Section 36, Township 20 South, Range 41 West, Greeley County, Kansas.

6. The Operator submitted a TA application relevant to the subject well which was denied on October 9, 2018, due to a high fluid level.⁷

7. On June 10, 2019, District 1 Staff witnessed Operator’s contract pumper, Brett Cook, test the subject well’s fluid level. The fluid level test found that the casing fluid level in the subject well was 558 feet from the surface.⁸ The pumping unit was started and pumped water.⁹

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ See Docket No. 19-CONS-3265-CPEN, Penalty Order, Exhibit A (Feb. 12, 2019).

⁸ Exhibit A.

⁹ *Id.*

8. On June 12, 2019, District 1 Staff witnessed the pumping unit as being inoperable.¹⁰

9. On June 28, 2019, District 1 Staff conducted an inspection of the subject well and again witnessed Operator's contract pumper, Brett Cook, test the subject well's fluid level. The fluid level test found that the casing fluid level in the subject well was 558 feet from the surface.¹¹ District 1 Staff observed the pumping unit continued to be inoperable with no plans for repair.¹² Staff's investigation shows the subject well has 8 5/8" surface casing set at 347 feet, and that the production casing is not cemented through the usable water section which starts at 1300 feet.¹³ Finally, Staff's investigation indicates the wellbore schematic confirms a well casing leak.¹⁴ Staff notes the high fluid level could now or in the near future cause contamination and/or environmental issues.¹⁵

III. CONCLUSIONS OF LAW

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

11. 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.
- B. The Operator shall repair the casing leak in a manner prescribed by Staff.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

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.¹⁶

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.

¹⁶ 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: 07/18/2019

Lynn M. Retz
Executive Director

Mailed Date: 07/18/2019

CM

KCC OIL/GAS REGULATORY OFFICES

Date: 06/28/19District: 01

Case #: _____

☒ New Situation
☐ Response to Request
☐ Follow-Up

☐ Lease Inspection
☐ Complaint
☒ Field Report
Operator License No: 35442API Well Number: 15-071-20040-00-01Op Name: Prairie Gas Operating, LLCSpot: SE NW SE Sec 36 Twp 20 S Rng 41 ☐ E / ☒ WAddress 1: 114 E. 5th ST, Ste 1001508 Feet from ☐ N / ☒ S Line of SectionAddress 2: P.O. Box 21701544 Feet from ☒ E / ☐ W Line of SectionCity: TulsaGPS: Lat: 38.26655 Long: 101.79388 Date: 12/18/18State: Okla Zip Code: 74101 -2170Lease Name: Beard Well #: 1Operator Phone #: (817) 681-7600County: Greeley

Reason for Investigation:

6-28-19 Witness a third fluid level shot

Problem:

TA application was initially denied on 10-9-18 due to a high fluid level of 640'

Persons Contacted:

Brett Cook--pumper

Findings:

6-10-19 Witness a second fluid level shot by Brett Cook. FL= 558' from surface. Started up the pumping unit w/ rental generator on the elec motor. Pumping a minimal stream of water up the tbq with no gas up the annulus.

6-12-19 Pumping unit broke down. Wrist pin twisted off. No gas up the annulus.

6-28-19 Witness a third fluid level shot by Brett Cook. FL= 558' from surface. Pumping unit is still broke down with no plans to repair it. No gas up the annulus.

The high fluid level in this well is indicative of a highly corrosive Glorietta sand casing leak. (wellbore schematic confirms the well has a csg leak). Since the well only has 347' of surface casing and the production casing is not cemented thru the usable water section starting at 1300', the high fluid level could be now or in the near future causing contamination and/or environmental issues.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Send to legal for 82-3-104.

Verification Sources:

Photos Taken: Yes 2

<input type="checkbox"/> RBDMS	<input 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 JehlikECRS

Retain 1 Copy District Office
 Send 1 Copy to Conservation Division

Form 02/22/2008

CERTIFICATE OF SERVICE

20-CONS-3018-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 07/18/2019.

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

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/S/ DeeAnn Shupe

DeeAnn Shupe