

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 Emker, Commissioner

Sam Brownback, Governor

## NOTICE OF PENALTY ASSESSMENT 17-CONS-3498-CPEN

This is a notice of a penalty assessment for violation 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:**

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay \$500. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

### **IF YOU CONTEST THE PENALTY:**

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

### **IF YOU FAIL TO ACT:**

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order 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.

**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 Red Cloud	)	Docket No.: 17-CONS-3498-CPEN
Exploration Operating LLC ("Operator") to	)	
comply with K.A.R. 82-3-120.	)	CONSERVATION DIVISION
	)	
_____	)	License No.: 34224

**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. 82-3-120(a)(1) provides, in part, that no operator shall drill, complete, service, plug, or operate any oil or gas well without first obtaining or renewing an operator

license. K.A.R. 82-3-120(a)(1) further provides that each operator in physical control of any such well shall maintain a current license even if the well is shut in or idle.

4. K.A.R. 82-3-120(a)(2) provides that each licensee shall annually submit a completed license renewal form on or before the expiration date of the current license.

5. K.A.R. 82-3-120(k) provides that the failure to obtain or renew an operator license before operating shall be punishable by a \$500 penalty.

## **II. FINDINGS OF FACT**

6. Operator is responsible for the care and control of the well(s) listed in Exhibit A. Exhibit A is attached and incorporated into this Order, includes Staff's penalty recommendation and the list of wells, and shall serve as part of the concise and explicit statement of facts required by K.S.A. 77-526.

7. As described in Exhibit A, Commission records indicate that Operator was licensed to conduct oil and gas activities in Kansas under K.S.A. 55-155, but that Operator's license has expired. Commission records indicate that an unplugged well, or unplugged wells, remain on Operator's expired license, in violation of K.A.R. 82-3-120.

8. Commission Staff sent notices to Operator, requiring compliance with K.A.R. 82-3-120 by a specific deadline. Operator has not complied.

## **III. CONCLUSIONS OF LAW**

9. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-120 because an unplugged well, or unplugged wells, remain on Operator's expired license.

### **THEREFORE, THE COMMISSION ORDERS:**

A. Operator shall pay a \$500 penalty.

B. Operator shall immediately shut-in all unplugged wells on its license and cease oil and gas operations until Operator is in compliance with this Order. Staff may seal the wells until Operator is in compliance with this Order.

C. Operator has 60 days to:

- a. Renew its license or obtain a new license and transfer the well(s) to that license;
- b. Transfer the well(s) to another operator by filing the appropriate form(s) with the Commission; or
- c. Plug the well(s).

D. If any unplugged well(s) remain on Operator's expired license after 60 days, then:

- a. Operator shall pay an additional \$5,000 penalty;
- b. Staff shall revoke any injection authorizations applicable to the subject well(s); and
- c. Staff is directed to place the well(s) on the appropriate state plugging list, to plug according to priority and as funds allow, and to assess the plugging costs to Operator. This shall not preclude Staff from investigating additional potentially-responsible parties.

E. 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.

F. 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.

G. 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.

H. 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.

I. 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: FEB 23 2017

  
\_\_\_\_\_  
Amy L. Green  
Secretary to the Commission

Mailed Date: February 23, 2017

JRM

## **PENALTY RECOMMENDATION**

### **\*\*\*ROUTINE EXPIRED LICENSE VIOLATION\*\*\***

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

<b>Date of Recommendation:</b>	February 20, 2017
<b>Person Recommending Penalty:</b>	John McCannon
<b>Operator Name:</b>	Red Cloud Exploration Operating LLC
<b>Operator License Number:</b>	34224
<b>Regulation Number:</b>	82-3-120
<b>Description of Violation:</b>	Unplugged wells on an expired license.
<b>Date License Expired:</b>	1/30/2017
<b>List of Wells:</b>	See following page (Exhibit A)
<b>Notices Sent to Operator:</b>	<ul style="list-style-type: none"><li>• Notice 45 days before license expiration</li><li>• Notice 15 days before license expiration</li><li>• Notice immediately after license expiration</li></ul>
<b>Date of Notice of Violation Letter:</b>	2/1/17
<b>Deadline in Notice of Violation Letter:</b>	2/15/17
<b>Requested Monetary Penalty:</b>	\$500
<b>Requested Operator Activity:</b>	Renew license, or transfer wells, or plug wells.

# Exhibit A

## Red Cloud Exploration Operating LLC License: 34224

<u>Unplugged Wells on Operator's License</u>				
API Well #	Lease Name / Well #	Well Location	County	
15-073-24134-00-00	GREENWOOD 1-10	16-22S-11E, W2NENENW	GREENWOOD	
15-087-20038-00-00	HECK 1	1-10S-19E, SESENESE	JEFFERSON	
15-087-20046-00-00	HECK 2	1-10S-19E, SESENESE	JEFFERSON	
15-087-20047-00-00	HECK 3	1-10S-19E, SENENESE	JEFFERSON	
15-087-20088-00-01	HECK 7	1-10S-19E, NWSE	JEFFERSON	
15-087-20371-00-00	PETTIT 2-87	32-8S-20E, SWNWNESW	JEFFERSON	
15-087-20405-00-00	ELDON FARRIS 1-88	5-9S-20E, W2SESESE	JEFFERSON	
15-087-20505-00-00	MIKJANIS 1	7-9S-20E, N2NESW	JEFFERSON	
15-087-20516-00-00	MIKJANIS 2	7-9S-20E, N2N2SW	JEFFERSON	
15-087-20527-00-00	EARHART 1	12-9S-19E, NWSESE	JEFFERSON	
15-087-20528-00-00	EARHART 2	12-9S-19E, NENWSE	JEFFERSON	
15-087-20531-00-00	MIKJANIS 3	7-9S-20E, NWNWSW	JEFFERSON	
15-087-20534-00-00	EARHART 3	12-9S-19E, SWSWSE	JEFFERSON	
15-087-20541-00-00	MIKJANIS A 1	7-9S-20E, SWNENW	JEFFERSON	
15-087-20544-00-00	DUNN 1	12-9S-19E, NWNWNE	JEFFERSON	
15-087-20545-00-00	ABEL 1	1-9S-19E, NWSWSE	JEFFERSON	
15-087-20546-00-00	ABEL 2	1-9S-19E, NWSESE	JEFFERSON	
15-125-01702-00-02	STURGEON 1 W	12-31S-16E, SESWSWNE	MONTGOMERY	
15-125-02771-00-00	STURGEON STU-3A	12-31S-16E, SWSWNE	MONTGOMERY	
15-125-02772-00-00	STURGEON STU-7A	12-31S-16E, SWSWSWNE	MONTGOMERY	
15-125-02773-00-00	STURGEON STU-2A	12-31S-16E, SESWNE	MONTGOMERY	
15-125-20755-00-01	STURGEON 11	12-31S-16E, SWSWSWNE	MONTGOMERY	
15-125-28747-00-00	STURGEON KCDA 1	12-31S-16E, NWSWSWNE	MONTGOMERY	
15-125-31412-00-00	STURGEON HEMI 1	12-31S-16E, NESESWNE	MONTGOMERY	
15-207-19171-00-00	TEBBENS 1	20-25S-17E, E2NESESE	WOODSON	
15-207-19172-00-00	TEBBENS 2	20-25S-17E, W2NESESE	WOODSON	
15-207-19173-00-00	TEBBENS 20	29-25S-17E, NENENESE	WOODSON	

15-207-19174-00-00	TEBBENS	21	29-25S-17E, NNWNESE	WOODSON
15-207-19175-00-00	TEBBENS	22	29-25S-17E, NENWNESE	WOODSON
15-207-19176-00-00	BENNETT	2	28-25S-17E, N2SWSWNE	WOODSON
15-207-19177-00-00	BENNETT	3	28-25S-17E, S2SWSWNE	WOODSON
15-207-19178-00-00	BENNETT	4	28-25S-17E, W2NWSWNE	WOODSON
15-207-19179-00-00	BENNETT	5	28-25S-17E, NWSWSWNE	WOODSON
15-207-19180-00-00	BENNETT	6	28-25S-17E, SESWSWNE	WOODSON
15-207-19181-00-00	BENNETT	8	28-25S-17E, NWSWNE	WOODSON
15-207-19182-00-00	BENNETT	9	28-25S-17E, W2SWSWNE	WOODSON
15-207-19183-00-00	BENNETT	10	28-25S-17E, NENWSWNE	WOODSON
15-207-19184-00-00	BENNETT	11	28-25S-17E, N2NWSWNE	WOODSON
15-207-19185-00-00	BENNETT	12	28-25S-17E, S2SWNWNE	WOODSON
15-207-19245-00-00	PURCELL	3	20-25S-17E, NESESWNE	WOODSON
15-207-19246-00-00	PURCELL	5	20-25S-17E, NENWNWSE	WOODSON
15-207-19247-00-00	PURCELL	13	20-25S-17E, NWSWSENE	WOODSON
15-207-19248-00-00	PURCELL	B-3	20-25S-17E, SESWSENE	WOODSON
15-207-19249-00-00	PURCELL	OW-1	20-25S-17E, SESESENE	WOODSON
15-207-19250-00-00	PURCELL	OW-4	20-25S-17E, SWNESENE	WOODSON
15-207-19251-00-00	PURCELL	OW-5	20-25S-17E, SENWSENE	WOODSON
15-207-19252-00-00	PURCELL	OW-6	20-25S-17E, SWNWSENE	WOODSON
15-207-19258-00-00	RENO	3	21-25S-17E, SWSWSE	WOODSON
15-207-19259-00-00	RENO	4	21-25S-17E, NWNWSW	WOODSON
15-207-19260-00-00	SILVEY	OW6	28-25S-17E, SENENW	WOODSON
15-207-19261-00-00	SILVEY	OW8	28-25S-17E, NWNWNW	WOODSON
15-207-19262-00-00	SILVEY	OW16	28-25S-17E, NESENW	WOODSON
15-207-19263-00-00	PURCELL	7	20-25S-17E, NENWSE	WOODSON
15-207-19264-00-00	PURCELL	8	20-25S-17E, NNWENWSE	WOODSON
15-207-19265-00-00	PURCELL	9	20-25S-17E, SWNESE	WOODSON
15-207-19266-00-00	PURCELL	12	20-25S-17E, NESESE	WOODSON
15-207-20483-00-00	TEBBENS	3	20-25S-17E, E2SESESE	WOODSON
15-207-20490-00-00	PURCELL	15	20-25S-17E, NWNESE	WOODSON
15-207-20491-00-00	RENO	5	21-25S-17E, SWSWSW	WOODSON
15-207-20492-00-00	TEBBENS	4	20-25S-17E, SESESE	WOODSON
15-207-20495-00-00	TEBBENS	6	20-25S-17E, W2SWSESE	WOODSON
15-207-20496-00-00	TEBBENS	7	20-25S-17E, W2NWSESE	WOODSON
15-207-20497-00-00	TEBBENS	8	20-25S-17E, E2NWSESE	WOODSON
15-207-20499-00-00	PURCELL	16	20-25S-17E, S2NENESE	WOODSON
15-207-20500-00-00	PURCELL	17	20-25S-17E, S2SWSENE	WOODSON
15-207-20502-00-00	PURCELL	18	20-25S-17E, NESESE	WOODSON
15-207-20504-00-00	PURCELL	20	20-25S-17E, SWNESE	WOODSON



15-207-20505-00-00	PURCELL	21	20-25S-17E, SESESWSE	WOODSON
15-207-20506-00-00	SILVEY-ORTH	9	28-25S-17E, NWNNWNW	WOODSON
15-207-20508-00-00	TEBBENS	10	29-25S-17E, NENENE	WOODSON
15-207-20509-00-00	TEBBENS	11	29-25S-17E, NWNENE	WOODSON
15-207-20510-00-00	TEBBENS	12	29-25S-17E, W2NWNENE	WOODSON
15-207-20511-00-00	TEBBENS	13	29-25S-17E, W2NENWNE	WOODSON
15-207-20512-00-00	TEBBENS	14	29-25S-17E, SENENENE	WOODSON
15-207-20514-00-00	SILVEY-ORTH	11	28-25S-17E, SWNNWNW	WOODSON
15-207-20515-00-00	PURCELL	22	20-25S-17E, SESWSE	WOODSON
15-207-20522-00-00	SILVEY-ORTH	15	28-25S-17E, SWNNWNW	WOODSON
15-207-20523-00-00	SILVEY-ORTH	16	28-25S-17E, NWSWNW	WOODSON
15-207-20524-00-00	SILVEY-ORTH	17	28-25S-17E, NESENW	WOODSON
15-207-20525-00-00	SILVEY-ORTH	18	28-25S-17E, SENENW	WOODSON
15-207-20526-00-00	SILVEY-ORTH	19	28-25S-17E, SWNENW	WOODSON
15-207-20528-00-00	SILVEY-ORTH	20	28-25S-17E, SWNENW	WOODSON
15-207-20529-00-00	SILVEY-ORTH	21	28-25S-17E, NWSENW	WOODSON
15-207-20532-00-00	PURCELL	25	20-25S-17E, SWNESWSE	WOODSON
15-207-20544-00-00	RENO	6	21-25S-17E, NWSWSW	WOODSON
15-207-20547-00-00	RENO	7	21-25S-17E, NWSWSW	WOODSON
15-207-20567-00-00	PURCELL	26	20-25S-17E, SENESWNE	WOODSON
15-207-20568-00-00	PURCELL	27	20-25S-17E, SWSWNE	WOODSON
15-207-20570-00-00	PURCELL	28	20-25S-17E, N2NWNWSE	WOODSON
15-207-20574-00-00	PURCELL	29	20-25S-17E, NWNWNWSE	WOODSON
15-207-20576-00-00	PURCELL	31	20-25S-17E, SENESENE	WOODSON
15-207-20650-00-00	PURCELL	38	20-25S-17E, SWSESENE	WOODSON
15-207-20651-00-00	PURCELL	39	20-25S-17E, NWSESENE	WOODSON
15-207-20716-00-00	PURCELL	42	20-25S-17E, NESESENE	WOODSON
15-207-20718-00-00	PURCELL	43	20-25S-17E, SWSENE	WOODSON
15-207-21548-00-00	TEBBENS	15	29-25S-17E, SENWNENE	WOODSON
15-207-21621-00-00	TEBBENS	16	29-25S-17E, SWNWNENE	WOODSON
15-207-21622-00-00	PURCELL	46	20-25S-17E, NESWSE	WOODSON
15-207-21631-00-01	BENNETT	1 B	28-25S-17E, W2W2NE	WOODSON
15-207-22081-00-00	TEBBENS	17	29-25S-17E, NESENENE	WOODSON
15-207-22082-00-00	TEBBENS	18	29-25S-17E, SENENE	WOODSON
15-207-22083-00-00	TEBBENS	19	29-25S-17E, S2SENENE	WOODSON
15-207-22414-00-00	BENNETT	28	28-25S-17E, SWNWNE	WOODSON
15-207-22415-00-00	BENNETT	38	28-25S-17E, SWNWNE	WOODSON
15-207-23192-00-00	RENO	9	21-25S-17E, NWNWSW	WOODSON
15-207-23193-00-01	RENO	10	21-25S-17E, NWNWSW	WOODSON
15-207-23204-00-00	SILVEY	23	28-25S-17E, NESENW	WOODSON

15-207-23205-00-00	SILVEY	24	28-25S-17E, SENENW	WOODSON
15-207-23206-00-00	SILVEY	25	28-25S-17E, NENENW	WOODSON
15-207-23317-00-00	RENO	12	21-25S-17E, NWNWSW	WOODSON
15-207-23318-00-00	RENO	13	21-25S-17E, SWSWSW	WOODSON
15-207-25992-00-00	ORTH-SILVEY	26-W	28-25S-17E, SESENW	WOODSON
15-207-27112-00-00	RENO	HEMI 2	21-25S-17E, SWSWSW	WOODSON
15-207-27200-00-00	TEBBENS	HEMI 1 SWD	29-25S-17E, NENENENE	WOODSON
15-207-27222-00-00	TEBBENS	HEMI 2	29-25S-17E, NENENENE	WOODSON
15-207-27363-00-00	WESELOH	1	27-24S-16E, NESWNWNW	WOODSON
15-207-27364-00-00	COLLINS	HEMI 1	30-25S-17E, NWNENENE	WOODSON
15-207-27533-00-00	PURCELL	1-09	20-25S-17E, SESESWNW	WOODSON
15-207-27534-00-00	PURCELL	2-09	20-25S-17E, SESESENW	WOODSON
15-207-27535-00-00	RENO	2-09	21-25S-17E, S2NWSESW	WOODSON
15-207-27536-00-00	RENO	3-09	21-25S-17E, SESWSW	WOODSON
15-207-27537-00-00	RENO	4-09	21-25S-17E, SWSWSESW	WOODSON
15-207-27538-00-00	RENO	5-09	21-25S-17E, SESWSWSE	WOODSON
15-207-27547-00-00	RENO	01-09	21-25S-17E, SWNESWSW	WOODSON
15-207-27591-00-00	PURCELL	3-10	20-25S-17E, SWSESWNW	WOODSON
15-207-27592-00-00	PURCELL	2-10	20-25S-17E, SWSWSWNW	WOODSON
15-207-27593-00-00	PURCELL	4-10	20-25S-17E, SWNESWNW	WOODSON
15-207-27594-00-00	PURCELL	5-10	20-25S-17E, NWNWSWNW	WOODSON
15-207-27668-00-00	WEBER	1-10	19-25S-16E, NENENESE	WOODSON
15-207-27669-00-00	WEBER	2-10	19-25S-16E, NESENESE	WOODSON
15-207-27670-00-00	WEBER	3-10	19-25S-16E, SENWNESE	WOODSON
15-207-27671-00-00	WEBER	4-10	19-25S-16E, NENWNESE	WOODSON

**CERTIFICATE OF SERVICE**

I certify that on 2/23/17, 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:

Kevin J. Sylla  
Red Cloud Exploration Operating LLC  
22287 Mulholland Hwy #350  
Calabasas, CA 91302

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