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November 9, 2018

Kansas Corporation Commission, Conservation Division 266 N Main Street, Suite 220 Wichita, KS 67202-1513

Re: Request for Hearing – Docket No. 19-CONS-3150-CPEN

Kansas Crude Investments LLC, License No. 35203

In re: Compliance with K.A.R. 82-3-107 and -130 at the Riedel #4

To whom it may concern:

On behalf of Kansas Crude Investments LLC ("Operator"), we respectfully request a hearing in the above-captioned docket. Operator contends that the penalty order was issued in error or under circumstances that are inequitable, and respectfully requests that the Penalty Order be rescinded and the fines voided.

Background

On March 1, 2018, Operator obtained permission to wash down the Riedel #4 well, API No. 15-051-02844-0001 ("Subject Well"). See Exhibit A, p.1. The Subject Well is located in the Southeast Quarter of the Northwest Quarter of the Southwest Quarter (SE/4 NW/4 SW/4) of Section 31-T13S-R19W, Ellis County, Kansas, approximately 2,210' from the South line and 990' from the West line of said section. Musgrove Petroleum Corp. originally drilled the Subject Well in 1957. The Subject Well appears to have continuously produced oil, either from the Arbuckle or Lansing-Kansas City formations, or both, from 1957 until May 20, 2016, when it was plugged and abandoned by then operator Enterprise, Inc. See Exhibit A, p.5.

Operator acquired the oil and gas lease on the West Half of the Southwest Quarter (W/2 SW/4) of Section 31-T13S-R19W in October of 2017. Soon thereafter Operator proceeded to rework the Riedel #7 and Riedel #2 oil wells and bring them back into production, along with the Riedel #1 SWD well. The success of those operations prompted Operator to seek permission to

wash down the Subject Well and test it for commercial quantities of oil from the Arbuckle formation.

The well plugging record filed in 2016 indicated cement plugs were set in the Subject Well at 3,518', 1,968', and at surface. *See* Exhibit A, p.5. As stated above, Operator obtained Commission approval to wash down the Subject Well on March 1, 2018, and on or about May 23, 2018, Operator notified District 4 that he intended to spud the Subject Well. Several days thereafter Operator commenced operations to wash down the Subject Well.

Operator soon discovered that there were not three individual cement plugs set in the Subject Well. Rather, there was essentially a continuous column of cement from 30' to 3,700' feet set inside the Subject Well. Operator drilled on the Subject Well for weeks before drilling through the bottom of the cement column. Then, after clearing a brief 120' void, Operator drilled into iron. Operator believes this iron to be a retrievable bridge plug set decades ago above the top of the Arbuckle formation. Operator subsequently spent weeks milling on the iron part, trying to fish it out of the hole, and attempting to wash it over. Unfortunately, Operator's drilling rig broke down just as Operator believed it was about to finally clear the iron impediment from the Subject Well. The rig is currently in the shop getting repaired, and Operator has been advised that it will be a couple weeks before the rig is repaired. Once repaired, Operator intends to rig back up over the Subject Well and finish clearing out the iron impediment and drilling the Subject Well to total depth. Operator believes it could reach total depth soon after recommencing wash down operations, with the Subject Well tested and completed for production (or drilled and abandoned) within a month or two.

Operator has not submitted a well completion report for the Subject Well because there is nothing to report. Operator has not reached the objective total depth, and all the casing that is cemented inside the Subject Well is the same casing that was in the well when it was originally drilled in 1957. Operator did not submit a completion report because it did not want to misrepresent to the Commission that the Subject Well was completed, when it was not.

Operator contacted Commission staff by phone one day after receiving the Notice of Violation attached as Exhibit A to the Penalty Order. Operator advised staff of the difficulties it had encountered in washing down the Subject Well. In response, Commission staff told Operator that the file had been noted, and that Operator may disregard the Notice of Violation and that no further enforcement action related to the Subject Well would be taken at that time. Relying on that representation, Operator continued drilling on the Subject Well without submitting a well completion report. A couple weeks later the drilling rig broke down, and on October 25, 2018, Operator contacted Commission staff, this time by email, to obtain permission to remove the rig from the Subject Well so it could be repaired. *See* Exhibit B. In response to that request, Operator learned that the Commission had entered the penalty order in this docket that same day.

Request for Rescission of the Penalty Order or Hearing

The Penalty Order finds that Operator violated K.A.R. 82-3-107 and -130. -107 requires that an operator submit certain specified data with the well completion report within 120 days after commencing recompletion operations in the well. None of the data described in -107 is available

to submit to the Commission because the Subject Well is not completed, and because the drilling operation is a wash down not a newly drilled well (e.g., there will be no formation cuttings or cores to send to KGS). -130 requires a well completion report be submitted within 120 days after spudding the Subject Well regardless of the manner in which the well is completed or recompleted, including a well which is dry and abandoned, which report shall include the type, amount, and method of cementing used on all casing strings in the wellbore. Again, as noted above, there is nothing to report because Subject Well has not been completed (or drilled dry) and no new casing strings have been cemented into the wellbore.

Operator contends penalizing it for violating Commission regulations would be in error or inequitable. After receiving the Notice of Violation, Operator contacted staff and apprised it of the reason for the delay in completing the well. Staff advised Operator that it could disregard the Notice of Violation and that staff would not continue enforcement proceedings related to the Subject Well. It would be inequitable to now penalize Operator for relying on staff's representations, or for staff's oversight in continuing enforcement proceedings against Operator after it said it would not.

Additionally, none of the data and information that Operator is required to report under - 107 and -130 are available to be reported. There is no consequence of the Commission not having this report at this time, because the report would be blank. Operator is in an impossible position of being required to either furnish information that does not exist or reporting inaccurate information to the Commission under oath. The regulations should not be interpreted in that manner against Operator under these unusual circumstances. On these grounds, imposition of the Penalty Order and fines would be unreasonable, arbitrary and capricious towards Operator.

For these reasons, Operator respectfully requests that the penalty order in this docket be rescinded, or that this matter be set for hearing. To the extent a formal request for additional time to submit the well completion report for the Subject Well is necessary, Operator respectfully submits that request. See K.A.R. 82-3-107(d)(2), -130(b).

Sincerely,

Jonathan A. Schlatter

For the Firm

Attorneys for Kansas Crude Investments LLC

JAS/cah Encl.

cc: Lauren Wright, KCC Litigation Counsel

KOLAR Document ID: 1396491

District #	RPORATION COMMISSION CONSERVATION DIVISION PFINTENT TO DRILL	Form C-1 March 2010 Form must be Typed Form must be Signed All blanks must be Filled
Must be approved by KC	CC five (5) days prior to commencing well lansas Surface Owner Notification Act, MUST be submitt	
·	ansas Surface Owner Nounication Act, WOST be Submitte	eu war ans form.
Expected Spud Date: 04/01/2018 month day year	Spot Description:	
, ,	S2 NE - NW - SW Sec. 31 Twp	
OPERATOR: License#	feet from	n N / S Line of Section
Name: Kansas Crude Investments LLC	leet iror	m E / W Line of Section
Address 1: 1593 220TH AVE	Is SECTION: Regular I Irregular?	
Address 2:	(Note: Locate well on the Section	Plat on reverse side)
Contact Person: Trevor Calvin	County:	
Phone:	Lease Name: Riedel	Well #: 4
	Field Name: Irvin	
CONTRACTOR: License#	is this at rolated, operation	Yes No
MAILE: Value on voor 1 mast he incersed by voo	Target Formation(s): Arbuckle	. 600
Well Drilled For: Well Class: Type Equipment:	Nearest Lease or unit boundary line (in footage	
XOil ☐ Enh Rec	Ground Surface Elevation: 2230 Estimated	feet MSL
Gas Storage Pool Ext. Air Rotary	Water well within one-quarter mile:	Yes No
Disposal Wildcat Cable	Public water supply well within one mile: Depth to bottom of fresh water: 180	☐Yes XNo
Seismic ; # of Holes Other	Depth to bottom of resh water: 750	
Other:	Surface Pipe by Alternate:	
If OWWO: old well information as follows:	Length of Surface Pipe Planned to be set: 250	ס
Operator: Musgrove Petroleum Corp	Length of Conductor Pipe (if any):	
Well Name: Riedel		
Original Completion Date: 05/05/1957 Original Total Depth: 4010	Formation at Total Depth: Arbuckle	
— — —	Water Source for Drilling Operations:	
Directional, Deviated or Horizontal wellbore?		ed
If Yes, true vertical depth:	DWR Permit #:	
Bottom Hole Location:KCC DKT #:	(Note: Apply for Fernix Wi	<u> </u>
NUL 11N 1 #:	Will Cores be taken?	☐Yes 🔀 No
	Will Golds be taken:	
owwo	If Yes, proposed zone:	
	If Yes, proposed zone:AFFIDAVIT	
owwo	If Yes, proposed zone:AFFIDAVIT	
OWWO The undersigned hereby affirms that the drilling, completion and event	If Yes, proposed zone: AFFIDAVIT tual plugging of this well will comply with K.S.A. 55 et. see on each drilling rig; be set by circulating cement to the top; in all cases surfatinto the underlying formation. the district office on plug length and placement is necesser plugged or production casing is cemented in; emented from below any usable water to surface within a right of the top; which applies to the KCC District 3 are	eq. ace pipe <i>shall be set</i> sary <i>prior to plugging;</i> 120 DAYS of spud date. ea, alternate II cementing
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For KCC Use ONLY	
API # 15 - 15-051-0284	14-00-01

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator: Ka	ansas Crude Investments Ll	_C		Location of We 2210	
Well Number	r. 4			990	feet from N / X S Line of Section Feet from E / X W Line of Section
Field: Irvin	1,			Sec. 31	_ Twp. 13 S. R. 19 E ⊠ w
	Acres attributable to well TR/QTR of acreage:		SW	Is Section:	Kegular or ☐ Irregular
				If Section is Ir Section corner	regular, locate well from nearest corner boundary. used: NENWSESSW
1		es, pipelines and electric	to the nearest le cal lines, as req		ary line. Show the predicted locations of s Surface Owner Notice Act (House Bill 2032). ed.
		:			
					LEGEND
					O Well Location Tank Battery Location Pipeline Location Electric Line Location Lease Road Location
990 ft. –	φ	31			EXAMPLE
					1980' FSL

NOTE: In all cases locate the spot of the proposed drilling locaton.

$2210\ ft.$ In plotting the proposed location of the well, you must show:

- 1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
- 2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
- 3. The distance to the nearest lease or unit boundary line (in footage).
- 4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).

SEWARD CO. 3390' FEL

5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

KOLAR Document ID: 1396491

Kansas Corporation Commission Oil & Gas Conservation Division

Form CDP-1 May 2010 Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Distance to nearest water well within one-mile of pit:	Operator Name: Kansas Crude Investments LLC		License Number: 35203				
Pit Location (QQQQ): Type of Pit:	Operator Address: 1593 220TH AVE			HAYS KS 67601			
Type of Pit: Emergency Pit Burn Pit	Contact Person: Trevor Calvin			Phone Number: 785-656-0551			
Secting Pit Surring Pit Pit capacity: Pit capacity: Pit capacity: Ti1 (bbts) Dilling Pit Surring Pit Pit capacity: Pit capacity: Ti1 (bbts) Dilling Pit Pit capacity: Ti1 (bbts) Dilling Pit Pit capacity: Ti1 (bbts) Dilling Pit Surring Pit Surring Pit Dilling Pi	Lease Name & Well No.: Riedel	4		Pit Location (QQQQ):			
Depth from ground level to deepest point: 8	Type of Pit: Emergency Pit Burn Pit Settling Pit X Drilling Pit Workover Pit Haul-Off Pit (If WP Supply API No. or Year Drilled) Is the pit located in a Sensitive Ground Water A Is the bottom below ground level? X Yes No	Pit is: X Proposed If Existing, date co Pit capacity: 171 Artificial Liner? X Yes N	nstructed:(bbls) No	S2 _ NE _ NW _ SW Sec 31 _ Twp 13 _ R 19 East X West			
Source of information: 993	Depth from ground level to deepest point: 8 (feet) No Pit If the pit is lined give a brief description of the liner material, thickness and installation procedure. Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.						
X Liner ☐ Steel Pit X RFAC ☐ RFAS	Source of info 993 feet Depth of water well 40 feet measured Emergency, Settling and Burn Pits ONLY: Producing Formation: Type of materi Number of producing wells on lease: Number of wo Barrels of fluid produced daily: Abandonment Does the slope from the tank battery allow all spilled fluids to flow into the pit? Yes No Source of info measured Abandon Type of materi Number of wo Abandonment Drill pits must			well owner electric log KDWR kover and Haul-Off Pits ONLY: rial utilized in drilling/workover: orking pits to be utilized: t procedure: haul fluid to disposal/let dry and back fill			
X Liner ☐ Steel Pit X RFAC ☐ RFAS							
	02/28/2018			X Liner Steel Pit X RFAC RFAS			

KOLAR Document ID: 1396491

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form KSONA-1 January 2014 Form Must Be Typed Form must be Signed All blanks must be Filled

CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

	·				
OPERATOR: License # 35203	Well Location:				
Name: Kansas Crude Investments LLC	S2 _NE _NW_SW Sec. 31 Twp. 13 S. R. 19 East West				
Address 1: 1593 220TH AVE	County: Ellis				
Address 2:	Lease Name: Riedel Well #: 4				
City: HAYS State: KS Zip: 67601 +	If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:				
Contact Person: Trevor Calvin					
Phone: () Fax: ()	_				
Email Address:	_				
Surface Owner Information:					
Name: Marian Veley	When filing a Form T-1 involving multiple surface owners, attach an additional				
Address 1: 1639 Bullevard St	sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the				
Address 2:	county, and in the real estate property tax records of the county treasurer.				
City: Philomath State: Oregon Zip: 97370 +					
the KCC with a plat showing the predicted locations of lease roads, t	thodic Protection Borehole Intent), you must supply the surface owners and tank batteries, pipelines, and electrical lines. The locations shown on the plat d on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.				
Select one of the following:					
owner(s) of the land upon which the subject well is or will b	e Act (House Bill 2032), I have provided the following to the surface be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form rm being filed is a Form C-1 or Form CB-1, the plat(s) required by this x, and email address.				
KCC will be required to send this information to the surface	I acknowledge that, because I have not provided this information, the eowner(s). To mitigate the additional cost of the KCC performing this ess of the surface owner by filling out the top section of this form and the KCC, which is enclosed with this form.				
If choosing the second option, submit payment of the \$30.00 handleform and the associated Form C-1, Form CB-1, Form T-1, or Form C	ing fee with this form. If the fee is not received with this form, the KSONA-1 CP-1 will be returned.				
L Submitted Electronically					

Submitted Electronically



Notice: Fill out COMPLETELY and return to Conservation Division at the address below within 60 days from plugging date.

State of Kansas

Steve Weilert

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

1314010

Employee of Operator or Operator on above-described well,

Form CP-4
March 2009
Type or Print on this Form
Form must be Signed
All blanks must be Filled

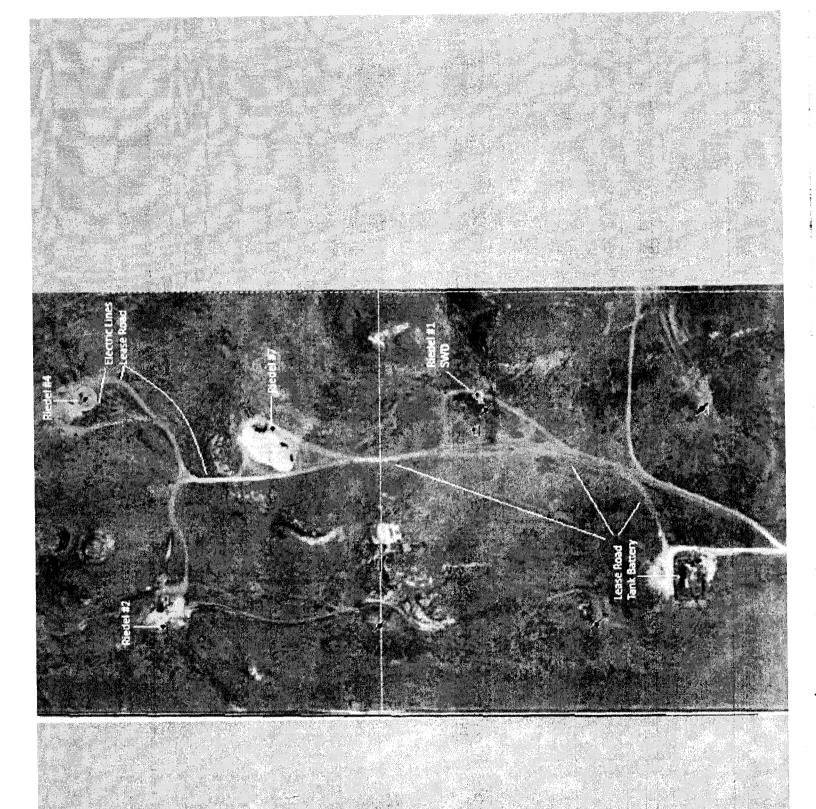
WELL PLUGGING RECORD K.A.R. 82-3-117

OPERATOR: License #: 31240 Name: Enterprise Inc Address 1: 2708 BARCLAY DR Address 2: City: HAYS State: KS_Zip: 67601_ + 2125 Contact Person: Steve Weilert Phone: (785_) 650-1952 Type of Well: (Check one)			2125	API No. 15 - 15-051-02844-00-00 Spot Description: S2 -NE NW SW Sec. 31 Twp. 13 S. R. 19 East West 2210 Feet from North / South Line of Section 4290 Feet from East / West Line of Section Footages Calculated from Nearest Outside Section Corner: NE NW SE SW County: Ellis Lease Name: RIEDEL Well #: 4 Date Well Completed: The plugging proposal was approved on: (KCC District Agent's Name) Plugging Commenced: 5/19/2016 Plugging Completed: 5/20/2016		
	ess of all water, oil and gas fo	rmations.			<u> </u>	
ļ <u>.</u>	Water Records			Record (Surfa	ace, Conductor & Prod	
Formation	Content	Casing	Size		Setting Depth	Pulled Out
		Surface	8.87		250	
		Production	5.5		3924	
cement or other plugs v	nanner in which the well is plowere used, state the characte	r of same depth placed from				ods used in introducing it into the hole. If
Plugging Contractor Lic Address 1: PO BO City: PLAINVILL Phone: (785) 43	X 66		Address	s 2:	`	LLC zip: 67663 +
Name of Party Respons	sible for Plugging Fees St	eve Weilert				

being first duly sworn on oath, says: That I have knowledge of the facts statements, and matters herein contained, and the log of the above-described well is as filed, and the same are true and correct, so help me God.

County, Ellis

(Print Name)



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

March 01, 2018

Trevor Calvin Kansas Crude Investments LLC 1593 220TH AVE HAYS, KS 67601

Re: Drilling Pit Application Riedel 4 SW/4 Sec.31-13S-19W Ellis County, Kansas

Dear Trevor Calvin:

District staff has inspected the location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the reserve pit be lined. If a plastic liner is to be used it must have a minimum thickness of 10 mil. Integrity of the liner must be maintained at all times.

If production casing is set all completion fluids shall be removed from the working pits daily. NO completion fluids or non-exempt wastes shall be placed in the reserve pit.

The fluids are to be removed from the reserve pit within 72 hours of completion of drilling operations. The fluids should be taken to an authorized disposal well. Please call the District Office at (785) 261-6250 when the fluids have been removed. Please file form CDP-5 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

A copy of this letter should be posted in the doghouse along with the approved Intent to Drill. If you have any questions or concerns please feel free to contact the District Office at (785) 261-6250.

From:

Trevor Calvin <kansascrudeinvestments@outlook.com>

Sent:

Monday, October 29, 2018 8:14 PM

To: Subject: Jonathan Schlatter Fwd: Riedel #4 Request

Sent from my iPhone

Begin forwarded message:

From: Rene Stucky <<u>r.stucky@kcc.ks.gov</u>> Date: October 29, 2018 at 4:35:37 PM CDT

To: Trevor Calvin <kansascrudeinvestments@outlook.com>

Subject: RE: Riedel #4 Request

Trevor,

I am sorry but the Commission has already issued the penalty. It is docket 19-CONS-3150-CPEN. You would need to dispute it and request a hearing through legal. I have no control on it now. Unfortunately probably cheaper to just pat the \$100 (I believe that is what it is). However, to give yourself some time I would recommend you dispute it, then when you complete the well file the ACO-1 and you can drop the dispute if you do not want to go to hearing.

Rene

Rene Stucky

UIC Director/Production Supervisor Kansas Corporation Commission 266 N Main St., Ste.220 Wichita, KS 67202-1513 316-337-6223

From: Trevor Calvin < kansascrudeinvestments@outlook.com >

Sent: Friday, October 26, 2018 7:27 AM To: Rene Stucky < r. stucky@kcc.ks.gov>

Subject: Riedel #4 Request

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Mr. Stucky,

Kansas Crude Investments, LLC filed an intent to drill on or around March 1, 2018 on the Riedel #4 Well in Ellis County, Kansas. API # 15-051-02844-0001. The expected spud date was April 1, 2018. Prior to spudding the, the District #4 office was notified. We drilled cement 30'-3700'. After falling through cement we hit a 120' void and ran into iron. We have milled, fished, and

are in the process of washing over whatever may be down the hole. In the last couple weeks, our rig has shown signs of a bearing going out on our Frank's Box.

I am writing you to request permission to rig down and take the rig to the shop to be fixed. In addition, extend all permits for the necessary duration of time to get to the bottom of the hole. I would assume it will take 2 weeks to 3 weeks tops to get the rig fixed and back on location. If there is anything else I need to do please let me know.

Thank you in advance.

Kansas Crude Investments, LLC Trevor Calvin 1593 220th Avenue Hays, KS 67601 (785) 656-0551