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June 26, 2015

VIA EMAIL TO:

Kansas Corporation Commission,
Conservation Division
Attn: Jon Myers, Litigation Counsel
j.myers@kcc.ks.gov

RE: Penalty Order – 15-CONS-638-CPEN
Torchlight Energy Operating, LLC, Operator's License No. 35023

Mr. Myers:

Our Firm serves as counsel to Torchlight Energy Operating, LLC ("Torchlight"). Two penalty orders have been entered against Torchlight in the above-referenced docket, one for failing to plug, temporarily abandon or return to production the Hoffman 1-25 well in accordance with K.A.R. 82-3-111, and another for failing to comply with the terms of that order. Torchlight objects to these penalties and respectfully requests a hearing in this matter.

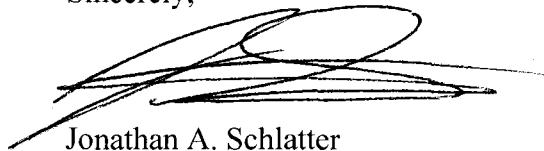
As I, Torchlight, and ARDC, Inc. have communicated on numerous occasions to central and District 2 staff, since prior to entry of the original penalty order Torchlight has been in the process of selling the wells and leases it owns in Kansas¹ to ARDC, Inc. The transaction is now set to close June 30, 2015. Obviously, plugging the wells on the property would inhibit the ability to close the sale transaction, cause economic waste and potentially waste of the State's natural resources. None of the wells in issue present a threat to the fresh and usable waters of Kansas, as evidenced by fluid levels disclosed on the TA applications submitted for each and every one of the

¹ See Penalty Order dated June 6, 2015, ¶¶ 3-6, for a list of the wells.

wells. Further, Torchlight has paid the fine and ceased operations and shut in all of its wells in compliance with the initial order entered in this docket.

The \$10,000 fine is arbitrary and punitive. In the first place, it was unreasonable to summarily deny the TA application for the Hoffman 1-25 well for no reason other than Torchlight did not have a current oil and gas lease in place. As I and Torchlight communicated to the District 2 office on numerous occasions, Torchlight was actively negotiating for a new lease on the property so it could workover the well (i.e., prevent waste), and should have been afforded time to obtain one. Fluid levels were shot in the well, and it clearly presented no danger to fresh and usable waters. To now fine Torchlight an additional \$10,000 for essentially the same unreasonable violation appears wholly punitive. Again, Torchlight has repeatedly communicated to staff that it is in the process of selling its Kansas wells and leases to ARDC, Inc. Torchlight has been provided no rationale reason why these wells now need to be plugged. Staff has granted TA status to all of the wells, with the exception of the Hoffman 1-25, which should have been afforded TA status. For these reasons, Torchlight asks that the Commission waive the \$10,000 penalty.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan A. Schlatter', with a large, stylized flourish extending to the right.

Jonathan A. Schlatter
For the Firm

JAS/cda