

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the matter of an Order to Show Cause issued) Docket No.: 18-CONS-3053-CSHO
to Southwind Petroleum Corporation)
("Operator") for its failure to comply with) CONSERVATION DIVISION
K.A.R. 82-3-602 at the Dirks #27-2 in Rush)
County, Kansas.) License No.: 6743

MOTION TO APPROVE SETTLEMENT AGREEMENT

Commission Staff (Staff) of the State Corporation Commission of the State of Kansas (Commission) files this Motion to Approve Settlement Agreement. In support of its Motion, Staff states as follows:

1. On July 17, 2017, Commission Staff filed a Motion for an Order to Show Cause, Alleging Operator had failed to close a pit in violation of K.A.R. 82-3-602(a)(1)(A) and contrary to the representations made by Operator in its March 31, 2016 CDP-4 filing.
2. On August 22, 2017, the Commission issued an Order to Show Cause, setting an October 2, 2017, prehearing conference, subsequently continued to February 2, 2018.
3. Staff and Operator have reached a settlement in this matter. Staff believes the attached Settlement Agreement constitutes a reasonable resolution of all issues in this docket and respectfully requests that it be approved.

WHEREFORE, Staff requests this motion be granted.

Respectfully submitted,



Jonathan R. Myers, #25975
Lauren N. Wright, #27616
Litigation Counsel,
Kansas Corporation Commission
266 N. Main, Suite 220, Wichita, Kansas 67202
Phone: 316-337-6200; Fax: 316-337-6211

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SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and Southwind Petroleum Corporation ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

I. JURISDICTION

1. Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.
2. Pursuant to K.S.A. 55-150 *et seq.*, the Commission has authority to regulate the construction, operation, and abandonment of any well and the protection of the useable water of this state from any actual or potential pollution from any well.
3. Pursuant to K.S.A. 55-155, operators and contractors, as defined in K.S.A. 55-150, shall be licensed by the Commission.
4. Pursuant to K.S.A. 55-162, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.

5. Pursuant to K.S.A. 55-164, in addition to any other penalty provided by law, the Commission, upon finding that an operator or contractor has violated the provisions of K.S.A. 55-150 *et seq.*, or any rule and regulation or order of the Commission, may impose a penalty not to exceed \$10,000, which shall constitute an actual and substantial economic deterrent to the violation for which the penalty is assessed. In the case of continuing violation, every day such violation continues shall be deemed a separate violation.

6. K.A.R. 82-3-602(a)(1)(A) provides that drilling pits shall be closed within 365 calendar days after the spud date of a well.

7. K.A.R. 82-3-602(c) provides that an operator of a pit shall file a pit closure form within 30 days after closure of the pit.

II. BACKGROUND

8. On July 17, 2017, Commission Staff filed a Motion for an Order to Show Cause, alleging Operator had failed to close a pit in violation of K.A.R. 82-3-602(a)(1)(A) and contrary to the representations made by Operator in its March 31, 2016, CDP-4 filing.

9. On August 22, 2017, the Commission issued an Order to Show Cause, setting an October 2, 2017, prehearing conference, subsequently continued to February 2, 2018.

10. Counsel for Operator and Litigation Counsel for Staff informally discussed the possibility of a settlement. During the informal discussions, Staff and Operator were able to reach mutually agreeable terms in anticipated settlement of the issues. It was agreed that Staff would subsequently reduce the terms to writing and forward the draft to Operator for approval and signature.

III. TERMS OF THE STIPULATED SETTLEMENT AGREEMENT

11. The parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the stipulations as set forth below.

12. Within 60 days of the effective date of this Agreement, Operator shall empty all pits at the Dirks #27-2 (API #15-165-22104), Eileen Hagerman #4-5 (API #15-145-21811), and Karst-Hoskins #27-3 (API #15-163-22109) locations (collectively “the subject locations”); close all pits; file complete, accurate pit closure forms for such closures; and file complete, accurate waste transfer forms as applicable.

13. Operator shall be found to have committed one violation of K.A.R. 82-3-602(a)(1)(A). Within 90 days of the effective date of this Agreement, Operator shall pay a \$1,000 penalty for its violation of K.A.R. 82-3-602(a)(1)(A).

14. If Operator fails to comply with any deadline in Paragraph 12 or 13, then Staff will recommend to the Commission that Operator be assessed an additional \$1,000 penalty for each missed deadline. Operator agrees that an additional \$1,000 penalty is a reasonable penalty for failure to comply with each missed deadline in Paragraph 12 or 13.

15. If Operator fails to empty and close all pits at the subject locations within 90 days of the effective date of this Agreement, then Staff will recommend to the Commission that Operator be assessed an additional \$2,500 penalty and may request authorization for Staff to empty and close the pits and assess the costs to Operator. Operator agrees that an additional \$2,500 penalty and assessment of costs is a reasonable consequence for failure to empty and close the pits within 90 days.

16. Operator understands that failure to address the matters set out in Paragraphs 11-15 above and/or failure to pay any penalties or costs set out above could result in the suspension of its license without further notice, and the Commission may submit the matter for judicial enforcement or enforcement through the Kansas Attorney General's Office.

17. Staff agrees to recommend to the Commission that this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

IV. RESERVATIONS

18. This Stipulated Settlement Agreement fully resolves issues specifically addressed between the parties. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

19. The terms and provisions of this Agreement have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any party has the option to terminate this Agreement and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the terms or provisions hereof, unless otherwise provided herein.

20. Unless (and only to the extent) otherwise specified in this Agreement, the signatories to this Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, if the Commission decides not to approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either party fail to fulfill all terms and provisions.

21. Unless (and only to the extent) otherwise specified in this Agreement, this Agreement does not prejudice or waive any party's legal rights, positions, claims, assertions or arguments in any proceedings in this docket, or any other proceeding before the Commission or in any court.

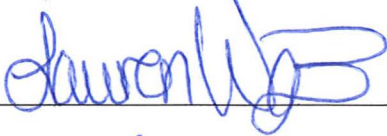
22. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.

23. This Settlement Agreement shall be binding on all parties upon signing.

IN WITNESS WHERETO, the parties hereby execute and approve this Stipulated Settlement Agreement by subscribing their signatures below.

Commission Staff
266 N. Main, Ste. 220
Wichita, Kansas 67202

By:



Printed Name:

Lauren Wright

Title:

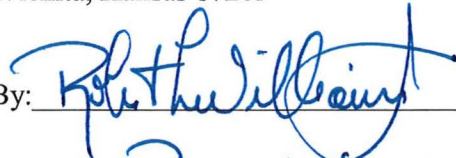
Litigation Counsel

Date:

03/01/18

Southwind Petroleum Corp.
1400 W. 14th Street
Wichita, Kansas 67203

By:



Printed Name:

ROBERT L. WILLIAMS, JR.

Title:

AGENT

Date:

FEB. 26, 2018



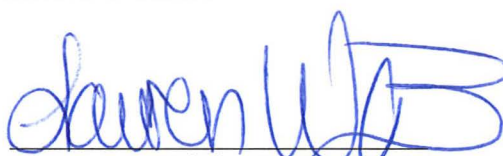
DANIEL WERNERT
WERNERT LAW LLC

ATTORNEY FOR SOUTHWIND PETROLEUM CORP.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SEDGWICK)

Lauren N. Wright, of lawful age, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Motion*, and attests that the statements therein are true to the best of her knowledge, information and belief.

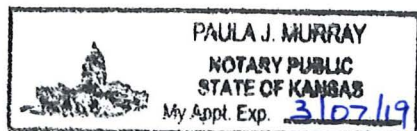


Lauren N. Wright, S. Ct. #27616
Litigation Counsel
State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 1 day of Mar , 2018.


Notary Public

My Appointment Expires: 3/07/19



CERTIFICATE OF SERVICE

I certify that on 3/1/18, I caused a complete and accurate copy of this Motion to be served electronically to the following:

Daniel Wernert
Wernert Law LLC
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El Dorado, KS 67042
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Attorneys for Southwind Petroleum Corporation

Lauren N. Wright, Litigation Counsel
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s.feather@kcc.ks.gov

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