

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

Before Commissioners:            Mark Sievers, Chairman  
   Thomas E. Wright

In the Matter of an Order to Show Cause on    )    Docket No. 12-CONS-198-CSHO  
the Commission's own Motion issued to Paul    )  
C. Carageannis d/b/a SEED Group/AA         )  
Drilling, with regard to his failure to comply )    CONSERVATION DIVISION  
with the provisions of K.A.R. 82-3-111,       )  
K.A.R. 82-3-407, K.A.R. 82-3-603, and       )  
responsibility under K.S.A. 55-179 for       )    License No. 32753 (expired)  
plugging the Warner #1 and Warner #5 in the )  
Northwest Quarter of Section 1, Township 26 )  
South, Range 3 East, Butler County, Kansas. )

In the Matter of the Appeal of the Summary    )    Docket No. 12-CONS-239-CMSC  
License Application Denials of Paul C.       )  
Carageannis                                       )    CONSERVATION DIVISION  
   )  
   )    License No. 32753 (expired)

**ORDER**

This matter comes on before the State Corporation Commission of the State of Kansas ("Commission") on a show cause order issued to Paul C. Carageannis (Docket No. 12-CONS-198-CSHO) and Carageannis' appeal of summary license application denials (Docket No. 12-CONS-239-CMSC). The Commission after giving due consideration to the record herein, Kansas statutes and its regulations makes the following findings and conclusions.

1. On March 12, 2012, Paul C. Carageannis' license applications doing business as SEED Group and A.A. Drilling were summarily denied because of non-compliance issues with 11-CONS-153-CPEN.
2. Carageannis appealed the license denials and requested a hearing.

3. On January 25, 2012, the Commission issued its Show Cause Order to Carageannis d/b/a SEED Group/A.A. Drilling to show why he was not in violation of K.A.R. 82-3-111, K.A.R. 82-3-407 and K.A.R. 82-3-603 and why he should not be considered the responsible party for the wells and remediation on the Warner lease under K.S.A. 55-179.

4. Both matters were noticed for hearing on May 17, 2012.

5. The matters were consolidated for hearing and heard as noticed on May 17, 2012. Joseph H. Cassell appeared on behalf of Mr. Carageannis. Ryan A. Hoffman, Litigation Counsel, appeared on behalf of Commission Staff and the public generally.

6. The Commission examined notice and there being no objection to notice, found that it had jurisdiction of the parties and subject matter.

7. In his opening statement Carageannis stated he was not contesting the allegations in the Show Cause Order and was not contesting the denial of the d/b/a SEED Group license application.

8. Based on Carageannis' statement concerning the allegations in the Show Cause Order and the d/b/a SEED Group license application denial and the fact that there is ample evidence in the record to support such finding the Commission concludes that:

- a. Carageannis failed to comply with K.A.R. 82-3-111, 82-3-407 and 82-3-603 on the Warner lease in the Northwest Quarter of Section 1, Township 26 South, Range 3 East, Butler County, Kansas.
- b. Carageannis is the responsible party for the Warner #1 and Warner #5 wells and should be required to plug the wells within 60 days of the service date of this order.

- c. Carageannis is the responsible party to clean up and remediate, as required by District #2, the spill at the Warner tank battery site.
- d. Carageannis' appeal of the summary denial of his d/b/a SEED Group license application should be denied.

9. The only contested issue in these two dockets was the summary denial of the d/b/a A.A. Drilling license. If granted the license would allow Carageannis d/b/a A.A. Drilling to operate as a drilling contractor and well plugging contractor only, it would not allow Carageannis to operate wells or leases.

10. In his testimony Jeff Klock, District #2 Supervisor, chronicled numerous violations, non-compliance by Carageannis under his Cara Ventures license and SEED Group/A.A. Drilling license. Under his current license Carageannis has had 10 formal penalty orders issued against him for 20 violations. Carageannis is not in compliance with the Commission's order in docket number 11-CONS-153-CPEN and the drilling rig and pulling unit are currently sealed because of the non-compliance. He let his license lapse every year from 2003 to 2010 but continued to operate while his license was expired. He has had to have his operations shut-in three times by the Commission and the Commission ordered his license suspended for a period of time in 2009. Carageannis also has numerous civil law suits and judgments pending that hinder his ability to operate in compliance with Commission regulations.

11. Mr. Klock testified that it is obvious that the monetary penalties, operation shut-ins and license suspension have not deterred Carageannis from further violations. In Mr. Klock's opinion Commission Staff has spent an excessive amount of time and resources regulating Carageannis and would continue to have to do so if Carageannis was given a license of any kind.

12. Carageannis stated that all the civil law suits have been settled and released. He has repurchased his drilling rig and pulling unit from AGV. AGV has taken a promissory note that requires payments every three months for five years by Carageannis and AGV has a security agreement covering the drilling rig and pulling unit. Prior to taking possession of the drilling rig and pulling unit Carageannis must provide liability and physical damage insurance acceptable to AGV. Following the hearing Carageannis provided documentation of the releases in the civil law suits and the settlement agreement in which he repurchased the drilling rig and pulling unit.

13. Carageannis pointed out that all of the conservation violations over the years were associated with well operations, not drilling and servicing operations.

14. Over the years that Carageannis has operated he has demonstrated a gross disregard for compliance with Commission regulations. There is no reason for the Commission to expect this course of conduct to change just because Carageannis only holds a drilling and plugging license. There are regulations that apply to these activities as well and Carageannis' compliance record would dictate that field staff be constantly inspecting his drilling and plugging operations to insure no violations are occurring. The Commission does not have the field staff resources for the level of compliance supervision Carageannis requires.

15. For the stated reasons the Commission finds that Carageannis' appeal of the summary license denial of his d/b/a A.A. Drilling application should be denied.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. The appeal of the summary license denials for Paul C. Carageannis d/b/a SEED Group and d/b/a A.A. Drilling be denied and the summary license denials affirmed.

B. Carageannis failed to comply with K.A.R. 82-3-111, 82-3-407 and K.A.R. 82-3-603 on the Warner lease.

C. Carageannis is the responsible party under K.S.A. 55-179 to plug the Warner #1 and Warner #5 wells.

D. Carageannis is the responsible party to clean up and remediate the spill at the Warner tank battery site.

E. The Warner #1 and #5 wells must be plugged within 60 days of the service date of this order and the spill on the Warner lease cleaned up and remediated as directed by District #2.

F. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). Such a petition must be filed within fifteen (15) days after service of this Order and must state the specific grounds upon which relief is requested. The petition for reconsideration shall be filed with the Executive Director of the Kansas Corporation Commission, 130 S. Market, Room 2078, Wichita, Kansas 67202.

G. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further Order or Orders as from time-to-time it may deem proper.

**BY THE COMMISSION IT IS SO ORDERED.**  
Sievers, Chmn.; Wright, Com.

Dated:           AUG 08 2012          

  
\_\_\_\_\_  
Patrice Petersen-Klein  
Executive Director

Date Mailed:           08-09-2012          

JM

I CERTIFY THE ORIGINAL  
COPY IS ON FILE WITH  
The State Corporation Commission

AUG 08 2012



**CERTIFICATE OF SERVICE**

I hereby certify that on 08-09-2012, I caused a true and correct copy of the foregoing "Order" to be served by placing the same in the United States mail, postage prepaid, to the following parties:

Paul C. Carageannis dba SEED Group/AA Drilling  
P.O. Box 771189  
Wichita, KS 67277-1189

Joseph H. Cassell  
ERON Law Office  
229 E. William St.  
100 O'Rourke Title Building  
Wichita, KS 67202  
Attorney for Paul C. Carageannis dba SEED Group/AA Drilling

Norman G. Manley  
Davis, Manley & Lane, L.L.C.  
116 North Star  
El Dorado, KS 67042

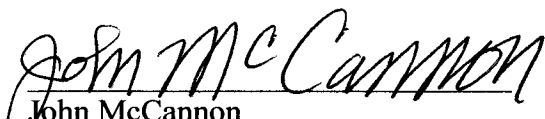
Jeff Klock  
KCC District #2 Office  
3450 N. Rock Road  
Building 600, Suite 601  
Wichita, KS 67226

and by hand delivery to the following:

Ryan A. Hoffman, Litigation Counsel

Alan Snider, Supervisor  
Underground Injection Control

Jonelle Rains, Supervisor  
Environmental Protection & Remediation Department

  
John McCannon  
Litigation Counsel  
Kansas Corporation Commission