

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

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

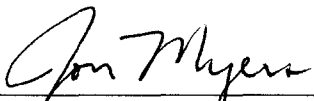
In the matter of the failure of Black Tea Oil,)	Docket No.: 15-CONS-580-CSHO
LLC ("Operator") to comply with K.A.R. 82-)	
3-600 at the McGuire C #1 in Logan County,)	CONSERVATION DIVISION
Kansas.)	
)	License No.: 34639

MOTION FOR THE COMMISSION TO ADOPT
A SETTLEMENT AGREEMENT

Commission Staff moves for the Commission to adopt and approve the attached Settlement Agreement, which has been signed by both parties. Staff believes that the Settlement Agreement represents a fair and efficient manner of resolving the issues described therein.

The Settlement Agreement resolves all matters in this docket, which means that if the settlement is approved, then the currently-scheduled July 23, 2015, hearing would not need to occur. If the Commission rejects the settlement, then Staff requests that the hearing and accompanying deadlines for submission of pre-filed testimony be postponed, as Staff's deadline to submit such testimony is currently July 6, 2015.

Respectfully submitted,



Jonathan R. Myers, #25975
Litigation Counsel
Kansas Corporation Commission
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Wichita, Kansas 67202
Phone: 316-337-6200; Fax: 316-337-6106

SETTLEMENT AGREEMENT

This Settlement Agreement is between Black Tea Oil, LLC (“Operator”) and the Staff of the Corporation Commission of the State of Kansas (“Staff”). The effective date of this Settlement Agreement shall be the date it is approved by an Order of the Commission. If the Commission does not approve this Settlement Agreement by a signed Order, then this Settlement Agreement shall not be binding on either party. This Settlement Agreement shall settle the proceedings instituted in Commission Docket Number 15-CONS-580-CSHO.

A. Background

1. On April 16, 2015, the Commission issued an Order to Show Cause against Operator, based upon Staff’s February 13, 2015, Motion, and March 2, 2015, Supplemental Allegation. Specifically, Staff alleged:

- a. That Operator had recently used a large, earthen pit in a drainage are near the Smoky Hill River, despite repeated Staff warnings that the location was impermissible;
- b. That a spill had occurred at the illegal pit, stretching one-third of a mile from the pit down into the Smoky Hill River, where Staff inspected and found multiple pools of residual oil along the spill route and in the dry bed of the river;
- c. That Operator had failed to report the spill to the Commission, failed to timely clean up the spill, and had falsely stated to the National Response Center that one barrel of oil had been spilled, that no waterways had been affected, and that clean-up had been completed;
- d. That Operator had been injecting fluids into the Free B #1 well without authorization from the Commission;

- e. That Operator had filed approximately 80 Well Completion "ACO-1" Reports with the Commission in the last two years that appeared to have been falsified, as the data on the forms did not match the actual job tickets;
 - f. That since February 2013, the Commission had already penalized Operator for a total of 30 violations of Commission regulations, across eight penalty dockets, including multiple failures to locate pits in approved locations, failures to timely remove fluids from pits, and a spill from a pit, such dockets including \$17,250 in penalties;
 - g. That since May 2014, Operator has twice been suspended for non-compliance with Commission orders; and
 - h. That Kansas Geological Survey records indicated that Operator produced 350,761 barrels of oil in the first 9 months of 2014, representing approximately \$28,000,000 in gross revenue from oil production.
2. Operator did not contest the allegations by Staff, as described in paragraph 1(a) through 1(e) above. Since Staff filed its motion to show cause, Operator has remedied all of the violations alleged, and has taken steps to reduce the chances of future violations, including hiring more employees and training their current employees.

B. Terms of Settlement

3. The Commission shall find that Operator committed one violation of K.A.R. 82-3-400, one violation of K.A.R. 82-3-600, one violation of K.A.R. 82-3-603(d), and one violation of K.A.R. 82-3-603(e).
4. Operator shall pay \$25,000 for its violations in this docket, of which Operator shall pay \$12,500 by August 1, 2015, and the remaining \$12,500 by September 1, 2015.

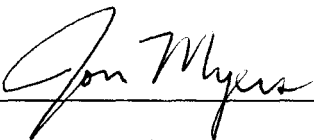
5. If Operator fails to comply with any deadline in Paragraph 4, then Staff shall suspend Operator's license until compliance is obtained. Operator agrees to waive any suspension of Operator's license implemented by Commission Staff due to Operator's failure to comply with this Settlement Agreement.

C. Conclusion

Both parties believe that this Settlement Agreement represents a fair and appropriate resolution to the matters in this docket, and that the Settlement Agreement accomplishes the Commission's duty to enforce Kansas laws pertaining to the protection of usable waters and the prevention of pollution caused by oil and gas activities.

This Settlement Agreement has been agreed to by the undersigned:

Commission Staff

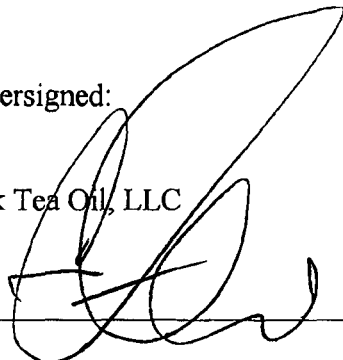
By: 

Printed Name: JON MYERS

Title: LITIGATION COUNSEL

Date: 6/30/15

Black Tea Oil, LLC

By: 

Printed Name: Chris Leiker

Title: President, Managing Member

Date: 6/30/2015

CERTIFICATE OF SERVICE

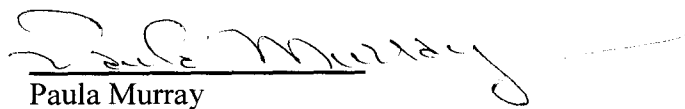
I certify that on 6/30/15, I caused a complete and accurate copy of this Motion to be served via United States mail, with the postage prepaid and properly addressed to the following:

David W. Nickel
Charles C. Steincamp
Depew Gillen et al.
8301 East 21st Street North, Suite 450
Wichita, Kansas 67206
Attorneys for Black Tea Oil, LLC

Case Morris
KCC District #4

And delivered by hand to:

Lane Palmateer
Conservation Division Central Office


Paula Murray
Legal Assistant
Kansas Corporation Commission