

**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)	Docket No.: 14-CONS-921-CSHO
issued to CherokeeNRG LLC regarding)	
responsibility under K.S.A. 55-179 for)	CONSERVATION DIVISION
plugging 27 wells in Allen, Wilson, and)	
Woodson Counties, Kansas.)	License No.: 34769

**ORDER TO SHOW CAUSE, DESIGNATING A PREHEARING OFFICER,
AND SETTING A PREHEARING CONFERENCE**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

I. JURISDICTION

1. The Commission has jurisdiction to regulate oil and gas production in Kansas under Chapter 55 of the Kansas Statutes Annotated and the General Rules and Regulations for the Conservation of Crude Oil and Natural Gas, K.A.R. 82-3-100 *et seq.*
2. K.S.A. 55-162 provides the Commission with jurisdiction to institute proceedings to enforce the laws of Kansas and Commission rules, regulations, and orders.
3. Pursuant to K.S.A. 55-164, the Commission may assess monetary penalties to operators or contractors who are in violation of Chapter 55 of the Kansas Statutes Annotated, or any rule, regulation, or order of the Commission. The maximum monetary penalty is \$10,000, and each day of a continuing violation constitutes a separate violation.
4. K.S.A. 55-179 provides the Commission with jurisdiction to determine the persons legally responsible for the proper care and control of abandoned oil and gas wells.

5. K.S.A. 55-179(b) provides that a person who is legally responsible for the proper care and control of an abandoned well shall include one or more of the following:

- a. Any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water;
- b. the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well;
- c. the original operator who plugged or abandoned such well; and
- d. any person who without authorization tampers with or removes surface equipment or downhole equipment from an abandoned well.

6. K.S.A. 55-180 gives the Commission a cause of action against the responsible parties listed in K.S.A. 55-179 for the reasonable plugging costs of abandoned wells.

II. FINDINGS OF FACT

7. On June 17, 2014, Commission Staff moved the Commission to set this matter for hearing, alleging the following facts (footnotes omitted):

- a. At issue is the party legally responsible for plugging 27 abandoned wells in Allen, Wilson, and Woodson counties. Attached to this motion is Exhibit A, which lists the wells.
- b. In August 2012, CherokeeNRG LLC ("Operator") filed a Well Inventory Form, pursuant to Commission rules and as part of Operator's application for a license. In filing the Well Inventory Form, Operator claimed responsibility for approximately 177 wells.
- c. Operator has successfully filed Request for Change of Operator ("T-1 ") forms for approximately 150 of the 177 wells. For the remaining 27 wells, however,

Operator has not filed the appropriate T-1's. Staff cannot transfer the wells to Operator's license without the appropriate T-1's, which provide evidence of a valid lease or lease transfer.

- d. As a result of Operator's failure to file T-1's for these 27 wells, the wells are not on a current operator's license. Moreover, Staff conversations with Operator indicate that in fact Operator does not have valid leases for the wells.
- e. In September 2013, Commission Litigation Counsel sent a letter to Operator, stating that this matter needed to be resolved to avoid a recommendation that the Commission issue an order to show cause. Since September 2013, Operator and Staff have had various discussions regarding the remaining 27 wells, but recently Operator's progress resolving this matter has stalled.
- f. Operator has claimed responsibility for the 27 wells, but has no valid lease under which it can operate them. Moreover, the wells have been abandoned since at least August 2012. Therefore, Operator needs to plug the wells.

- 8. The motion was served on the operators, and no response was filed.

III. CONCLUSIONS OF LAW

- 9. The Commission finds and concludes that the operators in this docket should attend an evidentiary hearing to show cause why they are not responsible for the subject wells.

- 10. Pursuant to K.S.A. 77-551(c), the Commission finds and concludes that a Prehearing Officer should be designated in this proceeding to address any matters listed in K.S.A. 77-517(b). The Commission also finds that an initial prehearing conference should be scheduled in this matter.

THEREFORE, THE COMMISSION ORDERS:

A. The Prehearing Officer in this proceeding shall be Lane R. Palmateer, Litigation Counsel, Kansas Corporation Commission, 130 S. Market, Room 2078, Wichita, Kansas 67202, telephone number 316-337-6200, email address l.palmateer@kcc.ks.gov.

B. A Prehearing Conference is scheduled for Tuesday, August 5, 2014. The Prehearing Conference shall begin at 1:30 pm, and shall end by 2:30 pm, at the Commission's offices, 266 N. Main, Suite 220, Wichita, Kansas 67202. Telephonic attendance may be permitted by advance request. The Prehearing Conference will focus on the development of a procedural schedule for this docket.

C. At the Prehearing Conference, parties shall be prepared to discuss deadlines for filing testimony and briefs, discovery procedures, scheduling of a hearing with the Commission, and any other issues that will promote the orderly and prompt resolution of this proceeding.

D. At the Prehearing Conference, without further notice, this proceeding may be converted into a conference hearing or a summary proceeding for disposition of this matter as provided by the Kansas Administrative Procedure Act ("KAPA"). Any party that fails to attend or participate in the Prehearing Conference, hearing, or other stage of this proceeding shall be held in default under the KAPA.

E. Pursuant to K.A.R. 82-3-228(d)(2), corporations must enter an appearance via an attorney. If a corporation fails to enter an appearance via an attorney prior to the Prehearing Conference, it shall be held in default under the KAPA.

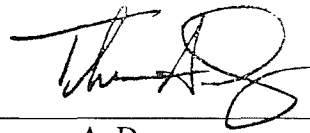
F. The attorney designated to appear on behalf of the agency in this proceeding is Jonathan R. Myers, Litigation Counsel, telephone number 316-337-6200, email address j.myers@kcc.ks.gov.

G. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: JUL 10 2014



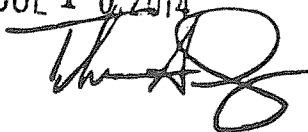
Thomas A. Day
Acting Executive Director

Mailed Date: 7/11/14

LRP

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

JUL 10 2014



API WELL #	Dckt	Well Name	Spot	Sec	Twp	N/S	Rng	W/E	Type	Status	County	TVD	Ftg N/S	F N/S	Ftg E/W	F E/W
15-207-26428-00-00		BECKMAN 1	SESENE	15	25 S		17 E	GAS	PR		WOODSON	820	4290 S		330 E	
15-205-25536-00-00		BRUCE SCHULZ 3	NENWNWSW	33	30 S		17 E	CM	IN		WILSON	940	2460 S		4840 E	
15-001-27314-00-00		CRESS 2	NENEN2NE	35	25 S		17 E	GAS	PR		ALLEN	800	4950 S		1330 E	
15-205-26565-00-00		DENNIS SELLER 1-25	SWSWNESW	25	30 S		16 E	GAS	PR		WILSON	1105	1650 S		3630 E	
15-205-01187-00-00		ECK 2	NESENWNE	25	27 S		13 E	OIL	PR		WILSON		4411 S		1616 E	
15-205-27806-00-00		GUDDER 3-13	SWSWNWNE	13	30 S		16 E	GAS	IN		WILSON	1055	4360 S		2310 E	
15-205-25504-00-00		JOHN HEAD 3	N2N2NWSW	7	30 S		17 E	GAS	PR		WILSON	801	2310 S		4620 E	
15-205-24327-00-02		MEYERS 5-31	N2SESENE	31	30 S		17 E	GAS	PR		WILSON	915	3280 S		330 E	
15-205-20752-00-01		NEWLAND 2	SWSWSWSW	6	30 S		17 E	OIL	PR		WILSON	820	660 S		660 W	
15-205-21007-00-00		NEWLAND 4	E2E2E2SW	6	30 S		17 E	GAS	PR		WILSON	730	1310 S		2310 W	
15-205-25136-00-00	D27483.0	NEWLAND 6	SESEENW	6	30 S		17 E	SWD	AI		WILSON	1316	2970 S		2970 E	
15-205-25339-00-00		SCHULZ 2	NWSWNWSW	33	30 S		17 E	GAS	PR		WILSON	883	1980 S		4620 E	
15-205-25333-00-00		SHULZ 1	NWNWNWNW	33	30 S		17 E	GAS	PR		WILSON	900	4950 S		4950 E	
15-205-24829-00-00		SMALLEY 1	SESENWNE	19	30 S		17 E	GAS	PR		WILSON	827	4290 S		1650 E	
15-205-24830-00-00		SMALLEY 2	SWSWNENW	19	30 S		17 E	GAS	PR		WILSON	653	4290 S		3630 E	
15-205-22916-00-01		STEPANICH 1-31	NENENWNE	31	30 S		17 E	GAS	PR		WILSON	979	5115 S		1900 E	
15-205-25288-00-00		STEPANICH 1A	NWNWNWNW	31	30 S		17 E	GAS	PR		WILSON	1105	330 N		330 W	
15-205-23060-00-00		STEPANICH 2-30	NENENESE	30	30 S		17 E	GAS	PR		WILSON	890	2250 S		565 E	
15-205-23704-00-00		STEPANICH 2-31	SWSWNENW	31	30 S		17 E	GAS	PR		WILSON	1040	4290 S		3630 E	
15-205-25337-00-00		STEPANICH 2-A	W2W2NENW	31	30 S		17 E	GAS	PR		WILSON	823	4620 S		3630 E	
15-205-25338-00-00		STEPANICH 3-A	SWSWSWSW	31	30 S		17 E	GAS	PR		WILSON	923	330 S		4950 E	
15-205-25364-00-00		STEPANICH 4-31	NWSWNWSW	31	30 S		17 E	CM	PR		WILSON	863	1980 S		4620 E	
15-205-24213-00-00		STEPANICH 6-30	NWNWNESE	30	30 S		17 E	GAS	PR		WILSON	890	2310 S		990 E	
15-205-24214-00-00		STEPANICH 7-30	SESESESE	30	30 S		17 E	GAS	PR		WILSON	890	2310 S		990 E	
15-205-24215-00-00		STEPANICH 8-30	SWSWSESE	30	30 S		17 E	GAS	PR		WILSON	905	1320 S		1320 E	
15-205-25583-00-00	D28146.0	V YORK 7	SENWNWNE	16	30 S		17 E	SWD	AI		WILSON	1638	4930 S		2300 E	
15-207-26771-00-00		WHITE 11	N2N2NWSW	34	25 S		17 E	OG	IN		WOODSON	1125	2310 S		4620 E	

Exhibit A

CERTIFICATE OF SERVICE

I certify that on 7/11/14, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Dee Robinson
CherokeeNRG LLC
101 W. Illinois
Vinita, Oklahoma 74301

Douglas L. Shay
Dakota Production Co., Inc.
P.O. Box 350
Neodesha, Kansas 66757

John Almond
KCC District #3
1500 W. 7th Street
Chanute, Kansas 66720

And delivered by hand to:

Jonelle Rains
Conservation Division Central Office

Jon Myers
KCC Litigation Counsel

/s/ Lane R. Palmateer
Lane R. Palmateer
Litigation Counsel
Kansas Corporation Commission