

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

Before Commissioners: Andrew J. French, Chairperson
 Dwight D. Keen
 Annie Kuether

In the matter of the failure of Quito, Inc.) Docket No.: 25-CONS-3230-CPEN
(Operator) to comply with K.A.R. 82-3-407 at)
the Smith-Lolly #5 well in Chautauqua County,) CONSERVATION DIVISION
Kansas.)
_____) License No.: 33594

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-407 regarding the captioned well, assesses a \$1,000 penalty, directs Operator to come into compliance, and further rules as more fully described below.

I. JURISDICTION

1. K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority under K.S.A. 55-155.

2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

3. K.A.R. 82-3-407(a) provides each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water,

prevent damage to sources of oil or gas, and confine fluids to the intervals approved for injection. An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer, and no fluid movement into fresh or usable water. An injection well's mechanical integrity shall be established at least once every five years.

4. K.A.R. 82-3-407(c) provides that the operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.

5. K.A.R. 82-3-407(d) provides that mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.

6. K.A.R. 82-3-407(g) provides that no injection well shall be operated before passing a mechanical integrity test (MIT). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.

II. FINDINGS OF FACT

7. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the Smith-Lolly #5 well (Subject Well), API #15-019-20633-00-00, permitted via Underground Injection Control Permit #E-17888, and located in Section 23, Township 34 South, Range 11 East, Chautauqua County, Kansas.

8. On December 23, 2024, Commission Staff sent a letter to Operator, requiring Operator to contact Commission Staff and to bring the Subject Well into compliance with K.A.R. 82-3-407.¹ The compliance deadline provided by Commission Staff has elapsed.²

9. To date, the Commission has no evidence the Subject Well has been subjected to a current and successful MIT as required by K.A.R. 82-3-407. Staff witnessed no such test and Operator did not inform Staff that such test had been conducted.

III. CONCLUSIONS OF LAW

10. The Commission has jurisdiction over Operator and this matter under K.S.A. 74-623 and K.S.A. 55-152.

11. Operator has committed one violation of K.A.R. 82-3-407 because a current and successful MIT has not been performed on the Subject Well.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$1,000 penalty.

B. Operator shall perform a successful MIT on the Subject Well or plug the well.

C. Operator shall shut-in and disconnect the Subject Well until it has been successfully tested or plugged.

D. Operator may request a hearing on the above issues by submitting a written request, pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.

E. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is

¹ Exhibit A.

² *See Id.*

not in compliance with this Order and the Order is final, then Operator's license shall be suspended without further notice and shall remain suspended until Operator complies. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

F. Credit card payments may be made by calling the Conservation Division at 316-337-6200. Checks and money orders shall be payable to the Kansas Corporation Commission. Payments shall be mailed to the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. Payments must reference the docket number of this proceeding.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner (recused); Kuether, Commissioner

Dated: 01/23/2025



Lynn M. Retz
Executive Director

Mailed Date: 01/23/2025

TSK



Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Corporation Commission

Laura Kelly, Governor

NOTICE OF VIOLATION
MECHANICAL INTEGRITY TEST (MIT)

LICENSE: 33594
QUITO, INC.
1613 W 6TH ST
BARTLESVILLE OK 74003-3712

December 23, 2024

Re: Past Due Mechanical Integrity Test

Operator:

Commission records indicate that a current Mechanical Integrity Test (MIT) has not been conducted for the wells listed on the next page.

It is a violation of K.A.R. 82-3-407 for an operator to fail to conduct a timely MIT.

**Failure to conduct an MIT on the well(s)
by January 06, 2025
shall be punishable by a \$1,000 per well penalty.**

- The date of the MIT must be mutually agreed upon with Commission staff.
- Please contact the Commission district staff at least 2 days prior to your proposed testing date.
- A representative of the operator must be on site during the MIT.
- The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c) of the General Rules and Regulations for the State of Kansas.

You will be penalized if you do not contact District staff by January 06, 2025.

If you received a letter with a later deadline because this well failed an MIT, disregard this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Sims".

DUANE SIMS
KCC District # 3

December 23, 2024

List of Wells: PAST Due for a Mechanical Integrity Test

DOCKET	API Well #	Lease Name / Well #	Well Location	County	MIT Expiration
E17888.18	15-019-20633-00-00	SMITH-LOLLY 5	23-34S-11E, SWNENW	CHAUTAUQUA	12/1/2024

CERTIFICATE OF SERVICE

25-CONS-3230-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 01/23/2025.

TODD BRYANT, GEOLOGIST SPECIALIST
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266 N. Main St., Ste. 220
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/S/ KCC Docket Room
KCC Docket Room