

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



20171212153216
Kansas Corporation Commission

Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT

18-CONS-3246-CPEN

December 12, 2017

Gary Lewis II
Calgary Energy, LLC
PO Box 737
Collinsville, OK 74021

This is a notice of a penalty assessment for violation(s) of Kansas Oil and Gas Conservation Statutes, Rules, and Regulations. For a full description of the penalty and process please refer to the Penalty Order that is attached to this notice.

IF YOU ACCEPT THE PENALTY:

You have been assessed a \$1000 penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission and mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and may result in additional sanctions, including additional monetary penalties, the suspension of your oil and gas operating license, and the shutting-in of all operations until compliance is obtained. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Jonathan R. Myers
Litigation Counsel
316-337-6200

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

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

In the matter of the failure of Calgary Energy, LLC ("Operator") to comply with K.A.R. 82-3-407 at the Rogers Estate #14 in Marion County, Kansas.)	Docket No.: 18-CONS-3246-CPEN
)	
)	CONSERVATION DIVISION
)	
)	License No.: 34384

PENALTY ORDER

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

2. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, 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 that 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 conducts oil and gas activities in Kansas under license number 34384.

8. Operator is responsible for the care and control of the Rogers Estate #14 ("the subject well"), API #15-115-20099-00-00, Underground Injection Control Permit #D-15236, located in Section 9, Township 17 South, Range 4 East, Marion County, Kansas.

9. District Staff determined that the subject well has not been successfully tested for mechanical integrity as required by K.A.R. 82-3-407.

10. District Staff sent a Notice of Violation letter to the Operator, requiring the Operator to bring the subject well into compliance with K.A.R. 82-3-407 by a specified deadline.

11. District Staff collected evidence and submitted it to the Legal Department with a recommendation that the Commission issue this Order. The recommendation sheet submitted by District Staff is attached to this Order as Exhibit A, incorporated into this Order, and shall serve as the concise and explicit statement of facts required by K.S.A. 77-526.

III. CONCLUSIONS OF LAW

12. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

13. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-407 because a current, successful MIT has not been performed on the subject well.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$1000 penalty.
- B. Operator shall perform a successful MIT on the Rogers Estate #14 or plug the well.
- C. Operator shall shut-in and disconnect the Rogers Estate #14 until such time as a successful MIT has been performed.
- D. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days, then Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. The Commission may impose further sanctions, including

additional monetary penalties and any other remedies available to the Commission by law, without further notice.

E. Checks and money orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number, and expiration date. Payments shall be mailed to the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.

F. Any party 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, setting forth the specific grounds upon which relief is sought, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

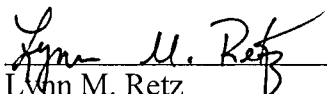
G. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

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

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: DEC 12 2017


Lynn M. Retz
Secretary to the Commission


Mailed Date: DEC 13 2017

JRM

PENALTY ORDER RECOMMENDATION

ROUTINE MECHANICAL INTEGRITY TEST VIOLATION

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	December 5, 2017
District/Department:	District #2
Person Recommending Penalty:	Jerry Sparling-ECRS
Operator Name:	Calgary Energy, LLC
Operator License Number:	34384
Well/Lease Name & Well Number:	Rogers Estate #14
Well/Lease Location, and County:	SE/4 of 9-17S-4E, Marion County
Well API Number:	15-115-20099-00-00
UIC Docket Number:	D-15236.0
Regulation Number:	82-3-407
Description of Violation:	Failure to conduct successful MIT
Date Reminder Letter Sent:	NA
MIT Due Date:	10/23/2017
Date NOV letter Sent, and Deadline:	11/2/2017, deadline 11/16/2017
Extension Requested in Writing?	No
Extended Compliance Deadline, if Extension was Granted:	N/A
Failed MIT Date:	N/A
Date Repair or Plug Letter Sent, and Deadline:	NA
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Conduct successful MIT. Shut-in and disconnect well until successful MIT has been performed.
Supervisor Initials	

CERTIFICATE OF SERVICE

18-CONS-3246-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand-delivered on DEC 12 2017.

Gary Lewis II
Calgary Energy, LLC
PO Box 737
Collinsville, OK 74021

and delivered by e-mail to:

Dan Fox
KCC District #2

/s/ DeeAnn Shupe
DeeAnn Shupe

Order Mailed Date:

DEC 13 2017