

**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 Cycle Oil & )     Docket No.: 25-CONS-3196-CPEN  
Gas Ltd. (Operator) to comply with K.A.R. )  
82-3-603 at the Bounds tank battery in )     CONSERVATION DIVISION  
Greeley County, Kansas.                    )  
\_\_\_\_\_ )     License No.: 36116

**PENALTY ORDER**

The Commission finds Operator has violated K.A.R. 82-3-603 at the captioned tank battery, assesses a \$1,250 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 pursuant to 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. 82-3-101(a)(69) defines “spill” as any escape of saltwater, oil, or refuse by overflow, seepage, or other means from the vicinity of oil, gas, injection, service, or gas storage wells, or from tanks, pipelines, dikes, or pits, if the wells, tanks, pipelines, dikes, or pits are involved in or related to the exploration or drilling for oil or gas; the lease storage, treatment,

or gathering of oil or gas; or the drilling, operating, abandonment, or post-abandonment of wells. For purposes of the regulation, “vicinity” means the area within six feet of the wellhead.

4. K.A.R. 82-3-603(a) provides that each operator shall act with reasonable diligence to prevent spills and safely confine saltwater, oil, and refuse in tanks, pipelines, pits, or dikes.

5. K.A.R. 82-3-603(b)(2) provides that, except as otherwise specified in the regulation, each operator shall notify the appropriate District Office of any spill as defined in K.A.R. 82-3-101. This notification shall meet the requirements of subsection (c) of the regulation, and shall be made not later than the next business day following the date of discovery or knowledge of the spill.

6. K.A.R. 82-3-603(d) provides that the failure to comply with subsection (b) of the regulation shall be punishable by a \$250 penalty for the first violation, a \$500 penalty for the second violation, and a \$1,000 penalty and operator license review for the third violation.

7. K.A.R. 82-3-603(e) provides that each operator shall clean up any spill that requires notification within 10 days after discovery or knowledge, or by the deadline prescribed in writing by the District Office, and that each operator shall clean up any spill that does not require notification upon completion of the routine operation or condition that caused the leak, drip, or escape, or within 24 hours of discovery or knowledge, whichever occurs sooner.

8. K.A.R. 82-3-603(f) provides that failure to contain and clean up a spill in accordance with K.A.R. 82-3-603 shall be punishable by the following penalties: \$1,000 for the first violation; \$2,500 for the second violation; and \$5,000 and operator license review for the third violation.

## **II. FINDINGS OF FACT**

9. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the Bounds tank battery (Subject Tanks), located in Section 13, Township 20 South, Range 40 West, Greeley County, Kansas.

10. On September 9, 2024, Commission Staff discovered an unreported spill at the Subject Tanks.<sup>1</sup> Staff sent a Notice of Violation (NOV) letter to Operator on September 18, 2024, giving an October 18, 2024, deadline to submit an Unreported Spill Form and to clean up the spill.<sup>2</sup>

11. To date, Operator has not submitted an Unreported Spill Form.

12. On December 2, 2024, Commission Staff conducted an inspection of the Subject Tanks and found that the spill has not been cleaned up.<sup>3</sup>

### **III. CONCLUSIONS OF LAW**

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

14. Operator committed one violation of K.A.R. 82-3-603(b)(2) because Operator did not notify the appropriate District Office by the next business day following the date of discovery or knowledge of the spill at the Subject Tanks. Under K.A.R. 82-3-603(d), a first violation of this regulation carries a \$250 penalty. Accordingly, the Commission concludes Operator should be assessed a \$250 penalty for this violation.

15. Operator committed one violation of K.A.R. 82-3-603(e) because Operator failed to clean up the spill at the Subject Tanks in a timely manner. Under K.A.R. 82-3-603(f), a first violation of this regulation carries a \$1,000 penalty. Accordingly, the Commission concludes Operator should be assessed a \$1,000 penalty for this violation.

#### **THEREFORE, THE COMMISSION ORDERS:**

A. Operator shall pay a \$1,250 penalty.

B. Operator shall fully remediate the spill within 30 days. If Operator fails to comply, then Operator shall pay an additional \$5,000 penalty, and Commission Staff is directed to remediate the spill and assess the costs to Operator.

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<sup>1</sup> Exhibit A.

<sup>2</sup> Exhibit B.

<sup>3</sup> See Exhibit A.

C. 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.


D. 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 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).

E. 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; Kuether, Commissioner

Dated: 12/19/2024

  
\_\_\_\_\_  
Lynn M. Retz  
Executive Director

Mailed Date: 12/19/2024

TSK

# KCC OIL/GAS REGULATORY OFFICES

Date: 12/2/24

District: 1

Case #: \_\_\_\_\_

- New Situation
- Response to Request
- Follow-Up

- Lease Inspection
- Complaint
- Field Report

Operator License No: 36116

API Well Number: N/A

Op Name: Cycle Oil & Gas, Ltd

Spot: SW SW Sec 13 Twp 20 S Rng 40  E /  W

Address 1: 205 S. Baily Street

135 Feet from  N /  S Line of Section

Address 2: \_\_\_\_\_

5198 Feet from  E /  W Line of Section

City: Electra

GPS: Lat: 38.30672 Long: 101.69566 Date: 12/7/20

State: Texas Zip Code: 76360 -

Lease Name: Bounds Well #: 2 location

Operator Phone #: (940) 205-1257

County: Greeley

**Reason for Investigation:**

9-18-24 Found salt water spill

**Problem:**

Unreported salt water spill

**Persons Contacted:**

Daniel Ritz--Cycle Oil & Gas

**Findings:**

9-18-24 Spill location is the old Bounds 2 swd yard location. The SWD was P&A'd 12-7-20 when Praire Gas was the operator. The fiberglass water tanks on the location are still used by the surrounding gas wells whenever they are running. The 3" PVC line from the tanks going to the old well location started leaking. The valve on the water tank was open and could not be closed. Pauda Roustabouts noticed the leak while in the area prior to 9-9-24 and in the process of attempting to dig out the PVC pipe and repair the leak , additional water was spilled due to the valve on the tank stuck open and it contained over 100 bbls of salt water. I found the spill 9-9-24. Estimated spill volume is 20 bbls. On 9-12-24 Daniel Ritz with Cycle called and said they emptied the tank that was leaking. I advised him that he needed to report the spill to the KCC Dodge City D.O. I gave him the office phone # and told him what info he would need to report the spill. Mentioned to him that there was a potential fine for not reporting the spill. He was also advised that the spill would need to be remediated. He said he was not familiar with remediation so I said since this spill was not in farm ground we would probably use gypsum worked into the soil but did not specify amount.  
As of 9-18-24 the spill has not been reported to the KCC by Cycle Oil & Gas.

10-2-24 Daniel Ritz called and asked how much gypsum to remediate. I told him 100#/1000 Square feet. Told him about 25 bsw by the old swd well and about 15 bsw by the abandoned white pickup. Did not give him footage area or gypsum pounds for each spill.

10-28-24 Followup. No spill cleanup has taken place.

12-2-24 Followup. No spill cleanup has taken place.

**Action/Recommendations:**

Follow Up Required  Yes  No

Date: \_\_\_\_\_

9-18-24 The operator should be fined since they were told there was a potential fine for not reporting and it has been over a week since the spill has occurred.

10-28-24 Advise Dodge City DO

12-2-24 Update. Recent pictures

**Verification Sources:**

Photos Taken: Yes

- |                                       |   |                                     |
|---------------------------------------|---|-------------------------------------|
| <input type="checkbox"/> RBDMS        | <input type="checkbox"/> KGS            | <input type="checkbox"/> TA Program |
| <input type="checkbox"/> T-I Database | <input type="checkbox"/> District Files | <input type="checkbox"/> Courthouse |
| <input type="checkbox"/> Other: _____ |   |                                     |

By: Ken Jehlik

ECRS

Retain 1 Copy District Office  
Send 1 Copy to Conservation Division

Form: \_\_\_\_\_



Date: 12/2/2024

Operator: Cycle Oil & Gas

Well Name: Bounds

SW SW 13-20-40W Greeley Co

Description: Spill area.



Date: 12/2/2024

Operator: Cycle Oil & Gas

Well Name: Bounds

SW SW 13-20-40W Greeley Co

Description: Spill area.

## NOTICE OF VIOLATION

SEPTEMBER 18TH, 2024

CYCLE OIL & GAS, LTD #36116  
205 S. BAILY STREET  
ELECTRA, TX 76360

**RE: BOUNDS #2 TANK BATTERY  
SW SEC. 13-20S-40W  
GREELEY COUNTY, KANSAS**

Following a lease inspection conducted on September 9<sup>th</sup>, 2024, on the above captioned lease, it has been determined that you are currently in violation of the General Rules and Regulations of the Kansas Corporation Commission regarding the conservation of crude oil and natural gas. Specifically, you are in violation of K.A.R. 82-3-603. **The operator shall notify the appropriate district of any escape of saltwater, oil, or refuse that meets the definition of "spill" in K.A.R. 82-3-101. This notification shall meet the requirements K.A.R 82-3-603(c) and shall be made no later than the next business day following the date of discovery or knowledge of the spill.** We are referring this violation to our Legal Staff with a penalty recommendation.

The spill must be cleaned up by October 18th, 2024. Prior to commencing clean-up operations, contact the District Office for approval of your cleanup plan. Failure to clean up this spill by the above date will result in this matter being referred to our Legal Staff with a recommendation for an additional penalty and other possible action.

Enclosed is an Unreported Spill Form to be completed by the operator and returned to the district office by October 18th, 2024. *This form is for informational purposes only and not to be construed as to supersede regulatory requirements for reporting.* Your cooperation in this matter is appreciated. Should you have any questions, you may call the District Office at 620-682-7933.

Sincerely,

Eric MacLaren  
District #1



**CERTIFICATE OF SERVICE**

25-CONS-3196-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 12/19/2024.

TRISTAN KIMBRELL, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
CENTRAL OFFICE  
266 N. MAIN ST, STE 220  
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tristan.kimbrell@ks.gov

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MIKE MCLAREN  
CYCLE OIL & GAS LTD  
205 S BAILEY ST  
ELECTRA, TX 76360-2373

ROBYN STALKFLEET, ADMINISTRATIVE SPECIALIST  
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KRAIG STOLL, EP&R SUPERVISOR  
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KENNY SULLIVAN, DISTRICT #1 SUPERVISOR  
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/S/ KCC Docket Room  
KCC Docket Room