

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

In the matter of the failure of VEEM Jade Oil)	Docket No.: 18-CONS-3221-CPEN
& Gas LLC (“Operator”) to comply with)	
K.A.R. 82-3-111 at the Daves #D21, Smith A)	CONSERVATION DIVISION
#2, Smith B #10 and Smith B #12 in Elk)	
County, Kansas.)	License No.: 32874

**RESPONSE TO OPERATOR’S MOTION
FOR EXPEDITED ORDER LIFTING LICENSE SUSPENSION**

Commission Staff (Staff) of the State Corporation Commission of the State of Kansas (Commission) files this Response, wherein Staff opposes Operator’s motion to lift its license suspension as both inappropriate based upon the facts and as an untimely appeal of the Penalty Order. In support of its Response, Staff states as follows:

I. Background

1. On November 21, 2017, the Commission issued a Penalty Order in this docket, explicitly finding “Operator is responsible for the care and control of the following wells ... Daves #D21 ... Smith A #2 ... Smith B #10 ... and ... Smith B #12.”¹

2. The Penalty Order directed Operator to “plug the subject wells, return the subject wells to service, or obtain TA [temporary abandonment] status for the subject wells if eligible.”²

3. The Penalty Order stated “Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable.”³

4. Pursuant to the Penalty Order and the Kansas Administrative Procedure Act, Operator had 30 days to request a hearing on the above issues.⁴ The Penalty Order stated “If no

¹ Penalty Order, ¶7.

² *Id.*, at ¶B.

³ *Id.*

⁴ Penalty Order ¶C; K.S.A. 55-164.

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.”⁵

5. On December 27, 2017, Operator's time to request a hearing on the Penalty Order elapsed.⁶ No request for hearing was filed. Operator has not plugged the subject wells, returned the subject wells to service, or obtained temporary abandonment status for the wells.⁷ Pursuant to the Commission's Penalty Order, Operator's license was suspended.⁸

6. On January 2, 2018, Operator filed an Application in Docket 18-CONS-3260-CEXC, seeking an exception to the 10-year limit on TA status for the Daves #D21 and Smith A #2 wells. Among other potential deficiencies, Operator's Application provided no evidence of proper notice.⁹ Operator has also provided no evidence of having conducted current, successful casing integrity tests, necessary for Staff to recommend approval of the Application.¹⁰

7. Regarding the other two wells subject to the Commission's Penalty Order, specifically the Smith B #10 and Smith B #12, Operator has not even filed an application for an exception to the 10-year limit on TA status. Instead, as part of its Application in Docket 18-CONS-3260-CEXC, Operator seeks a finding that Operator is not responsible for the wells, stating that while Operator has repeatedly stated the wells were its responsibility, it did so under “duress and mistake.”¹¹

8. As part of its Application, Operator stated that it believed itself to have cured the violations in the Penalty Order, and so believed it could resume operations.¹² Since Operator's

⁵ Penalty Order, ¶C.

⁶ K.S.A. 55-164; K.S.A. 77-531(b).

⁷ See, e.g., Operator's Motion, in which it claims filing its Application in Docket 18-CONS-3260-CEXC fulfilled the Penalty Order's requirements.

⁸ See Exhibit A.

⁹ See Application; see also K.A.R. 82-3-135a(b); K.A.R. 82-3-135a(d).

¹⁰ See Application.

¹¹ Application, ¶12.

¹² See Application, ¶14.

Application does not achieve Operator's compliance with the Commission's Penalty Order, on January 3, 2018, Staff Counsel sent a letter to Operator's counsel, stating that Operator's license remained suspended, and that conducting operations would likely result in Staff recommending a penalty.¹³

9. On January 8, 2018, Operator filed its present motion seeking a lifting of its license suspension, to which Staff is presently responding.

II. Argument

10. Operator has no legal grounds upon which to request an order lifting its license suspension. The Commission's Penalty Order, which Operator did not appeal and which is now a final order, stated that to obtain compliance Operator was required to plug the four wells, return them to service, or obtain temporary abandonment status. The Penalty Order explicitly states "Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable."¹⁴

11. Operator has not plugged the wells or returned them to service. Operator has not obtained Commission approval of an exception to the 10-year limit on TA status. Instead, Operator has only submitted an incomplete 10-year TA application for two of the four subject wells, and launched an impermissible collateral attack on the Commission's uncontested finding in this docket, less than two months ago, that Operator is responsible for the other two wells.

12. Operator's statutory time to request a hearing on the Penalty Order has elapsed. Operator's "embarrassing and regrettable"¹⁵ mistake and Operator's counsel's apology to Operator for miscommunication between the two of them¹⁶ does not constitute "excusable

¹³ Exhibit B.

¹⁴ Penalty Order, ¶B (emphasis supplied).

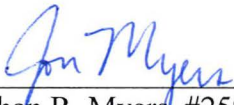
¹⁵ Motion, ¶3.

¹⁶ Motion, ¶3.

neglect”¹⁷ authorizing the Commission to ignore statutory timeframes. Nor does it provide compelling rationale for ignoring the clear, explicit language of the Penalty Order, which Operator has not requested be set aside. Further, the evidence clearly demonstrates that, contrary to Operator’s assertions, Operator remains out of compliance with the Penalty Order. Thus, pursuant to the Penalty Order, Operator’s license should remain suspended until it complies with the Penalty Order.

WHEREFORE, Staff requests denial of Operator’s motion.

Respectfully submitted,



Jonathan R. Myers, #25975
Litigation Counsel
Kansas Corporation Commission
266 N. Main, Suite 220, Wichita, Kansas 67202
Phone: 316-337-6200; Fax: 316-337-6211

¹⁷ Motion, ¶3.

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



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

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

Sam Brownback, Governor

December 27, 2017

Mahesh K. Chhabra
VEEM Jade Oil & Gas LLC
11417 S. Granite Avenue
Tulsa, OK 74137-8110

NOTICE OF LICENSE SUSPENSION
License No. 32874
Docket No. 18-CONS-3221-CPEN

Operator:

Our records indicate that you are in violation of a Commission Order in the above Docket.

Your license is hereby suspended.

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter, Commission Staff discover you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$10,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order, which was mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page.

Sincerely,

Legal Department Staff

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



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

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

Sam Brownback, Governor

January 3, 2018

Veem Jade Oil & Gas LLC (KCC License #32874)
c/o Diana Edmiston
Edmiston Law Office, LLC
200 E. 1st Street, Suite 301
Wichita, Kansas 67202

**Re: KCC Docket #18-CONS-3260-CEXC
KCC Docket #18-CONS-3221-CPEN
License Suspension**

Operator:

Commission Staff is in receipt of your January 2, 2018, application in KCC Docket #18-CONS-3260-CEXC. Please be advised that Staff does **not** believe filing the application brings you into compliance with the Commission's November 21, 2017, Penalty Order in KCC Docket #18-CONS-3221-CPEN.

Your license remains suspended.

Conducting operations on a suspended license, including resuming production, violates Commission regulations. Resuming production with a suspended license would likely be met with Commission Staff recommending further penalties.

Sincerely,

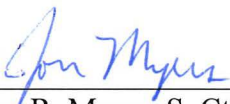
Jon Myers
Litigation Counsel, Conservation Division
Kansas Corporation Commission

cc: Troy Russell, KCC District #3

VERIFICATION

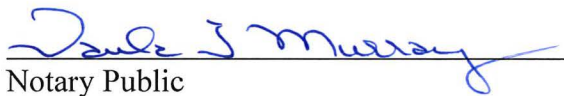
STATE OF KANSAS)
) ss.
COUNTY OF SEDGWICK)

Jonathan R. Myers, of lawful age, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas; that he has read and is familiar with the foregoing *Response*, and attests that the statements therein are true to the best of his knowledge, information and belief.



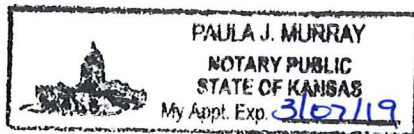
Jonathan R. Myers, S. Ct. #25975
Litigation Counsel
State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 11 day of Jan, 2018.



Notary Public

My Appointment Expires: 3/07/19



CERTIFICATE OF SERVICE

I certify that on 1/11/18, I caused a complete and accurate copy of this "Response to Operator's Motion" to be served electronically and via United States mail, with the postage prepaid and properly addressed to the following

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/s/ Paula J. Murray
Paula J. Murray
Legal Assistant
Kansas Corporation Commission