

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

Before Commissioners:                   Dwight D. Keen, Chair  
  Susan K. Duffy  
  Andrew J. French

In the matter of the failure of Ace Energy, )   Docket No.: 23-CONS-3135-CPEN  
LLC (Operator) to comply with K.A.R. 82-3- )  
400 and/or K.A.R. 82-3-409 at the Grundy B )   CONSERVATION DIVISION  
#5 SWD well in Greenwood County, Kansas. )  
\_\_\_\_\_ )   License No.: 34998

**PENALTY ORDER**

The Commission finds Operator has violated K.A.R. 82-3-400 and/or K.A.R. 82-3-409 regarding the captioned well, assesses a \$500 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. 82-3-400 provides that the penalty for unauthorized injection shall be \$1,000 for first-time violators, \$5,000 for second-time violators, and \$10,000 and operator

license review for third-time violators. Additionally, injection wells found to be operating without a Conservation Division permit shall be shut-in until compliance is achieved.

4. K.A.R. 82-3-409(a) provides that each operator of an injection well shall keep current, accurate records of the amount and kind of fluid injected into the injection well.

5. K.A.R. 82-3-409(b) provides that each operator of an injection well shall submit a report to the Conservation Division, showing for the previous calendar year the following information: the monthly average wellhead pressure; the maximum wellhead pressure; the amount and kind of fluid injected into each well; and any other performance information required by the Conservation Division. The report shall be submitted on or before March 1 of the following year.

## II. FINDINGS OF FACT

6. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the Grundy B #5 SWD well (Subject Well), API #15-073-22198-00-00, located in Section 7, Township 27 South, Range 11 East, Greenwood County, Kansas.

7. On February 22, 2022, Operator submitted an Annual Fluid Injection Report (U3C Report) for the Subject Well for the 2021 calendar year.<sup>1</sup> The U3C Report indicated that Operator exceeded the terms of its injection permit for the Subject Well. Operator is authorized a maximum injection pressure of zero psi.<sup>2</sup>

8. On August 15, 2022, Commission Staff sent a letter to Operator stating that if the information provided on the U3C Report was incorrect, Operator must correct the report by August 29, 2022.<sup>3</sup> The deadline has passed, and Operator has made no changes to the U3C Report. Consequently, the U3C Report indicates that Operator exceeded the terms of its injection permit for the Subject Well during the 2021 calendar year.

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<sup>1</sup> Exhibit A.

<sup>2</sup> The Commission takes administrative notice of its records. *See* K.A.R. 82-1-230(h).

<sup>3</sup> Exhibit B.

9. If the data in Operator's U3C Report is correct, then Operator violated K.A.R. 82-3-400 by conducting unauthorized injection. If the data in Operator's U3C Report is incorrect, then Operator violated K.A.R. 82-3-409 by submitting an inaccurate report. Therefore, a violation of Commission regulations has occurred.

10. The Commission finds that K.A.R. 82-3-400 calls for a \$1,000 penalty for unauthorized injection for first-time violators, and K.A.R. 82-3-409 does not identify a specific penalty amount for submission of an inaccurate report. Since either a violation of K.A.R. 82-3-400 or a violation of K.A.R. 82-3-409 occurred, the Commission finds it appropriate to use its authority under K.S.A. 55-164 to assess a penalty that will provide the required actual and substantial economic deterrent. The Commission finds the appropriate economic deterrent to be \$500.

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

11. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, and K.S.A. 55-155.

12. Operator has either committed one violation of K.A.R. 82-3-400 because Operator conducted unauthorized injection at the Subject Well, or has committed one violation of K.A.R. 82-3-409 because Operator submitted an inaccurate U3C Report.

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

- A. Operator shall pay a \$500 penalty.
- B. If Operator is currently injecting fluids in excess of its permit, then Operator is instructed to immediately shut-in the Subject Well. If Operator does not shut-in the Subject Well as instructed, then Commission Staff is directed to shut-in the well.
- C. If Operator believes that it misreported a rate of injection or pressure, then Operator shall submit a corrected U3C Report.

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 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.**

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 12/01/2022

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

Mailed Date: 12/01/2022

TSK

KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION

Form U3C  
June 2015  
Form must be Typed  
Form must be completed  
on a per well basis

**ANNUAL REPORT OF PRESSURE MONITORING,  
FLUID INJECTION AND ENHANCED RECOVERY**

Complete all blanks - add pages if needed. Copy to be retained for five (5) years after filing date.

OPERATOR: License # 34998  
Name: Ace Energy LLC  
Address 1: 11704 ABERDEEN RD  
Address 2: \_\_\_\_\_  
City: LEAWOOD State: KS Zip: 66211 + 2921  
Contact Person: Jonathan Freiden  
Phone: (913) 402-9563  
Lease Name: GRUNDY B  
Well Number: 5 SWD

API No.: 15-073-22198-00-00  
Permit No.: D24701.0  
Reporting Year: 2021  
(January 1 to December 31)  
SE NE NW Sec. 7 Twp. 27 S. R. 11  E  W  
(a/a/a/a)  
4062 feet from  N /  S Line of Section  
2955 feet from  E /  W Line of Section  
County: Greenwood

**I. Injection Fluid:**

Type (Pick one):  Fresh Water  Treated Brine  Untreated Brine  Water/Brine  
Source:  Produced Water  Other (Attach list)  
Quality: Total Dissolved Solids: NA mg/l Specific Gravity: NA Additives: NA  
(Attach water analysis, if available)

**II. Well Data:**

Maximum Authorized Injection Pressure: 600 psi Injection Zone: Bartlesville  
Maximum Authorized Injection Rate: 50 barrels per day  
Total Number of Enhanced Recovery Injection Wells Covered by this Permit: \_\_\_\_\_ (Include TA's)

III. Month:	Total Fluid Injected BBL	Maximum Fluid Pressure	Total Gas Injected MCF	Maximum Gas Pressure	# Days of Injection
January	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31</u>
February	<u>100</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>28</u>
March	<u>310</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>31</u>
April	<u>300</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>30</u>
May	<u>310</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>31</u>
June	<u>300</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>30</u>
July	<u>310</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>31</u>
August	<u>310</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>31</u>
September	<u>300</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>30</u>
October	<u>310</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>31</u>
November	<u>300</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>30</u>
December	<u>310</u>	<u>100</u>	<u>0</u>	<u>0</u>	<u>31</u>
<b>TOTAL</b>	<u>3160</u>		<u>0</u>		

August 15, 2022

Jonathan Freiden  
Ace Energy LLC  
11704 Aberdeen Rd  
Leawood, KS 66211-2921

**Re: Annual Fluid Injection “U3C” Report(s) – Possible Reporting Errors**

Operator:

Staff has reviewed the U3C Report(s) that you filed, reporting injection data for the 2021 calendar year. Staff has identified some data on the form(s) that appears likely to be a reporting error.

Please review the attached list of wells. If the data you reported on the form(s) is correct, then no action is necessary, although if you exceeded the terms of your permit you may be penalized. If the data on the form(s) is incorrect, then please submit corrected form(s) on KOLAR.

**Your deadline to submit corrected form(s), if necessary, is August 29, 2022.**

After August 29, 2022, Staff will review your form(s), including any corrections. At that time, if data on the form(s) indicates you exceeded the terms of your injection permit(s), then Staff may recommend a penalty under K.A.R. 82-3-400 (unauthorized injection), K.A.R. 82-3-409 (submission of injection data), or K.A.R. 82-3-128 (failure to verify information).

You are welcome to contact me with any questions.

Sincerely,

Cheryl Boyer  
Underground Injection Control Department  
Kansas Corporation Commission

List of Wells : U3C Possible Reporting Errors  
Ace Energy LLC #34998

API Well #	Lease Name	Well #	S-T-R	County
15073221980000	GRUNDY B	5 SWD	7 27 11 E	GREENWOOD

**CERTIFICATE OF SERVICE**

23-CONS-3135-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 12/01/2022.

CHERYL BOYER  
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266 N. Main St., Ste. 220  
WICHITA, KS 67202-1513  
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/S/ KCC Docket Room  
KCC Docket Room