

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

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

In the matter of the failure of Kiowa Gas) Docket No.: 21-CONS-3318-CPEN
Company (Operator) to comply with)
K.A.R. 82-3-103 and K.A.R. 82-3-106 at) CONSERVATION DIVISION
the DMilleret #2 well in Leavenworth)
County, Kansas.) License No.: 33995

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-103 and K.A.R. 82-3-106 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. 82-3-106(c)(2)(C)(i) provides that an operator shall notify the appropriate district office prior to the cementing of additional casing.

4. K.A.R. 82-3-103(c) provides that failure to complete Alternate II cementing pursuant to K.A.R. 82-3-106 shall be punishable by a penalty of up to \$5,000.

5. K.A.R. 82-3-106(c)(2)(C)(ii) states that additional cementing shall be completed within 120 days after the spud date unless otherwise provided in the documents adopted in K.A.R. 82-3-106(b), namely Table I and Appendix A of the Commission Order dated August 1, 1991, in KCC Docket No. 34,780-C, and Appendix B of the Commission Order dated June 29, 1994, in KCC Docket No. 133,891-C.

6. Appendix B of the Commission's June 29, 1994, Order in Docket No. 133,891-C provides that in Leavenworth County, wells completed under Alternate II rules must be completed or plugged within 30 days of the spud date.

II. FINDINGS OF FACT

7. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the DMilleret #2 well (Subject Well), API #15-103-21470-00-00, located in Section 19, Township 12 South, Range 21 East, Leavenworth County, Kansas.

8. On October 20, 2020, Operator filed a Notice of Intent to Drill (C-1 Form), seeking approval to drill the Subject Well using Alternate II completion methods. The Commission approved the C-1 Form on October 21, 2020.¹

9. On December 15, 2020, Operator spudded the Subject Well, and completed drilling the well to its total depth on December 16, 2020.

10. Pursuant to Commission regulations, the deadline for Alternate II cementing was January 15, 2021. Commission Staff sent a letter to Operator, requiring Operator to bring the Subject Well into compliance with K.A.R. 82-3-106(c)(2)(C)(ii) by April 21, 2021.² Commission

¹ Exhibit A.

² Exhibit B.

records indicate Operator has not notified Commission Staff of the cementing of the additional casing pursuant to K.A.R. 82-3-106(c)(2)(C)(i). Furthermore, Operator has provided no evidence that Alternate II completion methods have been performed at the Subject Well or that the well has been plugged, thereby allowing commingling of fluids throughout the wellbore.

III. CONCLUSIONS OF LAW

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

12. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-103 and K.A.R. 82-3-106 because Alternate II cementing has not been completed within 30 days of the spud date of the Subject Well.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$1,000 penalty.
- B. Operator shall either complete the Subject Well using Alternate II methods, or plug the well.
- C. If Operator fails to either complete the Subject Well or plug it within 30 days of service of this Order and the Order is final, then Operator shall be assessed an additional \$5,000 penalty, and Commission Staff may plug the well and assess the costs to Operator.
- 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.

F. 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.


G. 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).³

H. 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; Duffy, Commissioner

Dated: 06/29/2021



Lynn M. Retz
Executive Director

Mailed Date: 06/29/2021

TSK

³ See K.S.A. 55-162; K.S.A. 55-164; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

For KCC Use:
Effective Date: 10/26/2020
District #: 3
SGA? [X]Yes []No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form C-1
March 2010

Form must be Typed
Form must be Signed
All blanks must be Filled

NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: 10/28/2020
month day year

OPERATOR: License# 33995
Name: Kiowa Gas Company
Address 1: 8150 N CENTRAL EXPY STE 750
Address 2:
City: DALLAS State: TX Zip: 75206 + 1841
Contact Person: Todd Moore
Phone: 214-244-3819

CONTRACTOR: License#
Name: Advise on ACO-1 -- Must be licensed by KCC

Well Drilled For: [X]Oil []Gas []Enh Rec []Storage []Disposal []Seismic; # of Holes []Other
Well Class: []Infield []Pool Ext. [X]Wildcat []Other
Type Equipment: [X]Mud Rotary []Air Rotary []Cable
If OWWO: old well information as follows:

Operator:
Well Name:
Original Completion Date: Original Total Depth:

Directional, Deviated or Horizontal wellbore? []Yes [X]No
If Yes, true vertical depth:
Bottom Hole Location:
KCC DKT #:

Spot Description:
S2 - SE - NW - NW Sec. 19 Twp. 12 S. R. 21 [X]E []W
1080 feet from [X]N []S Line of Section
990 feet from []E [X]W Line of Section

Is SECTION: [X]Regular []Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: Leavenworth

Lease Name: DMilleret Well #: 2

Field Name: N/A

Is this a Prorated / Spaced Field? []Yes [X]No

Target Formation(s): Mississippi

Nearest Lease or unit boundary line (in footage): 990

Ground Surface Elevation: 886 Estimated feet MSL

Water well within one-quarter mile: []Yes [X]No

Public water supply well within one mile: []Yes [X]No

Depth to bottom of fresh water: 160

Depth to bottom of usable water: 440

Surface Pipe by Alternate: []I [X]II

Length of Surface Pipe Planned to be set: 60

Length of Conductor Pipe (if any):

Projected Total Depth: 1100

Formation at Total Depth: Mississippi

Water Source for Drilling Operations: []Well [X]Farm Pond []Other:

DWR Permit #: (Note: Apply for Permit with DWR [])

Will Cores be taken? []Yes [X]No

If Yes, proposed zone:

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

- 1. Notify the appropriate district office prior to spudding of well;
2. A copy of the approved notice of intent to drill shall be posted on each drilling rig;
3. The minimum amount of surface pipe as specified below shall be set by circulating cement to the top; in all cases surface pipe shall be set through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary prior to plugging;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within 120 DAYS of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. In all cases, NOTIFY district office prior to any cementing.

Submitted Electronically

For KCC Use ONLY
API # 15 - 15-103-21470-00-00
Conductor pipe required 0 feet
Minimum surface pipe required 40 feet per ALT. []I [X]II
Approved by: Rick Hestermann 10/21/2020
This authorization expires: 10/21/2021
(This authorization void if drilling not started within 12 months of approval date.)
Spud date: Agent:

Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

[] Well will not be drilled or Permit Expired Date:
Signature of Operator or Agent:

19
12
21
[X]E []W

For KCC Use ONLY

API # 15 - 15-103-21470-00-00

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator: Kiowa Gas Company
 Lease: DMilleret
 Well Number: 2
 Field: N/A

Number of Acres attributable to well: _____
 QTR/QTR/QTR/QTR of acreage: S2 - SE - NW - NW

Location of Well: County: Leavenworth
1080 feet from N / S Line of Section
990 feet from E / W Line of Section
 Sec. 19 Twp. 12 S. R. 21 E W

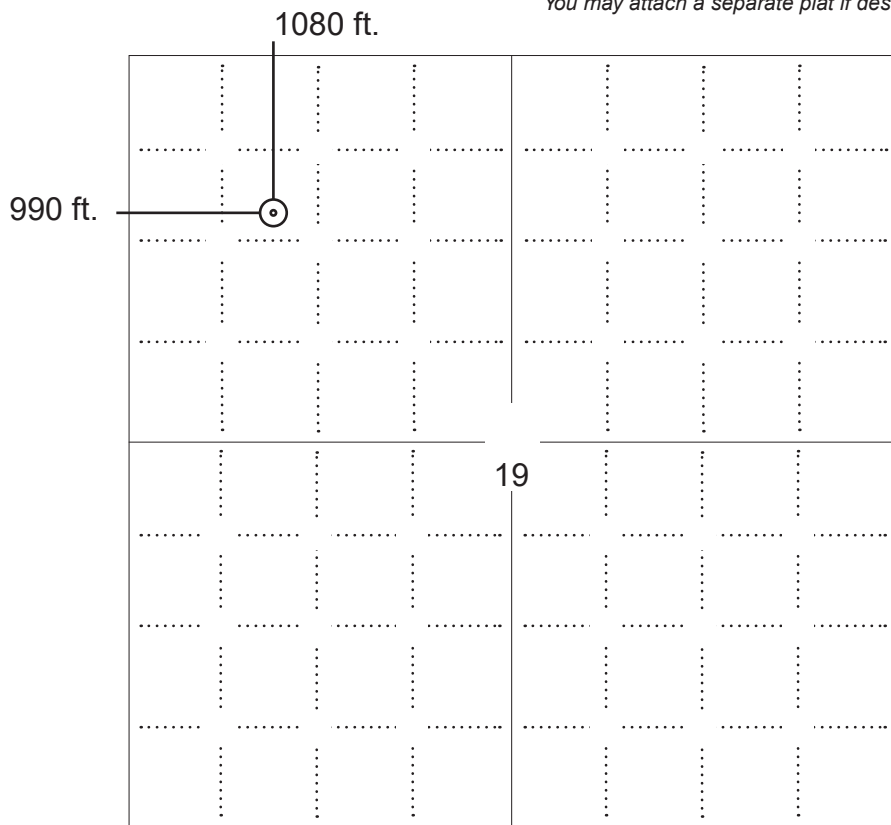
Is Section: Regular or Irregular

If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

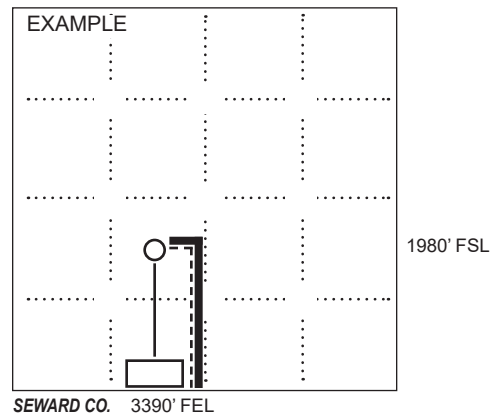
PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- - - - Electric Line Location
- ▬ Lease Road Location



NOTE: In all cases locate the spot of the proposed drilling locaton.

In plotting the proposed location of the well, you must show:

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

NOTICE OF VIOLATION

April 6, 2021

KIOWA GAS COMPANY #33995
Attention: Todd Moore
8150 North Central Expressway, Suite 750
Dallas, Texas 75206-1841

Re: Surface Casing and Long String Casing, DMilleret lease, Well #2, API#15-103-21470-00-00 located in Section 19, Township 12 South, Range 21 East, Leavenworth, County.

Mr. Moore,

This letter is a courtesy letter to inform you of the procedures and regulations concerning setting surface casing and long string casing in a new drilled well. The Surface Casing or Spud Date for the above mentioned DMilleret lease, Well #2, API#15-103-21470-00-00 located in Section 19, Township 12 South, Range 21 East, Leavenworth, County was reported to the District #3 Office on December 15, 2020. **According to Kansas Corporation Commission Regulations, An Alternate II shall be completed or plugged within thirty (30) days of the Spud Date:**

K.A.R. 82-3-106; SURFACE CASING AND CEMENT.

(a) Each operator shall set and cement surface casing pursuant to this regulation and the instructions on the notice of intent to drill approved pursuant to K.A.R. 82-3-103 before drilling to any depth to test for or produce oil or gas.

(b) Each operator shall set and cement surface casing in compliance with the following, which are hereby adopted by reference:

(1) Table I and appendix A, as incorporated in the commission order dated August 1, 1991, docket no. 34,780-C (C-1825); and

(2) Appendix B, as incorporated in the commission order dated June 29, 1994, docket no. 133,891-C (C-20,079). (See attached). All wells shall be completed Alternate II or plugged within 30 days of spud date.

(c) Cementing alternatives.

(1) Alternate I cementing shall be performed as follows:

(A) A single string of surface casing shall be set from surface to the depth specified in the documents adopted in subsection (b).

(B) The surface casing shall be cemented continuously from the bottom of the surface casing string to the surface.

(f) Upon written, timely request by an operator, the director may provide an exception to any of the requirements of this regulation. In considering a request for an exception, the director may require the operator to provide financial assurance sufficient to cover the plugging costs for the well. Each request shall demonstrate that fresh and usable water will be protected by the

The surface casing or spud date for the DMilleret #2 , API#15-103-21470-00-00 was reported to the District #3 Office on December 15, 2020 by Wes Dollard. The well should have been drilled and completed Alternate II by January 15, 2021 and is now more than 90-days past due for having been completed Alternate II and the long string casing cemented in. The well has been allowed to contaminate the zones with in the well bore and possibly contaminate the fresh water within the area while it has been abandoned for this timeframe. We could recommend penalties for in the amount of \$250.00 to \$1,000.00 for failure to comply with K.A.R. 82-3-106.

You will be required to complete the Alternate II completion and or plug the well within 15 days, the deadline will be April 21, 2021. Failure to complete Alternate II or plug the well by April 21, 2021 will result in penalty recommendations. Again, you will be required to bring the DMilleret #2, API#15-103-21470-00-00 well into compliance by April 21, 2021. Failure to bring the well into compliance by April 21, 2021 will result in a penalty recommendation for one violation of K.A.R. 82-3-106 and I will request that your operator license be suspended until the well is brought into compliance. Thank you in advance for your cooperation concerning this matter and if you have any questions, please contact me at 620-432-6527.

Sincerely,

Levi Short E.C.R.S.
Kansas Corporation Commission
District #3 Chanute

CERTIFICATE OF SERVICE

21-CONS-3318-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 06/29/2021.

JOHN ALMOND
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
Fax: 785-271-3354
j.almond@kcc.ks.gov

TRISTAN KIMBRELL, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
t.kimbrell@kcc.ks.gov

TODD MOORE
KIOWA GAS COMPANY
8150 N CENTRAL EXPY STE 750
DALLAS, TX 75206-1841

TROY RUSSELL
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/S/ Desirae Mayfield
Desirae Mayfield