

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

In the matter of the application of Quito, Inc.) (Operator) for an operator's license renewal.))) _____)	Docket Nos: 22-CONS-3115-CMSC CONSERVATION DIVISION License No: 33594
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STIPULATIONS OF FACT

The State Corporation Commission of the State of Kansas and Quito, Inc. stipulate and agree to the following material facts:

1. The Articles of Incorporation of McC Oil Company, Inc. (hereafter "McC"), a Kansas Corporation were filed February 15, 1994 in the office of the Secretary of State of the State of Kansas.
2. Mark W. McCann was the sole officer and sole stockholder of McC.
3. McC was issued a Kansas Oil Operator's License, License #31411.
4. The Operator's License for McC was last renewed March 30, 1998. On March 30, 1999, the license became inactive.
5. At the time the Operator's License became inactive, McC was identified as the operator responsible for the following wells, to wit:

Well API Number	Well Name	Well Location	County
15-019-20590	Focht A-1	21-31S-12E, SWSWSW	Chautauqua
15-019-25043	Casement FLO 6	7-34S-11E, NENENW	Chautauqua
15-019-91774	Austin 10	7-34S-12E, SESESESW	Chautauqua
15-019-91985	Sears 4	17-35S-12E, SESWSW	Chautauqua

6. On August 8, 1998, Mark W. McCann filed his Voluntary Petition under Chapter 13 of the United States Bankruptcy Code in the United States District Court for the District of Kansas Case #98-42372. Listed in Schedule F – Creditors Holding Unsecured Non-Priority

Claims, was: State of Kansas, c/o John McCannon, 130 South Market, Room #2078, Wichita, KS 67202. Schedule F identified date claim was incurred and consideration for claim as: “1970, 1980, 1990s liability for plugging oil and gas wells”. The claim of the State of Kansas was identified as being contingent, unliquidated and disputed in the amount of \$500,000.00.

7. On December 30, 1998, a Consent to Dissolution for McC Oil Company, Inc. was filed with the office of the Secretary of State of the State of Kansas.

8. On April 29, 1999, an Order Upon Conversion of Case Under Chapter 13 to Case Under Chapter 7 by Debtor was entered in Mr. McCann’s Bankruptcy Case No. 98-42372.

9. On September 16, 1999, a Discharge of Debtor and Final Decree was entered in Mr. McCann’s Bankruptcy Case No. 98-42372.

10. Quito, Inc. is a Kansas Corporation. Its Articles of Incorporation were filed March 15, 2005 in the office of the Secretary of State of the State of Kansas.

11. Mark W. McCann is the sole officer and shareholder of Quito, Inc.

12. An oil Operator’s License was first issued to Quito, Inc. by the State Corporation Commission of the State of Kansas on May 2, 2005. The Operator’s License of Quito, Inc. was continuously renewed each year thereafter until May 30, 2020.

13. In Docket No. 19-CONS-3271-CPEN, concerning the Solomon #3 and #5 wells, and in Docket No. 19-CONS-3272-CPEN, concerning the Doty #3 well, which dockets were consolidated for hearing, the Commission entered its Order on January 30, 2020. The Commission’s Order provided in part that Quito, Inc. “shall plug the wells, return the wells to service, or obtain temporary abandonment status for the wells within 30 days.” Quito, Inc. filed its Petition for Reconsideration on February 12, 2020. Quito, Inc. did not appeal the

Commission's Order within 30 days after January 30, 2020. An Order on Petition for Reconsideration, which denied the relief sought in such Petition, was issued by the Commission on March 3, 2020.

14. On March 9, 2020 the State Corporation Commission of the State of Kansas gave notice to Quito, Inc. that its license was suspended as the result of the failure of Quito, Inc. to comply with the Commission's Order issued in Consolidated Docket Nos. 19-CONS-3271-CPEN and 19-CONS-3272-CPEN.

15. On May 20, 2020, the Solomon #5 Well passed a casing integrity test. A temporary abandonment application for the Solomon #5 Well was filed and approved on June 30, 2020.

16. On June 1, 2020, Quito, Inc. submitted an Application for License Renewal.

17. In its License Renewal Application submitted June 1, 2020, Quito, Inc., in answer to question: "Have you, as an individual, partner or officer, had a KCC Conservation Division License revoked, suspended or not renewed by the Commission?", Quito, Inc. stated: "No". In response to the question: "Are you in full compliance with all Kansas Corporation Commission rules, regulations, orders, and enforcement agreements?", Quito, Inc. stated: "Yes".

18. Quito, Inc. is not currently registered with the Federal Securities and Exchange Commission.

19. On June 16, 2020, the Commission issued a Shut-In Order in Docket #19-CONS-3271-CPEN and 19-CONS-3272-CPEN.

20. By letter dated July 24, 2020, Kelcey Marsh, litigation counsel for the Kansas Corporation Commission wrote to Quito, Inc. concerning its June 1, 2020 License Renewal

Application. The letter of Mr. Marsh advised that due to the association of Quito, Inc. with McC, an entity with 4 unplugged wells remaining on its expired license, the license of Quito, Inc. could not be renewed if further clarifying information is not received.

21. On July 15, 2020, Quito, Inc. conducted a fluid depression test on the Doty #3 Well. The well passed the fluid depression test and a tubing and packer test, satisfying the casing integrity testing for that well.

22. On July 27, 2020, the Solomon #3 Well was plugged.

23. John R. Horst, counsel for Quito, Inc. advised Mr. Marsh by email dated July 28, 2020 that Quito, Inc. did not dispute that McC was an “an associated entity” under K.S.A 55-155(d)(3)(B), but did dispute that K.S.A. 55-155(c)(4) established a basis to deny renewal of Quito’s license.

24. On July 29, 2020, counsel for Quito, Inc. was advised that the Operator’s License of Quito, Inc. was reinstated.

25. On April 2, 2021, Mr. Marsh again wrote to Quito, Inc. advising that “staff cannot approve your application due to your association with entities that are not in compliance with Commission statutes, regulations and orders.” The letter further advised Quito, Inc. that failure to resolve any compliance issues by April 30, 2021, may result in staff’s recommendation to the Commission that your license renewal application be denied.

26. On April 23, 2021, counsel for Quito, Inc. responded to the April 2 letter advising Mr. Marsh that denial of Quito’s License Renewal Application would appear to violate 11 U.S.C. §525(a), and advising of Mr. McCann’s prior bankruptcy.

27. On July 8, 2021, copies of the Schedules of Property and Statement of Financial Affairs, Verification of Amended Creditor Matrix, Order Upon Conversion of Case Under Chapter 13 to Case Under Chapter 7 by Debtor, and Discharge of Debtor and Final Decree in the bankruptcy case of Mark W. McCann, Case No. 98-42372, were provided by John R. Horst to Kelcey Marsh.

Submitted by,

/s/ John R. Horst

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CERTIFICATE OF SERVICE

22-CONS-3115-CMSC

I, the undersigned, certify that a true and correct copy of the attached Stipulations of Fact has been served to the following by means of electronic service on January 14, 2022.

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/s/ Paula J. Murray

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