

Conservation Division
Finney State Office Building
130 S. Market, Rm. 2078
Wichita, KS 67202-3802



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

Mark Sievers, Chairman
Thomas E. Wright, Commissioner
Shari Feist Albrecht, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT

13-CONS-472-CPEN

This is a notice of a penalty assessment for violation of Kansas oil and gas conservation statutes, rules, and regulations. For a full description of the penalty and process please refer to the Penalty Order that is attached to this notice.

IF YOU ACCEPT THE PENALTY:

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 130 S. Market St., Room 2078, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission's Executive Director at 130 S. Market, Room 2078, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order may result in additional sanctions, including additional monetary penalties, the suspension of your oil and gas operating license, and the shutting-in of all operations until compliance is obtained.

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

Before Commissioners: Mark Sievers, Chairman
 Thomas E. Wright
 Shari Feist Albrecht

In the matter of the failure of Kansas)	Docket No.: 13-CONS-472-CPEN
Resource Exploration & Development, LLC)	
to comply with K.A.R. 82-3-107 and K.A.R.)	CONSERVATION DIVISION
82-3-130 at 8 wells on the Guetterman lease)	
<u>in Johnson County, Kansas.</u>)	License No.: 34592

ORDER

Upon its own motion, the Commission finds and concludes Kansas Resource Exploration & Development, LLC ("the Operator") has committed eight violations of K.A.R. 82-3-107 and K.A.R. 82-3-130 for the following reasons:

I. BACKGROUND

1. Commission records indicate the Operator is currently licensed to conduct oil and gas activities in Kansas under K.S.A. 55-155.

2. Commission records indicate that the Operator is responsible for the care and control of the following wells (collectively "the subject wells"), each located in Township 14 South, Range 22 East, Johnson County, Kansas. The first six wells are in the Northeast Quarter of Section 19 and the last two are in the Northwest Quarter of Section 20:

- a. Guetterman #KRI-11, API #15-091-23961-00-00;
- b. Guetterman #KRI-12, API #15-091-23956-00-00;
- c. Guetterman #KRI-13, API #15-091-23957-00-00;
- d. Guetterman #KRI-18, API #15-091-23964-00-00;
- e. Guetterman #KRI-23, API #15-091-23966-00-00;
- f. Guetterman #KRI-26, API #15-091-23975-00-00;

g. Guetterman #KRI-7, API #15-091-23954-00-00; and

h. Guetterman #KRI-15, API #15-091-23959-00-00;

II. JURISDICTION

3. K.S.A. 55-152 provides that the Commission has jurisdiction to regulate the construction, operation, and abandonment of any well and the protection of the usable water of this state from any actual or potential pollution from any well.

4. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities.

5. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.

6. K.A.R. 82-3-107(a) provides that each operator drilling or recompleting holes for exploration or production of oil or gas, excluding seismic shot holes, shall preserve and retain samples or drill cuttings, cores, and all other information as required under subsection (d).

7. K.A.R. 82-3-107(d)(1) provides that the following information shall be delivered to the conservation division within 120 days after the well is spudded or recompletion is commenced: a copy of the affidavit of completion; core analyses; final drill stem data elements; recorded drill stem fluid recoveries and charts; final electric logs; final radioactivity logs; similar wireline logs or surveys run by operators on boreholes; final logs run to obtain geo-physical data; and geological well reports.

8. K.A.R. 82-3-107(d)(4) provides that the failure to deliver the information listed in K.A.R. 82-3-107(d)(1) through (d)(3) shall be punishable by a \$500 monetary penalty and an operator license review.

9. K.A.R. 82-3-130(a) provides that within 120 days of the spud date or commencement of recompletion of a well, the operator shall file an original and two copies of an affidavit of completion with the Conservation Division, except as provided by K.A.R. 82-3-130(b).

10. K.A.R. 82-3-130(b) states that the time for filing the affidavit of completion shall be extended if the time requirement for cementing additional casing, pursuant to K.A.R. 82-3-106(c)(2)(B), is greater than 120 days. K.A.R. 82-3-106(c)(2)(B) incorporates by reference the Commission's August 1, 1991 Order in Docket No. 34,780-C (C-1825), which sets forth surface pipe requirements for Kansas oil and gas wells. The Commission's August 1, 1991, Order in Docket No. 34,780-C (C-1825), does not provide additional time to cement additional casing for wells drilled in Johnson County; therefore, the 120-day period in K.A.R. 82-3-130(a) is controlling with regard to the filing of the affidavit of completion.

11. K.A.R. 82-3-130(c) provides that failure to timely file an affidavit of completion shall be punishable by a \$500 monetary penalty.

III. STAFF'S STATEMENT OF FACTS

12. Commission records indicate the Operator spudded four of the subject wells in November 2012 and the remaining four wells in December 2012. The forms and information required by K.A.R. 82-3-107 and K.A.R. 82-3-130 were required to be filed within 120 days of the spud date.

13. On April 23, 2013, Commission Production Staff sent letters to the Operator stating that it appeared that the Operator had not filed all of the drilling and completion information for the subject wells, and that the Operator had not submitted the well completion reports ("ACO-1"). The letters each stated that the requested information should be submitted by May 10, 2013, and that failure to do so might result in a \$500 penalty.

14. To date, Commission records indicate the Operator has failed to file the necessary completion information for any of the subject wells.

IV. CONCLUSIONS OF LAW

15. The Commission finds it has jurisdiction over the Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

16. The above findings of fact demonstrate that the Operator committed eight violations of K.A.R. 82-3-107 and K.A.R. 82-3-130 because the completion information and the ACO-1's for the subject wells have not been received by the Commission.

THEREFORE, THE COMMISSION ORDERS:

- A. The Operator shall pay a \$4,000 penalty.
- B. The Operator shall submit the forms and information required by K.A.R. 82-3-107 and K.A.R. 82-3-130 for each of the subject wells. Compliance shall be obtained within 30 days of service of this Penalty Order.
- C. Pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, any party may request a hearing on the above issues by submitting a written request, setting forth the specific grounds upon which relief is sought, to the Commission's Executive Director, at 130 S. Market, Room 2078, Wichita, Kansas 67202, within 30 days from the date of service of this Penalty Order. If service is by mail, three days will be added to the Mailed Date listed

at the end of this Penalty Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of the Operator's right to a hearing, and this Penalty Order will become a Final Order.

D. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record. A corporation or similar entity shall not be permitted to enter an appearance except by its attorney.

E. If you do not request a hearing, the payment of the monetary penalty is due within 30 days from the date of service of this Order. Checks and Money Orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number and expiration date. Payments shall be mailed to the Kansas Corporation Commission at 130 S. Market, Wichita, Kansas 67202. The payment shall include a reference to the docket number of this proceeding.

F. Failure to pay any assessed monetary penalty within 30 days of service of this Penalty Order, and/or failure to comply with the provisions of this Order, may result in suspension of the Operator's oil and gas operating license without further notice. In addition, the Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

G. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn.; Wright, Com.; Albrecht, Com.

Dated: JUN 18 2013

Jackie Montfort Paige
ACTING
Executive Director

Mailed Date: 6-19-2013

RAH

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

JUN 18 2013

CERTIFICATE OF SERVICE


I certify that on 6-19-2013, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Kansas Resource Exploration & Development, LLC
Attn: C. Stephen Cochennet
9393 W. 110th Street Ste. 500
Overland Park, KS 66210

John Almond
KCC District Office No. 3
1500 W. Seventh
Chanute, KS 66720

And delivered by hand to:

Steve Bond
KCC Production Department

A handwritten signature in black ink, appearing to read "Ryan A. Hoffman", is written over a horizontal line.

Ryan A. Hoffman
Litigation Counsel
Kansas Corporation Commission