

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



2014.11.14 16:26:29  
Kansas Corporation Commission  
/S/ Thomas A. Day

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

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

Sam Brownback, Governor

## NOTICE OF PENALTY ASSESSMENT

### 15-CONS-379-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 \$800. 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 266 N. Main St., Suite 220, 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 266 N. Main St., Suite 220, 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:                      Shari Feist Albrecht, Chair  
   Jay Scott Emler  
   Pat Apple

In the matter of the failure of Chesapeake	)	Docket No.: 15-CONS-379-CPEN
Operating, LLC ("Operator") to comply with	)	
K.A.R. 82-3-111 at the Engelland #3-14,	)	CONSERVATION DIVISION
Garden City #1-13, MLP Elmo #1-11, MLP	)	
Foster #1-27, Moss Gas Unit #1, Perkins B	)	License No.: 32334
#1-32, Seedle Branch #2-20, and Wood #3-13	)	
wells in Finney, Grant, Hamilton, Haskell,	)	
and Morton Counties, Kansas.	)	

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**PENALTY ORDER**

The above captioned matter comes before the State Corporation Commission of the State of Kansas. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

**I. JURISDICTION**

1.        K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities. 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. The Commission has licensing authority pursuant to K.S.A. 55-155.

2.        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.

3. K.A.R. 82-3-111 provides that within 90 days after operations cease on any well, the operator of that well shall plug the well, return the well to service, or file an application with the Conservation Division requesting temporary abandonment (“TA”) status. A well shall not be eligible for TA status if the well has been shut-in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the Commission. The failure to file an application for TA status shall be punishable by a \$100 penalty. K.A.R. 82-3-111(e) provides an exemption for certain wells for 365 days if they are fully equipped and capable of production.

## **II. FINDINGS OF FACT**

4. Operator conducts oil and gas activities in Kansas under license number 32334.

5. Operator is responsible for the care and control of the following wells  
(collectively “the subject wells”), all in Kansas:

- a. Engelland #3-14, API 15-075-20800-00-00, Section 14, Township 22 South,  
Range 40 West, Hamilton County;
- b. Garden City #1-13, API 15-055-00316-00-00, Section 13, Township 22 South,  
Range 34 West, Finney County;
- c. MLP Elmo #1-11, API 15-067-21464-00-00, Section 11, Township 30 South,  
Range 35 West, Grant County;
- d. MLP Foster #1-27, API 15-081-21193-00-00, Section 27, Township 29 South,  
Range 34 West, Haskell County;
- e. Moss Gas Unit #1, API 15-055-00203-00-00, Section 24, Township 21 South,  
Range 34 West, Finney County;
- f. Perkins B #1-32, API 15-129-20838-00-02; Section 32, Township 33 South,  
Range 42 West, Morton County;

g. Seedle Branch #2-20, API 15-055-21710-00-00, Section 20, Township 23 South, Range 31 West, Finney County; and

h. Wood #3-13, API 15-075-20161-00-00, Section 13, Township 24 South, Range 41 West, Hamilton County.

6. Between January 31, 2014, and March 26, 2014, Commission District #1 Staff received Temporary Abandonment Applications (“CP-111’s”) for all of the subject wells.

7. Between February 6, 2014, and March 27, 2014, Commission District #1 Staff denied the CP-111’s for all of the subject wells, because Operator reported that it did not have a lease for the wells.

8. Between March 26, 2014, and March 31, 2014, Operator filed Well Plugging Applications (“CP-1’s”) for all of the subject wells. Commission Staff approved the CP-1’s, while also informing Operator that filing the CP-1’s did not bring the wells into compliance with K.A.R. 82-3-111, and that approval of the CP-1’s was only good for six months.

9. To date, all of the subject wells remain abandoned and unplugged.

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

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

11. The above findings of fact are sufficient evidence to support the conclusion that Operator committed eight violations of K.A.R. 82-3-111 because the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.

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

A. Operator shall pay a \$800 penalty.

B. Operator shall plug the subject wells, return them to service, or obtain TA status for the wells if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable.

C. If no 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. The notice and opportunity for a hearing on this order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. The Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

D. 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 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.

E. Any party 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, setting forth the specific grounds upon which relief is sought, to the Commission's Executive Director, at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

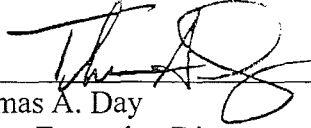
F. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

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.**

Albrecht, Chair; Emler, Com.; Apple, Com.

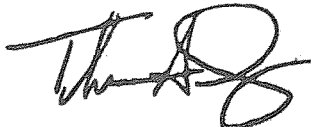
Dated: NOV 06 2014

  
Thomas A. Day  
Acting Executive Director

Mailed Date: 11/12/14

JRM

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

  
NOV 06 2014

**CERTIFICATE OF SERVICE**

I certify that on 11/12/14, 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:

Sarah Rodriguez  
Chesapeake Operating, LLC  
6100 N. Western Avenue  
PO Box 18496  
Oklahoma City, Oklahoma 73118

Steve Pfeifer  
KCC District #1  
210 E. Frontview, Suite A  
Dodge City, Kansas 67801

/s/ Jonathan R. Myers  
Jonathan R. Myers  
Litigation Counsel  
Kansas Corporation Commission