

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

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Annie Kuether

In the matter of the failure of Legacy Drilling,) Docket No.: 24-CONS-3104-CPEN
LLC (Contractor) to comply with K.A.R. 82-3-)
120 by drilling wells without a current license.) CONSERVATION DIVISION
)
) License No.: 35640

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-120 by drilling wells without a current license, assesses a \$10,000 penalty, 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(a) provides 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.

3. 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.

4. K.A.R. 82-3-120 provides that no operator or contractor shall conduct any drilling activities without first obtaining or renewing a current license.

II. FINDINGS OF FACT

5. On December 3, 2018, the Commission issued Contractor a license (#35640) to conduct drilling operations in Kansas. Contractor's license expired December 30, 2019.

6. On December 22, 2022, Commission Staff received a Well Completion (ACO-1) form from BCE-Mach III LLC for its Paxton 4-35-11 #1H well, API #15-007-24438.¹ The ACO-1 form indicated that Contractor who was not currently licensed with the Commission drilled the Paxton 4-35-11 #1H well.

7. On or around September 15, 2023, Commission Staff received communication and a draft ACO-1 form from Destiny Petroleum LLC for its Cindy 3504 SL #1-8H well, API #15-191-22859.² The communication and ACO-1 form indicated that Contractor, who was not currently licensed with the Commission, drilled the Cindy 3504 SL #1-8H well.

8. To date, Contractor's license remains expired.

III. CONCLUSIONS OF LAW

9. The Commission has jurisdiction over Contractor and this matter under K.S.A. 74-623, K.S.A. 55-152, K.S.A. 55-155, K.S.A. 55-162, and K.S.A. 55-164.

10. Contractor has violated K.A.R. 82-3-120 by conducting drilling operations without a current license in violation of K.A.R. 82-3-120.

THEREFORE, THE COMMISSION ORDERS:

- A. Contractor shall pay a \$10,000 penalty.
- B. Contractor 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

¹ Exhibit A.

² Exhibit B.

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.

C. Failure to timely request a hearing will result in a waiver of Contractor's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Contractor is not in compliance with this Order and the Order is final, then Contractor's license shall be suspended without further notice and shall remain suspended until Contractor 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).

D. 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; Kuether, Commissioner

Dated: 10/12/2023



Lynn M. Retz
Executive Director

Mailed Date: 10/12/2023

KAM

Confidentiality Requested:

Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

DEC 27 2022

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

RECEIVED BY EMAIL
12-22-2022

WELL COMPLETION FORM

CONSERVATION DIVISION
WICHITA, KS

WELL HISTORY - DESCRIPTION OF WELL & LEASE

OPERATOR: License # 35906
Name: BCE-Mach III LLC
Address 1: 14201 Wireless Way Suite 300
Address 2: _____
City: Oklahoma City State: OK Zip: 73134 + 2521
Contact Person: Amanda Lair
Phone: (405) 252-8100
CONTRACTOR: License # _____
Name: Legacy Drilling
Wellsite Geologist: n/a
Purchaser: _____

API No. 15 - 007-24438-01-00
Spot Description: _____
SW SW SE SW Sec. 33 Twp. 34 S. R. 11 East West
197 Feet from North / South Line of Section
1338 Feet from East / West Line of Section
Footages Calculated from Nearest Outside Section Corner:
 NE NW SE SW
GPS Location: Lat: _____, Long: _____
(e.g. xx.xxxxx) (e.g. -xxx.xxxxx)
Datum: NAD27 NAD83 WGS84
County: Barber
Lease Name: Paxton Well #: 4-35-11 1H

Designate Type of Completion:

- New Well Re-Entry Workover
 Oil WSW SWD SIOW
 Gas D&A ENHR SIGW
 OG GSW Temp. Abd.
 CM (Coal Bed Methane)
 Cathodic Other (Core, Expl., etc.): _____

If Workover/Re-entry: Old Well Info as follows:

Operator: _____

Well Name: _____

Original Comp. Date: _____ Original Total Depth: _____

- Deepening Re-perf. Conv. to ENHR Conv. to SWD
 Plug Back Conv. to GSW Conv. to Producer

- Commingled Permit #: _____
 Dual Completion Permit #: _____
 SWD Permit #: _____
 ENHR Permit #: _____
 GSW Permit #: _____

8/25/2022 9/8/2022 9/22/2022
Spud Date or Date Reached TD Completion Date or Recompletion Date

Field Name: _____
Producing Formation: Mississippi
Elevation: Ground: 1383 Kelly Bushing: 1404
Total Vertical Depth: 4847 Plug Back Total Depth: _____
Amount of Surface Pipe Set and Cemented at: 322 Feet
Multiple Stage Cementing Collar Used? Yes No
If yes, show depth set: _____ Feet
If Alternate II completion, cement circulated from: _____
feet depth to: _____ w/ _____ sx cmt.

Drilling Fluid Management Plan

(Data must be collected from the Reserve Pit)

Chloride content: _____ ppm Fluid volume: _____ bbls

Dewatering method used: _____

Location of fluid disposal if hauled offsite: _____

Operator Name: _____

Lease Name: _____ License #: _____

Quarter _____ Sec. _____ Twp. _____ S. R. _____ East West

County: _____ Permit #: _____

INSTRUCTIONS: The original form shall be filed with the Kansas Corporation Commission, 130 S. Market - Room 2078, Wichita, Kansas 67202, within 120 days of the spud date, recompletion, workover or conversion of a well. If confidentiality is requested and approved, side two of this form will be held confidential for a period of 2 years. Rules 82-3-130, 82-3-106 and 82-3-107 apply. Drill Stem Test, Cement Tickets and Geological Well Report must be attached.

AFFIDAVIT

I am the affiant and I hereby certify that all requirements of the statutes, rules and regulations promulgated to regulate the oil and gas industry have been fully complied with and the statements herein are complete and correct to the best of my knowledge.

Signature: [Signature]

Title: Regulatory Analyst Date: 12/22/2022

KCC Office Use ONLY

- Confidentiality Requested
Date: 12-22-2022
 Confidential Release Date: 12-22-2024
 Wireline Log Received
 Geologist Report Received
 UIC Distribution
ALT I II III Approved by: [Signature] 12-22-2022
Exhibit A

From: Kraig Stoll [k.stoll@kcc.ks.gov]
Sent: Monday, September 18, 2023 8:48 AM
To: David Befort [d.befort@kcc.ks.gov]
CC: Kelcey Marsh [k.marsh@kcc.ks.gov]
Subject: FW: Destiny Petroleum LLC - KOLAR Well Inventory Certification
Attachments: ACO-1 CINDY 3504 SL 1-8H Completion Report Sep 15 2023.pdf

David,

Emad from Destiny Petroleum LLC forwarded this ACO-1 to me. It is the operator that I discussed with you last week that couldn't submit the ACO-1 through KOLAR because the drilling company didn't have a valid license. Please look over the ACO-1 and check with Kelcey to see if everything looks ok and whether we can move forward with processing this ACO-1. I appreciate your help.

Thanks,

Kraig

From: Emad Elrafie <emad.elrafie@destinypetro.com>
Sent: Friday, September 15, 2023 5:45 PM
To: Kraig Stoll <k.stoll@kcc.ks.gov>
Subject: RE: Destiny Petroleum LLC - KOLAR Well Inventory Certification

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Dear Kraig,

Here attached is the printed form. I included the drilling company and its LC # that the system wouldn't accept.

Please, let me know if anything else is needed.
I hope you will be able to complete Destiny's License annual renewal as well.

Regards,

Emad Elrafie, Ph.D.
Chief Executive Officer



Destiny Petroleum
+1.832.748.1181

From: Kraig Stoll <k.stoll@kcc.ks.gov>
Sent: Friday, September 15, 2023 4:28 PM

To: Emad Elrafie <emad.elrafie@destinypetro.com>

Subject: Re: Destiny Petroleum LLC - KOLAR Well Inventory Certification

Emad,

I'm currently out of the office today but I checked with our legal team to see what route we can take. They suggested that you submit the ACO-1 via paper. KOLAR won't take it without the driller's license number. So a paper submission seems like the best path.

Thanks,

Kraig

Sent from my iPhone

On Sep 15, 2023, at 6:49 AM, Emad Elrafie <emad.elrafie@destinypetro.com> wrote:

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Dear Kraig,
Good morning.

As mentioned, we tried everything for the Drilling Company License box in the Cindy completion form.

Here attached is the Drilling company register number which I tried to use, but also didn't work.

Your support on this matter is critical, as today is the deadline date.

As mentioned, I filled all items in the completion form, and completed the Density renewal form, but all awaiting this LC #.

Highly appreciated.

Regards,

Emad Elrafie, Ph.D.
Chief Executive Officer
<image001.png>

Destiny Petroleum
+1.832.748.1181

From: Emad Elrafie
Sent: Thursday, September 14, 2023 1:56 PM
To: Kraig Stoll <k.stoll@kcc.ks.gov>
Cc: Ric Saalwachter <ric.saalwachter@destinypetro.com>
Subject: RE: Destiny Petroleum LLC - KOLAR Well Inventory Certification
Importance: High

Dear Kraig,

The drilling company was

Legacy Drilling, LLC
203 E 80th St
Stillwater OK 74074

If you can provide me with License number I can immediately submit the completion program (As I mentioned, this is the only missing information).

Regards,

Emad Elrafie, Ph.D.
Chief Executive Officer
<image001.png>

Destiny Petroleum
+1.832.748.1181

From: Kraig Stoll <k.stoll@kcc.ks.gov>
Sent: Thursday, September 14, 2023 8:53 AM
To: Emad Elrafie <emad.elrafie@destinypetro.com>
Subject: RE: Destiny Petroleum LLC - KOLAR Well Inventory Certification

Emad,

Who was the drilling contractor for the well? I can try to look up their license number.

Thanks,

Kraig

From: Emad Elrafie <emad.elrafie@destinypetro.com>
Sent: Wednesday, September 13, 2023 11:05 AM
To: Kraig Stoll <k.stoll@kcc.ks.gov>
Subject: RE: Destiny Petroleum LLC - KOLAR Well Inventory Certification

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Dear Kraig,

I completed it but only missing the **Legacy Rig** which drilled our Cindy but we don't have its License number. This is the only missing information from the report, but I can't file it without the LC # which seems no one have it.

Do you have a solution for that problem.
Highly appreciated.

Regards,

Emad Elrafie, Ph.D.
Chief Executive Officer
<image002.png>

Destiny Petroleum
+1.832.748.1181

From: Kraig Stoll <k.stoll@kcc.ks.gov>
Sent: Wednesday, September 13, 2023 11:52 AM
To: Emad Elrafie <emad.elrafie@destinypetro.com>
Subject: RE: Destiny Petroleum LLC - KOLAR Well Inventory Certification

Emad,

Have you been able to file the completion report for the Cindy 3504 SL 1-8H? I appreciate your help.

Thanks,

Kraig Stoll
Environmental Program Administrator Supervisor
<image003.jpg>
Conservation Division
Kansas Corporation Commission
266 N. Main St., Ste. 220 | Wichita, KS | 67202-1513
Phone (316) 337-6227 | Fax (316) 337-6211 | <http://kcc.ks.gov/>

From: Emad Elrafie <emad.elrafie@destinypetro.com>
Sent: Friday, August 25, 2023 6:46 AM
To: Kraig Stoll <k.stoll@kcc.ks.gov>
Subject: RE: Destiny Petroleum LLC - KOLAR Well Inventory Certification

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Dear Kraig,

Yes, Cindy has just been drilled.
I thought we did file completion report.

I will check and if not will file it this week.

Regards,

Emad Elrafie, Ph.D.
Chief Executive Officer
<image004.png>

Destiny Petroleum
+1.832.748.1181

From: Kraig Stoll <k.stoll@kcc.ks.gov>
Sent: Thursday, August 24, 2023 11:18 PM
To: Emad Elrafie <emad.elrafie@destinypetro.com>
Subject: Destiny Petroleum LLC - KOLAR Well Inventory Certification

Reid,

I'm currently processing Destiny Petroleum LLC's KOLAR well inventory certification and I have one concern. You certified that the Cindy 3504 SL 1-8H (API # 15-191-22859-0100) has been drilled. I looked through our records and I wasn't able to locate the completion report (ACO-1) for this well. Have you filed the completion report (ACO-1) for this well on KOLAR? If the well has indeed been drilled, you will need to file the ACO-1 on KOLAR. If you have any questions, please let me know.

Sincerely,

Kraig Stoll
Environmental Program Administrator Supervisor
<image003.jpg>
Conservation Division
Kansas Corporation Commission
266 N. Main St., Ste. 220 | Wichita, KS | 67202-1513
Phone (316) 337-6227 | Fax (316) 337-6211 | <http://kcc.ks.gov/>

<Legacy_Kansas Filing.pdf>

Confidentiality Requested:

Yes No

KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form ACO-1
January 2018

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

WELL COMPLETION FORM WELL HISTORY - DESCRIPTION OF WELL & LEASE

OPERATOR: License # 35386
 Name: Destiny Petroleum LLC
 Address 1: 213 Coyatee Shores
 Address 2: _____
 City: Loudon State: TN Zip: 37774 + 3177
 Contact Person: Emad Elrafie
 Phone: (832) 748-1181
 CONTRACTOR: License # 5240403
 Name: Legacy Drilling, LLC
 Wellsite Geologist: Reid Mccarty
 Purchaser: _____

Designate Type of Completion:

New Well Re-Entry Workover

Oil WSW SWD

Gas DH EOR

OG GSW

CM (Coal Bed Methane)

Cathodic Other (Core, Expl., etc.): _____

If Workover/Re-entry: Old Well Info as follows:

Operator: _____

Well Name: _____

Original Comp. Date: _____ Original Total Depth: _____

Deepening Re-perf. Conv. to EOR Conv. to SWD

Plug Back Liner Conv. to GSW Conv. to Producer

Commingled Permit #: _____

Dual Completion Permit #: _____

SWD Permit #: _____

EOR Permit #: _____

GSW Permit #: _____

3/25/2023 4/8/2023 4/10/2023

Spud Date or Recompletion Date Date Reached TD Completion Date or Recompletion Date

API No.: 15-191-22859-01-00

Spot Description: _____

E2 - NE - NE - NW Sec. 8 Twp. 35 S. R. 4 East West

330 Feet from North / South Line of Section

2504 Feet from East / West Line of Section

Footages Calculated from Nearest Outside Section Corner:

NE NW SE SW

GPS Location: Lat: _____, Long: _____
(e.g. xx.xxxxx) (e.g. -xxx.xxxxx)

Datum: NAD27 NAD83 WGS84

County: Sumner

Lease Name: CINDY 3504 SL Well #: 1-8H

Field Name: _____

Producing Formation: Mississippi

Elevation: Ground: 1214 Kelly Bushing: 1235

Total Vertical Depth: 4824 Plug Back Total Depth: _____

Amount of Surface Pipe Set and Cemented at: 300 Feet

Multiple Stage Cementing Collar Used? Yes No

If yes, show depth set: _____ Feet

If Alternate II completion, cement circulated from: _____

feet depth to: _____ w/ _____ sx cmt.

Drilling Fluid Management Plan

(Data must be collected from the Reserve Pit)

Chloride content: _____ ppm Fluid volume: _____ bbls

Dewatering method used: _____

Location of fluid disposal if hauled offsite: _____

Operator Name: _____

Lease Name: _____ License #: _____

Quarter _____ Sec. _____ Twp. _____ S. R. _____ East West

County: _____ Permit #: _____

AFFIDAVIT

I am the affiant and I hereby certify that all requirements of the statutes, rules and regulations promulgated to regulate the oil and gas industry have been fully complied with and the statements herein are complete and correct to the best of my knowledge.

Signature: _____

Title: _____ Date: _____

KCC Office Use ONLY

Confidentiality Requested

Date: _____

Confidential Release Date: _____

Wireline Log Received Drill Stem Tests Received

Geologist Report / Mud Logs Received

UIC Distribution

ALT I II III Approved by: _____ Date: Exhibit B

Operator Name: Destiny Petroleum LLC Lease Name: CINDY 3504 SL Well #: 1-8H
 Sec. 8 Twp. 35 S. R. 4 East West County: Sumner

INSTRUCTIONS: Show important tops of formations penetrated. Detail all cores. Report all final copies of drill stems tests giving interval tested, time tool open and closed, flowing and shut-in pressures, whether shut-in pressure reached static level, hydrostatic pressures, bottom hole temperature, fluid recovery, and flow rates if gas to surface test, along with final chart(s). Attach extra sheet if more space is needed.

Final Radioactivity Log, Final Logs run to obtain Geophysical Data and Final Electric Logs must be emailed to kcc-well-logs@kcc.ks.gov. Digital electronic log files must be submitted in LAS version 2.0 or newer AND an image file (TIFF or PDF).

Drill Stem Tests Taken <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>(Attach Additional Sheets)</i> Samples Sent to Geological Survey <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Cores Taken <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Electric Log Run <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Geologist Report / Mud Logs <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No List All E. Logs Run:	<input type="checkbox"/> Log Formation (Top), Depth and Datum <input type="checkbox"/> Sample <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Name</td> <td style="width: 20%; text-align: center;">Top</td> <td style="width: 20%; text-align: center;">Datum</td> </tr> <tr> <td>stalnaker</td> <td style="text-align: center;">3457</td> <td style="text-align: center;">-2225</td> </tr> <tr> <td>Mississippi</td> <td style="text-align: center;">4797</td> <td style="text-align: center;">-3379</td> </tr> </table>	Name	Top	Datum	stalnaker	3457	-2225	Mississippi	4797	-3379
Name	Top	Datum								
stalnaker	3457	-2225								
Mississippi	4797	-3379								

CASING RECORD <input checked="" type="checkbox"/> New <input type="checkbox"/> Used							
Report all strings set-conductor, surface, intermediate, production, etc.							
Purpose of String	Size Hole Drilled	Size Casing Set (In O.D.)	Weight Lbs. / Ft.	Setting Depth	Type of Cement	# Sacks Used	Type and Percent Additives
Surface	12.25	9.625	3629	300		195	
Intermediate	8.75	7	29	5307		265	
Production	6	4.5	15	8691		0	

ADDITIONAL CEMENTING / SQUEEZE RECORD				
Purpose:	Depth Top Bottom	Type of Cement	# Sacks Used	Type and Percent Additives
<input type="checkbox"/> Perforate				
<input type="checkbox"/> Protect Casing	-			
<input type="checkbox"/> Plug Back TD				
<input type="checkbox"/> Plug Off Zone	-			

1. Did you perform a hydraulic fracturing treatment on this well? Yes No *(If No, skip questions 2 and 3)*
2. Does the volume of the total base fluid of the hydraulic fracturing treatment exceed 350,000 gallons? Yes No *(If No, skip question 3)*
3. Was the hydraulic fracturing treatment information submitted to the chemical disclosure registry? Yes No *(If No, fill out Page Three of the ACO-1)*

Date of first Production/Injection or Resumed Production/Injection: <u>4/10/2023</u>	Producing Method: <input type="checkbox"/> Flowing <input checked="" type="checkbox"/> Pumping <input type="checkbox"/> Gas Lift <input type="checkbox"/> Other <i>(Explain)</i> _____				
Estimated Production Per 24 Hours	Oil Bbls.	Gas Mcf	Water Bbls.	Gas-Oil Ratio	Gravity

DISPOSITION OF GAS: <input type="checkbox"/> Vented <input checked="" type="checkbox"/> Sold <input type="checkbox"/> Used on Lease <i>(If vented, Submit ACO-18.)</i>	METHOD OF COMPLETION: <input checked="" type="checkbox"/> Open Hole <input type="checkbox"/> Perf. <input type="checkbox"/> Dually Comp. <input type="checkbox"/> Commingled <i>(Submit ACO-5) (Submit ACO-4)</i>	PRODUCTION INTERVAL: Top: <u>53461</u> Bottom: <u>84678</u>
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Shots Per Foot	Perforation Top	Perforation Bottom	Bridge Plug Type	Bridge Plug Set At	Acid, Fracture, Shot, Cementing Squeeze Record <i>(Amount and Kind of Material Used)</i>

TUBING RECORD:	Size:	Set At:	Packer At:
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DRAFT

Form	ACO1 - Well Completion
Operator	Destiny Petroleum LLC
Well Name	CINDY 3504 SL 1-8H
Doc ID	1726930

Casing

Purpose Of String	Size Hole Drilled	Size Casing Set	Weight	Setting Depth	Type Of Cement	Number of Sacks Used	Type and Percent Additives
Surface	12.25	9.625	3629	300		195	
Intermediate	8.75	7	29	5307		265	
Production	6	4.5	15	8691		0	

CERTIFICATE OF SERVICE

24-CONS-3104-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 10/12/2023.

NANCY BORST
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
n.borst@kcc.ks.gov

ANDREA DAVIDSON
LEGACY DRILLING, LLC
PO BOX 250
PERKINS, OK 74059-0250

KELCEY MARSH, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
k.marsh@kcc.ks.gov

/S/ KCC Docket Room
KCC Docket Room