



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

Phone: 316-337-6200
Fax: 346-337-6211
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT
19-CONS-3268-CPEN

February 19, 2019

Zachary Roy Patterson
Patterson Energy LLC
PO Box 400
Hays, KS 67601-0400

This is a notice of a penalty assessment for violation(s) 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:

You have been assessed a \$100 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 and mailed to the Conservation Division of 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. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and 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. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Lauren N. Wright
Litigation Counsel
316-337-6200

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

Before Commissioners:

Dwight D. Keen, Chair
Shari Feist Albrecht
Jay Scott Emler

In the matter of the failure of Patterson)	Docket No.: 19-CONS-3268-CPEN
Energy LLC (“Operator”) to comply with)	
K.A.R. 82-3-126 at the Rolfs Tank Battery in)	CONSERVATION DIVISION
Ellsworth County, Kansas.)	
<hr/>		License No.: 34888

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. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ 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.”² Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty “not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. K.A.R. 82-3-126(a) provides that all oil tanks, tank batteries, tanks used for salt water collection or disposal, and tanks used for sediment oil treatment or storage shall be identified by a sign posted on, or not more than 50 feet from, the tank or tank battery. The sign shall be of durable construction and shall be large enough to be legible under normal conditions at a distance of 50 feet. The sign shall identify: 1) the name and license number of the operator; 2) the name of the lease being served by the tank; and 3) the location of the tank by unit name, section, township, range, and county.

4. K.A.R. 82-3-126(b) provides that the failure to post an identification sign shall be punishable by a penalty of \$100.

II. FINDINGS OF FACT

5. Operator conducts oil and gas activities in Kansas under active license number 34888.

6. Effective February 1, 2019, the Operator’s name changed from American Oil, LLC to Patterson Energy LLC.

7. Operator is responsible for the care and control of the Rolfs Tank Battery Lease (“the subject lease”), located in Section 23, Township 17 South, Range 19 West, Ellsworth County, Kansas.

8. On December 4, 2018, District Staff inspected the subject lease and was unable to locate a current identification sign posted on or within 50 feet of the tank or tank battery, legible under normal conditions at a distance of 50 feet.

⁵ K.S.A. 55-164.

⁶ *Id.*

9. On December 10, 2018, District Staff sent a Notice of Violation letter to Operator requiring Operator to bring the subject lease into compliance with K.A.R. 82-3-126 by January 10, 2019.⁷

10. Because the deadline in the letter passed and the violation had not been resolved, on January 15, 2019, District Staff inspected the subject lease, verifying that the subject lease continued to be in violation of K.A.R. 82-3-126.⁸

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 Commission finds and concludes the Operator committed one violation of K.A.R. 82-3-126 because there is not a current identification sign posted on or within 50 feet of the tank or tank battery at the subject lease, such sign being legible under normal conditions at a distance of 50 feet.⁹

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$100 penalty.
- B. Operator shall post a current identification sign at the tank or tank battery at the subject lease pursuant to K.A.R. 82-3-126.
- 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

⁷ Exhibit A.

⁸ Exhibit B.

⁹ K.S.A. 55-164; K.A.R. 82-3-126.

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 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. A corporation shall appear before the Commission by a Kansas licensed attorney.¹⁰

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.

Keen, Chair; Albrecht, Commissioner; Emler, Commissioner

Dated: 02/19/2019



Lynn M. Retz
Secretary to the Commission

Mailed Date: 02/20/2019

LW

¹⁰ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT OFFICE No. 2
3450 N. ROCK ROAD
BUILDING 600, SUITE 601
WICHITA, KS 67226



PHONE: 316-337-7400
FAX: 316-630-4005
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

December 10, 2018

American Oil LLC
1200 Main, Suite 410
Hays, Kansas 67601

RE: Lease ID Sign
Well Name: Rolfs
Legal: SW 23-17-9W
County: Ellsworth
License: 34888

Dear Sir:

This is to advise that the above-referenced lease has been found to be in violation of the Commission's rules and regulations governing the production of crude oil and natural gas.

Specifically, this lease is in violation of K.A.R. 82-3-126 for failure to have a correct lease ID sign. Each violation is punishable by a fine of \$100.00.

Pursuant to Commission policy, a thirty-(30) day grace period is hereby extended, during which the above-noted violation must be corrected or remedied. Failure to bring the lease into compliance within thirty- (30) days from the date of this letter January 10, 2019 shall result in the automatic imposition of the above-referenced fine. Your cooperation in this matter is appreciated.

Sincerely,

Virgil Clothier
KCC District 2

KCC OIL/GAS REGULATORY OFFICES

Date: 01/15/19

District: 2

Case #: _____

☐ New Situation
☐ Response to Request
☒ Follow-Up

☐ Lease Inspection
☐ Complaint
☐ Field Report

Operator License No: 34888

API Well Number: _____

Op Name: American Oil LLC

Spot: SW Sec 23 Twp 17 S Rng 9 ☐ E / ☒ W

Address 1: PO Box 400

Feet from ☐ N / ☒ S Line of Section

Address 2: _____

Feet from ☒ E / ☐ W Line of Section

City: Hays

GPS: Lat: _____ Long: _____ Date: _____

State: KS Zip Code: 67601 -

Lease Name: Rolfs Well #: _____

Operator Phone #: (785) 259-3717

County: Ellsworth

Reason for Investigation:

Follow-up compliance ck.

Problem:

NO lease ID sign.

Persons Contacted:

Findings:

NO lease ID sign installed. Operator had been sent a Lease ID sign letter giving him until 01/10/2019 to post a correct lease ID sign, or the penalty would be a fine of \$100.00.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

Per K.A.R. 82-3-126, I recommend monetary penalty of \$100.00 for failure to have a correct lease ID sign.

Verification Sources:

Photos Taken: 1

☒ RBDMS ☐ KGS ☐ TA Program
☐ T-I Database ☐ District Files ☐ Courthouse
☐ Other: _____

By: Virgil Clothier
ECRS

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Exhibit B
Page 1 of 2
Form: _____

American Oil, LLC #34888
Rolf's Tank Battery
SW/4 Sec. 23-17-9W
Date: 1-15-2019
Virgil Clothier



CERTIFICATE OF SERVICE

19-CONS-3268-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail and electronic service on 02/19/2019.

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 2
3450 N. ROCK RD BLDG 600 STE 601
WICHITA, KS 67226
Fax: 316-630-4005
d.fox@kcc.ks.gov

ZACHARY ROY PATTERSON
PATTERSON ENERGY LLC
PO BOX 400
HAYS, KS 67601-0400

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe