

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

Before Commissioners: Pat Apple, Chairman  
Shari Feist Albrecht  
Jay Scott Emler

In the matter of the failure of Peak Energy, ) Docket No: 17-CONS-3434-CPEN  
LLC ("Operator") to comply with K.A.R. 82- )  
3-111 at the L V Scott #1, Klink #1 and ) CONSERVATION DIVISION  
Klink #3 wells in Cowley County, Kansas. )  
\_\_\_\_\_ ) License No. 32776

**ORDER APPROVING SETTLEMENT AGREEMENT**

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds and concludes as follows:

1. On January 12, 2017, the Commission issued in this docket a *Penalty Order* against Peak Energy, LLC (Operator), finding three 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 temporary abandonment (TA) status.<sup>1</sup>

2. On January 25, 2017, Operator filed a request for hearing in this proceeding.

3. On March 9, 2017, a Prehearing Conference was held in this matter.<sup>2</sup> At the Prehearing Conference, the parties moved to continue the Prehearing Conference to the first week of April 2017.<sup>3</sup>

4. On March 24, 2017, Commission Staff (Staff) filed a Motion requesting the Commission approve a Settlement Agreement between Staff and Operator.<sup>4</sup> The Settlement Agreement is attached to this Order and incorporated herein by reference. Among other things,

<sup>1</sup> Docket No. 17-CONS-3434-CPEN, *Penalty Order*, ¶ 11 (Jan. 12, 2017).

<sup>2</sup> *Prehearing Officer Order Continuing Prehearing Conference*, ¶ 2 (Mar. 20, 2017).

<sup>3</sup> *Id.*

<sup>4</sup> Motion to Approve Settlement Agreement (Mar. 24, 2017).

the Agreement states that "Operator admits to the violations and agrees to pay the \$300 penalty, but requests additional time to bring the subject wells into compliance with K.A.R. 82-3-111."<sup>5</sup> The Agreement also stipulates that Operator shall pay the \$300 penalty by April 15, 2017, and by May 1, 2017, shall plug, return to service or obtain TA status for one of the subject wells.<sup>6</sup> Subsequently, Operator shall plug, return to service or obtain TA status for one of the two remaining subject wells every 45 days thereafter.<sup>7</sup>

5. The Commission affirms Staff's review and resolution concerning the wells at issue in this matter. The Commission finds the attached Settlement Agreement represents an appropriate manner of resolving the issues addressed therein.

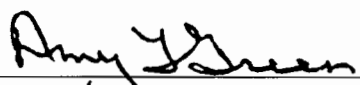
**THEREFORE, THE COMMISSION ORDERS:**

- A. The attached Settlement Agreement is approved and incorporated into this Order.
- B. The parties have fifteen (15) days, plus three (3) days if mailed service, in which to petition the Commission for reconsideration.<sup>8</sup>
- C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: MAR 30 2017

  
\_\_\_\_\_  
Amy L. Green  
Secretary to the Commission

Mailed Date: March 30, 2017

MJD/sc

<sup>5</sup> See attached Settlement Agreement, ¶ 2 (Mar. 24, 2017).

<sup>6</sup> *Id.* at ¶ 3.

<sup>7</sup> *Id.*

<sup>8</sup> K.S.A. 66-118b; K.S.A. 77-529(a)(1).

## **SETTLEMENT AGREEMENT**

This Agreement is between Peak Energy, LLC (“Operator”) (License #32776) and Commission Staff (“Staff”). If the Commission does not approve this Agreement by a signed Order, then this Agreement shall not be binding on either party. This Agreement shall settle the proceedings in Commission Docket Number 17-CONS-3434-CPEN.

### **A. Background**

1. On January 12, 2017, the Commission issued a Penalty Order against Operator, finding a total of three violations of K.A.R. 82-3-111 at the L V Scott #1, Klink #1 and Klink #3 wells (collectively “the subject wells”), assessing a \$300 penalty, and directing Operator, within 30 days, to plug the subject wells, return them to service, or obtain TA status for them. Operator filed a timely appeal.

2. Operator admits to the violations and agrees to pay the \$300 penalty, but requests additional time to bring the subject wells into compliance with K.A.R. 82-3-111. Staff is willing to enter into such an agreement.

### **B. Terms of Settlement**

3. By April 15, 2017, Operator shall pay the \$300 penalty. By May 1, 2017, Operator shall plug, return to service, or obtain temporary abandonment status for one of the subject wells. If Operator fails to comply with this deadline, then Operator shall be assessed a \$1,000 penalty. Operator shall plug, return to service, or obtain temporary abandonment status for one of the two remaining subject wells every 45 days thereafter (June 15, 2017 and July 31, 2017, respectively). If Operator fails to comply with either of these deadlines, then Operator shall be assessed a \$1,000 penalty. If any of the subject wells are not in compliance with K.A.R. 82-3-111 by being plugged, returned to service, or having temporary abandonment status by

November 1, 2017, then Operator shall be assessed an additional \$5,000 penalty, and Staff may plug the wells and assess the costs to Operator.

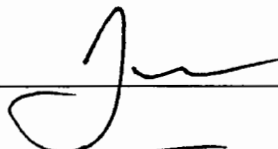
4. If Operator fails to comply with any deadline in Paragraph 3, or if any costs or penalties are owed pursuant to this agreement, then Staff shall suspend Operator's license until compliance is obtained and full payment is made. If Staff finds Operator conducting oil and gas operations after 10 days from the date of the notice of license suspension letter, and Operator's license is still suspended, then Staff is authorized to seal all of operator's oil and gas operations and to assess an additional \$5,000.

5. Operator agrees to waive its right to appeal the Commission's Order approving this Agreement, any penalties or costs assessed under this Agreement, and any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Agreement. The terms of this Agreement shall remain binding upon Operator even if its interests in the subject wells are conveyed.

Commission Staff

Peak Energy, LLC

By: \_\_\_\_\_



By: \_\_\_\_\_



Printed Name: \_\_\_\_\_

Joshua D. Wright

Printed Name: \_\_\_\_\_

Henry E. Boots

Title: \_\_\_\_\_

Litigation Counsel

Title: \_\_\_\_\_

Mgr.

Date: \_\_\_\_\_

3-24-2017

Date: \_\_\_\_\_

3/20/2017

**CERTIFICATE OF SERVICE**

I certify that on 3/30/17, 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:

Jon R. Viets  
PO Box 1176  
Independence, KS 67301  
*Attorney for Peak Energy, LLC*

Henry Boots  
Peak Energy, LLC  
2649 CR 2300  
Independence, KS 67301

and delivered by e-mail to:

Dan Fox  
KCC District #2

Joshua Wright, Litigation Counsel  
KCC Central Office

Michael J. Duenes, Assistant General Counsel  
KCC Topeka Office

/s/ Paula J. Murray  
Paula J. Murray  
Legal Assistant  
Kansas Corporation Commission