

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

Before Commissioners: Mark Sievers, Chairman
 Ward Loyd
 Thomas E. Wright

In the matter of the failure of Pickrell Drilling)	Docket No.: 12-CONS-223-CPEN
Company, Inc., to comply with the provisions of)	
K.A.R. 82-3-407 at the Wells F #1 well located in)	
the Northeast Quarter of the Northwest Quarter of)	
Section 36, Township 20 South, Range 21 West,)	
Ness County, Kansas and the Seacat D #3 well)	CONSERVATION DIVISION
located in the Northeast Quarter of the Southeast)	
Quarter of Section 31, Township 30 South, Range)	
21 West, Clark County, Kansas.)	
<hr/>) License No.: 5123

ORDER ON APPEAL

This docket comes on before the State Corporation Commission of the State of Kansas ("Commission" or "KCC") on the letter of appeal of the Penalty Order in this docket by Pickrell Drilling Company, Inc. ("Pickrell" or the "operator"). The Commission, being duly advised in the premises and after giving due consideration to its regulations and the record herein, makes the following findings and conclusions:

I. BACKGROUND

1. The Commission issued the Penalty Order in this docket on March 5, 2012, finding Pickrell had committed two violations by failing to comply with the provisions of K.A.R. 82-3-407 with regard to mechanical integrity test ("MIT") requirements for its Wells F#1 ("Wells F#1") and Seacat D-3 wells ("Seacat D-3", collectively "the subject wells"). The Commission ordered Pickrell to bring the subject wells into compliance with the provisions of K.A.R. 82-3-407 by performing a successful MIT on each of the subject wells and to immediately cease all

injection activities at the subject wells until they were brought into compliance. The Commission further ordered Pickrell to pay a total monetary penalty of \$2,000 within 30 days.

2. On March 21, 2012, KCC Legal ("Legal") Staff received a letter from Mr. Jack Gurley with Pickrell. Mr. Gurley explained Pickrell had run a successful MIT on the Wells F-1 and listed some of the issues faced in scheduling the MIT for the Seacat D-3. Mr. Gurley admitted Pickrell failed to timely perform the MIT on each of the wells, but stated the failure was strictly an oversight. Mr. Gurley further explained his office forwarded the Notice of Violation ("NOV") letters for the subject wells to the field foreman who neglected to perform the MIT on each well due to being busy. Mr. Gurley also admitted his office failed to monitor and advise the field foreman after the MIT was not run on each of the subject wells. Mr. Gurley did not request a finding that the violations did not occur; however, he did request a downward adjustment of the monetary penalties from \$1,000 per violation to \$100 per violation. Mr. Gurley did not request a hearing.

3. On March 29, 2012, Legal Staff received another letter from Mr. Gurley in furtherance of his prior letter. Mr. Gurley explained the delays that prevented Pickrell from performing the MIT on the Seacat D-3 as planned in the prior letter. Mr. Gurley also explained the Seacat D-3 failed its MIT on March 27, 2012, thus requiring further remedial action from Pickrell. Mr. Gurley reiterated his request for the downward adjustment of the monetary penalty assessed in the Penalty Order in this docket.

4. On April 6, 2012, Pickrell paid the \$2,000 monetary penalty.

5. On April 17, 2012, Pickrell submitted a third letter. The letter stated that the Seacat D-3 passed an MIT on April 16, 2012.

II. STAFF RECOMMENDATION

6. Legal Staff recommends the Commission deny Pickrell's Appeal of the Penalty Order in this docket. Legal Staff submits the following information in support of its recommendation:

- a. **Wells F#1**. Pickrell was initially reminded via letter dated July 1, 2011 that it must conduct the required MIT on the Wells F#1 no later than August 8, 2011. The reminder letter warned that failing to timely perform the MIT was punishable by a monetary penalty of \$1,000. Then, on September 1, 2011, KCC District #1 ("District #1") Staff mailed the NOV letter to Pickrell to inform it that it was in violation but could still perform the MIT prior to September 15, 2011 to avoid formal enforcement action, including another warning regarding the \$1,000 monetary penalty. Pickrell performed and passed the MIT on the Wells F#1 on March 8, 2012, approximately seven months after the date it was originally required.
- b. **Seacat D-3**. Pickrell was initially reminded via letter dated October 28, 2011 that it must conduct the required MIT on the Seacat D-3 well no later than December 18, 2011. The reminder letter warned that failing to timely perform the MIT was punishable by a monetary penalty of \$1,000. Then on January 3, 2012, District #1 Staff mailed the NOV letter to Pickrell to inform it that it was in violation but could still perform the MIT prior to January 17, 2012 to avoid formal enforcement action, including another warning regarding the \$1,000 monetary penalty. Pickrell performed and failed the MIT on the Seacat D-3 on March 27, 2012. Pickrell performed a successful MIT on the Seacat D-3 on April 16, 2012, approximately four months after the MIT was due.

- c. Based on the information in a. and b. above, Legal Staff does not believe the facts warrant a downward adjustment of the monetary penalties assessed for each violation. The facts indicate Pickrell had sufficient warning and ample opportunity to avoid each violation and corresponding monetary penalty. Legal Staff submits the monetary violation for failing to perform an MIT is \$1,000 per violation due to the seriousness of the infraction. A survey of the Commission's \$100 monetary penalties will reveal that most are for paperwork filing issues, not ensuring the mechanical integrity of a wellbore. Because of the seriousness of the violation involved, Legal Staff believes the assessment of the standard penalty for failing to timely conduct the required MIT on each well is justified and should remain in place.

7. Legal Staff recommends the Commission deny Pickrell's Appeal of the Penalty Order in this docket and affirm its finding of two violations of K.A.R. 82-3-407 and the assessment of the \$2,000 monetary penalty for the reasons listed above.

III. FINDINGS

8. Based on the foregoing, the Commission finds that Pickrell's Appeal of the Penalty Order in this docket should be denied and the Commission's Penalty Order in this docket should be affirmed.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. Its Penalty Order in this docket finding Pickrell committed two violations of K.A.R. 82-3-407 and assessing a \$2,000 monetary penalty is hereby affirmed.
- B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). Such petition shall be filed within fifteen (15)

days after service of this Order and must state the specific grounds upon which relief is requested. This petition for reconsideration shall be filed with the Executive Director of the Conservation Division, Finney State Office Building, 130 S. Market, Room 2078, Wichita, Kansas 67202-3802.

The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further Order or Orders as from time-to-time it may deem proper.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn.; Loyd, Com.; Wright, Com.

Date: APR 18 2012


Patricia Petersen-Klein
Executive Director

Date Mailed: 04-19-2012

RAH

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

APR 18 2012



CERTIFICATE OF SERVICE

I hereby certify that on 04-19-2012, I caused a true and correct copy of the foregoing "Penalty Order" to be served by placing the same in the United States mail, postage prepaid, and properly addressed to the following:

Jack Gurley
Pickrell Drilling Company, Inc.
100 S. Main, Ste. 505
Wichita, Kansas 67202-3738

Richard Lacey
KCC District #1 Office
210 E. Frontview, Suite A
Dodge City, Kansas 67801

and by hand-delivery to:

Alan Snider
UIC Department
Central Office

/s/ Ryan A. Hoffman
Ryan A. Hoffman
Litigation Counsel
Kansas Corporation Commission