

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

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

In the matter of the application of Veem )  
Jade Oil & Gas LLC, for an exception to the ) Docket No. 18-CONS-3221-CPEN  
10-year limitation of K.A.R. 82-3-111 for its ) CONSERVATION DIVISION  
wells known to the Commission as: the ) License No. 32874  
Daves #D21 well, located in Section 27; )  
Smith A #2 well, located in Section 28; and )  
for determination of responsibility for the )  
Smith B #10 and Smith B #12 wells, both )  
located in Section 21, all in Township 29 )  
South, Range 9 East, Elk County, Kansas.

**SECOND MOTION FOR ORDER LIFTING LICENSE SUSPENSION**

COMES NOW Veem Jade Oil & Gas LLC ("Operator"), and moves the Commission for an order declaring that its license suspension is lifted. In support of its motion, Operator states as follows:

1. The Commission issued the Penalty Order in this docket on November 21, 2017.
2. Operator promptly paid the assessed fine.
3. The deadline in the Penalty Order for Operator to plug, return to service, or seek temporary abandonment for the wells was December 26, 2017.
4. On December 27, 2017, Staff sent a letter to Operator stating that its license was suspended by operation of the Penalty Order. That letter is attached.
5. On the next business day after receiving that letter (January 2, 2018), Operator filed its Application for exception to the 10-year temporary abandonment limitation for two of the wells, and for a determination that Operator is not responsible for the other two wells.

(See KCC Dkt 18-CONS-3260-CEXC.) This filing was made three (3) business days after the compliance deadline stated in the Commission's Penalty Order, and the next business day after receiving the letter from Staff. Operator rightfully believed it had with that Application, cured the matter of non-compliance with the Penalty Order, and out of an abundance of caution, included the following statement at paragraph 14 of its application:

"14. Operator received a letter from KCC staff that its license was suspended, pursuant to the language in the Commission's November 21, 2017, Order. The filing of this Application cures the matter, and complies with the November 21, 2107, Order, pending the outcome of this Application. Operator's wells are currently shut in as a precaution during these few days of extreme cold weather, but when the cold weather threat subsides, it is Operator's belief that the matter now cured, does not prohibit Operator from resuming production in accordance with lease and regulatory rights and responsibilities."

6. On receipt of the Application, Staff sent Operator a letter via certified mail, stating in bold print: "**Your license remains suspended.**"; and that if Operator was caught operating, Staff would recommend further penalties. Staff's letter recited no legal or regulatory authority for its determination that Operator's license remained suspended, and provided no instructions for how to reinstate a suspended license. A copy of that letter is attached. Keep in mind that Operator had at that time done everything instructed in the Penalty Order.
7. On January 8, 2018, Operator filed a motion for expedited order; seeking confirmation from the Commission that Operator's license was no longer suspended; the matter of the four wells now being properly subject to the January 2 Application pending in docket 18-

CONS-3260-CEXC, per the instructions in the Penalty Order. To facilitate the expedited action, Operator provided a proposed order consistent with its Motion.

8. Contemporaneously with the filing of the January 8 Motion, Operator's counsel sent an email to the Commission's lawyers, seeking the Commission's procedure for making a request for expedited action, but never received a response; and the matter was not expedited.
9. On January 11, Staff filed a Response to Operator's Motion, vigorously opposing the reinstatement of Operator's license. Staff argued that further requirements should be imposed on Operator before the suspension is lifted: 1) That Operator should provide evidence of published notice of the January 2 Application (for which not enough days had yet passed for such notice); and 2) that Operator should be required to run casing integrity tests on the wells, which tests were not ordered by the Penalty Order. Furthermore, Staff argued that as long as Operator disputed its responsibility for two of the wells in the January 2 Application, its license should remain suspended.
10. On January 25, the Commission issued an order essentially adopting Staff's position and declaring that Operator's license remained suspended.
11. On February 9, Operator filed a Petition for Reconsideration, describing its bewildering catch-22 situation—that the Commission was prohibiting Operator from conducting the very operations it would need to do to reinstate its license.
12. Staff vigorously opposed the Petition for Reconsideration, this time taking the position that the Penalty Order required that an application for exception from the 10-year TA

limit must be *granted* before the Penalty Order deadline; not acknowledging that such a requirement is logistically impossible.

13. Operator filed a Reply, explaining that to require the granting of an Application for exception within 30 days of the Penalty Order is a logistical, regulatory and procedural impossibility.
14. On March 8, 2018, Operator reluctantly amended its January 2 Application, to assume responsibility for the two wells it believed it was not responsible for. Operator assumed this responsibility to further remove any potential roadblock to its license reinstatement.
15. Also on March 8, 2018, the Commission issued an Order on reconsideration that upheld the suspension and attempted to clarify what ‘operations’ Operator could conduct. Operator was not in a position to seek judicial review, because to do so would prolong the situation in a manner that could lead to lease forfeiture and bankruptcy. Operator, needing to restore its income from the leases as soon as possible, to be able to finance the required operations and not forfeit the leases, has attempted to work on the wells within the confines of the Commission’s March 8 Order.
16. The March 8 Order is not clear as to what Operator can and must do to lift the license suspension. Operator has had difficulty getting service companies to perform the work, because on reading the Order the companies are not sure what operations are allowed. These oilfield contractors do not want their own licenses jeopardized by conducting operations later deemed to be unauthorized. Operator has tried to seek guidance from the District #3 Office as to what operations are permitted and required, but the District Staff has been reluctant to provide their own interpretation of the March 8 Order.

17. Operator has now spent approximately \$36,000 on the four wells, as well as losing out on approximately \$27,000 in production revenue due to the suspension prohibiting it from producing and selling oil. Operator has no guidance on what further must be done, if anything, to reinstate its full authority to operate. There is no regulation, and no prior Commission action against any operator that this Operator can find that would serve as precedence, policy, authority or guidance for this prolonged suspension and punishment.
18. The status of the wells in the Penalty Order now is:
- a. Smith B 10—plugged
  - b. Smith B 12—plugged
  - c. Daves D 21—contractor is scheduled to plug this well on May 29, 2018.
  - d. Smith A 2—equipped and ready to produce on the setting of the packer, scheduled for June 1, 2018, provided that Commission issues an order clarifying that Operator is in fact authorized to produce its wells.
19. Operator's January 2 Application for exception from the 10-year TA limit is now moot. In other words, Operator has been effectively denied what was expressly provided in the Penalty Order, to seek an extension of the 10-year temporary abandonment limit. Furthermore, Operator underwrote the hiring of bulldozers and other service providers to gain access to the Smith B 10 and 12 wells, both buried in heavy vegetation, and plugged those wells, even though Operator had never seen or touched those wells before, and believes it was not responsible for them. That is an unreasonable and unprecedented punishment for filing a temporary abandonment application three days late.

20. The prolonged suspension without clear statutory or regulatory guidance for operator to get the suspension lifted, has nearly bankrupted this Operator. A continuation of the suspension *will* bankrupt this operator. To further hold Operator's license in a suspended status would be arbitrary, capricious, unreasonable and unduly punitive, and counter to the Commission's statutory duty to prevent waste.
21. The Commission has no regulation regarding the suspension of an operator's license. The Merriam Webster Law Dictionary definition of 'suspend' or 'suspended' is:
- “: to debar *temporarily* especially from a privilege, office, or function  
: to cause to stop *temporarily*  
: to set aside or make *temporarily* inoperative.”  
<https://www.merriam-webster.com> [Emphasis added.]
- This Operator's suspension has been prolonged and indefinite, with no clear path to reinstatement.
22. The proposed order submitted by Operator on January 8, 2018, is being resubmitted with this Motion, and continues to be appropriate to reinstate and confirm Operator's full operating authority.

WHEREFORE, Operator requests that the Commission issue an order confirming that Operator's license suspension has been lifted; that Operator's full operating authority is restored, and for such other relief as the Commission deems necessary and appropriate.

Respectfully Submitted,

EDMISTON LAW OFFICE, LLC

By: /s/ Diana Edmiston

Diana Edmiston (S.C. 15160)

200 E. 1<sup>st</sup> Street, Suite 301

Wichita, Kansas 67202

Telephone: (316) 267-6400

[diana@edmistonlawoffice.com](mailto:diana@edmistonlawoffice.com)

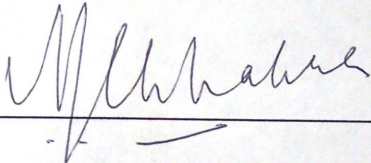
*Attorney for Veem Jade Oil & Gas LLC*

VERIFICATION

STATE OF OKLAHOMA                    )  
  ) SS:  
COUNTY OF Delaware                    )

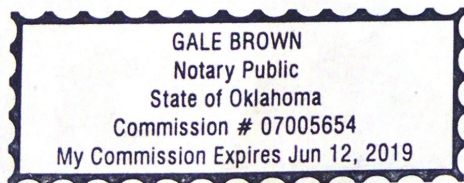
Mahesh Chhabra, of lawful age, being first duly sworn, upon oath states that he is the Managing Member of Veem Jade Oil & Gas LLC; and that he has read the foregoing, is familiar with the contents thereof, and that the statements contained therein are true and correct according to his knowledge, information and belief.


Subscribed and sworn to before me, a notary public.



My appointment expires:

6-12-19



  
Name Gale Brown  
Notary Public

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this **25<sup>th</sup>** day of **May, 2018**, she caused the above and foregoing **Motion** to be electronically delivered, to the following person at the addresses shown:

Lauren Wright, Litigation Counsel  
Kansas Corporation Commission  
Conservation Division  
[l.wright@kcc.ks.gov](mailto:l.wright@kcc.ks.gov)  
*Attorney for Commission Staff*

Michael Duenes  
Deputy General Counsel  
[m.duenes@kcc.ks.gov](mailto:m.duenes@kcc.ks.gov)

/s/ Diana Edmiston \_\_\_\_\_

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



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

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

Sam Brownback, Governor

December 27, 2017

Mahesh K. Chhabra  
VEEM Jade Oil & Gas LLC  
11417 S. Granite Avenue  
Tulsa, OK 74137-8110

**NOTICE OF LICENSE SUSPENSION**

**License No. 32874**

**Docket No. 18-CONS-3221-CPEN**

Operator:

Our records indicate that you are in violation of a Commission Order in the above Docket.

**Your license is hereby suspended.**

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter, Commission Staff discover you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$10,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order, which was mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page.

Sincerely,

Legal Department Staff

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



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

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

Sam Brownback, Governor

January 3, 2018

Veem Jade Oil & Gas LLC (KCC License #32874)  
c/o Diana Edmiston  
Edmiston Law Office, LLC  
200 E. 1<sup>st</sup> Street, Suite 301  
Wichita, Kansas 67202

**Re: KCC Docket #18-CONS-3260-CEXC  
KCC Docket #18-CONS-3221-CPEN  
License Suspension**

Operator:

Commission Staff is in receipt of your January 2, 2018, application in KCC Docket #18-CONS-3260-CEXC. Please be advised that Staff does **not** believe filing the application brings you into compliance with the Commission's November 21, 2017, Penalty Order in KCC Docket #18-CONS-3221-CPEN.

**Your license remains suspended.**

Conducting operations on a suspended license, including resuming production, violates Commission regulations. Resuming production with a suspended license would likely be met with Commission Staff recommending further penalties.

Sincerely,

Jon Myers  
Litigation Counsel, Conservation Division  
Kansas Corporation Commission

cc: Troy Russell, KCC District #3

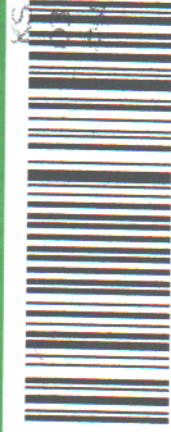


Sam Brownback, Governor

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

**Return Service Requested**

**CERTIFIED MAIL®**



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Return Receipt Requested

VEEM JADE OIL & GAS LLC  
c/o DIANA EDMISTON  
EDMISTON LAW OFFICE  
200 E 1<sup>ST</sup> ST STE 301  
WICHITA KS 67202

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
OF THE RETURN ADDRESS FOR PAY RETURN ONLY

67202-211276



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 VEEM Jade )  
Oil & Gas LLC (“Operator”) to comply with ) Docket 18-CONS-3221-CPEN  
K.A.R. 82-3-111 at the Daves #21, Smith A ) CONSERVATION DIVISION  
#2, Smith B #10 and Smith B #12 in Elk ) License No. 32874  
County, Kansas. )

(Proposed)  
**ORDER LIFTING LICENSE SUSPENSION**

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Operator/Respondent has filed a Motion for Expedited Order Lifting License Suspension. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes that Operator has met the requirements listed by the Commission in its November 1, 2017 Order, and that the automatic license suspension imposed by that Order has served its purpose, and should be, and is hereby, lifted.

**THEREFORE, THE COMMISSION ORDERS:**

- A. The license suspension automatically imposed by operation of the Commission’s November 21, 2017, Order is lifted.
- B. 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.

- C. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. K.A.R. 82-1-228(d). Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.
- D. 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.**

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: \_\_\_\_\_

\_\_\_\_\_  
Lynn M. Retz  
Secretary to the Commission

Mailed Date: January \_\_\_\_\_, 2018