

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

In the Matter of the failure of MAD Operators,)	Docket No.: 25-CONS-3302-CPEN
LLC (Operator) to comply with K.A.R.)	
82-3-111 at the Jerry #1-29 well in Thomas)	CONSERVATION DIVISION
County, Kansas.)	
_____)	License No.: 36164

PETITION FOR RECONSIDERATION
PURSUANT TO K.S.A. §§ 55-606 and 77-529

COMES NOW MAD Operators, LLC (“Petitioner”) and petitions the State Corporation Commission of the State of Kansas (“Commission”) to reconsider a Penalty Order and Order for Suspension of License dated March 13, 2025 (“Penalty Order”). In support hereof, Petitioner states as follows:

1. Petitioner’s staff received the Penalty Order on March 17, 2025. Petitioner’s staff, through error and inadvertence did not notify management of the Penalty Order in a timely fashion so that management could request a hearing on the Penalty Order. Petitioner’s management first became aware of the Penalty Order on April 29, 2025, and immediately contacted legal counsel who filed an Entry of Appearance on April 29, 2025.

2. The Kansas Judicial Review Act (“KJRA”) mandates relief from any agency action when the following deficiencies exist:

- [3] The agency has not decided an issue requiring resolution;
- [4] The agency has erroneously interpreted or applied the law;
- [5] The agency has engaged in unlawful procedure or has failed to follow prescribed procedure;
- [6] The agency action is based on a determination of fact, made or implied by the agency, that is not supported to the appropriate standard of proof by evidence that is substantial when viewed in light of the record as a whole, which includes the agency record for judicial review, supplemented by any additional evidence received by the court under this act;

[8] The agency action is otherwise unreasonable, arbitrary or capricious.¹

3. Jerry D. Baird, both as Trustee of the Jerry D. Baird Trust dated September 27, 2011, and as Attorney-in-Fact for Kathy Baird (hereinafter the “Lessor”), executed an oil and gas lease in favor of Raymond Oil Company, Inc., which was recorded in Book 218, Pages 994-996 of the Thomas County Register of Deeds (hereinafter the “Lease”). The Lease was for a three-year primary term with a two-year option to extend. As evidenced by that Affidavit of Extension of Oil and Gas Lease(s) recorded in Book 242, Pages 150-151 of the Thomas County Register of Deeds, the extension was executed. Production was obtained from a well, the Jerry #1-29 well (hereinafter the “Well”), located on the Southeast Quarter (SE/4) of Section 29, Township 6 South, Range 35 West in December 2016. LD Drilling Inc. acquired the Lease insofar as it covered the SE/4 of said Section 29 pursuant to a Farmout Agreement dated July 20, 2016.

LD Drilling Inc., shut the well in on June 1, 2023, pending reworking operations. The owners of LD Drilling Inc., L.D. and Marilyn Davis died on May 27, 2016, and November 16, 2021, respectively. As a result of their deaths the company was operated by a trustee without substantial experience in the oil and gas industry. Only on November 1, 2024, did MAD Operators, LLC acquire any right to operate any of the former L.D. Drilling Inc. leases or take action, as a result of distributions from L.D. and Marilyn Davis’s estates.

4. On December 12, 2024, the Commission sent the Petitioner a letter requiring that Petitioner bring the Well into compliance with Kan. Admin. Reg. § 82-3-111. The Commission staff subsequently inspected the Well on February 26, 2025, and issued the Penalty Order on March 13, 2025. The Penalty Order found that “Operator has committed one violation of K.A.R. 82-3-111 because the Subject Well has been inactive in excess of the time allowed by regulation without

¹ K.S.A. § 77-621(c).

being plugged, returned to service, or approved for TA status.” The Penalty Order required Petitioner to pay a \$100 penalty, obtain Temporary Abandonment status for the Well if eligible, and noted that the Commission Staff may require static fluid level measurements prior to the Well being returned to service. Finally, the Penalty Order stated that “[i]f Operator is not in compliance with this Order and the Order is final, then Operator’s license shall be suspended without further notice and shall remain suspended until Operator 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.”

5. Petitioner subsequently filed a Temporary Abandonment Application on March 21, 2025, and paid the \$100 penalty on April 3, 2025. The Commission denied the Temporary Abandonment Well Application on March 24, 2025. The Commission subsequently notified Petitioner on March 25, 2025, that the Petitioner “need[ed] to show the State of Kansas that they have a valid Oil & Gas Lease, with the last oil sale posted as of 05/2023 the original Oil & Gas lease has expired by it’s [sic] own means, unless they have paid royalties and have a lease extension.”²

6. Petitioner and the Lessor previously discussed Petitioner’s plans to restore production of the Well. The Lessor provided his verbal approval of this plan, and Petitioner prepared a stimulation procedure for the Well. Petitioner and Lessor subsequently entered into an Extension of Oil and Gas Lease to acknowledge the verbal agreement and to clarify that the Lease remains in full force and effect despite the Well being shut-in. Thus, the Commission made a determination regarding the status of the Lease which is legally and factually incorrect.

² We are not aware of any case law in Kansas that has required payment of royalties in the absence of marketed production or a lease term regarding payment of delay rentals *and* a lease extension in order for a lease to be extended.

Additionally, the determination that the Lease is no longer valid is a legal conclusion which appears to have been made by a non-attorney and constitutes the unauthorized practice of law pursuant to Kan. Stat. Ann. 50-6,142.³

7. On April 25, 2025, the Commission mailed a Notice of License Suspension notifying Petitioner that its license was suspended because Petitioner is in “violation of a Commission Order[.]” However, the time period for reconsideration of the Penalty Order had not run.

8. Petitioner is unable to obtain a Temporary Abandonment due to the Commission’s erroneous interpretation or application of the law. Kan. Admin. Reg. § 82-3-11(c) provides only one right of denial. The Commission may only deny a Temporary Abandonment Application “[i]f necessary to prevent the pollution of fresh and usable water[.]”⁴ Noticeably absent is any right of denial based on the Commission’s legal determination that the lease was invalid.⁵

9. Additionally, Kan. Ann. Stat. § 77-512 provides that the Commission “may not . . . suspend . . . a license unless the state agency first gives notice and an opportunity for a hearing in accordance with this act.” The Commission combined the notice of suspension with the Penalty Order and advised that “[i]f Operator is not in compliance with [the Penalty] Order and the [Penalty] Order is final, then Operator’s license shall be suspended without further notice[.]” But, there has been no finding by the Commission that Petitioner did not comply with the Penalty Order.⁶ Petitioner did comply with the Penalty Order by paying the penalty and filing the Temporary Abandonment Application. As stated above, the Commission denied the Temporary

³ *Levin v. Maw Oil & Gas, LLC*, 290 Kan. 928, Syl. 2, 234 P.3d 805, 807 (2010) (“The interpretation and legal effect of [an oil and gas lease] are matters of law[.]”).

⁴ K.A.R. 82-3-11(c).

⁵ *See id.*

⁶ Kan. Stat. Ann. § 77-621(c)(3).

Abandonment Application based on (i) its erroneous interpretation or application of law, (ii) a determination that is not supported by the evidence, and (iii) the unauthorized practice of law. Thus, the notice of suspension provided in the Penalty Order denies the Petitioner due process because the Petitioner did not receive notice that the Commission had erroneously determined Petitioner did not comply with the Penalty Order.⁷

10. The Order of the Commission constitutes a failure to decide an issue requiring resolution.

11. The Order of the Commission constitutes an erroneous interpretation or application of the law and relies on improper legal conclusions by Commission Staff.

12. The Order of the Commission constitutes unlawful procedure or a failure to follow the prescribed procedure.

13. The Order of the Commission constitutes a determination that is not supported by evidence.

14. The Order of the Commission is arbitrary and capricious and not in compliance with the law.

15. The Order of the Commission constitutes waste.

⁷ *Estivo v. Kan. State Board of Healing Arts*, 511 P.3d 300, 2022 WL 2188045 *5 (Kan. App. 2022) (“Proper notice must be given of the basic factual situation out of which the charges might result.”); Kan. Stat. Ann. § 77-621(c)(5).

WHEREFORE, the Petitioner requests (i) the State Corporation Commission of the State of Kansas to grant this petition for reconsideration concerning the Penalty Order and Order for Suspension of License dated March 13, 2025; (ii) to stay the suspension of Petitioner's license until the Commission has had an opportunity to reconsider; and (iii) time for compliance with the Penalty Order and Order for Suspension be extended due to excusable neglect of the Staff to provide notice of the order.

Respectfully submitted,

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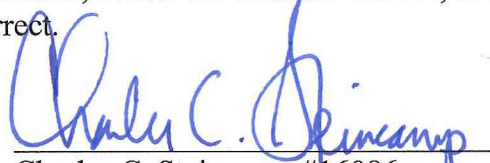
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VERIFICATION

STATE OF KANSAS)
)
COUNTY OF SEDGWICK)

ss:

Charles C. Steincamp, of lawful age, being first duly sworn, upon oath states:
That he is one of the attorneys for MAD Operators, LLC, the petitioner herein, that he has read the above and foregoing Petition for Reconsideration, knows the contents thereof, and knows that all the statements made therein are true and correct.



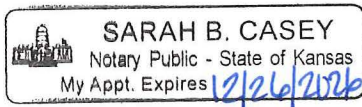
Charles C. Steincamp #16086

SUBSCRIBED and sworn to before me this 30th day of April, 2025.



Notary Public Sarah B. Casey

My appointment expires: Dec. 28, 2026



CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 30th day of April, 2025, the Petition for Reconsideration Pursuant to K.S.A §§ 55-606 and 77-529 was electronically filed with the Commission's Docket Room, as well as a copy e-mailed to the following:

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