

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
Susan K. Duffy, Commissioner

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT

20-CONS-3088-CPEN

November 5, 2019

James R. Lawson
Lawco Holdings, LLC
PO Box 425
Bentonville, AR 72712-0425

This is a notice of a penalty assessment for violation 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:

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay \$1,000. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission's Executive Director at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order 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.

Michael Glamann
Litigation Counsel
316-337-6200

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

Before Commissioners: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Susan K. Duffy

| | | |
|---|---|-------------------------------|
| In the matter of the failure of Lawco Holdings, LLC (“Operator”) to comply with K.A.R. 82-3-400 at the Radcliff #7-5 well in Cowley County, Kansas. |) | Docket No.: 20-CONS-3088-CPEN |
| |) | |
| |) | CONSERVATION DIVISION |
| |) | |
| |) | License No.: 34878 |

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. 82-3-400 provides that authority for injection shall be permitted only after the operator has filed an application in accordance with K.A.R. 82-3-401 and after the Conservation Division has issued a written permit granting the application.

4. K.A.R. 82-3-400 provides that the penalty for unauthorized injection shall be \$1,000 for first-time violators, \$5,000 for second-time violators, and \$10,000 and operator license review for third-time violators.

II. FINDINGS OF FACT

5. Operator conducts oil and gas activities in Kansas under active license number 34878.

6. Operator is responsible for the care and control of the Radcliff #7-5 saltwater disposal well (“the subject well”), API #15-035-24710-00-01, located in Section 5, Township 33 South, Range 7 East, Cowley County, Kansas.

7. On August 29, 2019, Operator filed an Application for Injection Well (form U-1) requesting a daily injection volume allowable of 25,000 barrels per day and a maximum daily pressure of 750 psi at the subject well.⁷

8. On September 23, 2019, at 4:45 p.m., Commission Underground Injection Control (“UIC”) Staff and Operator discussed, by telephone, the volume and pressure parameters sought in the permit application for the subject well.⁸

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ Exhibit A: Application for Injection Well.

⁸ The Commission takes administrative notice of its phone logs. K.A.R. 82-1-230(h).

9. On September 24, 2019, Commission District #2 Staff conducted a lease inspection and found the subject well in use as an injection well. Multiple valves were open and Staff reported hearing fluid running through the lead line into the subject well.⁹

10. On September 24, 2019, at 10:30 a.m., the District #2 Supervisor contacted Operator and stated that, based on the lease inspection, the subject well was in use without a permit.¹⁰

11. On September 24, 2019, at 11:37 a.m., UIC Staff and Operator spoke by telephone and came to an agreement regarding acceptable injection permit values for the subject well.¹¹

12. On September 24, 2019, at 12:56 p.m., UIC Staff emailed to Operator a written injection permit.¹²

III. CONCLUSIONS OF LAW

13. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, and K.S.A. 55-155.

14. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-400 because Operator conducted unauthorized injection at the subject well.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$1,000 penalty.

B. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days from the date of service of this Order, then Operator's license shall be suspended

⁹ Exhibit B: Duane Krueger field report and photographs.

¹⁰ Exhibit C: Record of Phone Conversation.

¹¹ The Commission takes administrative notice of its phone logs. *See* K.A.R. 82-1-230(h).

¹² Exhibit D: Email from Rene Stucky to Aaron Lawson.

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 additional monetary penalties and any other remedies available to the Commission by law, without further notice.

C. Checks and money orders shall be payable to the Kansas Corporation Commission. 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. Credit card payments may be made by calling the Conservation Division at 316-337-6200.

D. 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's 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.

E. A corporation shall appear before the Commission by a Kansas licensed attorney.¹³

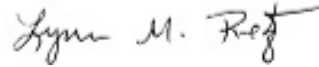
F. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary.

¹³ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 11/05/2019



Lynn M. Retz
Executive Director

Mailed Date: 11/05/2019

JMG

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR INJECTION WELL

Form U-1
July 2014
Form must be Typed
Form must be Signed
All blanks must be Filled

Disposal ☒

Enhanced Recovery: ☐ Repressuring
☐ Waterflood
☐ Tertiary

Date: 8-28-19 amended

Operator License Number: 34878

Operator: Lawco Holdings LLC

Address: P.O. Box 425
Bentonville, AR 72712

Contact Person: James A. Lawson

Phone: 479-273-2670 ext 212

Email: aaron@lawcoenergy.com

Permit Number: _____

API Number: 15-035-24710-00-00

Well Location

SE - NW- SW- SE Sec. 5 Twp. 33 S. R. 7 ☒ E ☐ W

680 feet from ☐ N / ☒ S Line of Section

2130 feet from ☒ E / ☐ W Line of Section

GPS Location: Lat: _____, Long: _____
(e.g. xx.xxxxx) (e.g. -xxx.xxxxx)

Datum: ☒ NAD27 ☐ NAD83 ☐ WGS84

Lease Description: Parts of Sec 28,29,31,32,33 of T32S, R7E;
Sec 1,2,3,4,5,6,7,8,9,10,11,12,15,16,17,18 of T33S,R7E

Lease Name: Radcliff Well Number: 7-5

Field Name: Countryman

County: Cowley

Deepest Usable Water

Formation: Council Grove

Depth to Bottom of Formation: 300'

Check One: ☐ Old Well Being Converted ☒ Newly Drilled Well ☐ Well to be Drilled

Surface Elevation: 1267 feet Well Total Depth: 4136 feet Plug Back Depth: N/A feet

Datum of top of injection formation: -1951 feet (reference mean sea level)

Injection Formation Description:

| Name | top / bottom | perf / open hole | depth |
|-----------------|---------------------------|------------------|---------------------------------|
| <u>Arbuckle</u> | <u>3226</u> / <u>4136</u> | <u>OH</u> | <u>3240</u> to <u>4136</u> feet |
| _____ | _____ / _____ | _____ | _____ to _____ feet |

List of Wells/Facilities Supplying Produced Saltwater or Other Fluids Approved by the Conservation Division:

(attach additional sheets if necessary)

| Lease Operator | Lease/Facility Name | Lease/Facility Description | Well ID & Spot Location |
|--------------------------------------|-----------------------------------|------------------------------|-------------------------|
| 1. <u>Lawco Holdings LLC</u> | <u>Radcliff</u> | <u>See attached</u> | <u>See attached</u> |
| 2. <u>additionally any new wells</u> | <u>drilled & completed on</u> | <u>lease(s) as described</u> | <u>above</u> |
| 3. _____ | _____ | _____ | _____ |

| Producing Formation | Strata Depth | Total Dissolved Solids (if available) |
|---------------------------------------|---------------------------------|---------------------------------------|
| 1. <u>Mississippian/Pennsylvanian</u> | <u>1500</u> to <u>3200</u> feet | _____ mg/l |
| 2. _____ | _____ to _____ feet | _____ mg/l |
| 3. _____ | _____ to _____ feet | _____ mg/l |

Maximum Requested Liquid Injection Rate: 25000 bbls / day; or

Maximum Requested Gas Injection Rate: _____ scf / day. Type of Gas: _____

Maximum Requested Injection Pressure: 750 psig

KCC OIL/GAS REGULATORY OFFICES

Date: 09/24/19

District: 02 ☐

Case #: _____

☐ New Situation
☐ Response to Request
☐ Follow-Up

☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 34878

API Well Number: 15-035-24710-00-01

Op Name: LAWCO HOLDINGS LLC

Spot: SE NW SW SE Sec 5 Twp 33 S Rng 7 ☒ E ☐ W

Address 1: PO BOX 425

680 Feet from ☐ N ☒ S Line of Section

Address 2: _____

2130 Feet from ☒ E ☐ W Line of Section

City: BENTONVILLE

GPS: Lat: 37.20316 Long: 96.68756 Date: 9/12/19

State: AR Zip Code: 72712 -

Lease Name: RADCLIFF Well #: 7-5

Operator Phone #: (479) 273-2670

County: Cowley

Reason for Investigation:

DOCKET INSPECTION

Problem:

WELL WAS IN USE / WELL TAKING FLUID

Persons Contacted:

Findings:

LOCATED WELL @ 37.20316, -96.68756, AS I WALKED UP TO WELL I COULD HERE FLUID GOING THROUGH LEAD LINE & WELLHEAD. THERE IS THREE BALL VALVES ON LINE & WELLHEAD @ DISPOSAL WELL, TWO OF THE VALVES WERE OPEN, THIRD VALVE ON TUBING WAS CRACKED OPEN, ALLOWING FLUIDS TO GO DOWN DISPOSAL WELL. WENT TO WATER TANKS @ TANKBATTERY, BOTH RADCLIFF 2-5, & 7-5 HAD BEEN RE-PLUMBED HOOKING UP BOTH DISPOSALS TO WATER TANKS. ALL VALVES IN OPEN POSITION, WATER CAN GO TO EITHER WELL. THERE WAS A INJECTION PUMP THAT WAS BEING PLUMBED AND HOOKED UP FOR USE. WATER LINE GOING TO RADCLIFF 7-5, WHERE IT LEAVES TANKBATTERY YOU COULD REALLY HERE FLUIDS CHARGE THROUGH THIS LINE.

NOTICED LEASE HAD MOSTLY ALL PRODUCERS IN OPERATION , WHERE WHEN I WAS THERE FOR MIT THERE WAS NOT AS MANY PRODUCERS IN OPERATION.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

RECOMMEND \$1000.00 PENALTY PER K. A. R. 82-3-400 / FAILURE TO OBTAIN A WRITTEN PERMIT BEFORE BEGINNING INJECTION.

Verification Sources:

Photos Taken: YES

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

By: DUANE KRUEGER

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 09/25/2019

Exhibit B

Page 1 of 6



9-24-2019

Lauco Holdings

Radcliff #7-S SE 5-33-7E

U.

Picture Shows

1. Ball valve on tubing is partially open allowing fluids to go down well.



9-24-2019

Lower 96 blmgs

Prod. # 7-5

SE 5-33-7E

Q.

Picture Shows.

1. Well head & disposal well.
2. Both valves in open position.

9-24-2019

house plumbing
Redd. AP Tank Battery SE 5-33-1E

11.

Petroleum Shows.

1. Plumbing & water vents
2. water can go to both
wells.



9-24-2019

Haeco Holdings
Andelity Technology SE 5-33-7E

CD.

Richard Shaw

1. Pump is being plumbed into water lines.
2. Shaw valves open; going to both wells



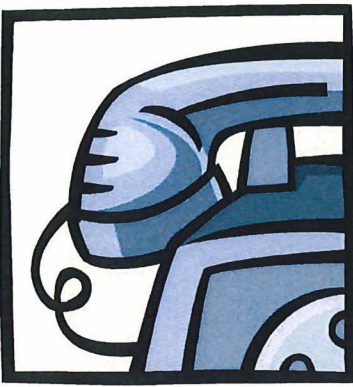
9-24-2019

Howe Holdings
Radcl. AP Vaukhall St SE 5-33-7E
CA.

Picture Shows.

1. Picture shows outside measurement system on water tank.
2. Foot is @ 5' shows tank 5' from top.





RECORD OF PHONE CONVERSATION

STAFF: ___Jeff Klock_____

DATE: ___9-24-2019_____

TIME: ___10:30 am_____

PERSON CONTACTED _James A Lawson, Lawco Holdings, LLC, KCC #34878

REGARDING:

WELL NAME / LEASE NAME Radcliff #7-5_____

LOCATION: _____SE/4 Sec. 5-33-7E, Cowley County, KS_____

RECORD OF CONVERSATION:

I contacted Mr. Lawson to notify him that our field technician for Cowley County, Duane Krueger called and reported to me that the Radcliff #7-5 was in use and taking water without an issued UIC permit. I informed Mr. Lawson that the MIT performed by the district office had not been submitted to our UIC department until yesterday at 4:22 pm, and that the UIC department had not issued any permit. Mr. Lawson was aware that his son Aaron Lawson had been in discussions with the UIC department on 9-23 regarding the permit, but stated that the well was not in use. I told Mr. Lawson that Mr. Krueger reported that all valves were open and that water could be heard going through the line to the disposal. I also informed Mr. Lawson that Lawco had received a letter from the UIC department dated 8-30-2019, that stated they must receive a written permit prior to any injection activities and use of the well prior is punishable by a monetary penalty. I told Mr. Lawson that the well must be shut-in until a written permit was issued. He stated he would contacted their field person and have them go to the lease.

Note: After speaking with Mr. Lawson, Duane Krueger sent me several photos showing the open valves on the line plus a video of the 4" line going to the well where you can clearly hear the water running through the line connected to the Radcliff #7-5.

Rene Stucky

From: Rene Stucky
Sent: Tuesday, September 24, 2019 12:56 PM
To: 'aaron@lawcoenergy.com'
Subject: Radcliff 7-5 permit
Attachments: 20190924124932232.tif; 20190924125302124.tif

Aaron,

Attached is the permit for the Radcliff 7-5 and the cancelation for the Radcliff 2-5. If you have any questions please let me know.

Rene

Rene Stucky

UIC Director/Production Supervisor
Kansas Corporation Commission
266 N Main St., Ste.220
Wichita, KS 67202-1513
316-337-6223

CERTIFICATE OF SERVICE

20-CONS-3088-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 11/05/2019.

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

JAMES R. LAWSON
LAWCO HOLDINGS, LLC
PO BOX 425
BENTONVILLE, AR 72712-0425

MICHAEL GLAMANN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
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Fax: 785-271-3354
m.glamann@kcc.ks.gov

RENE STUCKY
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
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/S/ DeeAnn Shupe
DeeAnn Shupe