

**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 Agricultural ) Docket No: 20-CONS-3021-CPEN  
Energy Services (“Operator”) to comply with )  
K.A.R. 82-3-111 at the Langhofer #1 in Seward ) CONSERVATION DIVISION  
County, Kansas. )  
\_\_\_\_\_ ) License No: 34089

**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 the following:

1. On July 18, 2019, the Commission issued a *Penalty Order* against Agricultural Energy Services (Operator) for one violation of K.A.R. 82-3-111 because the Langhofer #1 had been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for temporary abandonment status.<sup>1</sup> On August 20, 2019, Operator requested a hearing.<sup>2</sup> An evidentiary hearing in this matter is currently scheduled for November 15, 2019.<sup>3</sup>

2. On October 29, 2019, Commission Staff filed a *Motion to Approve Settlement Agreement*, stating that “Staff and Operator have reached a settlement in this matter. Staff believes the attached Settlement Agreement constitutes a reasonable resolution of all issues in this docket.”<sup>4</sup>

3. In relevant part, the Settlement Agreement notes that Operator stipulates the violation occurred,<sup>5</sup> that Operator has paid the \$100 penalty assessed,<sup>6</sup> that Operator shall plug the subject well

<sup>1</sup> See *Penalty Order*, ¶¶ 6, 10 (Jul. 18, 2019).

<sup>2</sup> Written Request for Hearing (Aug. 20, 2019).

<sup>3</sup> See *Prehearing Officer Order Setting Procedural Schedule* (Sept. 17, 2019).

<sup>4</sup> *Motion to Approve Settlement Agreement*, ¶ 2 (Oct. 29, 2019).

<sup>5</sup> Settlement Agreement, ¶ 13.

<sup>6</sup> *Id.*, ¶ 7.

by November 30, 2019,<sup>7</sup> and that failure of Operator to timely plug the well shall result in license suspension until such time as the well is brought into compliance with K.A.R. 82-3-111.<sup>8</sup>

4. By signing the proposed Settlement Agreement, Staff and Operator concurred that the Agreement constitutes “a fair and reasonable resolution of the issues addressed.”<sup>9</sup>

5. The law encourages settlements.<sup>10</sup> The Commission finds the Settlement Agreement attached to Staff’s *Motion to Approve Settlement Agreement* constitutes a fair and reasonable resolution of this proceeding. The Settlement Agreement is attached to and made part of this Order.

**THEREFORE, THE COMMISSION ORDERS:**

A. Staff’s motion to approve the attached Settlement Agreement is granted; the Settlement Agreement is approved.

B. The evidentiary hearing scheduled for November 15, 2019, is cancelled.


C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>11</sup>

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

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

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 11/07/2019

  
\_\_\_\_\_  
Lynn M. Retz  
Executive Director

Mailed Date: 11/07/2019

JRM

<sup>7</sup> *Id.*, ¶ 14.

<sup>8</sup> *See id.*, ¶ 15.

<sup>9</sup> *Id.*, ¶ 18.

<sup>10</sup> *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

<sup>11</sup> K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

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

In the matter of the failure of Agricultural	)	Docket No.: 20-CONS-3021-CPEN
Energy Services ("Operator") to comply with	)	
K.A.R. 82-3-111 at the Langhofer #1 in	)	CONSERVATION DIVISION
Seward County, Kansas	)	
<hr/>		License No.: 34089

**SETTLEMENT AGREEMENT**

This Settlement Agreement (Agreement) is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and Agricultural Energy Services ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

**I. JURISDICTION**

1. Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.
2. Pursuant to K.S.A. 55-150 *et seq.*, the Commission has authority to regulate the construction, operation, and abandonment of any well and the protection of the useable water of this state from any actual or potential pollution from any well.
3. Pursuant to K.S.A. 55-155, operators and contractors, as defined in K.S.A. 55-150, shall be licensed by the Commission.
4. Pursuant to K.S.A. 55-162, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.
5. Pursuant to K.A.R. 82-3-111 any operator of a well that has been inactive for 90 days must plug the well, return the well to production, or obtain temporary abandonment (TA)

status for the well. Operators who violate the provisions of K.A.R. 82-3-111 are subject to a \$100 monetary penalty.

## II. BACKGROUND

6. On July 18, 2019, the Commission issued a Penalty Order against Operator for one violation of K.A.R. 82-3-111 finding that the Langhofer #1 had been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status. The Penalty Order assessed a \$100 penalty.

7. On August 19, 2019, the Operator paid the \$100 penalty

8. On August 20, 2019, the Operator timely filed a request for hearing.

9. On August 29, 2019, the Commission issued an *Order Designating Prehearing Officer and Setting Prehearing Conference*, setting a prehearing conference for September 13, 2019.

10. On September 13, 2019, the Prehearing Conference convened and the Parties agreed to a procedural schedule that established November 5, 2019 as the settlement deadline.

11. To avoid potential litigation costs and to foster administrative efficiency, Operator and Staff have agreed to the following agreement.

## III. TERMS OF THE SETTLEMENT AGREEMENT

12. The parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the stipulations as set forth below.

13. Operator stipulates that it committed one violation of K.A.R. 82-3-111 and is responsible for bringing the Langhofer #1 well, API #15-175-10133-00-01 located in Section 27,

Township 33 South, Range 31 West, Seward County, Kansas into compliance with K.A.R. 82-3-111.

14. Operator agrees to plug the well listed in Paragraph 13 by November 30, 2019.

15. Operator understands and agrees that failure to comply with the provisions of any of the above paragraphs will result in Staff suspending Operator's license without further notice until the subject well has been plugged, returned to production, or obtained TA status. Operator further understands and agrees that if Operator is found conducting oil and gas operations following suspension of Operator's license, and Operator's license is still suspended, then the Commission shall order all of Operator's oil and gas operations sealed and shall assess an additional \$5,000 penalty.

16. Operator acknowledges that upon any suspension of Operator's license, this matter may be submitted for judicial enforcement or enforcement through the Kansas Attorney General's Office.

17. Staff agrees to recommend to the Commission this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

#### **IV. RESERVATIONS**

18. This Settlement Agreement fully resolves the issues specifically addressed between the parties. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

19. The terms and provisions of this Agreement have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any party has the option to terminate this Agreement and, if so

terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the terms or provisions hereof, unless otherwise provided herein.

20. Unless (and only to the extent) otherwise specified in this Agreement, the signatories to this Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, if the Commission decides not to approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either party fail to fulfill all terms and provisions.

21. Unless (and only to the extent) otherwise specified in this Agreement, this Agreement does not prejudice or waive any party's legal rights, positions, claims, assertions or arguments in any proceedings in this docket, or any other proceeding before the Commission or in any court.

22. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.

23. This Settlement Agreement shall be binding on all parties upon signing.

**IN WITNESS WHERETO**, the parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

Commission Staff

By: Kelcey Marsh

Printed Name: Kelcey Marsh

Title: Litigation Counsel

Date: 10/24/19

Agricultural Energy Services

By: [Signature]

Printed Name: MONTGOMERY ESCUE

Title: OPERATOR

Date: 10-23-19

**CERTIFICATE OF SERVICE**

20-CONS-3021-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 11/07/2019.

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