

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

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

In the matter of the failure of Millennium Oil    )    Docket No: 19-CONS-3233-CPEN  
& Gas, Inc. (“Operator”) to comply with    )  
K.A.R. 82-3-111 at the Sybrant #1, Simons    )    CONSERVATION DIVISION  
#1, Simons #2-A, Barnett #1 and Barnett #2-    )  
A in Cowley County, Kansas.                    )    License No: 32563

**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 January 17, 2019, the Commission issued a *Penalty Order* against Millennium Oil & Gas, Inc. (Operator) for five violations of K.A.R. 82-3-111 because the five subject wells 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 February 20, 2019, Operator requested a hearing.<sup>2</sup>
2.        On April 2, 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>3</sup>
3.        In relevant part, the Settlement Agreement reduces Operator’s penalty from \$500 to \$300, to be paid in monthly installments.<sup>4</sup> The Settlement Agreement also provides Operator shall bring two of the subject wells into compliance with K.A.R. 82-3-111 by October 1, 2019.<sup>5</sup> While the

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<sup>1</sup> *Penalty Order*, ¶ 6, 10 (Jan. 17, 2019).

<sup>2</sup> Letter Requesting Hearing (Feb. 20, 2019).

<sup>3</sup> Motion to Approve Settlement Agreement, ¶ 3 (Apr. 2, 2019).

<sup>4</sup> See Motion to Approve Settlement Agreement, attached Settlement Agreement at ¶ 5.

<sup>5</sup> See *id.* at ¶ 6; one well must be brought into compliance by July 1, 2019, the other by October 1, 2019.

Settlement Agreement is silent regarding the other three subject wells, the Commission takes administrative notice of its records, which indicate that the other three subject wells have recently been brought into compliance with K.A.R. 82-3-111.

4. By signing the proposed Settlement Agreement, Staff and Operator concurred that the Agreement “is in the public interest,”<sup>6</sup> with Staff additionally positing that it “constitutes a reasonable resolution of all issues in this docket.”<sup>7</sup>

5. The law encourages settlements.<sup>8</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.

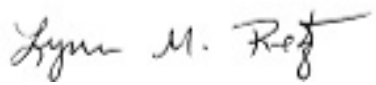
B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>9</sup>

C. 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; Emler, Commissioner

Dated: 05/02/2019

  
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Lynn M. Retz  
Secretary to the Commission

Mailed Date: 05/02/2019  
JRM

<sup>6</sup> *Id.* at ¶ 4.

<sup>7</sup> Motion to Approve Settlement Agreement, ¶ 3 (Apr. 2, 2019).

<sup>8</sup> *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

<sup>9</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).

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& Gas, Inc. ("Operator") to comply with	)	
K.A.R. 82-3-111 at the Sybrant #1, Simons	)	CONSERVATION DIVISION
#1, Simons #2-A, Barnett #1 and Barnett	)	
<u>#2-A in Cowley County, Kansas.</u>	)	License No.: 32563

**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 Millennium Oil & Gas, Inc. ("Operator") (License #32563). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

**A. Background**

1. On January 17, 2019, the Commission issued a Penalty Order against the Operator for five violations of K.A.R. 82-3-111 because the subject wells have 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 \$500.00 penalty.
2. On February 20, 2019, the Operator timely filed a request for hearing.
3. To avoid potential litigation costs and to foster administrative efficiency, the Operator and Staff have agreed to a reduction in the fine and to enter into a compliance agreement that includes a payment plan.

### B. Terms of Compliance Agreement

4. 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.

5. Of the \$500.00 owed in this docket, the Operator shall pay a total of \$300.00 in monthly installments. The Operator shall pay \$100 by April 30, 2019; \$100 by May 31, 2019; and the remaining \$100 by June 30, 2019.

6. By July 1, 2019, Operator shall plug, return to service, or repair and obtain temporary abandonment status for one (1) of the subject wells. Operator shall plug, return to service, or repair and obtain temporary abandonment status for an additional one (1) subject well within each three calendar months thereafter, resulting in all subject wells being returned to compliance by October 1, 2019. Staff may prioritize the order in which the subject wells are addressed pursuant to this Agreement by indicating priority on the attached list and may adjust the prioritization at any time during this Agreement should a subject well or wells become known to Staff to be a pollution or public safety threat. Operator shall notify Staff in writing of all subject wells returned to service during each three calendar month period throughout the term of this Agreement.

7. Upon good cause shown, the Operator may receive an extension of the time to achieve compliance for up to 30 days from an applicable deadline pursuant to this Agreement so that the Operator may plug, return to service, or repair and TA the well or wells that was or were the subject of the applicable deadline. If the Operator seeks a time extension for any deadline under this Agreement, the Operator shall request such an extension at least seven days prior to the applicable deadline. Staff will file a status update in the docket created for this matter containing

the District Supervisor's recommendation to approve or deny the extension and place an order requesting Commission approval of the terms of the status update on the next available Consent Agenda for Commission consideration and possible approval. If Operator is denied a requested extension by the Commission or otherwise remains out of compliance with this Agreement for any other reason, Staff shall immediately send a Notice of Non-Compliance and License Suspension to Operator, which shall suspend the Operator's license and become effective 10 days from the date of the Notice of Non-Compliance and License Suspension. The Operator's license shall remain suspended until well plugging or repair is resumed in accordance with the compliance schedule contained in the Status Update. If Staff finds that the Operator is conducting oil and gas operations after 10 days from the date of a Notice of Non-Compliance and License Suspension, and Operator's license remains suspended, Staff is authorized to seal all of Operator's oil and gas operations.

8. This Agreement, in its entirety, may be transferable between operators only by an Order of the Commission approving the transfer. Staff will file a status update in the docket created for this matter containing a recommendation regarding any proposed transfer between operators and will place an order regarding the transfer on the next available Consent Agenda for Commission consideration and possible approval. If the Operator intends to transfer any of the subject wells to another Operator, but does not intend to transfer this Agreement in its entirety, such subject wells must be returned to compliance pursuant to Commission, rules, regulations, or orders before Staff will process the transfer.

9. Except as provided by and under this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 for the subject wells that occurred or occurs prior to October 1, 2019, except for wells brought into compliance after Commission approval of this Agreement that

subsequently fall out of compliance and remain the Operator's responsibility under the Operator's license.

10. This Agreement may be amended to add additional wells with the written consent of the District Supervisor. If this Agreement is amended, then Staff shall file a status update in the Commission docket created for this matter, also indicating that Operator is not opposed to the addition of the wells. The addition of wells may not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline. Any changes to a previously approved timeline will be included in the status update. Staff will place an order approving the addition of wells and extending the final compliance deadline on the next available Consent Agenda for Commission consideration and possible approval.

11. Operator may bring more than one well into compliance during any three calendar month term. The excess number of wells brought into compliance will be attributed to a future three-month compliance period.

12. After this Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staff's intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for its consideration and possible approval within 90 days of Staff's written notice, then this Agreement shall be terminated upon Staff's filing a statement to that effect in the Commission docket for this matter.

Commission Staff

By: Lauren Wright

Printed Name: Lauren Wright

Title: Litigation Counsel

Date: 4/2/19

Millennium Oil & Gas, Inc.

By: Robert W. Bowers

Printed Name: Robert W. Bowers

Title: President

Date: 3-28-19

## **WELLS SUBJECT TO COMPLIANCE AGREEMENT**

1. Sybrant #1, API #15-035-22233-00-01 and
2. Simons #1, API #15-035-24124-00-00.



**CERTIFICATE OF SERVICE**

19-CONS-3233-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 05/02/2019.

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2  
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/S/ DeeAnn Shupe

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DeeAnn Shupe