

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

**THEREFORE, THE COMMISSION ORDERS:**

A. Operator's motion to approve the attached Settlement Agreement is granted; the Settlement Agreement is approved.

B. The procedural schedule in these consolidated dockets 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>5</sup>

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

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 05/24/2022



Lynn M. Retz  
Executive Director

Mailed Date: 05/24/2022

JRM

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<sup>5</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 Ace Energy, )	Docket No.: 22-CONS-3124-CPEN
LLC (Operator) to comply with K.A.R. )	
82-3-111 at seventeen wells in Crawford )	CONSERVATION DIVISION
County, Kansas )	
_____ )	License No.: 34998
)	
)	
In the matter of the failure of Ace Energy, )	Docket No.: 22-CONS-3150-CPEN
LLC (Operator) to comply with K.A.R. )	
82-3-111 at ten wells in Crawford )	CONSERVATION DIVISION
County, Kansas )	
_____ )	License No.: 34998
)	
)	
In the matter of the failure of Ace Energy, )	Docket No.: 22-CONS-3215-CPEN
LLC (Operator) to comply with K.A.R. )	
82-3-111 at twenty-one wells in Crawford )	CONSERVATION DIVISION
and Neosho County, Kansas )	
_____ )	License No.: 34998

**SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into by and between the Staff of the Corporation Commission of the State of Kansas (Staff and Commission, respectively) and ACE ENERGY, LLC, as Operator (collectively referred to herein as the Parties). If the Commission does not approve this Agreement by a signed Order, then this Agreement shall not be binding on either party. The effective date of this Agreement will be the date the Commission enters an order approving or amending the terms of the Agreement.

## I. BACKGROUND

1) On September 9, 2021, the Commission issued a Penalty Order against Operator in Docket 21-CONS-3124-CPEN for seventeen (17) violations of K.A.R. 82-3-111 finding that the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service or approved for temporary abandonment (TA) status. The Penalty Order assessed a \$1,700 penalty, and directed Operator to plug the wells, return the wells to service, or obtain TA status for the wells if eligible.

2) On October 8, 2021, Operator timely filed a request for hearing in Docket 22-CONS-3124-CPEN.

3) On October 5, 2021, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3150-CPEN for seven (7) violations of K.A.R. 82-3-111 finding that the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service or approved for temporary abandonment (TA) status. The Penalty Order assessed a \$700 penalty, and directed Operator to plug the wells, return the wells to service, or obtain TA status for the wells if eligible.

4) On October 8, 2021, Operator timely filed a request for hearing in Docket 22-CONS-3150-CPEN.

5) On November 23, 2021, the Commission issued a Penalty Order against Operator in Docket 22-CONS-3215-CPEN for twenty-one (21) violations of K.A.R. 82-3-111 finding that the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service or approved for temporary abandonment (TA) status.

The Penalty Order assessed a \$2,100 penalty, and directed Operator to plug the wells, return the wells to service, or obtain TA status for the wells if eligible.

6) On December 6, 2021, Operator timely filed a request for hearing in Docket 22-CONS-3215-CPEN.

7) On October 14, 2021, an order was entered pursuant to K.A.R 81-1-224 consolidating Dockets 21-CONS-3124-CPEN and 21-CONS-3150-CPEN for further hearing on a common record.

8) On January 13, 2022, an order was entered pursuant to K.A.R 81-1-224 consolidating Docket 21-CONS-3215-CPEN with Dockets 21-CONS-3124-CPEN and 21-CONS-3150-CPEN for further proceedings on a common record. Pursuant to said order all filings shall reference all three (3) Dockets and be filed in Docket 21-CONS-3124-CPEN.

9) On December 9, 2021, a prehearing conference was held. No action was taken due to Docket 21-CONS-3215-CPEN just being filed on November 23, 2021.

10) On or about January 13, 2022, a prehearing conference was held. No action was taken due to counsel for Operator being recently guaranteed as a result of a COVID-19 exposure and to give Parties the opportunity to resolve the underlying issues in the pending three (3) Dockets, if possible. An additional prehearing conference was held with the Parties on February 24, 2022. Subsequent to the prehearing conference, the Parties discussed resolution of the underlying issues in the three (3) pending Dockets and reached a settlement in these matters to be submitted to the Commission for approval. The terms of the settlement are set forth below.

## II. TERMS OF SETTLEMENT AGREEMENT

11) The Parties agree that the Commission has jurisdiction and authority over these pending matters and Docket cases. The Parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the terms as set forth below.

(a) Operator stipulates that it committed forty-five (45) violations of K.A.R. 82-3-111.

(b) Operator stipulates that it is required to comply with K.A.R. 82-3-111 at seventeen (17) wells located in Crawford County, Kansas, as alleged in Docket 21-CONS-3124-CPEN.

(c) Operator shall pay the \$1,700 penalty assessed by the Commission in Docket 22-CONS-3124-CPEN by the 1st day of July, 2022.

(d) Operator stipulates that it is required to comply with K.A.R. 82-3-111 at seven (7) wells located in Crawford County, Kansas, as alleged in Docket 21-CONS-3150-CPEN

(e) Operator shall pay the \$700 penalty assessed by the Commission in Docket 22-CONS-3150-CPEN by the 1st day of July, 2022.

(f) Operator stipulates that it is required to comply with K.A.R. 82-3-111 at twenty-one (21) wells located in Crawford and Neosho County, Kansas as alleged in Docket 21-CONS-3215-CPEN.

(g) Operator shall pay the \$2,100 penalty assessed by the Commission in Docket 22-CONS-3215-CPEN by the 1st day of July, 2022.



(h) Operator will file TA applications for each Subject Well by July 1, 2022. Staff will approve or deny each temporary abandonment (TA) application by July 31, 2022. Only the wells that are denied TA status by Staff will be subject to the following provisions of this Agreement. Any Subject Well that is denied temporary abandonment (TA) status by Staff shall be brought into compliance with K.A.R. 82-3-111 by either return to service or plugging in accordance with this Agreement. If Operator chooses to return a Subject Well to service or obtain approved TA status, Operator shall conduct a staff-witnessed casing integrity test (CIT) at the well prior to the well or wells being brought into compliance. Obtaining TA status shall include application for an exception to the 10-year limit on TA status. Operator agrees that any Subject Wells not returned to service or granted Temporary Abandonment (TA) status shall be plugged at the rate of at least five (5) wells per calendar quarter commencing July 1, 2022. Failure to timely bring the Subject Wells into compliance by the appropriate deadlines, or to pay the penalties by the appropriate deadlines, shall result in suspension of Operator's license. Operator agrees and understands that if its license is suspended for the failure to meet the deadlines above, the license shall remain suspended until all of the Subject Wells have been brought into compliance with K.A.R. 82-3-111. Staff may prioritize the order in which the Subject Wells are addressed pursuant to this Agreement and may adjust the prioritization at any time during this Agreement should the Subject Well become known to Staff to be a pollution or public safety threat. Any enhanced oil recovery wells or saltwater waste disposal wells with denied TA status are to be brought into compliance first. 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.

12) Operator agrees to waive its right to appeal the Commission's Order approving this Agreement, and any penalties assessed under this Agreement.

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

Commission Staff:

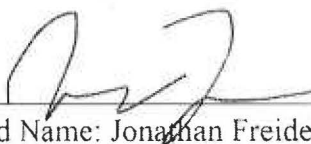
ACE ENERGY, LLC,  
a Kansas Limited Liability Company  
(Operator)

By: /s/ Tristan Kimbrell  
Printed Name: Tristan Kimbrell  
Title: Litigation Counsel  
Date: 5/9/2022

By: /s/ Jonathan Freiden  
Printed Name: Jonathan Freiden  
Title: Member/Manager  
Date: 05/05/2022



ACE ENERGY, LLC,  
a Kansas Limited Liability Company  
(Operator)

By:   
Printed Name: Jonathan Freiden  
Title: Member/Manager  
Date: 5/5/2022

## **CERTIFICATE OF SERVICE**

22-CONS-3124-CPEN, 22-CONS-3150-CPEN, 22-CONS-3215-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 05/24/2022.

DAVID J. BIDEAU  
BIDEAU LAW OFFICES, LLC  
18 NORTH FOREST  
PO BOX 945  
CHANUTE, KS 66720-0945  
djb@bideaulaw.com

RYAN DULING  
KANSAS CORPORATION COMMISSION  
DISTRICT OFFICE NO. 3  
137 E. 21ST STREET  
CHANUTE, KS 66720  
r.duling@kcc.ks.gov

TRISTAN KIMBRELL, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
CENTRAL OFFICE  
266 N. MAIN ST, STE 220  
WICHITA, KS 67202-1513  
t.kimbrell@kcc.ks.gov

JONATHAN R. MYERS, ASSISTANT GENERAL COUNSEL  
KANSAS CORPORATION COMMISSION  
266 N. Main St., Ste. 220  
WICHITA, KS 67202-1513  
j.myers@kcc.ks.gov

TROY RUSSELL  
KANSAS CORPORATION COMMISSION  
DISTRICT OFFICE NO. 3  
137 E. 21ST STREET  
CHANUTE, KS 66720  
t.russell@kcc.ks.gov

/S/ DeeAnn Shupe  
DeeAnn Shupe

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