

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

Before Commissioners:                   Dwight D. Keen, Chair  
  Susan K. Duffy  
  Andrew J. French

In the matter of the failure of Ace Energy, LLC )   Docket No.: 23-CONS-3029-CPEN  
(Operator) to comply with K.A.R. 82-3-407 at )  
the E C Larson #2 and E Larsen #6 wells in )   CONSERVATION DIVISION  
Allen County, Kansas.                            )  
\_\_\_\_\_ )   License No.: 34998

**PENALTY ORDER**

The Commission finds Operator has violated K.A.R. 82-3-407 regarding the captioned wells, assesses a \$2,000 penalty, directs Operator to come into compliance, and further rules as more fully described below.

**I. JURISDICTION**

1.     K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority under K.S.A. 55-155.

2.     K.S.A. 55-162 and K.S.A. 55-164 provide the Commission authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

3.     K.A.R. 82-3-407(a) provides each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water,

prevent damage to sources of oil or gas, and confine fluids to the intervals approved for injection. An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer, and no fluid movement into fresh or usable water. An injection well's mechanical integrity shall be established at least once every five years.

4. K.A.R. 82-3-407(c) provides that the operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.

5. K.A.R. 82-3-407(d) provides that mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.

6. K.A.R. 82-3-407(g) provides that no injection well shall be operated before passing a mechanical integrity test (MIT). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.

## **II. FINDINGS OF FACT**

7. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the following wells (Subject Wells), Underground Injection Control Permit #E-29020, located in Section 13, Township 26 South, Range 18 East, Allen County, Kansas:

- a. E C Larson #2, API #15-001-24604-00-01; and
- b. E Larsen #6, API #15-001-24723-00-01.

8. Between April 11, 2022, and April 14, 2022, Commission Staff sent letters to Operator, requiring Operator to contact Commission Staff and to bring the Subject Wells into compliance with K.A.R. 82-3-407.<sup>1</sup> The compliance deadline provided by Commission Staff elapsed without Operator bringing the Subject Wells into compliance.<sup>2</sup>

### III. CONCLUSIONS OF LAW

9. The Commission has jurisdiction over Operator and this matter under K.S.A. 74-623 and K.S.A. 55-152.

10. Operator has committed two violations of K.A.R. 82-3-407 because a current and successful MIT was not performed on each of the Subject Wells prior to the deadline set in K.A.R. 82-3-407.

#### **THEREFORE, THE COMMISSION ORDERS:**

- A. Operator shall pay a \$2,000 penalty.
- B. Operator shall perform successful MITs on the Subject Wells or plug them.
- C. Operator shall shut-in and disconnect each Subject Well until it has been successfully tested or plugged.
- D. Operator 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, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.
- E. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is not in compliance with this Order and the Order is final, then Operator's license shall be

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<sup>1</sup> Exhibit A.

<sup>2</sup> See *Id.* Operator plugged the E Larsen #6 well on July 6, 2022, and plugged the E C Larson #2 well on July 19, 2022. Both wells were plugged after the compliance deadline.

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. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

F. Credit card payments may be made by calling the Conservation Division at 316-337-6200. 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. Payments must reference the docket number of this proceeding.

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

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 08/09/2022



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

Mailed Date: 08/09/2022

TSK

**FAILED MECHANICAL INTEGRITY TEST (MIT)**  
**DEADLINE FOR COMPLIANCE**

04/11/2022

LICENSE 34998  
Ace Energy LLC  
11704 ABERDEEN RD  
LEAWOOD, KS 66211-2921

Re: API No. 15-001-24604-00-01  
Permit No. E29020.1  
E C LARSON 2  
13-26S-18E  
Allen County, KS

Operator:

On 04/05/2022, the referenced well failed a mechanical integrity test. Under K.A.R. 82-3-407(c), you have 90 days to:

- 1) repair and retest the well to show mechanical integrity,
- 2) plug the well, or
- 3) isolate all leaks to demonstrate the well does not pose a threat to fresh or usable water or endanger correlative rights.

The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c).

**Failure to comply with K.A.R. 82-3-407(c)**  
**by 07/04/2022**  
**shall be punishable by a \$1, 000 penalty.**

Please contact this office as soon as possible to let us know your plans for this well.

Sincerely,

Duane Sims  
KCC District #3

**FAILED MECHANICAL INTEGRITY TEST (MIT)**  
**DEADLINE FOR COMPLIANCE**

04/14/2022

LICENSE 34998  
Ace Energy LLC  
11704 ABERDEEN RD  
LEAWOOD, KS 66211-2921

Re: API No. 15-001-24723-00-01  
Permit No. E29020.3  
E LARSEN 6  
13-26S-18E  
Allen County, KS

Operator:

On 04/05/2022, the referenced well failed a mechanical integrity test. Under K.A.R. 82-3-407(c), you have 90 days to:

- 1) repair and retest the well to show mechanical integrity,
- 2) plug the well, or
- 3) isolate all leaks to demonstrate the well does not pose a threat to fresh or usable water or endanger correlative rights.

The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c).

**Failure to comply with K.A.R. 82-3-407(c)**  
**by 07/04/2022**  
**shall be punishable by a \$1, 000 penalty.**

Please contact this office as soon as possible to let us know your plans for this well.

Sincerely,

Duane Sims  
KCC District #3

**CERTIFICATE OF SERVICE**

23-CONS-3029-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 08/09/2022.

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

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/S/ DeeAnn Shupe  
DeeAnn Shupe