

Conservation Division
Finney State Office Building
130 S. Market, Rm. 2078
Wichita, KS 67202-3802



Phone: 316-337-6200
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Mark Sievers, Chairman
Thomas E. Wright, Commissioner
Shari Feist Albrecht, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT
14-CONS-026-CPEN

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 the fine amount. 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 130 S. Market St., Room 2078, 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 130 S. Market, Room 2078, 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.

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

Before Commissioners: Mark Sievers, Chairman
 Thomas E. Wright
 Shari Feist Albrecht

In the matter of the failure of Christian) Docket No.: 14-CONS-026-CPEN
Operating Company to comply with K.A.R.)
82-3-120.) CONSERVATION DIVISION
)
_____) License No.: 33337 (Expired)

PENALTY ORDER

Upon its own motion, the Commission finds and concludes Christian Operating Company (“the Operator”) has committed one violation of 82-3-120 for the following reasons:

I. BACKGROUND

1. Commission records indicate the Operator was licensed to conduct oil and gas activities in Kansas under K.S.A. 55-155 until December 30, 2012
2. Commission databases indicate that the Operator is responsible for approximately 95 well records in Kansas, including approximately 13 unplugged wells.

II. JURISDICTION

3. K.S.A. 55-152 provides that 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.
4. K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.

5. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities.

6. K.A.R. 82-3-120(a)(1) provides, in part, that no operator shall drill, complete, service, plug, or operate any oil or gas well without first obtaining or renewing an operator license. K.A.R. 82-3-120(a)(1) further provides that each operator in physical control of any such well or gas storage facility shall maintain a current license even if the well or storage facility is shut in or idle.

7. K.A.R. 82-3-120(a)(2) provides that each licensee shall annually submit a completed license renewal form on or before the expiration date of the current license.

8. K.A.R. 82-3-120(1) provides that the failure to obtain or renew an operator license before operating shall be punishable by a \$500 penalty.

III. STAFF'S STATEMENT OF FACTS

1. On December 30, 2012, the Operator's license to conduct oil and gas activities in Kansas expired.

2. To date, approximately 13 unplugged wells remain on the Operator's license.

IV. CONCLUSIONS OF LAW

3. The Commission finds it has jurisdiction over the Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

4. The above findings of fact demonstrate that the Operator has committed one violation of K.A.R. 82-3-120 because the Operator is responsible for the care and control of unplugged wells in Kansas, and is without a valid operator's license.

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall pay a \$500 penalty.

B. The Operator shall, within 30 days of service of this Penalty Order:

- i. obtain or renew a valid operator's license, and either return the subject wells to service or obtain TA status for the wells, or
- ii. plug the subject wells, or
- iii. properly transfer the subject wells to a licensed operator.

C. The Operator shall shut-in and Staff shall seal all of the Operator's operations in Kansas until compliance with this Penalty Order is obtained.

D. Pursuant to K.S.A. 55-164, K.S.A. 77-537, and K.S.A. 77-542, any party may request a hearing on the above issues by submitting a written request, setting forth the specific grounds upon which relief is sought, to the Commission's Executive Director, at 130 S. Market, Room 2078, Wichita, Kansas 67202, within 30 days from the date of service of this Penalty Order. If service is by mail, three days will be added to the Mailed Date listed at the end of this Penalty Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of the Operator's right to a hearing, and this Penalty Order will become a Final Order.

E. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record. A corporation or similar entity shall not be permitted to enter an appearance except by its attorney.

F. If you do not request a hearing, the payment of the monetary penalty is due within 30 days from the date of service of this Order. Checks and Money Orders shall be payable to the Kansas Corporation Commission. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number and expiration date. Payments

shall be mailed to the Kansas Corporation Commission at 130 S. Market, Wichita, Kansas 67202. The payment shall include a reference to the docket number of this proceeding.

G. Failure to pay any assessed monetary penalty within 30 days of service of this Penalty Order, and/or failure to comply with the provisions of this Order, may result in suspension of the Operator's oil and gas operating license without further notice. In addition, the Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

H. 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.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn.; Wright, Com.; Albrecht, Com.

Dated: JUL 16 2013



Executive Director

Mailed Date: 7-17-2013

LRP

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

JUL 16 2013



CERTIFICATE OF SERVICE

I certify that on 7-17-2013, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Phillip Christian
Christian Operating Co.
15326 Hilltop View Dr
Cypress, TX 77429

Richard Summers
Resident Agent for Christian Operating Co.
113 S. Commercial
P.O. Box 42
Kincaid, Kansas 66039

John Almond
KCC District #3

/s/ Lane R. Palmateer
Lane R. Palmateer
Litigation Counsel
Kansas Corporation Commission