

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



2014.10.01 11:39:07
Kansas Corporation Commission
/S/ Thomas A. Day

Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT 15-CONS-188-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 \$6000. 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 266 N. Main St., Suite 220, 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 266 N. Main St., Suite 220, 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: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the matter of the failure of Mai Oil)	Docket No.: 15-CONS-188-CPEN
Operations, Inc. ("Operator") to comply with)	
K.A.R. 82-3-400 at the Louie A #2,)	CONSERVATION DIVISION
Newcomer B #7, R Mai #1, Sellens (Berry))	
#2, Vine A #5 and Vine Harold #A-1 wells in)	License No.: 5259
<u>Russell and Ellis County, Kansas.</u>		

PENALTY ORDER

The above captioned matter comes before the State Corporation Commission of the State of Kansas. Having examined the files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

I. JURISDICTION

1. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities. 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. The Commission has licensing authority pursuant to K.S.A. 55-155.

2. 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.

3. K.A.R. 82-3-400 provides that the penalty for unauthorized injection shall be \$1,000 for first-time violators, \$5,000 for second-time violators, and \$10,000 and operator license review for third-time violators.

II. FINDINGS OF FACT

4. Operator is responsible for the care and control of the wells listed in Exhibit A. Exhibit A, which is attached and incorporated into this Order, shall serve as the concise and explicit statement of facts required by K.S.A. 77-526.

5. As described in Exhibit A, Operator conducted unauthorized injection at the subject wells.

III. CONCLUSIONS OF LAW

6. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-623, K.S.A. 55-152, and K.S.A. 55-155.

7. The above findings of fact are sufficient evidence to support the conclusion that Operator committed six violations of K.A.R. 82-3-400 because Operator conducted unauthorized injection at the subject wells.

THEREFORE, THE COMMISSION ORDERS:

- A. Operator shall pay a \$6000 penalty.
- B. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days, then Operator's license shall be suspended without further notice. The notice and opportunity for a hearing on this order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. The Commission may impose further sanctions, including additional monetary penalties and any other remedies available to the Commission by law, without further notice.

C. 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 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.

D. Any party 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, setting forth the specific grounds upon which relief is sought, to the Commission's Executive Director, at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. Hearings will be scheduled only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

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

F. 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.

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: SEP 30 2014

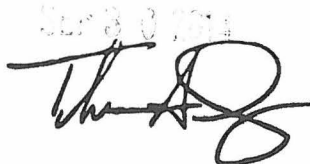


Thomas A. Day
Acting Executive Director

Mailed Date: 10/1/14

JRM

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



PENALTY ORDER RECOMMENDATION

*****ROUTINE UNAUTHORIZED INJECTION VIOLATION*** Over-Pressurization**

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	July 14, 2014
District/Department:	Underground Injection Control
Person Recommending Penalty:	Sanita Dean
Operator Name:	Mai Oil Operations, Inc.
Operator License Number:	5259
Well/Lease Name & Well Number:	LOUIE A #2
Well/Lease Location, and County:	34-14S-14W, RUSSELL County
UIC Permit Number:	E25143.3
Regulation Number:	K.A.R. 82-3-400
Description of Violation:	Unauthorized Injection in 2013
Nature of Unauthorized Injection	In its Annual Injection Report, Operator reported Over-Pressurization at the subject well.
Maximum Pressure Reported in 2013, Per Operator's Annual Injection Report (pounds per square inch):	1050
Maximum Pressure Allowed, Per UIC Permit (pounds per square inch):	1000
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Pay Monetary Penalty.

PENALTY ORDER RECOMMENDATION

ROUTINE UNAUTHORIZED INJECTION VIOLATION Over-Pressurization

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	July 14, 2014
District/Department:	Underground Injection Control
Person Recommending Penalty:	Sanita Dean
Operator Name:	Mai Oil Operations, Inc.
Operator License Number:	5259
Well/Lease Name & Well Number:	NEWCOMER B #7
Well/Lease Location, and County:	10-14S-14W, RUSSELL County
UIC Permit Number:	E26319.1
Regulation Number:	K.A.R. 82-3-400
Description of Violation:	Unauthorized Injection in 2013
Nature of Unauthorized Injection	In its Annual Injection Report, Operator reported Over-Pressurization at the subject well.
Maximum Pressure Reported in 2013, Per Operator's Annual Injection Report (pounds per square inch):	1100
Maximum Pressure Allowed, Per UIC Permit (pounds per square inch):	1000
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Pay Monetary Penalty.

PENALTY ORDER RECOMMENDATION

*****ROUTINE UNAUTHORIZED INJECTION VIOLATION*****

Over-Injection

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	July 14, 2014
District/Department:	Underground Injection Control
Person Recommending Penalty:	Sanita Dean
Operator Name:	Mai Oil Operations, Inc.
Operator License Number:	5259
Well/Lease Name & Well Number:	R MAI #1
Well/Lease Location, and County:	22-13S-14W, RUSSELL County
UIC Permit Number:	D20813.0
Regulation Number:	K.A.R. 82-3-400
Description of Violation:	Unauthorized Injection in 2013
Nature of Unauthorized Injection	In its Annual Injection Report, Operator reported Over-Injection at the subject well
Total Barrels of Fluid Injected in 2013, Per Operator's Annual Injection Report:	473770
Total Barrels of Fluid Allowed to be Injected in 2013, Per UIC Permit:	365000 (1000 barrels per day)
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Pay Monetary Penalty.

PENALTY ORDER RECOMMENDATION

*****ROUTINE UNAUTHORIZED INJECTION VIOLATION*** Over-Injection**

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	July 14, 2014
District/Department:	Underground Injection Control
Person Recommending Penalty:	Sanita Dean
Operator Name:	Mai Oil Operations, Inc.
Operator License Number:	5259
Well/Lease Name & Well Number:	SELLENS (BERRY) #2
Well/Lease Location, and County:	33-15S-13W, RUSSELL County
UIC Permit Number:	D18040.0
Regulation Number:	K.A.R. 82-3-400
Description of Violation:	Unauthorized Injection in 2013
Nature of Unauthorized Injection	In its Annual Injection Report, Operator reported Over-Injection at the subject well
Total Barrels of Fluid Injected in 2013, Per Operator's Annual Injection Report:	998976
Total Barrels of Fluid Allowed to be Injected in 2013, Per UIC Permit:	730000 (2000 barrels per day)
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Pay Monetary Penalty.

PENALTY ORDER RECOMMENDATION

*****ROUTINE UNAUTHORIZED INJECTION VIOLATION*****
Over-Injection

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	July 14, 2014
District/Department:	Underground Injection Control
Person Recommending Penalty:	Sanita Dean
Operator Name:	Mai Oil Operations, Inc.
Operator License Number:	5259
Well/Lease Name & Well Number:	VINE A #5
Well/Lease Location, and County:	26-11S-19W, ELLIS County
UIC Permit Number:	D22255.0
Regulation Number:	K.A.R. 82-3-400
Description of Violation:	Unauthorized Injection in 2013
Nature of Unauthorized Injection	In its Annual Injection Report, Operator reported Over- Injection at the subject well
Total Barrels of Fluid Injected in 2013, Per Operator's Annual Injection Report:	1102300
Total Barrels of Fluid Allowed to be Injected in 2013, Per UIC Permit:	912500 (2500 barrels per day)
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Pay Monetary Penalty.

PENALTY ORDER RECOMMENDATION

*****ROUTINE UNAUTHORIZED INJECTION VIOLATION*** Over-Injection**

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	July 14, 2014
District/Department:	Underground Injection Control
Person Recommending Penalty:	Sanita Dean
Operator Name:	Mai Oil Operations, Inc.
Operator License Number:	5259
Well/Lease Name & Well Number:	VINE HAROLD #A-1
Well/Lease Location, and County:	27-11S-19W, ELLIS County
UIC Permit Number:	D20358.0
Regulation Number:	K.A.R. 82-3-400
Description of Violation:	Unauthorized Injection in 2013
Nature of Unauthorized Injection	In its Annual Injection Report, Operator reported Over-Injection at the subject well
Total Barrels of Fluid Injected in 2013, Per Operator's Annual Injection Report:	206590
Total Barrels of Fluid Allowed to be Injected in 2013, Per UIC Permit:	164250 (450 barrels per day)
Requested Monetary Penalty:	\$1,000
Requested Operator Activity:	Pay Monetary Penalty.

CERTIFICATE OF SERVICE

I certify that on 10/1/14, 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:

Kurt R. Mai
Mai Oil Operations, Inc.
8411 Preston Road, Suite 800
Dallas, Texas 75225-5520

/s/ Jonathan R. Myers
Jonathan R. Myers
Litigation Counsel
Kansas Corporation Commission