

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

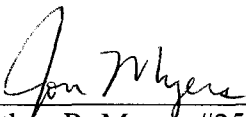
Before Commissioners: Pat Apple, Chairman  
Shari Feist Albrecht  
Jay Scott Emler

In the matter of an Order to Show Cause issued ) Docket No.: 17-CONS-3376-CPEN  
to Taos Resources Operation Company LLC )  
("Operator") for its failure to comply with ) CONSERVATION DIVISION  
either K.A.R. 82-3-400 or K.A.R. 82-3-409 )  
regarding injection that took place during the ) License No.: 33372  
2015 calendar year. )

**MOTION TO APPROVE SETTLEMENT AGREEMENT**

Commission Staff moves for the Commission to adopt and approve the attached Settlement Agreement, which has been signed by both parties. Staff notes that approval of the agreement will eliminate the need for further pre-filed testimony and the need for the currently-scheduled February 20, 2017, evidentiary hearing. Staff believes the Agreement represents an appropriate manner of resolving the issues described therein.

Respectfully submitted,

  
\_\_\_\_\_  
Jonathan R. Myers, #25975  
Litigation Counsel  
Kansas Corporation Commission  
266 N. Main, Suite 220  
Wichita, Kansas 67202  
Phone: 316-337-6200; Fax: 316-337-6211

## SETTLEMENT AGREEMENT

This Agreement is between Taos Resources Operating Company LLC ("Operator") (License #33372) and Commission Staff ("Staff"). If the Commission does not approve this Agreement by a signed Order, then this Agreement shall not be binding on either party. This Agreement shall settle the proceedings in Commission Docket Number 17-CONS-3376-CSHO.

### A. Background

1. On November 17, 2016, Commission Staff filed a motion to show cause against Operator, requesting the Commission to cause Operator to come before it at a hearing, to show cause why a penalty constituting an actual and substantial economic deterrent should not be assessed against Operator for its violations of either K.A.R. 82-3-400 or K.A.R. 82-3-409 regarding three wells for the 2015 calendar year, which would constitute second-time violations regarding the specific wells. Operator subsequently reported that it submitted erroneous data regarding two of the wells, and submitted updated Annual Fluid Injection Reports for those two wells. Regarding the other well, in communication with Staff, Operator has described the circumstances that led to the issue at hand, which have now been resolved to Staff's satisfaction.

### B. Terms of Settlement

2. Operator shall pay \$3,000 in this docket. Of the \$3,000 owed, Operator shall pay \$1,000 by February 28, 2017; \$1,000 by March 31, 2017; and the remaining \$1,000 by April 30, 2017. For purposes of Operator's license renewal under K.S.A. 55-155 and K.A.R. 82-3-120, resolution of this matter will count as three violations of K.A.R. 82-3-400 or K.A.R. 82-3-409.

3. Staff shall not pursue Operator for any violation of K.A.R. 82-3-400 that may have occurred during the 2016 calendar year at the Reunitz #21-1, API #15-153-20656.

4. If Operator fails to comply with any deadline in Paragraph 2, then Staff shall suspend Operator's license until compliance is obtained. If Staff suspends Operator's license, then Staff shall send its standard notice of license suspension letter to Operator. If Staff finds

Operator conducting oil and gas operations after 10 days from the date of the notice of license suspension letter, and Operator's license is still suspended, then Staff is authorized to seal all of Operator's oil and gas operations and to assess an additional \$5,000.

5. Operator agrees to waive its right to appeal the Commission's Order approving this Agreement, any penalties assessed under this Agreement, and any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Agreement.

Commission Staff

By: Jon Myers

Printed Name: JON MYERS

Title: LITIGATION COUNSEL

Date: 2/2/17

Taos Resources Operating Company LLC

By: [Signature]

Printed Name: Keith Fite

Title: President

Date: 2/2/17

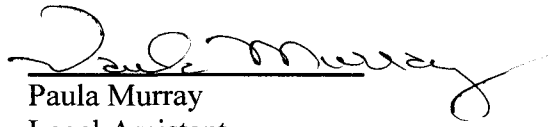
**CERTIFICATE OF SERVICE**

I certify that on 2/2/17, I caused a complete and accurate copy of this Motion to be served via United States mail, with the postage prepaid and properly addressed to the following:

John G. Pike  
Withers, Gough, et al.  
O.W. Garvey Bldg., Suite 1010  
200 W. Douglas  
Wichita, Kansas 67202  
Attorney for Taos Resources Operation Company LLC

And delivered by email to:

Dustin Kirk  
KCC Prehearing Officer

  
Paula Murray  
Legal Assistant  
Kansas Corporation Commission