

**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, )     Docket No.: 23-CONS-3087-CPEN  
LLC (Operator) to comply with K.A.R. 82-3- )  
400 at the Gale Mullen #C43, Gale Mullen )     CONSERVATION DIVISION  
#E43, Gale Mullen #I43, Mullen #I-22A, and )  
Underwood 6 #R90 wells in Crawford )     License No.: 34998  
County, Kansas. )

**PENALTY ORDER**

The Commission finds Operator has violated K.A.R. 82-3-400 regarding the captioned wells, assesses a \$45,000 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. 82-3-400 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. Additionally, injection wells found to be operating without a permit shall be shut-in until compliance is achieved.

## II. FINDINGS OF FACT

4. Operator is licensed to conduct oil and gas activities in Kansas and is responsible for the following wells (Subject Wells) in Crawford County, Kansas:

- a. Gale Mullen #C43, API #15-037-01539-00-00, located in Section 1, Township 31 South, Range 21 East;
- b. Gale Mullen #E43, API #15-037-01540-00-00, located in Section 1, Township 31 South, Range 21 East;
- c. Gale Mullen #I43, API #15-037-01542-00-00, located in Section 1, Township 31 South, Range 21 East;
- d. Mullen #I-22A, API #15-037-22385-00-00, located in Section 1, Township 31 South, Range 21 East; and
- e. Underwood 6 #R90, API #15-037-01516-00-00, located in Section 6, Township 31 South, Range 22 East.

5. Between July 13, 2022, and July 26, 2022, Commission Staff inspected the Subject Wells and found each of them in use as an injection well.<sup>1</sup> Commission records indicate that the Subject Wells have not been authorized for injection.<sup>2</sup>

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<sup>1</sup> See Exhibit A.

<sup>2</sup> The Commission takes administrative notice of its records. See K.A.R. 82-1-230(h).

6. The Commission has previously issued a Penalty Order against Operator for unauthorized injection.<sup>3</sup>

### III. CONCLUSIONS OF LAW

7. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, and K.S.A. 55-155.

8. Operator has committed five violations of K.A.R. 82-3-400 because Operator conducted unauthorized injection at the Subject Wells. Under K.A.R. 82-3-400, a first-time violation of this regulation carries a penalty of \$1,000, a second-time violation carries a penalty of \$5,000, and a third-time violation carries a penalty of \$10,000. Operator has previously committed a first-time violation of K.A.R. 82-3-400. Accordingly, the Commission concludes Operator should be assessed a \$5,000 penalty for one second-time violation, and \$40,000 for four third-time violations.

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

- A. Operator shall pay a \$45,000 penalty.
- B. Operator shall cease injection activities at the Subject Wells, and shall also shut-in and disconnect the wells. Staff is authorized to seal the wells to prevent additional unauthorized injection. The Subject Wells shall remain shut-in and disconnected until such time as the wells are plugged, Operator receives injection authority, or the wells are converted to producing wells.
- C. 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.

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<sup>3</sup> Docket 16-CONS-3914-CPEN, *Penalty Order* (Apr. 12, 2016).


D. 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 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).

E. 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: 09/20/2022

  
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Lynn M. Retz  
Executive Director

Mailed Date: 09/20/2022

TSK

## KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 07/13/2022 District: 3 Incident Number: 8024

- New Situation  Lease Inspection  
 Response to Request  Complaint  
 Follow-up  Field Report

Operator License No: 34998 API: Q3: Q2: Q1:  
Operator Name: Ace Energy LLC SEC 1 TWP 31 RGE 21 RGEDIR: E  
Address: 11704 ABERDEEN RD FSL:  
City: Leawood FEL:  
State: KS Zip Code: 66211-2921 Lease: Gale Mullen Well No.:  
Phone contact: (913) 963-2646 County: CR

### Reason for Investigation:

Request from District #3 Compliance officer Ryan Duling on well status.

### Problem:

Temporary abandonment well status check.

### Persons contacted:

District #3 Staff

### Findings:

I started my lease inspection of the Gale Mullen lease on July 13,2022, and returned on July 14,2022, to determine the well status of five wells that had been approved for temporary abandonment on July 12,2022. I located the five wells that had been approved for temporary abandonment (#I43, #E43, #F41, #C43 and #I23) using previous KCC GPS information. The status of these five wells consisted of three active unauthorized enhanced oil recovery (EOR) wells and two inactive oil wells. During my investigation, I also found well Mullen I-22A was being used for EOR purposes and is not permitted. Well information is included on the next page.

### Actions / Recommendations

Follow-up Required

Deadline Date:

I will refer this report to District #3 Compliance Officer Ryan Duling for review. It is my recommendation that temporary abandonment status that was approved on July 12,2022, be revoked for the Mullen I43, Mullen E43, Mullen F41 and Mullen C43. Those four wells need to be added to Ace Energy LLC Settlement Agreement in Docket 22-CONS-3124-CPEN. Furthermore, I recommend that Ace Energy be considered for penalty recommendations for the following active unauthorized enhanced recovery (EOR)wells: Gale Mullen I43, Gale Mullen E43, Gale Mullen C43 and Mullen I-22A.

Photo's Taken: 16

RBDMS  KGS  KOLAR Report Prepared By: Brad Bohrer

District Files  Courthouse Position: ECRS

## KCC OIL/GAS REGULATORY OFFICES

### Additional Findings:

#### Well Information:

Gale Mullen I43 API# 15-037-01542-00-00 5043 FSL 323 FEL Latitude: 37.383030 Longitude: -95.050509 NE NE NE. Gale Mullen I43 is an active unauthorized enhanced oil recovery (EOR) well that is constructed with 8" surface casing, 5 1/2" casing and 2" production casing. The well is equipped with a check valve and the injection line is hooked up to the well head. Cement is present between the surface casing and production casing. At the time of my investigation the injection line had a small drip causing a wet spot on the ground. I have attached two photos showing the leak with this report. Also the line was cool to the touch indicating that fluids were traveling through the flow lines. On July 26, 2022, I took photos showing the check valve which allows fluids to travel towards the well head. I have also attached those photos to this report. This well will need to be disconnected and a casing integrity test will be required before temporary abandonment can be approved.

Gale Mullen E43 API# 15-037-01540-00-00 4828 FSL 628 FEL Latitude: 37.382439 Longitude: -95.051562 NE NE NE. Gale Mullen E43 is an active unauthorized enhanced oil recovery (EOR) well that is constructed with 7" surface casing and 2" production casing. The well is equipped with a check valve and the injection line is hooked up to the well head. The check valve indicates the flow of fluids toward the well head. Cement is present between the surface casing and production casing. The line was cool to the touch indicating fluids were traveling through the flow line. Also, the gate valves were open and one of the gate valve had a small drip. Research found that this well was denied temporary abandonment on June 30, 2021, for being shut in over 10 years. The temporary abandonment status the was approved July 12, 2022, and will need to be revoked since the operator never contacted the KCC District #3 office that the well was ever put back into production. The shut in date should have been December 1, 2010. This well will need to be disconnected and a casing integrity test will be required before temporary abandonment can be approved. I took two photos of this well and the photos are attached to this report.

Gale Mullen F41 API# 15-037-01538-00-00 FSL: 5039 478 FEL Latitude: 37.383019 Longitude: -95.051043 NE NE NE. Gale Mullen F41 is an inactive oil well that is constructed with 2" production casing and shut in with a swedge and valve. Research found that this well was denied temporary abandonment on December 3, 2021, for being shut in over 10 years. The temporary abandonment status that was approved July 12, 2022, will need to be revoked since the operator never contacted the KCC District #3 office that the well was ever put back into production. The shut in date on the CP-111 application should have been December 1, 2010. Two photos were taken of the well and those photos are attached to this report.

Gale Mullen C43 API# 15-037-01539-00-00 5030 FSL 569 FEL Latitude: 37.382994 Longitude: -95.051358 NE NE NE. Gale Mullen C43 is an active unauthorized enhanced oil recovery (EOR) well that is constructed with 2" production casing. The well is equipped with a check valve and the injection line is hooked up to the well head. Two photos were taken on July 14, 2022, and those photos are attached to this report. On July 26, 2022, I returned to verify that the valves on the flow line were open and that the check valve was installed allowing fluids to travel towards the well head. Also while on location, I noticed spray of free fluids next to the well in the grass which appears to have come from the bleeder valve. This indicates operator staff had recently opened the valve to confirm that fluid is traveling to this well. I took two photos and those photos are also attached to this report. This well will need to be disconnected and a casing integrity test will be required before temporary abandonment can be approved.

Mullen I-23 API# 15-037-22353-00-00 4311 FSL 690 FEL Latitude: 37.381018 Longitude: -95.051778 SW NE NE. Mullen I-23 is an inactive oil well with constructed with 6 1/2" surface casing and 2 7/8" production casing that is shut in with a swedge and valve. This well was approved for temporary abandonment on July 12, 2022. I took two photos of the well and attached the photos to this report.

Mullen I- 22A API#: 15-037-22385-00-00 4304 FSL 673 FEL Lat. 37.381000 Long: -095.051720 SW NE NE. Mullen I -22A is an active unauthorized enhanced oil recovery (EOR) well that is constructed with 8 5/8" surface casing and 4 1/2" production casing. The well is equipped with a check valve and the injection line is hooked up to the well head. Cement is present between the surface casing and production casing. During my lease inspection, the ball valve at the well head was open and the check valve was installed for fluids to travel towards the well head. On July 26, 2022, I noticed a oil stain on the ball valve that appears to be coming from the bushing seeping from the ball valve. Research found this well was drilled as an enhanced oil recovery (EOR) well but was never permitted. This well will need to be disconnected and a casing integrity test will be required before temporary abandonment can be approved. I took two photos of the well and those photos are attached to this report.



## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Ace Energy LLC dba	KLN: 34998
Lease: Gale Mullen	Legal: Sec. 1-31-21E NE NE NE
County: CR	PIC ID#: 1
Subject: I 43	PIC Orientation: 1 South, 1 North
FSL: 5043	Latitude: 37.383030
FEL: 323	Longitude: -95.050509
API#: 15-037-01542-00-00	
Date: 7-13-2022	Time: 3:57PM
Staff: Brad Bohrer	

**Additional Information:** The I 43 is an active unauthorized injection well. That is constructed with 8" surface casing, 5 ½" casing, 2" production, check valve, hose hooked up, cement present between surface casing and casing.

## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM

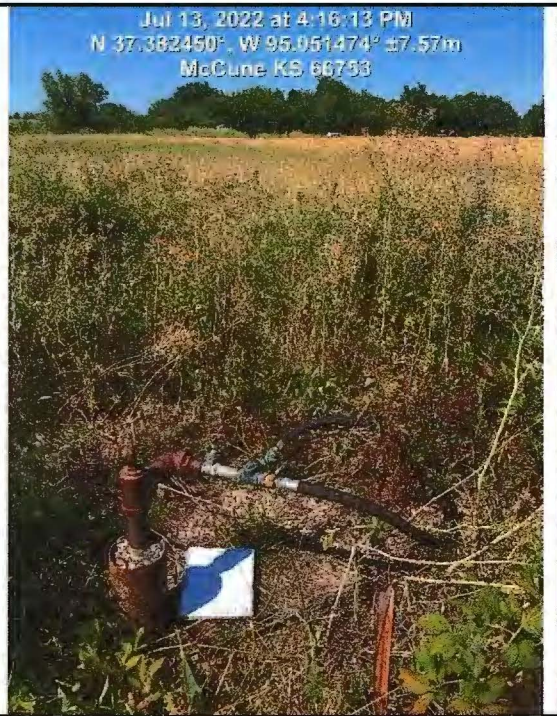
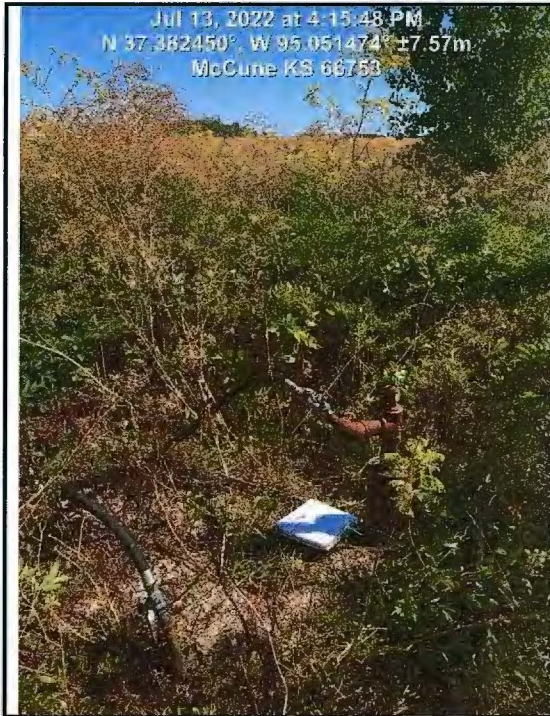


Operator: Ace Energy LLC dba	KLN: 34998
Lease: Gale Mullen	Legal: Sec. 1-31-21E NE NE NE
County: CR	PIC ID#: 498,499
Subject: I 43	PIC Orientation: 2 North
FSL: 5043	Latitude: 37.383030
FEL: 323	Longitude: -95.050509
API#: 15-037-01542-00-00	
Date: 7-26-2022	Time: 8:55,9:00am
Staff: Brad Bohrer	

**Additional Information:** I 43 is an active unauthorized injection well. That is constructed with 8" surface casing, 5 ½" casing, 2" production, check valve, hose hooked up, cement present between surface casing and casing. In these two photos you can see the arrow on the check valve is pointed at the steel plumbing which is at the well head.



## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Ace Energy LLC dba
Lease: Gale Mullen
County: CR
Subject: E 43
FSL: 4828
FEL: 628
API#: 15-037-01540-00-00
Date: 7-13-2022
Staff: Brad Bohrer

KLN: 34998
Legal: Sec. 1-31-21E NE NE NE
PIC ID#: 2
PIC Orientation: 1 South, 1 North
Latitude: 37.382439
Longitude: -95.051562

Time: 4:15 pm, 4:16 pm
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**Additional Information:** The Gale Mullen E 43 is active unauthorized injection well that is constructed with 7" surface casing, 2" production casing, check valve, hose hooked up, cement present between surface casing and casing.



## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Ace Energy LLC dba	KLN: 34998
Lease: Gale Mullen	Legal: Sec. 1-31-21E NE NE NE
County: CR	PIC ID#: 4
Subject: C 43	PIC Orientation: 1 South, 1 North
FSL: 5030	Latitude: 37.382994
FEL: 569	Longitude: -95.051358
API#: 15-037-01539-00-00	
Date: 7-14-2022	Time: 9:22 am, 9:23 am
Staff: Brad Bohrer	

**Additional Information:** The C 43 is an active unauthorized injection well that is constructed with 2" production casing, check valve, no cement present at surface, hose hooked up.



## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Ace Energy LLC dba
Lease: Gale Mullen
County: CR
Subject: C 43
FSL: 5030
FEL: 569
API#: 15-037-01539-00-00
Date: 7-26-2022
Staff: Brad Bohrer

KLN: 34998
Legal: Sec. 1-31-21E NE NE NE
PIC ID#: 500, 501
PIC Orientation: 1 North , 1 West
Latitude: 37.382994
Longitude: -95.051358
Time: 9:00am

**Additional Information:** C 43 is an active unauthorized injection well that is constructed with 2" production casing, check valve, no cement present at surface, hose hooked up. You can see a spray of free fluid next to the well in the grass this fluid appears to have come from the bleeder valve. This indicates operator staff has recently opened the valve to confirm that fluid is traveling to this well.



## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Ace Energy LLC dba	KLN: 34998
Lease: Mullen	Legal: 1-31-21E SW NE NE
County: CR	PIC ID#: 506,510
Subject: Mullen I-22A	PIC Orientation: 2 South
FSL: 4304	Latitude: 37.381000
FEL: 673	Longitude: -095.051720
API#: 15-037-22385-00-00	
Date: 7-26-2022	Time: 9:13,9:20 AM
Staff: Brad Bohrer	

**Additional Information:** I -22A is an active unauthorized injection well that is constructed with 8 1/2" surface casing, 4 1/2" casing, swedge, ball valve, check valve, hose hooked up, cement present between surface casing and casing. In these two pictures you can see the oil seeping from the bushing and covering the swedge and valve.

## KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 07/14/2022 District: 3 Incident Number: 8026

- New Situation  Lease Inspection  
 Response to Request  Complaint  
 Follow-up  Field Report

Operator License No: 34998 API: Q3: Q2: SW Q1: SW

Operator Name: Ace Energy LLC SEC 6 TWP 31 RGE 22 RGEDIR: E

Address: 11704 ABERDEEN RD FSL:

City: LEAWOOD FEL:

State: KS Zip Code: 66211-2921 Lease: Underwood 6 Well No.:

Phone contact: (913) 963-2646 County: CR

### Reason for Investigation:

Request from District #3 Compliance Officer, Ryan Duling on well status.

### Problem:

Confirm well is inactive and shut in due to operator filing for temporary abandonment.

### Persons contacted:

District #3 Staff

### Findings:

I performed a lease inspection on July 14, 2022, to determine the well status of the Underwood 6 #R90. I located the well using previous KCC staff information and found the well to be an active unauthorized enhanced oil recovery (EOR) well. The valves on the flow line were found to be open and the injection line was connected to the well head. While on the lease, I also located the Underwood 6 #Q89 which is an authorized injection well. These two wells are located close together. The Underwood 6 #Q89 was found to be inactive and shut in with a valve.

### Actions / Recommendations

Follow-up Required

Deadline Date:

I will refer this report to the District #3 Compliance Officer Ryan Duling for review. It is my recommendation that Ace Energy be considered for penalty recommendation on the Underwood 6 #R90 for using an unauthorized enhanced recovery well. It is my further recommendation that the temporary abandonment status for the Underwood 6 #R90 be revoked and a casing integrity test (CIT) be required before the temporary abandonment be approved since the well is constructed as an enhanced recovery well. Furthermore, Ace Energy should file a temporary abandonment application for the Underwood 6 #Q89 since the well is inactive and shut in with a valve.

Photo's Taken: 3

RBDMS  KGS  KOLAR Report Prepared By: Brad Bohrer

District Files  Courthouse Position: ECRS



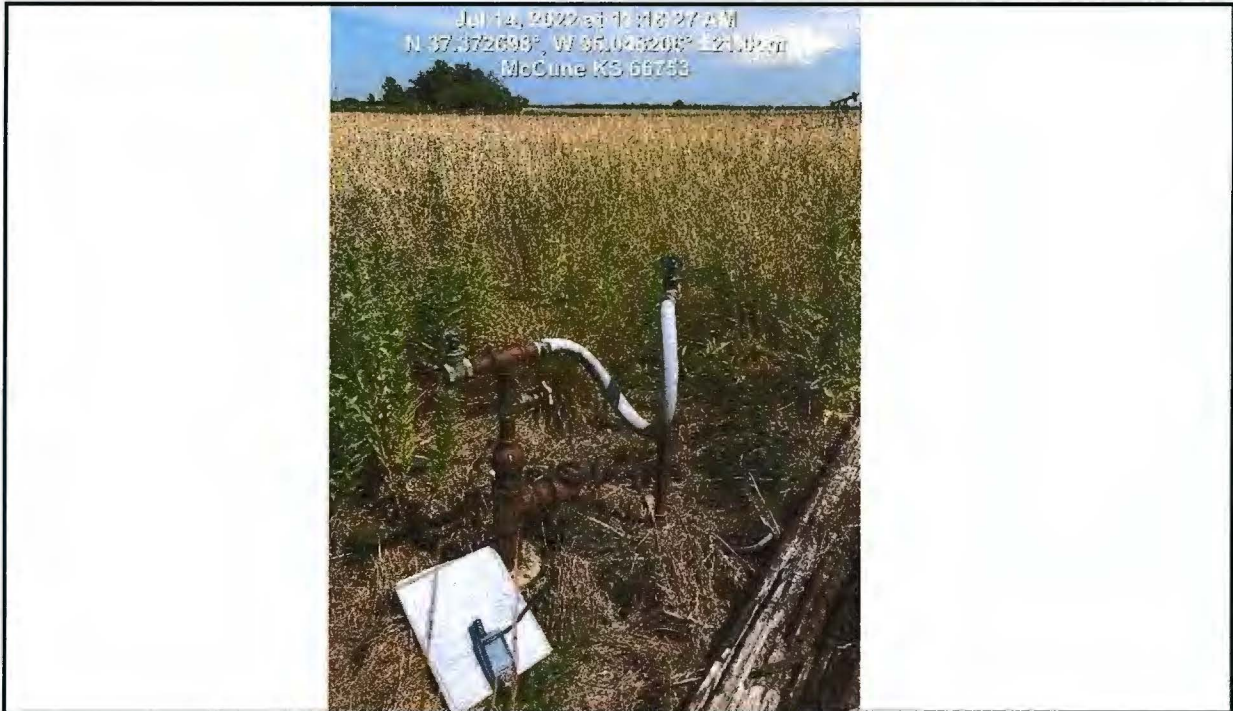
## KCC OIL/GAS REGULATORY OFFICES

### Additional Findings:

Underwood 6 #R90 API #15-037-01516-00-00 1291 FSL 4807 FEL Lat. 37.372700 Long,-95.048200 NW SW SW. Underwood 6# R90 is an active unauthorized enhanced oil recovery (EOR) well that is constructed with 7 " Surface casing and 2" production casing. The injection line is hooked to the well head and the valves are open. Cement is present between the surface casing and production casing. I took a photo of the well and attached the photo to this report.

Underwood 6 #Q-89 API #15-037-01466-00-00 1276 FSL 4880 FEL Lat. 37.372660 Long. -095.048450 SW SW. Underwood 6#Q89 is an inactive authorized enhanced recovery well that is constructed with 2 inch casing and is shut in with a valve. I took two photos of this well and have attached those photos to this report.

## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Ace Energy LLC dba
Lease: Underwood 6
County: CR
Subject: R90
FSL: 1291
FEL: 4807
API#: 15-037-01516-00-00
Date: 7-14-2022
Staff: Brad Bohrer

KLN: 34998
Legal: Sec. 6-31-22E NW SW SW
PIC ID#: 1
PIC Orientation: 1 North, 1 South
Latitude: 37.372700
Longitude: -95.048200

Time: 11:18 am
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**Additional Information:** The R90 is an active unauthorized injection well that is constructed 7" Surface casing, 2" production casing, valves, hose hooked up, cement present between surface casing and production casing.

**CERTIFICATE OF SERVICE**

23-CONS-3087-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 09/20/2022.

TODD BRYANT, GEOLOGIST SPECIALIST  
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