

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

In the matter of the failure of Ace Energy,) Docket No.: 24-CONS-3081-CPEN
LLC (Operator) to comply with K.A.R. 82-3-)
407 at the E Larsen #7 and E Larsen #11 wells) CONSERVATION DIVISION
in Allen County, Kansas.)
_____) License No.: 34998

In the matter of the failure of Ace Energy,) Docket No.: 24-CONS-3189-CPEN
LLC (Operator) to comply with K.A.R. 82-3-)
407 at the Thornton #M 9 (C110) well in) CONSERVATION DIVISION
Neosho County, Kansas.)
_____) License No.: 34998

SUPPLEMENTAL PRE-FILED DIRECT TESTIMONY

OF

DUANE SIMS

ON BEHALF OF COMMISSION STAFF

JULY 15, 2024

1 **Q. Are you the same Duane Sims who pre-filed direct testimony in this docket on January**
2 **19, 2024?**

3 A. Yes.

4 **Q. What is the purpose of your supplemental direct testimony in this matter?**

5 A. On January 19, 2024, I pre-filed direct testimony regarding Docket 24-CONS-3081-CPEN
6 (Docket 24-3081). That docket concerned a Penalty Order issued by the Commission against
7 Ace Energy, LLC (Operator) for failure to perform successful mechanical integrity tests
8 (MITs) on the E Larsen #7 and E Larsen #11 wells. On February 29, 2024, the Commission
9 consolidated Docket 24-3081 with Docket 24-CONS-3189-CPEN (Docket 24-3189). The
10 purpose of my supplemental direct testimony is to discuss the evidence supporting the
11 Commission's findings in regard to the Penalty Order issued against Operator in Docket
12 24-3189.

13 **Q. Please provide a brief overview of the facts in Docket 24-3189.**

14 A. The Commission penalized Operator for one violation of K.A.R. 82-3-407 at the Thornton
15 #M 9 (C110) well (Subject Well). Operator failed to perform a successful MIT on the Subject
16 Well prior to the deadline.

17 **Q. What are the requirements of K.A.R. 82-3-407?**

18 A. As I discussed in greater detail in my testimony filed in January, K.A.R. 82-3-407 provides
19 that an injection well's mechanical integrity shall be established at least once every five years.
20 The regulation also states that failure to test a well to show mechanical integrity shall be
21 punishable by a \$1,000 penalty, and the well shall be shut-in until the test is successfully
22 passed.

1 **Q. Was there a deadline for Operator to perform an MIT on the Subject Well?**

2 A. Yes. The five-year deadline for Operator to perform a successful MIT on the Subject Well
3 was November 15, 2023.

4 **Q. Did Operator perform a successful MIT on the Subject Well by that deadline?**

5 A. No, Operator did not perform an MIT on the well before the November 15, 2023, deadline.

6 **Q. Did Staff send a letter to Operator regarding the Subject Well?**

7 A. Yes. I sent an NOV letter to Operator on November 20, 2023. The letter stated that a current
8 MIT had not been conducted on the Subject Well. The NOV letter also stated that failure to
9 conduct an MIT on the well by December 4, 2023, would be punishable by a \$1,000 penalty.
10 A copy of the letter is attached to the Docket 24-3189 Penalty Order as Exhibit A.

11 **Q. Did Operator conduct an MIT on the Subject Well before December 4, 2023?**

12 A. No, Operator did not conduct an MIT on the Subject Well before the deadline in the NOV
13 letter. As of the date of this testimony, Operator has yet to perform an MIT on the well.

14 **Q. Did Operator contact District #3 Staff about performing an MIT on the Subject Well?**

15 A. No, Operator has not contacted District #3 Staff regarding the Subject Well.

16 **Q. In paragraph 8 of Operator's Request for Hearing filed in Docket 24-3189, Operator**
17 **argues that because its license is suspended, it could not perform an MIT on the Subject**
18 **Well as doing so would be in furtherance of oil and gas operations. Does a suspended**
19 **license mean that an operator cannot perform MITs on its injection wells?**

20 A. No, it does not. When an operator's license is suspended, the operator remains responsible for
21 all the wells on its well inventory. This responsibility includes making sure that the wells
22 continue to comply with all Commission regulations. In fact, the Commission said exactly
23 that in a Final Order filed on May 2, 2024, in Docket 23-CONS-3195-CPEN (Docket

1 23-3195). Docket 23-3195 concerned in part a Penalty Order issued by the Commission for
2 Operator’s failure to perform an MIT at its Grundy B #5 SWD well. In the Final Order, the
3 Commission wrote that a “license suspension does not eliminate an operator’s regulatory
4 obligations,” and affirmed the Penalty Order.

5 **Q. Please summarize your recommendation.**

6 A. I believe the information gathered by Staff is sufficient to affirm the Commission’s Penalty
7 Order in Docket 24-3189. Operator did not timely perform an MIT on the Subject Well,
8 therefore Operator should be required to perform a successful MIT on the Subject Well or
9 plug the well, and pay a \$1,000 penalty.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

CERTIFICATE OF SERVICE

24-CONS-3081-CPEN

I, the undersigned, certify that a true and correct copy of the attached Supplemental Prefiled Testimony of Duane Sims has been served to the following by means of electronic service on July 15, 2024.

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