

**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-3017-CPEN  
LLC (Operator) to comply with K.A.R. 82-3- )  
120 and K.A.R. 82-3-133 by operating under ) CONSERVATION DIVISION  
a suspended license.                             )  
\_\_\_\_\_ ) License No.: 34998

**PENALTY ORDER**

The Commission finds Operator has violated K.A.R. 82-3-120 and K.A.R. 82-3-133 by conducting oil and gas operations under a suspended license, assesses a \$10,000 penalty, 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. 82-3-120 provides that no operator shall operate any well without a current license. K.A.R. 82-3-133 provides that production of oil or gas in violation of a Commission regulation or order shall be deemed unlawful.

## II. FINDINGS OF FACT

4. On May 10, 2022, the Commission issued a Penalty Order in Docket 22-CONS-3410-CPEN (Docket 22-3410) for failure to comply with K.A.R. 82-3-111. The Commission found that Operator's DR Nelson #DR #3, D R Nelson #P-2, and D R Nelson #V-2 wells had been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for temporary abandonment (TA) status.<sup>1</sup> In the Penalty Order, the Commission directed Operator to pay a \$300 penalty and to plug the wells, return the wells to service, or obtain TA status for the wells.<sup>2</sup> In the event Operator failed to comply with the Penalty Order within 30 days, the Commission directed Commission Staff to suspend Operator's license until Operator achieved compliance.<sup>3</sup>

5. On June 21, 2022, Commission Staff suspended Operator's license for non-compliance with the Penalty Order as directed by the Commission. Commission Staff notified Operator of the suspension in a Notice of License Suspension letter. In the letter, Commission Staff notified Operator that if, after 10 days from the date of the letter, Commission Staff discovered Operator performing oil and gas operations, Commission Staff would recommend a Shut-In Order, as well as an additional \$10,000 monetary penalty.<sup>4</sup>

6. On June 22, 2022, Operator paid the \$300 penalty, but did not bring all three wells into compliance.

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<sup>1</sup> Docket 22-CONS-3410-CPEN, *Penalty Order*, ¶ 7 (May 10, 2022).

<sup>2</sup> *Id.* at Ordering Clauses A and B.

<sup>3</sup> *Id.* at Ordering Clauses D, E, and F.

<sup>4</sup> Exhibit A.

7. On July 8, 2022, Commission Staff conducted various inspections and found Operator actively operating the following wells (Subject Wells) under a suspended license:<sup>5</sup>

- a. Peggy Krueger #L 74 (M73), API #15-037-01475-00-01, located in Section 1, Township 31 South, Range 21 East, Crawford County, Kansas; and
- b. Stanley Stitt #I-6-I, API #15-133-25570-00-00, located in Section 25, Township 29 South, Range 17 East, Neosho County, Kansas.

8. On July 19, 2022, Operator came into compliance with the Penalty Order in Docket 22-3410. Commission Staff reinstated Operator's license on July 20, 2022.

### **III. CONCLUSIONS OF LAW**

9. The Commission has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, K.S.A. 55-155, K.S.A. 55-162, and K.S.A. 55-164.

10. Operator has violated K.A.R. 82-3-120 by conducting oil and gas operations on a suspended license, resulting in unlawful production under K.A.R. 82-3-133.

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

A. Operator shall pay a \$10,000 penalty.

B. 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.

C. 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

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<sup>5</sup> Exhibit B.


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).

D. 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: 07/28/2022

  
\_\_\_\_\_  
Lynn M. Retz  
Executive Director

Mailed Date: 07/28/2022

TSK

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



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

Dwight D. Keen, Chair  
Susan K. Duffy, Commissioner  
Andrew J. French, Commissioner

Laura Kelly, Governor

June 21, 2022

Jonathan Freiden  
Ace Energy LLC  
11704 Aberdeen Road  
Leawood, KS 66211-2921

**NOTICE OF LICENSE SUSPENSION**  
**License No. 34998**  
Docket No. 22-CONS-3410-CPEN

Operator:

Our records indicate that you are in violation of a Commission Order in the above Docket.

**Your license is hereby suspended.**

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter (July 1, 2022), Commission Staff discovers you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$10,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order, which was mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page. If your license is reinstated it will be listed as "Active" at the following webpage: [https://kcc.ks.gov/conservation/oil\\_license.cgi](https://kcc.ks.gov/conservation/oil_license.cgi).

Sincerely,

Legal Department Staff

**KCC OIL/GAS REGULATORY OFFICES**

**Inspection Date:** 07/08/2022      **District:** 3      **Incident Number:** 8011

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

**Operator License No:** 34998      **API:** 15-037-01475-00-01      **Q3:** NE      **Q2:** NE      **Q1:** SE  
**Operator Name:** Ace Energy LLC      **SEC** 1      **TWP** 31      **RGE** 21      **RGEDIR:** E  
**Address:** 11704 ABERDEEN RD      **FSL:** 2541  
**City:** LEAWOOD      **FEL:** 195  
**State:** KS      **Zip Code:** 66211-2921      **Lease:** Peggy Krueger      **Well No.:** L74(M73)  
**Phone contact:** (913) 963-2646      **County:** CR

**Reason for Investigation:**

Request from District # Compliance Officer Ryan Duling.

**Problem:**

Possible production while license is suspended.

**Persons contacted:**

District #3 Staff

**Findings:**

Upon inspection I completed a gps survey of one (1) well on 07/08/2022. After research on KGS,RBDMS, I was able to identify this well as being the Peggy Krueger L74(M73) API # 15-037-01475-00-01.

**Actions / Recommendations**

**Follow-up Required**

**Deadline Date:**

I will refer this to District # 3 compliance officer Ryan Duling. It is my recommendation that Ace Energy be recommended for fines for operating the following well with a suspended license.  
Peggy Krueger L74(M73) API # 15-037-01475-00-01

**Photo's Taken:** 2

RBDMS     KGS     KOLAR    **Report Prepared By:** Brad Bohrer

District Files     Courthouse    **Position:**

## KCC OIL/GAS REGULATORY OFFICES

### Additional Findings:

Peggy Krueger L74(M73) API # 15-037-01475-00-01. 2541 FSL 195 FEL Lat. 37.37616 Long. -095.05009  
NE NE SE.

Session Point (Krue L74)

Peggy Krueger L74 (M73) is a oil well constructed 2.5" casing, 1" production string, pump jack, motor, elec. Disconnect, pumping hose, and is producing. See attached photos.

## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: ACE ENERGY
Lease: Peggy Krueger
County: CR
Subject: Peggy Krueger L74(M73)
FSL: 2541
FEL: 195
API#: 15-037-01475-00-01
Date: 07/08/2022
Staff: Brad Bohrer

KLN: 34998
Legal: 1-31-21E NE NE SE
PIC ID#: 442,443
PIC Orientation: 2 North
Latitude: 37.37616
Longitude: -095.05009

Time: 1:51 PM
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Additional Information: Peggy Krueger L74 (M73) is a oil well constructed 2.5" casing, 1" production string, pump jack, motor, electric disconnect, pumping hose, and is producing.



**KCC OIL/GAS REGULATORY OFFICES**

**Inspection Date:** 07/08/2022      **District:** 3      **Incident Number:** 8012

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

**Operator License No:** 34998      **API:** 15-133-25570-00-00      **Q3:** nw      **Q2:** nw      **Q1:** nw  
**Operator Name:** Ace Energy LLC dba      **SEC** 25      **TWP** 29      **RGE** 17      **RGEDIR:** E  
**Address:** 11704 ABERDEEN RD      **FSL:** 4979  
**City:** LEAWOOD      **FEL:** 5084  
**State:** ks      **Zip Code:** 66211-2921      **Lease:** Stitt      **Well No.:** I-6-I  
**Phone contact:** 1(913) 963-264      **County:** NO

**Reason for Investigation:**

Request from District #3 Compliance Officer.

**Problem:**

Possible production while license is suspended.

**Persons contacted:**

District Staff

**Findings:**

Upon inspection I completed a gps survey of one well on 07/08/2022. After research on KGS, RBDMS, I was able to identify this well as being the Stanley Stitt I-6-1 API# 15-133-25570-00.

**Actions / Recommendations**

**Follow-up Required**

**Deadline Date:**

I will refer to district # 3 Compliance Officer Ryan Duling. It is my recommendation that Ace Energy be recommend for fines for operating the following well while their license is suspended.  
Stanley Stitt I-6-I API # 1513325570-00-00

**Photo's Taken:** 2

RBDMS     KGS     KOLAR    **Report Prepared By:** Brad Bohrer  
 District Files     Courthouse    **Position:** E.C.R.S

## KCC OIL/GAS REGULATORY OFFICES

### Additional Findings:

Stanley Stitt I-6-1 API# 15-133-25570-00-00 4979 FSL 5084 FEL Lat. 37.49900 Long. -095.50650 NW NW  
NW

Session point (Stitt I-6-1)

Stanely Stitt I-6-1 is an oil well constructed of 2" casing, 1" production string, pump jack, motor, belt, elec. Disconnect box, pumping hose, and is producing. See attached photos.

## KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: ACE ENERGY	KLN: 34998
Lease: Stitt	Legal: 25-29-17E NW NW NW
County: NO	PIC ID#: 432,433
Subject: Stanley Stitt I-6-I	PIC Orientation: 2 North
FSL: 4979	Latitude: 37.49900
FEL: 5084	Longitude: -095.50650
API#: 15-133-25570-00-00	
Date: 07/08/2022	Time: 12:44,12:55 PM
Staff: Brad Bohrer	

Additional Information: Stanely Stitt I-6-I is a producing oil well constructed of 2" casing, 1" production string, pump jack, motor, belt, elec. Disconnect box, pumping hose. On the photo to the left the well is in the upstroke position, and the photo to the right the well is in the down stroke position. And these two photos show the well in production because of the change in the stroke positions.

**CERTIFICATE OF SERVICE**

23-CONS-3017-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 07/28/2022.

RYAN DULING  
KANSAS CORPORATION COMMISSION  
DISTRICT OFFICE NO. 3  
137 E. 21ST STREET  
CHANUTE, KS 66720  
r.duling@kcc.ks.gov

JONATHAN FREIDEN  
ACE ENERGY, LLC  
11704 ABERDEEN ROAD  
LEAWOOD, KS 66211  
jfreiden@me.com

TRISTAN KIMBRELL, LITIGATION COUNSEL  
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/S/ DeeAnn Shupe  
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DeeAnn Shupe