

STATE OF KANSAS



CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513

20180918132201
Kansas Corporation Commission

PHONE: 316-337-6200
FAX: 316-337-6211
<http://kecc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

NOTICE OF PENALTY ASSESSMENT 19-CONS-3101-CPEN

September 18, 2018

A. Blaine Hanks
Gateway Resources U.S.A., Inc.
1821 Arbor Drive
Bartlesville, OK 74006-7004

This is a notice of a penalty assessment for violation(s) 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:

You have been assessed a \$300 penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission and mailed to the Conservation Division of 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. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and 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. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Lauren N. Wright
Litigation Counsel
316-337-6200

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the matter of the failure of Gateway)	Docket No.: 19-CONS-3101-CPEN
Resources U.S.A., Inc. ("Operator") to)	
comply with K.A.R. 82-3-111 at the White)	CONSERVATION DIVISION
#G-3, White #G-5 and Knisley Carol R #1-33)	
<u>in Montgomery County, Kansas.</u>)	License No.: 32353

PENALTY ORDER

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

I. JURISDICTION

1. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ 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."² Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty "not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. Within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service, or production of oil, gas, or other minerals, the operator of that well shall: (1) plug the well, (2) return the well to service, or (3) file an application with the Conservation Division requesting temporary abandonment (“TA”) authority, on a form prescribed by the Conservation Division.⁷ No well shall be temporarily abandoned unless first approved by the Conservation Division.⁸ A well shall not be eligible for TA status if the well has been shut in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the Commission.⁹ The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty,¹⁰ and the failure to obtain approval of temporary abandonment status shall subject the Operator to additional administrative action.¹¹

4. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped for production of oil or gas or for injection; (2) capable of immediately resuming production of oil or gas or of injection; (3) subject to a valid continuing oil and gas lease; when (4) the cessation period for the well is less than 365 days; and (5) the well is otherwise in full compliance with all of the Commission’s regulations.

II. FINDINGS OF FACT

5. The Operator conducts oil and gas activities in Kansas under active license number 32353.

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ *See* K.A.R. 82-3-111(a).

⁸ K.A.R. 82-3-111(b).

⁹ *Id.*

¹⁰ *Id.*

¹¹ K.S.A. 55-164; K.A.R. 82-3-111(b).

6. The Operator is responsible for the care and control of the following wells, all located in Montgomery County, Kansas.

- a. White #G-3, API #15-125-22845-00-01, Section 28, Township 33 South, Range 16 East;
- b. White #G-5, API #15-125-22922-00-01, Section 28, Township 33 South, Range 16 East; and
- c. Knisley Carol R #1-33, API #15-125-30540-00-00, Section 33, Township 32 South, Range 17 East.

7. On July 12, 2018 and July 25, 2018, respectively, Commission records indicated that the subject wells had been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111 and that the wells were not exempt pursuant to K.A.R. 82-3-111(e). The wells had also not been approved for temporary abandonment status. Thus, District Staff sent a letter to the Operator, requiring the Operator to bring the subject well into compliance with K.A.R. 82-3-111 by August 9, 2018 and August 25, 2018, respectively.¹²

8. Because the deadline in the letter passed and the violation had not been resolved, on August 29, 2018 and August 28, 2018, respectively, District Staff inspected the subject well, verifying that the well continued to be inactive and unplugged.¹³

III. CONCLUSIONS OF LAW

9. The Commission finds and concludes that it has jurisdiction over the Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.

¹² Exhibit A.

¹³ Exhibit B.

10. The Commission finds and concludes the Operator committed three violations of K.A.R. 82-3-111 because the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.¹⁴

THEREFORE, THE COMMISSION ORDERS:

- A. The Operator shall pay a \$300 penalty.
- B. The Operator shall plug the subject wells, or return the wells to service, or obtain TA status for the wells if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable.
- C. If no party requests a hearing, and the Operator is not in compliance with this Order within 30 days from the date of service of this Order, then the 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.
- D. 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. The payment must include a reference to the docket number of this proceeding. Credit card payments may be made by calling the Conservation Division at 316-337-6200.
- E. 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 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

¹⁴ K.S.A. 55-164; K.A.R. 82-3-111(b).

only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

F. A corporation shall appear before the Commission by a Kansas licensed attorney.¹⁵

G. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 09/18/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 09/19/2018

¹⁵ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT OFFICE No. 3
137 E. 21st STREET
CHANUTE, KS 66720



PHONE: 620-902-6450
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

July 12, 2018

A BLAINE HANKS
Gateway Resources U.S.A., Inc.
1821 ARBOR DR
BARTLESVILLE, OK 74006-7004

Re: Temporary Abandonment
API 15-125-22845-00-01
WHITE G-3
NW/4 Sec.28-33S-16E
Montgomery County, Kansas

Dear A BLAINE HANKS:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

High Fluid Level

Pursuant to K.A.R. 82-3-111, the well must be plugged, or returned to service, or obtain temporary abandonment status by August 09, 2018.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Russell Hine
KCC DISTRICT 3

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT OFFICE No. 3
137 E. 21ST STREET
CHANUTE, KS 66720



PHONE: 620-902-6450
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SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

July 12, 2018

A BLAINE HANKS
Gateway Resources U.S.A., Inc.
1821 ARBOR DR
BARTLESVILLE, OK 74006-7004

Re: Temporary Abandonment
API 15-125-22922-00-01
WHITE G-5
SW/4 Sec.28-33S-16E
Montgomery County, Kansas

Dear A BLAINE HANKS:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

High Fluid Level

Pursuant to K.A.R. 82-3-111, the well must be plugged, or returned to service, or obtain temporary abandonment status by August 09, 2018.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Russell Hine
KCC DISTRICT 3

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT OFFICE No. 4
2301 E. 13TH STREET
HAYS, KS 67601-2651



PHONE: 785-261-6250
FAX: 785-625-0564
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

FINAL NOTIFICATION OF TA DENIAL

July 25, 2018

Gateway Resources U.S.A., Inc.
1821 Arbor Drive
Bartlesville, Oklahoma 74006

KCC License #32353

RE: API 15-125-30540-00-00
Knisley, Carol R. #33-1
NESE Sec.33-32S-17E
Montgomery County, Kansas

Dear Operator:

Your application for Temporary Abandonment (TA) of the well listed above was denied on January 23, 2018.

You must repair, plug, or return the well to service by August 25, 2018.

Failure to comply with this request may result in the imposition of administrative penalties as well as an order to plug the subject well. Your prompt attention will be appreciated.
You may contact me if you have any questions at the number listed below.

Sincerely,

A handwritten signature in black ink, appearing to read "John Almond", with a long, sweeping horizontal line extending to the right.

John Almond ECRS
Compliance Officer

cc: Legal
File

CONSERVATION DIVISION · DISTRICT OFFICE NO.3
137 East 21st Street Chanute, Kansas 66720
620-902-6453 · cell 620-432-6502 · j.almond@kcc.ks.gov

KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 08/29/2018 District: 3 Incident Number: 6191

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

Operator License No: 32353 API: 15-125-22845-00-01 Q3: NE Q2: NW Q1: SW

Operator Name: Gateway Resources U.S.A. Inc. SEC 28 TWP 33 RGE 16 RGEDIR: E

Address: 1821 Arbor Dr FSL: 2259

City: Bartlesville FEL: 4123

State: Ok Zip Code: 74006-7004 Lease: White Well No.: G3

Phone contact: 918-333-2115 County: MG

Reason for Investigation:

TA well status request

Problem:

Denied CP-111 (TA)

Persons contacted:

Martin Cummings, Gateway Resources representative

Findings:

I denied CP-111 (TA) form for the Gateway Resources well White G3, 15-125-22845-00-01 on 7/12/2018 because of a high fluid level. Gateway Resources was mailed a letter with a 30 day deadline to address the issues. The G3 had a fluid level of 85' per Gateway Resources echo meter charts. The high fluid level can be an indication that the well construction has failed. There are no injection or disposal wells with-in 1/4 mile AOR that may cause the high fluid level. A Casing Integrity Test is necessary to insure the integrity of the casing. I contacted Martin Cummings and he stated that "it was on his radar" but was not sure when they would test the well. The well remains inactive/abandoned and is shut in to prevent spillage.

8/30/2018 Martin Cummings called and ask if the well had a CIT conducted tomorrow, would that stop the possible Fine Recommendation. I told him I did not have that authority, but that it may help the situation. I completed a GPS survey and collected a photo. G3 37.14433 -95.67053 2259 fsl 4123 fel NENWSW

Actions / Recommendation

Follow-up Required ☐

Deadline Date:

I will forward this report to John Almond, KCC District #3 Compliance Officer for review and possible fine recommendations.

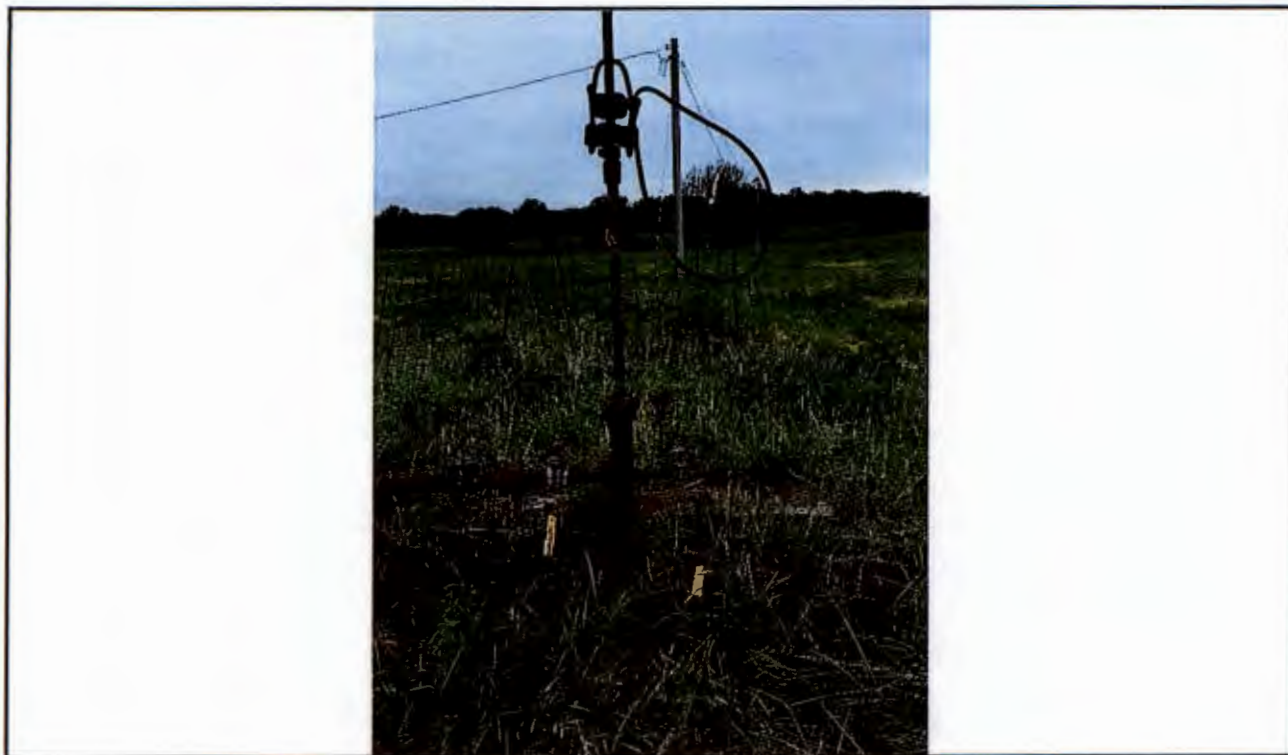
Photo's Taken:

1

☒ RBDMS ☒ KGS ☒ TA DB Report Prepared By: Russell Hine

☐ T1 DBF ☐ District Files ☐ Courthouse Position: E.C.R.S.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Gateway Resources U.S.A.

Lease: White

County: Montgomery

Subject: G3

FSL: 2259

FEL: 4123

API#: 15-125-22845

Date: 8/29/2018

Staff: Russell Hine

KLN: 32353

Legal: 28-33-16e

PIC ID#: 1283

PIC Orientation: South

Latitude: 37.14433

Longitude: -95.67053

Time: 10:30 am

Additional Information: This photo is of G3, 15-125-22845-00-01. The well is shut in.

KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 08/29/2018 District: 3 Incident Number: 6215

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

Operator License No: 32353 API: 15-125-22922-00-01 Q3: NE Q2: NW Q1: SW

Operator Name: Gateway Resources U.S.A. Inc. SEC 28 TWP 33 RGE 16 RGEDIR: E

Address: 1821 Arbor Drive FSL: 1556

City: Bartlesville FEL: 4132

State: Ok Zip Code: 74006-7004 Lease: White Well No.: G5

Phone contact: 918-333-2115 County: MG

Reason for Investigation:

TA well status request

Problem:

Denied CP-111 (TA)

Persons contacted:

Martin Cummings, Gateway Resources representative

Findings:

I denied CP-111 (TA) form for the Gateway Resources well White G5, 15-125-22922-00-01 on 7/12/2018 because of a high fluid level. Gateway Resources was mailed a letter with a 30 day deadline to address the issues. The G5 had a fluid level of 94' per Gateway Resources echo meter charts. The high fluid level can be an indication that the well construction has failed. There are no injection or disposal wells with-in 1/4 mile AOR that may cause the high fluid level. A Casing Integrity Test is necessary to insure the integrity of the casing. I contacted Martin Cummings and he stated that "it was on his radar" but was not sure when they would test the well. The well remains inactive/abandoned and is shut in to prevent spillage.

8/30/2018 Martin Cummings called and ask if the well had a CIT conducted tomorrow, would that stop the possible Fine Recommendation. I told him I did not have that authority, but that it may help the situation. I completed a GPS survey and collected a photo. G5 37.14240 -95.67053 1556 fsl 4132 fel NENWSW

Actions / Recommendation

Follow-up Required ☐

Deadline Date:

I will forward this report and documentation to John Almond, KCC District #3 Compliance Officer for review and possible fine recommendations.

Photo's Taken:

1

☒ RBDMS ☒ KGS ☒ TA DB Report Prepared By: Russell Hine

☐ T1 DBF ☐ District Files ☐ Courthouse Position: E.C.R.S.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Gateway Resources U.S.A. Inc

Lease: White

County: Montgomery

Subject: White G5

FSL: 1556

FEL: 4132

API#: 15-125-22922-00-01

Date: 8/29/2018

Staff: Russell Hine

KLN: 32353

Legal: 28-33-16e

PIC ID#: 1284

PIC Orientation: South

Latitude: 37.14240

Longitude: -95.67053

Time: 10:35 am

Additional Information: This photo is of the White G5 well. It is shut in at this time.

KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 08/28/2018 District: 3 Incident Number: 6187

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

Operator License No: 32353 API: 15-125-30540-00-00 Q3: SE Q2: NE Q1: SE
Operator Name: Gateway Resources U.S.A. INC. SEC 33 TWP 32 RGE 17 RGEDIR: E
Address: 1821 ARBOR DRIVE FSL: 1926
City: BARTLESVILLE FEL: 676
State: OK Zip Code: 74005 Lease: KNISLEY CAROL Well No.: 33-1
Phone contact: 918-333-2115 County: MG

Reason for Investigation:

Follow up lease inspection on status of abandoned well #33-1 on Knisley lease.

Problem:

Well has been abandoned since 2004.

Persons contacted:

John Almond Compliance Officer District #3 Chanute

Findings:

On August 28, 2018 I checked the status of the well #33-1 on the Knisley lease, I took a picture of the abandoned well, it is attached to this field report. The well #33-1 is still abandoned and it has been abandoned since 2004. The CP-111 has been denied.

Actions / Recommendation

Follow-up Required ☐

Deadline Date:

Recommend penalty for failure to obtain an approved CP-111 TA form, produce or plug the #33-1 Knisley well.

Photo's Taken:

1

☒ RBDMS ☒ KGS ☒ TA DB Report Prepared By: Duane A. Sims

☒ T1 DBF ☒ District Files ☐ Courthouse Position: E.C.R.S

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: Gateway Resources U.S.A., Inc.

Lease: Knisley Carol R.

County: Montgomery

Subject: Abandoned Well (Denied CP-111)

FSL: 1926

FEL: 676

API#: 15-125-30540-00-00

Date: August 28, 2018

Staff: Duane A. Sims

KLN: 32353

Legal: 33-32-17E

PIC ID#: IMG 0626

PIC Orientation: Facing West

Latitude: 37.213077

Longitude: -95.540789

Time: 12:10PM

Additional Information: This is a picture of the Knisley Carol R. #33-1. The well is abandoned and has been shut in since the completion date of May 25, 2004. The CP-111 was denied on January 23, 2018 due to the well being shut in for over 10 years.

CERTIFICATE OF SERVICE

19-CONS-3101-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail and electronic service on 09/18/2018.

JOHN ALMOND
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
Fax: 785-271-3354
j.almond@kcc.ks.gov

A. BLAINE HANKS
GATEWAY RESOURCES U.S.A. INC.
1821 ARBOR DR
BARTLESVILLE, OK 74006-7004

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe