

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

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Annie Kuether

In the matter of a Compliance Agreement) Docket No.: 25-CONS-3010-CMSC
between Cycle Oil & Gas Ltd (Operator) and)
Commission Staff.) CONSERVATION DIVISION
)
_____) License No.: 36116

ORDER APPROVING COMPLIANCE AGREEMENT

Commission Staff and Operator have executed the attached Compliance Agreement,¹ which the Commission finds provides a fair, efficient resolution of the issues described therein. Operator is currently in good standing with the Commission, and does not have any other compliance agreements at this time.


THEREFORE, THE COMMISSION ORDERS:

- A. The Compliance Agreement is approved and incorporated into this Order.
- B. 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, 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 only upon written request. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 07/18/2024



Lynn M. Retz
Executive Director

Mailed Date: 07/18/2024

TSK

¹ Attachment 1.

COMPLIANCE AGREEMENT

This Agreement is between Cycle Oil & Gas Ltd (Operator) (License #36116) and the Kansas Corporation Commission Staff (Staff). If the Kansas Corporation Commission (Commission) does not approve this Agreement as evidenced by a signed order of the Commission, this Agreement shall not be binding on either party.

A. Background

1. Operator has filed Request for Change of Operator (T-1) forms to assume responsibility for 181 wells currently on the well inventory of American Star Energy Services, LLC (License #35913; revoked per Docket 23-CONS-3293-CMSC). Upon approval of this Agreement by the Commission, Staff will process the T-1 forms, making Operator responsible for the wells. Thirty-five of the wells (Subject Wells) are out of compliance with K.A.R. 82-3-111 and are potential threats to the environment or to fresh or usable water. A list of the Subject Wells is attached to this Agreement as Attachment A. This Agreement provides a means for Operator to avoid penalties while working to plug the Subject Wells, return them to service, or repair and obtain temporary abandonment (TA) status for such Subject 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.

2. Prior to the Commission revoking its license, American Star Energy Services, LLC, removed equipment from 14 wells (Unsecured Wells), leaving the wellheads unsecured and open to the environment. A list of the Unsecured Wells is attached to this Agreement as Attachment B. These Unsecured Wells have the ability to vent gases to the atmosphere and are potential threats to the environment.

3. Prior to the Commission revoking its license, American Star Energy Services, LLC, plugged 7 wells (Plugged Well Sites), but failed to remove operating structures and other obstacles from the land upon which the wells were located. American Star Energy Services, LLC, also failed to grade the surface of the soil in such a manner as to leave the land in the same condition as it was before structures were placed on the land. A list of the Plugged Well Sites is attached to this Agreement as Attachment C.

B. Terms of Compliance Agreement

4. By September 30, 2024, Operator shall plug, return to service, or repair and obtain temporary abandonment status for **three** of the Subject Wells. Operator shall plug, return to service, or repair and obtain temporary abandonment status for an additional **three** Subject Wells within each three calendar months thereafter, resulting in all Subject Wells being returned to

compliance by June 30, 2027. Staff shall prioritize the order in which the Subject Wells are addressed pursuant to this Agreement by indicating priority on Attachment A, and may adjust the prioritization at any time during this Agreement should a Subject Well or Wells become known to Staff to be a pollution or public safety threat. If a Subject Well is plugged, Operator shall remove all production equipment, backfill any surface pits, cap and bury the well below plow depth, and restore the surface as nearly as practicable to the same condition as before structures and equipment were placed on the land. This remediation shall occur within thirty days after plugging operations are completed on the Subject Well, and the remediation must be complete before the well will be considered to have been brought into compliance under this Agreement. Before Operator may return a Subject Well to service, or before Operator may obtain temporary abandonment status for a Subject Well that Staff determines has a high fluid level, the well must first successfully pass a Staff-witnessed casing integrity test. A Subject Well classified by Staff as a producing well will not be considered returned to service until the well has sustained a minimum of 5 mcf of natural gas production per day for 60 days. If a producing Subject Well is subsequently shut-in, Operator shall file a TA application (CP-111) for the well or plug the well within 60 days of shutting-in the well. Operator shall notify Staff in writing of all Subject Wells returned to service as soon as possible throughout the term of this Agreement in order for Staff to verify the producing status of those wells.

5. Within 30 days following Commission approval of this Agreement, Operator shall secure the wellheads for all 14 Unsecured Wells. For each Unsecured Well, Operator shall place a cap on the well and close all valves, return the well to service, or plug the well. Securing the wellheads of the Unsecured Wells will not count toward the requirement to bring **three** Subject Wells into compliance with K.A.R. 82-3-111 by September 30, 2024, as described in Paragraph 4 of this Agreement.

6. By August 31, 2024, Operator shall remove all production equipment, abutments, and other obstacles of every kind or size used in oil and gas operations from the Plugged Well Sites. Operator shall also backfill all surface pits and grade the surface of the soil in such manner as to leave the Plugged Well Sites, as nearly as practicable, in the same condition after the removal of such structures, equipment and obstacles as it was before such structures and abutments were placed thereon. Remediating the Plugged Well Sites will not count toward the requirement to bring **three** Subject Wells into compliance with K.A.R. 82-3-111 by September 30, 2024, as described in Paragraph 4 of this Agreement.

7. Operator may request an extension of time to achieve compliance for up to 30 days from an applicable deadline established under this Agreement upon good cause shown. Staff will grant or deny such request. If granted, Staff shall cause a status update to be filed in the docket created for this matter, stating which deadline has been extended. No further extensions of the extended deadline are permitted. If denied, and Operator is out of compliance with this Agreement, or if Operator is out of compliance with this Agreement for any reason, Staff shall immediately mail a Notice of License Suspension letter to Operator, which shall suspend Operator's license and become effective 10 days from the date of the Notice of License Suspension letter. Operator's license shall remain suspended until Operator is in compliance with the compliance schedule, including any modifications contained in any status update. If Staff finds that Operator is conducting oil and gas operations after 10 days from the date of a Notice of License Suspension letter, and Operator's license remains suspended, Staff is authorized to seal all of Operator's oil and gas operations and may seek assessment of a penalty from the Commission.

8. The terms of this Agreement shall remain binding upon Operator even if its interests in the Subject Wells or Unsecured Wells are conveyed. Specifically, Operator shall remain responsible for any Subject Well or Unsecured Well transferred to another operator that has not been returned to compliance in accordance with this Agreement. However, any Subject Well or Unsecured Well transferred and then brought into compliance with K.A.R. 82-3-111 shall no longer be the responsibility of Operator under this Agreement, and shall count toward Operator meeting its compliance obligations under this Agreement.

9. Except as provided by and under this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 for the Subject Wells prior to June 30, 2027, except for wells brought into compliance after Commission approval of this Agreement that subsequently fall out of compliance and remain the Operator's responsibility under the Operator's license.

10. This Agreement may be amended to add additional wells with the written consent of the District Supervisor. If this Agreement is amended, Staff shall file a status update in the Commission docket created for this matter, indicating that Operator is not opposed to the addition of the wells. The addition of wells shall not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline. Any changes to a previously approved timeline will be included in the status update.

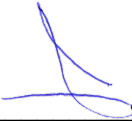
11. Operator may bring more than **three** wells into compliance during any three calendar month term. The excess number of wells brought into compliance will be attributed to a future three-month compliance period.

12. After this Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staff's intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for its consideration and possible approval within 90 days of Staff's written notice, then this Agreement shall be terminated upon Staff's filing a statement to that effect in the Commission docket for this matter.

Commission Staff

Cycle Oil & Gas Ltd

By: /s/ Kenneth Sullivan

By:  _____

Printed Name: Kenneth Sullivan

Printed Name: Michael McLaren

Title: Professional Geologist/Supervisor

Title: CEO

Date: 7/11/2024

Date: 07/10/2024

SUBJECT WELLS

Well Name	API Number	Section-Township-Range	County	Well Type	Priority
Clift #1	15-071-20079	Sec. 17 - T17S - R40W	Greeley	Gas	A
Kuttler H #1	15-071-20755	Sec. 29 – T19S – R39W	Greeley	Gas	A
Marg Hunt Twin #1	15-071-20081	Sec. 21 – T17S – R40W	Greeley	Gas	A
Watson Farms #1	15-071-20358	Sec. 19 – T20S – R39W	Greeley	Gas	A
Burske #1	15-071-20659	Sec. 2 – T20 – R40W	Greeley	Gas	A
Kuttler A #1	15-071-20224	Sec. 29 – T19S – R39W	Greeley	Gas	A
Harding #1	15-071-20076	Sec. 10 – T20S – R40W	Greeley	Gas	B
Poncin #1	15-071-20318	Sec. 5 – T19S – R40W	Greeley	Gas	B
Adams #1	15-071-20107	Sec. 2 – T17S – R40W	Greeley	Gas	B
Barker 1-10	15-071-20840	Sec. 10 – T19S – R40W	Greeley	Gas	B
Kaeberle #1	15-071-20749	Sec. 36 – T16S – R40W	Greeley	Gas	B
Chester #1	15-071-20087	Sec. 19 – T17S – R40W	Greeley	Gas	B
Clift #1-9	15-071-20103	Sec. 9 – T19S – R40W	Greeley	Gas	B
Floyd A #1	15-071-20047	Sec. 25 – T19S – R40W	Greeley	Gas	B
Foster #1	15-071-20136	Sec. 7 – T20S – R39W	Greeley	Gas	B
Hoppe #1	15-071-20145	Sec. 11 – T17S – R40W	Greeley	Gas	B
Kuttler #1	15-071-20299	Sec. 4 – T20S – R39W	Greeley	Gas	B
Kuttler D #1	15-071-20238	Sec. 20 – T19S – R39W	Greeley	Gas	B
Kuttler E #1	15-071-20240	Sec. 29 – T19S – R39W	Greeley	Gas	B
Monroe #2-4H	15-071-20706	Sec. 4 – T18S – R40W	Greeley	Gas	B
Pringle A #4-25	15-071-20799	Sec. 25 – T18S – R40W	Greeley	Gas	B
Pringle C #1	15-071-20147	Sec. 30 – T18S – R39W	Greeley	Gas	B
Dotts #1	15-075-20098	Sec. 28 – T23S – R40W	Hamilton	Gas	C
Floyd #3	15-071-20675	Sec. 24 – T19S – R40W	Greeley	Gas	C
Henry #1	15-075-20145	Sec. 15 – T23S – R40W	Hamilton	Gas	C
Kuttler B #1	15-071-20231	Sec. 33 – T19S – R39W	Greeley	Gas	C
Lee #1	15-071-20150	Sec. 27 – T17S – R40W	Greeley	Gas	C
Poncin #1	15-071-20318	Sec. 5 – T19S – R40W	Greeley	Gas	C
Sandifer #2	15-071-20752	Sec. 33 – T19S – R39W	Greeley	Gas	C
Sell A #1	15-071-20084	Sec. 3 – T19S – R40W	Greeley	Gas	C
Sleigh #1	15-071-20153	Sec. 1 – T17S – R40W	Greeley	Gas	C
West #1	15-071-20180	Sec. 28 – T19S – R40W	Greeley	Gas	C
Pringle A #2H	15-071-20716	Sec. 25 – T18S – R40W	Greeley	Gas	C
Ross #5	15-071-20756	Sec. 5 – T18S – R39W	Greeley	Gas	C
Banbury #1	15-071-20278	Sec. 7 – T17S – R39W	Greeley	Gas	C

UNSECURED WELLS

Well Name	API Number	Section-Township-Range	County	Well Type
Adams #1	15-071-20107-00-00	2-17S-40W	Greeley	Gas
Buck #2-3	15-075-20747-00-00	3-23S-40W	Hamilton	Gas
Dikeman #1	15-075-20668-00-00	15-22S-40W	Hamilton	Gas
Hoffman #1	15-071-20177-00-00	24-18S-40W	Greeley	Gas
Kuder #1	15-071-20116-00-00	1-18S-40W	Greeley	Gas
Kuttler D #1	15-071-20238-00-00	20-19S-39W	Greeley	Gas
Lois #1	15-075-20733-00-00	10-22S-40W	Hamilton	Gas
Parsons #2	15-075-20732-00-00	27-23S-41W	Hamilton	Gas
Rauch #1	15-071-20212-00-00	8-18S-39W	Greeley	Gas
Rexford #1	15-071-20350-00-00	30-20S-39W	Greeley	Gas
Richardson Estate #1	15-071-20065-00-00	13-19S-40W	Greeley	Gas
Sell A #1	15-071-20084-00-00	3-19S-40W	Greeley	Gas
Sibyl #1	15-071-20646-00-00	19-19S-39W	Greeley	Gas
Simon #2-12	15-075-20721-00-00	12-23S-41W	Hamilton	Gas

PLUGGED WELL SITES

Well Name	API Number	Section-Township-Range	County
Baughman W #1	15-071-20225-00-00	31-19S-39W	Greeley
Earl #1	15-075-20745-00-00	23-22S-40W	Hamilton
Fecht D #1	15-071-20109-00-00	28-18S-40W	Greeley
Hoffman G #32-1	15-071-20357-00-00	32-18S-40W	Greeley
Kuttler G #1	15-071-20753-00-00	29-19S-39W	Greeley
Ross #2	15-071-20172-00-00	5-18S-39W	Greeley
Watson #1	15-071-20656-00-00	17-20S-39W	Greeley

CERTIFICATE OF SERVICE

25-CONS-3010-CMSC

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 07/18/2024.

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/S/ KCC Docket Room
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