

Conservation Division  
Finney State Office Building  
130 S. Market, Rm. 2078  
Wichita, KS 67202-3802



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

Shari Feist Albrecht, Chair  
Jay Scott Emler, Commissioner  
Pat Apple, Commissioner

Sam Brownback, Governor

## NOTICE OF PENALTY ASSESSMENT 14-CONS-816-CPEN

This is a notice of a penalty assessment for violation 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:**

The Penalty Order may include the assessment of a monetary penalty. You have 30 days from the service date of this Penalty Order to pay \$1,600. Check or money order must be made payable to the Kansas Corporation Commission. Payment is to be mailed to the Conservation Division of the Kansas Corporation Commission at 130 S. Market St., Room 2078, Wichita, Kansas 67202, and must include a reference to the docket number of this proceeding. Credit card payment may be made by calling the Conservation Division at 316-337-6200.

The Penalty Order may require you to perform certain actions by deadlines stated therein. Compliance must be obtained by the applicable deadlines to avoid further compliance actions. If you have any questions about how compliance can be obtained, you may contact the legal department or the appropriate department or district office.

### **IF YOU CONTEST THE PENALTY:**

You have the right to request a hearing. A request for hearing must be made in writing, setting forth the specific grounds upon which relief is sought. Respondent must submit an original and seven copies of the request to the Commission's Executive Director at 130 S. Market, Room 2078, Wichita, Kansas 67202, within 30 days, plus three days to account for the mail, from the mailed date on the last page of the Penalty Order. K.A.R. 82-1-215.

### **IF YOU FAIL TO ACT:**

Failure to either comply with the penalty order or request a hearing will result in the attached Penalty Order becoming a Final Order. Failure to comply or request a hearing by the deadlines in the Penalty Order 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.

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

Before Commissioners:                      Shari Feist Albrecht, Chair  
   Jay Scott Emler  
   Pat Apple

In the matter of the failure of Lone Wolf New Mexico LLC ("Operator") to comply with K.A.R. 82-3-111 at 16 wells in Cheyenne County, Kansas.	)	Docket No.: 14-CONS-816-CPEN
	)	
	)	CONSERVATION DIVISION
	)	
	)	License No.: 34236

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**PENALTY ORDER**

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

**I. JURISDICTION**

1.        K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities. K.S.A. 55-152 provides that 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. The Commission has licensing authority pursuant to K.S.A. 55-155.

2.        K.S.A. 55-162 and K.S.A. 55-164 provide the Commission with authority to issue a Penalty Order regarding a violation of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. A Penalty Order may include a monetary penalty of up to \$10,000, and each day of a continuing violation constitutes a separate violation.

3.        K.A.R. 82-3-111 provides that within 90 days after operations cease on any well, the operator of that well shall plug the well, return the well to service, or file an application with the Conservation Division requesting temporary abandonment ("TA") status. 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. The failure to file an application for TA status shall be punishable by a \$100 penalty. K.A.R. 82-3-111(e) provides an exemption for certain wells for 365 days if they are fully equipped and capable of production.

## **II. FINDINGS OF FACT**

4. Operator conducted oil and gas activities in Kansas under license number 34236.
5. Operator is responsible for the care and control of 16 wells located in Cheyenne County, Kansas ("the subject wells"). A list of the wells is attached to this Order.
6. Operator submitted a \$30,000 performance bond insuring against noncompliance with Commission regulations.
7. Operator's license has been expired since March 30, 2012. The 16 subject wells still appear on Operator's license.
8. Commission Staff inspected these wells in June 2013, and the wells were inactive at that time. The date of license expiration creates a presumption that the wells have remained inactive for more than 90 days.

## **III. CONCLUSIONS OF LAW**

9. The Commission concludes that it has jurisdiction over Operator and this matter under K.S.A. 55-152 and K.S.A. 74-623.
10. The above findings of fact are sufficient evidence to support the conclusion that Operator committed 16 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.

**THEREFORE, THE COMMISSION ORDERS:**

- A. Operator shall pay a \$1,600 penalty.
- B. Operator shall plug the subject wells. If the operator does not plug the subject wells by the deadline, Staff is directed to plug the subject wells with state funds, assessing the plugging costs to the Operator, and make a claim against the performance bond.
- C. If no party requests a hearing, and Operator is not in compliance with this Order within 30 days, then 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. For credit card payments, include the type of card (Visa, MasterCard, Discover, or American Express), account number, and expiration date. Payments shall be mailed to the Kansas Corporation Commission at 130 S. Market, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.
- 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's Executive Director, at 130 S. Market, Room 2078, 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.

F. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

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

**BY THE COMMISSION IT IS SO ORDERED.**

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: APR 17 2014



Kim Christiansen  
Executive Director

Mailed Date: 4-18-2014

LRP

I CERTIFY THE ORIGINAL  
COPY IS ON FILE WITH  
The State Corporation Commission

APR 17 2014



<u>API Well Number</u>	<u>Well Name</u>	<u>Wellhead Location</u>	<u>Cnty</u>	<u>Type</u>	<u>Dt Completed</u>	<u>Docket</u>
<u>Operator of Record</u>		<u>Original Operator</u>	<u>TVD</u>	<u>Status</u>	<u>Dt Plugged</u>	<u>Next MIT</u>
<u>Working Operator</u>		<u>Legacy Operator</u>				
15-023-20065-00-00	SHAY 1-3	3-3S-39W SWNE 3300 FSL, 1980 FEL	CN	GAS	05/23/1978	---
(34236) Lone Wolf New Mexico LLC		MURFIN DRILLING CO.	4700	IN	---	---
		MURFIN DRILLING CO.				
15-023-20066-00-00	HOLLIMAN 1-5	5-3S-39W SESE 660 FSL, 660 FEL	CN	GAS	07/01/1978	---
(34236) Lone Wolf New Mexico LLC		MURFIN DRILLING CO.	4550	IN	---	---
		MURFIN DRILLING CO.				
15-023-20145-00-00	SHERLOCK 1-4	4-3S-39W SE 1320 FSL, 1320 FEL	CN	GAS	01/08/1981	---
(34236) Lone Wolf New Mexico LLC		MURFIN DRILLING CO.	1421	IN	---	---
		MURFIN DRILLING CO.				
15-023-20146-00-00	KANEL 1-9	9-3S-39W SW 1320 FSL, 1320 FWL	CN	GAS	---	---
(34236) Lone Wolf New Mexico LLC		MURFIN DRILLING CO.	1344	IN	---	---
		MURFIN DRILLING CO.				
15-023-20280-00-00	STEFFEN 1-3	3-3S-39W NWSESE 1026 FSL, 719 FEL	CN	GAS	04/18/1990	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1529	IN	---	---
		HARVEST ENERGY CO.				
15-023-20281-00-00	STEFFEN 1-9	9-3S-39W NENWNE 4729 FSL, 1418 FEL	CN	GAS	04/18/1990	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1460	PR	---	---
		HARVEST ENERGY CO.				
15-023-20309-00-00	SHAY 2-3	3-3S-39W NWSW 2028 FSL, 4584 FEL	CN	GAS	07/11/1991	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1410	IN	---	---
		HARVEST ENERGY CO.				
15-023-20310-00-00	SHERLOCK 2-4	4-3S-39W NWNE 4620 FSL, 1780 FEL	CN	GAS	07/11/1991	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1356	IN	---	---
		HARVEST ENERGY CO.				
15-023-20316-00-00	SHERLOCK 3-4	4-3S-39W SWSNW 3210 FSL, 3950 FEL	CN	GAS	12/20/1991	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1413	IN	---	---
		HARVEST ENERGY CO.				
15-023-20319-00-00	SOWERS 1-9	9-3S-39W NWSE 1980 FSL, 1980 FEL	CN	GAS	04/17/1992	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1406	IN	---	---
		HARVEST ENERGY CO.				
15-023-20320-00-00	SHAY 3-3	3-3S-39W NWNW 4290 FSL, 4950 FEL	CN	GAS	08/30/1992	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1358	IN	---	---
		HARVEST ENERGY CO.				
15-023-20324-00-00	SHAY 4-3	3-3S-39W W2SENW 3300 FSL, 3630 FEL	CN	GAS	---	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1450	IN	---	---
		HARVEST ENERGY CO.				
15-023-20335-00-00	SHAY 5-3	3-3S-39W NWNE 4620 FSL, 1980 FEL	CN	GAS	02/08/1994	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1440	IN	---	---
		HARVEST ENERGY CO.				

<u>API Well Number</u>	<u>Well Name</u>	<u>Wellhead Location</u>	<u>Cnty</u>	<u>Type</u>	<u>Dt Completed</u>	<u>Docket</u>
<u>Operator of Record</u>		<u>Original Operator</u>	<u>TVD</u>	<u>Status</u>	<u>Dt Plugged</u>	<u>Next MIT</u>
<u>Working Operator</u>		<u>Legacy Operator</u>				
15-023-20343-00-00	MORRIS 1-34	34-2S-39W S2SW 660 FSL, 3960 FEL	CN	GAS	08/19/1994	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1480	IN	---	---
		HARVEST ENERGY CO.				
15-023-20346-00-00	SHERLOCK 4-4	4-3S-39W SENE 3300 FSL, 660 FEL	CN	GAS	01/03/1995	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1356	IN	---	---
		HARVEST ENERGY CO.				
15-023-20348-00-00	SHERLOCK 5-4	4-3S-39W SESESE 360 FSL, 360 FEL	CN	GAS	01/02/1995	---
(34236) Lone Wolf New Mexico LLC		HARVEST ENERGY CO.	1450	IN	---	---
		HARVEST ENERGY CO.				

CERTIFICATE OF SERVICE

I certify that on 4-18-2014, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Doug Hoisington  
Lone Wolf New Mexico LLC  
119 E Fletcher  
P.O. Box 576  
Haxtun, CO 80731

David Wann  
KCC District #4  
2301 E. 13th Street  
Hays, Kansas 67601

/s/ Lane R. Palmateer  
Lane R. Palmateer  
Litigation Counsel  
Kansas Corporation Commission