

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

Before Commissioners: Susan K. Duffy, Chair
Shari Feist Albrecht
Dwight D. Keen

In the matter of the failure of C G Oil, Inc.) Docket No: 20-CONS-3186-CPEN
("Operator") to comply with K.A.R. 82-3-107)
and K.A.R. 82-3-130 at the WIL #1 in Ellis) CONSERVATION DIVISION
County, Kansas.)
_____) License No: 33386

ORDER APPROVING SETTLEMENT AGREEMENT

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds the following:

1. On January 9, 2020, the Commission issued a *Penalty Order* against Operator, finding one violation of K.A.R. 82-3-107 and K.A.R. 82-3-130 because Operator did not submit a complete and accurate well completion report for the WIL #1 within 120 days of the spud date.¹ The *Penalty Order* directed Operator to pay a \$500 penalty and to submit a complete and accurate well completion report with associated documents.²
2. On January 31, 2020, Operator requested a hearing.³
3. On May 19, 2020, Commission Staff filed a *Motion to Approve Settlement Agreement*, attaching the Settlement Agreement and stating that "Staff believes the Agreement constitutes a reasonable resolution of the issues in this docket."⁴ By signing the proposed

¹ See Penalty Order, ¶¶ 5, 10 (Jan. 9, 2020).

² See *id.* at Ordering Clauses A and B.

³ See Letter Requesting Hearing (Jan. 31, 2020).

⁴ Motion to Approve Settlement Agreement, ¶ 9 (May 19, 2020).

Settlement Agreement, Staff and Operator concurred that the Settlement Agreement constitutes “a fair and reasonable resolution of the issues addressed.”⁵

4. In relevant part, the Settlement Agreement notes Operator has now submitted a complete and accurate well completion report with associated documents for the WIL #1 and gives Operator until July 2, 2020, to pay a fine of \$250.⁶ Failure to timely pay would result in license suspension and reinstatement of the originally-assessed \$500 penalty.⁷

5. The Commission finds it appropriate to clarify its interpretation of how license suspension is resolved under the Settlement Agreement. The Commission interprets the terms of the Settlement Agreement to mean that if Operator’s license is suspended for non-compliance with the Settlement Agreement, then the license shall remain suspended until a total of \$500 in monetary penalties has been paid in this docket.

6. The law encourages settlements.⁸ The Commission finds the Settlement Agreement attached to Staff’s *Motion to Approve Settlement Agreement* constitutes a fair and reasonable resolution of this proceeding. The Settlement Agreement is attached to and made part of this Order.

THEREFORE, THE COMMISSION ORDERS:

A. Staff’s motion to approve the attached Settlement Agreement is granted; the Settlement Agreement is approved.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁹

⁵ *Id.* at attached Settlement Agreement, ¶ 9.

⁶ At least, that is how the Commission elects to interpret the Settlement Agreement, which only states that the penalty will be due “within 30 days from issuance of this order.” *Id.* at attached Settlement Agreement, ¶ 6. The Commission notes the Settlement Agreement is not an order.

⁷ *See id.* at attached Settlement Agreement, ¶ 8.

⁸ *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

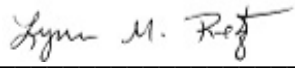
⁹ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

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

BY THE COMMISSION IT IS SO ORDERED.

Duffy, Chair; Albrecht, Commissioner; Keen, Commissioner

Dated: 06/02/2020



Lynn M. Retz
Executive Director

Mailed Date: 06/02/2020

JRM

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

In the matter of the failure of C G Oil, Inc.)	Docket No.: 20-CONS-3186-CPEN
("Operator") to comply with K.A.R. 82-3-107)	
and K.A.R. 82-3-130 at the WIL #1 in Ellis)	CONSERVATION DIVISION
County, Kansas.)	
)	License No.: 33386

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and C G Oil, Inc. ("Operator") (collectively referred to herein as "the Parties"). The effective date of this Agreement will be the date the Commission enters an order approving or amending the terms of the Agreement.

I. BACKGROUND

1. On January 9 2020, the Commission issued a *Penalty Order* against Operator for one violation of K.A.R. 82-3-107 and K.A.R. 82-3-130 finding that Operator did not submit a complete and accurate well completion report for the WIL #1 ("Subject Well) within 120 days of the spud date.¹ The Penalty Order assessed a \$500 penalty, and directed Operator to submit a complete and accurate well completion report and associated documents for the subject well.

2. On January 31, 2020, Operator timely filed a request for hearing. Operator previously filed a *Letter Contesting Penalty*, wherein its representative noted that the well completion report was filed late, but that an underlying vision issue contributed to the delay.

3. On March 3, 2020, a prehearing conference was held and a status conference was set for March 24, 2020. The March 24th date was set in order to allow Operator the opportunity to

¹ The legal description of the Subject Well is API #15-051-26964-00-00, located in Section 22, Township 13 South, Range 16 West, Ellis County, Kansas.

obtain counsel, and to provide Staff and Operator the opportunity to resolve the underlying issues in this docket, if possible. Subsequent to the prehearing conference, Staff and Operator discussed resolution of the underlying issues in this docket, and reached a settlement in this matter. As part of the settlement, Staff agreed to reduce the terms to writing and submit the same for Commission approval. The terms of the settlement are set forth below.

II. TERMS OF THE SETTLEMENT AGREEMENT

4. The Parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the terms as set forth below.

5. Operator stipulates that it committed one violation of K.A.R. 82-3-107 and K.A.R. 82-3-130 and is responsible for bringing the Subject Well into compliance with K.A.R. 82-3-107 and K.A.R. 82-3-130.

6. Based on the content of Operator's letter contesting the penalty and the fact that Operator has submitted the necessary documents for the Subject Well, as described above, the Parties agree to seek Commission approval to reduce the \$500 monetary penalty imposed in the docket to \$250 ("Reduced Penalty"). The Reduced Penalty will be due 30 days from the issuance of this order.

7. Staff agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

8. Operator agrees and understands that the failure to meet the deadline above shall result in the reinstatement of the full administrative penalty and immediate suspension of Operator's license.

III. RESERVATIONS

9. This Settlement Agreement fully resolves the issues specifically addressed between the Parties in this docket. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

10. The terms and provisions of this Agreement have resulted from negotiations between the Parties and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any Party has the option to terminate this Agreement.

11. Unless otherwise specified in this Agreement, the Parties shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, even if the Commission decides to not approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either Party fail to fulfill all terms and provisions.

12. Further this Agreement does not waive any party's legal rights, positions, claims, assertions or arguments in this docket, or any other proceeding before the Commission or in any court.

13. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the Parties agree not to appeal the Commission's order.

14. This Agreement shall be binding on all Parties upon signing.

ATTACHMENT A

IN WITNESS WHERETO, the Parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

Commission Staff

By: Kelcey Marsh

Printed Name: Kelcey Marsh

Title: Litigation Counsel

Date: 5/18/2020

C G Oil, Inc.

By: Ronald J. Schmittbeger

Printed Name: Ronald J. Schmittbeger

Title: Owner-operator

Date: May 15- 2020

CERTIFICATE OF SERVICE

20-CONS-3186-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 06/02/2020.

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/S/ DeeAnn Shupe

DeeAnn Shupe