

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



Phone: 316-337-6200  
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Shari Feist Albrecht, Chair  
Jay Scott Emler, Commissioner  
Pat Apple, Commissioner

Sam Brownback, Governor

**NOTICE OF PENALTY ASSESSMENT**  
15-CONS-755-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 \$5,000. 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 266 N. Main St., Suite 220, 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 at 266 N. Main St., Suite 220, 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 Pelican Hill Oil    )    Docket No.: 15-CONS-755-CPEN  
& Gas, Inc. ("Operator") to comply with        )  
K.A.R. 82-3-103 and K.A.R. 82-3-106 at the     )    CONSERVATION DIVISION  
T-Nelson #1-26 well in Gove County, Kansas.   )  
\_\_\_\_\_ )    License No.: 31120

**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. 82-3-106(c)(2)(B)(ii) provides that the operator shall notify the appropriate district office prior to the cementing of additional casing.

4. K.A.R. 82-3-103(c) provides that failure to complete Alternate II cementing pursuant to K.A.R. 82-3-106 shall be punishable by a penalty of up to \$5,000. K.A.R. 82-3-106 provides that failure to complete Alternate II cementing shall be punishable by a \$5,000 penalty.

5. K.A.R. 82-3-106(c)(2)(B)(ii) provides that if a time is specified by Table I of the Commission's August 1, 1991, order in docket number 34,780-C, cementing must be completed within the time set out therein. But if a time is not set out, then cementing must be completed within a time sufficient to allow compliance with K.A.R. 82-3-106(e).

6. Table I of the Commission's August 1, 1991, order does not set out a time period to complete cementing of wells in Gove County. Thus, K.A.R. 82-3-106(e) governs, which provides 120 days from the spud date of the well to complete cementing.

## **II. FINDINGS OF FACT**

7. Operator conducts oil and gas activities in Kansas under license number 31120.

8. Operator is responsible for the care and control of the T-Nelson #1-26 well, API #15-063-22189-00-00, ("the subject well") located in Section 26, Township 14 South, Range 31 West, Gove County, Kansas.

9. On April 29, 2014, Operator reported to Commission District #4 Staff that it had spudded the subject well.

10. On October 13, 2014, Operator filed a Well Completion ("ACO-1") Report, stating that the subject well had been completed on May 10, 2014.

11. In February 2015, Commission District #4 Staff conducted a file review, coming to the conclusion that some of the data provided in Operator's ACO-1 Report for the subject well could not be true. For example, a well cannot be cemented from surface down to 4,508 feet using

only 170 sacks of cement. In addition, Operator had never reported to District Staff, as required by regulation, that the additional casing for the subject well had been cemented.

12. On February 26, 2015, Commission District #4 Staff contacted Operator, who admitted that it had not completed Alternate II cementing at the subject well. Operator stated that it would get in touch with a production foreman to see if the well could be completed, and that Operator would then get back in touch with District Staff.

13. As of March 5, 2015, District Staff has not heard back from Operator. The subject well appears to be open from 210 feet from surface, down to a total depth of 4,508 feet, thus allowing commingling of fluids throughout the wellbore. The well has been open in such a manner since April 2014, and Operator has filed a false ACO-1 Report regarding the well.

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

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

15. The above findings of fact are sufficient evidence to support the conclusion that Operator committed one violation of K.A.R. 82-3-103 and K.A.R. 83-3-106 because Alternate II cementing was not completed within 120 days of the spud date of the well.

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

- A. Operator shall pay a \$5,000 penalty.
- B. Operator shall either complete the subject well using Alternate II methods, or plug the subject well. If Operator fails to either complete the subject well or plug it within 15 days of service of this Order, then Operator shall pay an additional \$2,500 penalty.
- C. If Operator fails to either complete the subject well or plug it within 30 days of service of this Order, then Staff is directed to plug the well and assess the costs to Operator.

D. If Operator completes the subject well using Alternate II methods, then Operator shall file a complete, accurate ACO-1 Report within 15 days of completion of the well.

E. 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.

F. 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 266 N. Main St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.

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

H. 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.



**CERTIFICATE OF SERVICE**

I certify that on 3/11/15, 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:

Jan Winfrey  
Pelican Hill Oil & Gas, Inc.  
3355 Mission Avenue, Suite 237  
Oceanside, California 92058

Richard Williams  
KCC District #4  
2301 E. 13th Street  
Hays, Kansas 67601

And delivered by hand to:

Rene Stucky  
Conservation Division Central Office

/s/ Jonathan R. Myers  
Jonathan R. Myers  
Litigation Counsel  
Kansas Corporation Commission