

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

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

In the matter of a Compliance Agreement) Docket No.: 17-CONS-3474-CMSC
between Gateway Resources U.S.A. Inc. and)
Commission Staff regarding bringing the 75 wells) CONSERVATION DIVISION
in Montgomery County into compliance with)
K.A.R. 82-3-111.) License No.: 32353

ORDER APPROVING COMPLIANCE AGREEMENT

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:

1. Commission Staff and Operator have executed a compliance agreement, which is attached as an exhibit to this Order and incorporated by reference.
2. The compliance agreement provides a fair and efficient resolution of this matter.

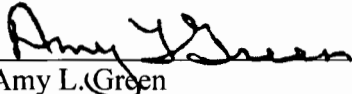
THEREFORE, THE COMMISSION ORDERS:

- A. The compliance agreement is approved and incorporated into this Order.
- B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order. If service of this Order is by mail, three days are added to the deadline. The petition shall be addressed to the Commission and sent to 266 N. Main, Ste. 220, Wichita, Kansas 67202. Pursuant to K.S.A. 55-606 and K.S.A. 77-529(a), reconsideration is prerequisite for judicial review of this Order.
- C. 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.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: FEB 09 2017



Amy L. Green
Secretary to the Commission

Mailed Date: February 9, 2017

JM

COMPLIANCE AGREEMENT

This Agreement is between Gateway Resources U.S.A. Inc. ("Operator") (License #32353) and Commission Staff ("Staff"). If the Commission does not approve this Agreement by a signed order, this Agreement shall not be binding on either party.

A. Background

1. Operator is responsible for the 75 wells ("the subject wells") on the attached list. All of the wells are out of compliance with K.A.R. 82-3-111. Operator has asked for an agreement to avoid penalties while Operator works to plug the wells, return them to service, or obtain temporary abandonment status for them. Staff is supportive of an agreement.

B. Terms of Compliance Agreement

2. By May 31, 2017, Operator shall plug, return to service, or obtain new temporary abandonment status for 3 of the subject wells. Operator shall plug, return to service, or obtain temporary abandonment status for an additional 3 subject wells within each three calendar months thereafter, resulting in all subject wells being returned to compliance by May 31, 2023.

3. If Operator fails to comply with any deadline described in Paragraph 2, then Operator shall be assessed a \$1,000 penalty for each missed deadline. If any of the subject wells are not in compliance with K.A.R. 82-3-111 by being plugged, returned to service, or having temporary abandonment status, by August 31, 2023, then Operator shall be assessed an additional \$2,500 penalty, and Staff may plug the wells and assess the costs to Operator.

4. If Operator fails to comply with any of the above paragraphs, or if penalties or costs are owed, then Staff shall suspend Operator's license until compliance is obtained and the penalties or costs are paid. If Staff suspends Operator's license, then Staff shall send its standard notice of license suspension letter to Operator. If Staff finds Operator conducting oil and gas operations after 10 days from the date of a notice of license suspension letter, and Operator's license is still suspended, then Staff is authorized to seal all of Operator's oil and gas operations and to assess an additional \$5,000 penalty.

5. Operator agrees to waive its right to appeal any future orders of the Commission regarding this matter, any penalties or costs assessed under this Agreement, and any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Agreement. The terms of this Agreement shall remain binding upon Operator even if its interests in the subject wells are conveyed. However, any subject well transferred to another operator 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 towards Operator meeting its compliance obligations under this Agreement.

6. Except as described by this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 at the subject wells that occurred or occurs prior to August 31, 2023, except for wells brought into compliance after Commission approval of this Agreement that again fall out of compliance that remain on Operator's license.

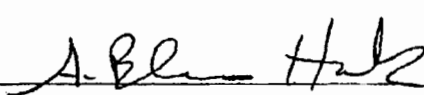
7. If Staff discovers additional wells, not listed on Operator's well inventory, on leases where wells subject to this Agreement are currently located, then this Agreement may be amended to add such additional wells with the written consent of both Operator and Staff. If this Agreement is amended then Staff must file a statement to that effect in the Commission docket that will be created for this matter, also stating that Operator is not opposed to the addition of the wells. The addition of wells will not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline.

8. Once 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 approval, within 90 days of Staff's written notice, then this Agreement shall be null and void upon Staff filing a statement to that effect in the Commission docket that will be created for this matter.

Commission Staff

Gateway Resources U.S.A., Inc.

By: 

By: 

Printed Name: JON MYERS

Printed Name: A. Blaine Hanks

Title: LITIGATION COUNSEL

Title: president

Date: 2/2/17

Date: 25 January 2017

Gateway Resources U.S.A. Inc.
License: 32353
List of Wells

	WELL_NM	API_WELLNO	SEC	TWP	RNGN	DIR	COUNTY
Line 1	ASCARATE 1-1	15-125-30914-00-00	1	34	15	E	MONTGOMERY
Line 2	BEAN 1	15-125-01532-00-00	17	35	15	E	MONTGOMERY
Line 3	BETTS 1-15	15-125-30808-00-00	15	34	14	E	MONTGOMERY
Line 4	BILLER 1-10	15-125-30876-00-00	10	34	15	E	MONTGOMERY
Line 5	BILLER 1-28	15-125-30915-00-00	28	34	15	E	MONTGOMERY
Line 6	BOULANGER 16-1	15-125-30626-00-00	16	34	14	E	MONTGOMERY
Line 7	BOULANGER 2-16	15-125-31162-00-00	16	34	14	E	MONTGOMERY
Line 8	BRAKE 26-2	15-125-30637-00-00	26	34	14	E	MONTGOMERY
Line 9	BUFORD MILLER 4	15-125-26656-00-00	11	35	15	E	MONTGOMERY
Line 10	COLLINS-TRAVIS 2-CT	15-125-21753-00-00	4	35	15	E	MONTGOMERY
Line 11	COLLINS-TRAVIS 3-CT	15-125-21928-00-00	4	35	15	E	MONTGOMERY
Line 12	DAMEWOOD 1	15-125-29613-00-00	31	33	16	E	MONTGOMERY
Line 13	DENNIS 15-20	15-125-22298-00-01	20	33	16	E	MONTGOMERY
Line 14	DENNIS 15A-20	15-125-30229-00-00	20	33	16	E	MONTGOMERY
Line 15	DENTON 1-21	15-125-30799-00-00	21	33	16	E	MONTGOMERY
Line 16	DENTON 1-28	15-125-30800-00-00	28	33	16	E	MONTGOMERY
Line 17	FIELDS 1	15-125-22161-00-00	10	35	15	E	MONTGOMERY
Line 18	FIELDS 2	15-125-22507-00-00	10	35	15	E	MONTGOMERY
Line 19	FIELDS 3	15-125-22567-00-02	10	35	15	E	MONTGOMERY
Line 20	G SHAFFER 6-29	15-125-30431-00-00	29	33	16	E	MONTGOMERY
Line 21	HARDING 1	15-125-01120-00-00	4	35	15	E	MONTGOMERY
Line 22	HERSHEY 1	15-125-22472-00-00	11	35	15	E	MONTGOMERY
Line 23	HERSHEY 2	15-125-26362-00-01	11	35	15	E	MONTGOMERY
Line 24	HIGHT 16-30	15-125-30716-00-00	30	33	16	E	MONTGOMERY
Line 25	KIRK 4-13	15-125-24944-00-01	13	33	16	E	MONTGOMERY
Line 26	KNIGHT 2-29	15-125-30433-00-00	29	33	16	E	MONTGOMERY
Line 27	MOONSHINE 10	15-125-27354-00-00	10	35	15	E	MONTGOMERY
Line 28	MOONSHINE 2	15-125-27059-00-00	10	35	15	E	MONTGOMERY
Line 29	MOONSHINE 3	15-125-27060-00-00	10	35	15	E	MONTGOMERY
Line 30	MOONSHINE 4	15-125-27061-00-00	10	35	15	E	MONTGOMERY
Line 31	MOONSHINE 5	15-125-27183-00-00	10	35	15	E	MONTGOMERY
Line 32	MOONSHINE 6	15-125-27184-00-00	10	35	15	E	MONTGOMERY
Line 33	MOONSHINE 7	15-125-27185-00-00	10	35	15	E	MONTGOMERY
Line 34	MOONSHINE 8	15-125-27186-00-00	10	35	15	E	MONTGOMERY
Line 35	MOONSHINE 9	15-125-27301-00-00	10	35	15	E	MONTGOMERY
Line 36	MOONSHINE W-1	15-125-27057-00-00	10	35	15	E	MONTGOMERY
Line 37	MOONSHINE W-2	15-125-27058-00-00	10	35	15	E	MONTGOMERY
Line 38	MOONSHINE W-3	15-125-27187-00-00	10	35	15	E	MONTGOMERY
Line 39	MOONSHINE W-4	15-125-27188-00-00	10	35	15	E	MONTGOMERY
Line 40	O'BRIEN 27-2	15-125-31849-00-00	27	33	16	E	MONTGOMERY
Line 41	OBRIEN SEWELL 1-27	15-125-30713-00-00	27	33	16	E	MONTGOMERY
Line 42	OBRIEN SEWELL 3-28	15-125-30859-00-00	28	33	16	E	MONTGOMERY
Line 43	OBRIEN SEWELL 6-27	15-125-30861-00-00	27	33	16	E	MONTGOMERY
Line 44	O'BRIEN-SEWELL 1-28	15-125-30714-00-00	28	33	16	E	MONTGOMERY
Line 45	OLDFIELD 1-33	15-125-30710-00-01	33	33	16	E	MONTGOMERY
Line 46	PATTESON 1	15-125-26653-00-00	11	35	15	E	MONTGOMERY
Line 47	PATTESON 2	15-125-26654-00-00	11	35	15	E	MONTGOMERY
Line 48	PATTESON 3	15-125-26655-00-00	11	35	15	E	MONTGOMERY
Line 49	PATTON 1	15-125-29850-00-00	8	35	15	E	MONTGOMERY
Line 50	PATTON 8-30	15-125-30711-00-00	30	33	16	E	MONTGOMERY
Line 51	PERKINS 1	15-125-24753-00-00	11	35	15	E	MONTGOMERY
Line 52	PERKINS 2	15-125-24790-00-00	11	35	15	E	MONTGOMERY

Line 53	RODRIQUEZ	1-34		15-125-31318-00-00	34	33	16	E	MONTGOMERY
Line 54	SCHAFER	G-1		15-125-29320-00-00	6	34	16	E	MONTGOMERY
Line 55	SHAFFER	1-17		15-125-30802-00-00	17	33	16	E	MONTGOMERY
Line 56	SLATON	1-36		15-125-31130-00-00	36	33	15	E	MONTGOMERY
Line 57	SONNEY	5		15-125-27488-00-00	8	35	15	E	MONTGOMERY
Line 58	SONNEY	7		15-125-27490-00-00	8	35	15	E	MONTGOMERY
Line 59	STROPE	7-14		15-125-30706-00-01	14	33	16	E	MONTGOMERY
Line 60	THOMPSON	2-6		15-125-30803-00-00	6	34	16	E	MONTGOMERY
Line 61	VAN WINKLE	1		15-125-21578-00-00	5	35	15	E	MONTGOMERY
Line 62	VEITH	1-28		15-125-30715-00-00	28	33	16	E	MONTGOMERY
Line 63	WALLS	1		15-125-30089-00-00	5	35	15	E	MONTGOMERY
Line 64	WEAVER	16-5		15-125-29921-00-00	5	33	16	E	MONTGOMERY
Line 65	WELSH	1		15-125-22966-00-00	14	35	15	E	MONTGOMERY
Line 66	WELSH	2		15-125-22967-00-00	14	35	15	E	MONTGOMERY
Line 67	WELSH	3		15-125-22990-00-00	14	35	15	E	MONTGOMERY
Line 68	WELSH	4		15-125-22991-00-00	14	35	15	E	MONTGOMERY
Line 69	WELSH	5		15-125-22992-00-00	14	35	15	E	MONTGOMERY
Line 70	WHEELER-HADDAN		OW 1	15-125-02970-00-00	5	34	15	E	MONTGOMERY
Line 71	WHEELER-HADDAN		OW 2	15-125-02971-00-00	32	33	15	E	MONTGOMERY
Line 72	WHEELER-HADDAN		OW 3	15-125-02972-00-00	32	33	15	E	MONTGOMERY
Line 73	WILLIAMS	1-30		15-125-31161-00-00	30	34	16	E	MONTGOMERY
Line 74	WILMOTH	2		15-125-24404-00-00	8	35	15	E	MONTGOMERY
Line 75	WILMOTH	3		15-125-01525-00-00	8	35	15	E	MONTGOMERY

CERTIFICATE OF SERVICE

I certify that on February 9, 2017, 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:

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

And delivered electronically to:

Jon Myers
KCC Conservation Division

/s/ Cynthia K. Maine
Cynthia K. Maine
Administrative Assistant
Kansas Corporation Commission