

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

In the matter of the failure of VEEM Jade Oil	)	Docket No. 18-CONS-3221-CPEN
& Gas LLC ("Operator") to comply with	)	
K.A.R. 82-3-111 at the Daves #D21, Smith A	)	CONSERVATION DIVISION
#2, Smith B #10 and Smith B #12 in Elk	)	
County, Kansas.	)	License No. 32874

**STAFF'S RESPONSE TO OPERATOR'S PETITION FOR RECONSIDERATION**

Commission Staff (Staff) of the State Corporation Commission of the state of Kansas (Commission) files this Response, wherein Staff opposes Operator's petition for reconsideration of the Commission's order denying Operator's motion to lift its license suspension. In support of its Response, Staff states as follows:

**I. BACKGROUND**

1. On November 21, 2017, the Commission issued a Penalty Order in this docket against Operator, finding that Operator is responsible for the care and control of the Daves #D21, Smith A #2, Smith B #10, and Smith B #12 wells, located in Elk County, Kansas. <sup>1</sup>

2. The Penalty Order found Operator had committed four violations of K.A.R. 82-3-111 and ordered Operator to pay a \$400 penalty.<sup>2</sup>

3. The Penalty Order directed Operator to "plug the subject wells, return the subject wells to service, or obtain TA [temporary abandonment] status for the subject wells if eligible." The Order also stated that "Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year TA status if applicable."<sup>3</sup>

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<sup>1</sup> *Penalty Order*, ¶ 7 (November 21, 2017).

<sup>2</sup> *Id.*, at ¶13 and ¶A.

<sup>3</sup> *Id.*, at ¶B (emphasis supplied).

4. Pursuant to the Penalty Order and the Kansas Administrative Procedure Act, Operator had 30 days to request a hearing on the above issues.<sup>4</sup> The Penalty Order stated “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.”<sup>5</sup>

5. On December 27, 2017, Operator’s time to request a hearing on the Penalty Order elapsed.<sup>6</sup> No request for hearing was filed. Operator had not plugged the subject wells, returned the subject wells to service, or obtained temporary abandonment status for the wells. Pursuant to the Commission’s Penalty Order, Operator’s license was suspended.

6. On January 2, 2018, Operator filed an Application in Docket 18-CONS-3260-CEXC, seeking an exception to the 10-year limit on TA status for the Daves #D21 and Smith A #2 wells, and “launched an impermissible collateral attack on the Commission’s uncontested finding” that Operator was responsible for the Smith B #10 and Smith B #12 wells.<sup>7</sup>

7. On January 8, 2018, Operator filed a motion for expedited order lifting license suspension. On January 11, 2018, Staff filed a response in opposition to the motion.

8. On January 25, 2018, the Commission issued an order denying Operator’s January 8, 2018, motion, finding that “Operator’s license shall remain suspended until it complies with the Penalty Order.”<sup>8</sup>

9. On February 9, 2018, Operator filed a petition for reconsideration of the Commission’s January 25, 2018, Order, to which Staff now responds in opposition.

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<sup>4</sup> *Id.* at ¶C; K.S.A. 55-164.

<sup>5</sup> *Penalty Order*, ¶C.

<sup>6</sup> K.S.A. 55-164; K.S.A. 77-531(b).

<sup>7</sup> See *Order Denying Motion*, ¶8.

<sup>8</sup> *Id.* at ¶9.

## II. ARGUMENT

10. Operator's petition for reconsideration provides no new information or analysis necessitating any change to the Commission's January 25, 2018 Order, which appropriately found that Operator's license should remain suspended until it complied with the Penalty Order in this docket.

11. The Commission's Penalty Order stated that to obtain compliance Operator was required to plug, return to service, or obtain temporary abandonment status for the four subject wells. The Penalty Order clearly states that "Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year TA status if applicable."<sup>9</sup>

12. Contrary to Operator's assertion "that all matters in this docket have been cured and resolved,"<sup>10</sup> Operator has not plugged, returned to service, or obtained TA status for any of the four subject wells. While Operator submitted an application for an exception to the 10-year limit on TA status for the Daves #D21 and Smith A #2 wells, Operator has not obtained Commission approval of the application. Operator's statement that it has now filed affidavits of publication does not alter its continued non-compliance with the Penalty Order.

13. Further, Operator has not even filed an application for TA status for the Smith B #10 and Smith B #12 wells, but has instead, as the Commission noted in its January 25, 2018, Order, launched an impermissible collateral attack on the Commission's uncontested finding that Operator is responsible for the wells. This is clearly not compliance with the Penalty Order.

14. Regarding Operator's allegation that it cannot conduct the operations necessary to comply with the Commission's order because its license is suspended, the Commission's long-

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<sup>9</sup> *Penalty Order*, ¶B (emphasis supplied).

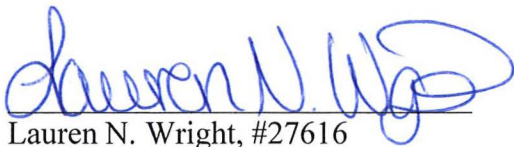
<sup>10</sup> Operator's Petition for Reconsideration ¶5.

standing policy has been to allow an operator to conduct the specific work necessary at a well to bring said well into compliance. This is how things have worked for decades, regarding hundreds of license suspensions, and nothing is different here.

15. Staff agrees an operator would be in an absurd position if it wished, for example, to return a well to service to get its license reinstated, but could not return the well to service *because* its license had not been reinstated. If Operator wishes for Commission clarification that Operator may conduct any specific work necessary at the wells at issue to bring the wells into compliance, Staff is not opposed. Operator's license, however, should remain suspended, and any other operations, especially production of hydrocarbons, should remain impermissible until Operator complies with the Penalty Order.

WHEREFORE, Staff requests Operator's petition for reconsideration be denied, except to the extent the Commission believes it appropriate to clarify that Operator may conduct any specific work necessary at the wells at issue to bring the wells into compliance with the Commission's Penalty Order.

Respectfully submitted,

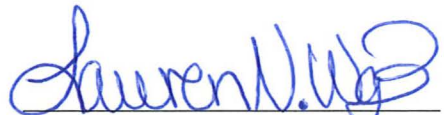


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**VERIFICATION**


STATE OF KANSAS                     )  
  ) ss.  
COUNTY OF SEDGWICK            )

Lauren N. Wright, of lawful age, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Repsonse*, and attests that the statements therein are true to the best of her knowledge, information and belief.

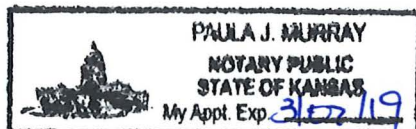


Lauren N. Wright, S. Ct. #27616  
Litigation Counsel  
State Corporation Commission  
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 19 day of Feb, 2018.

  
Notary Public

My Appointment Expires: 3/07/19



**CERTIFICATE OF SERVICE**

I certify that on 2/19/18, I caused a complete and accurate copy of this Response to be served via electronic mail, addressed to the following.

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