

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513



PHONE: 316-337-6200
FAX: 316-337-6211
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

NOTICE OF PENALTY ASSESSMENT
19-CONS-3011-CPEN

July 12, 2018

Darren Broyles
Drake Exploration, LLC
15894 294th Circle, #19
Arkansas City, KS 67005-6126

This is a notice of a penalty assessment for violation(s) 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:

You have been assessed a \$100 penalty. You have 30 days from the service date of this Penalty Order to pay the fine amount. Check or money order must be made payable to the Kansas Corporation Commission and mailed to the Conservation Division of 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. Payment by credit card may be made by calling the Conservation Division at 316-337-6200.

IF YOU CONTEST THE PENALTY:

You have the right to request a hearing. A written request for hearing must be made within 30 days after service of the Penalty Order setting forth the specific grounds upon which relief is sought. Respondent must submit the request to the Commission, at 266 N. Main St., Suite 220, Wichita, Kansas 67202. The Commission shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act within 30 days after receipt of such request. K.S.A. 55-164; K.S.A. 77-542; K.A.R. 82-1-215.

IF YOU FAIL TO ACT:

Failure to pay the fine amount, or in the alternative, provide a written request for a hearing, within thirty (30) days of service of the Penalty Order, will result in the attached Penalty Order becoming a Final Order and 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. K.S.A. 55-164; K.S.A. 77-537.

Respectfully,

Lauren N. Wright
Litigation Counsel
316-337-6200

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the matter of the failure of Drake)	Docket No.: 19-CONS-3011-CPEN
Exploration, LLC ("Operator") to comply)	
with K.A.R. 82-3-111 at the Houser #2 in)	CONSERVATION DIVISION
Cowley County, Kansas.)	
<hr/>		License No.: 33556

PENALTY ORDER

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

I. JURISDICTION

1. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ 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."² Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty "not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. Within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service, or production of oil, gas, or other minerals, the operator of that well shall: (1) plug the well, (2) return the well to service, or (3) file an application with the Conservation Division requesting temporary abandonment (“TA”) authority, on a form prescribed by the Conservation Division.⁷ No well shall be temporarily abandoned unless first approved by the Conservation Division.⁸ 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.⁹ The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty,¹⁰ and the failure to obtain approval of temporary abandonment status shall subject the Operator to additional administrative action.¹¹

4. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped for production of oil or gas or for injection; (2) capable of immediately resuming production of oil or gas or of injection; (3) subject to a valid continuing oil and gas lease; when (4) the cessation period for the well is less than 365 days; and (5) the well is otherwise in full compliance with all of the Commission’s regulations.

II. FINDINGS OF FACT

5. The Operator conducts oil and gas activities in Kansas under active license number 33556.

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ See K.A.R. 82-3-111(a).

⁸ K.A.R. 82-3-111(b).

⁹ *Id.*

¹⁰ *Id.*

¹¹ K.S.A. 55-164; K.A.R. 82-3-111(b).

6. The Operator is responsible for the care and control of the Houser #2 (“the subject well”), API #15-035-19567-00-00, located in Section 19, Township 30 South, Range 4 East, Cowley County, Kansas.

7. On April 12, 2018, the Operator filed an application with the Conservation Division requesting temporary abandonment (“TA”) status.¹²

8. On April 12, 2018, District Staff sent a letter to the Operator, denying the Operator’s application for TA status because the subject well had a casing leak, was broke out with saltwater at the surface, and had been shut-in for over 10 years. The letter required the Operator to bring the subject well into compliance with K.A.R. 82-3-111 by May 10, 2018.¹³

9. Because the deadline in the letter passed and the violation had not been resolved, on June 04, 2018, District Staff inspected the subject well, verifying that the well continued to be inactive, unplugged, and an environmental hazard.¹⁴

III. CONCLUSIONS OF LAW

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

11. The Commission finds and concludes the Operator committed one violation of K.A.R. 82-3-111 because the subject well has been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.¹⁵

THEREFORE, THE COMMISSION ORDERS:

A. The Operator shall pay a \$100 penalty.

¹² Exhibit A.

¹³ Exhibit B.

¹⁴ Exhibit C.

¹⁵ K.S.A. 55-164; K.A.R. 82-3-111(b).

B. The Operator shall plug the subject well, or return the well to service, or obtain TA status for the well if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable.

C. If no party requests a hearing, and the Operator is not in compliance with this Order within 30 days from the date of service of this Order, then the 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. 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. Credit card payments may be made by calling the Conservation Division at 316-337-6200.

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 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.

F. A corporation shall appear before the Commission by a Kansas licensed attorney.¹⁶

¹⁶ K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).

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

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 07/12/2018 _____



Lynn M. Retz
Secretary to the Commission

Mailed Date: 07/13/2018 _____

LW

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

KOLAR Document ID: 1405636

Form CP-111

July 2017

Form must be Typed

Form must be signed

All blanks must be complete

TEMPORARY ABANDONMENT WELL APPLICATION

OPERATOR: License# 33556
Name: Drake Exploration, LLC
Address 1: 15894 294TH CIR
Address 2: #19
City: ARKANSAS CITY State: KS Zip: 67005 + 6126
Contact Person: Darren Broyles
Phone: (620) 441-7223
Contact Person Email: darrelwalters@berentzdrilling.com
Field Contact Person: Darren Broyles
Field Contact Person Phone: (620) 441-7223

API No. 15- 15-035-19567-00-00
Spot Description: W2 SE Sec. 19 Twp. 30 S. R. 4 ☒ E ☐ W
1343 feet from ☐ N / ☒ S Line of Section
2042 feet from ☒ E / ☐ W Line of Section
GPS Location: Lat: _____, Long: _____
Datum: ☐ NAD27 ☐ NAD83 ☐ WGS84
County: Cowley Elevation: 1160 ☒ GL ☐ KB
Lease Name: HOUSER Well #: 2
Well Type: (check one) ☒ Oil ☐ Gas ☐ OG ☐ WSW ☐ Other: _____
☐ SWD Permit #: _____ ☐ ENHR Permit #: _____
☐ Gas Storage Permit #: _____
Spud Date: 08/05/1935 Date Shut-In: 04/01/2018

	Conductor	Surface	Production	Intermediate	Liner	Tubing
Size	0	8.625	5.5	0	0	2.375
Setting Depth	0	0	0	0	0	0
Amount of Cement	0	0	0	0	0	0
Top of Cement	0	0	0	0	0	0
Bottom of Cement	0	0	0	0	0	0

Casing Fluid Level from Surface: 0 How Determined? Visual Date: 04/10/2018

Casing Squeeze(s): _____ to _____ w / _____ sacks of cement, _____ to _____ w / _____ sacks of cement. Date: _____

Do you have a valid Oil & Gas Lease? ☒ Yes ☐ No

Depth and Type: ☐ Junk in Hole at _____ Tools in Hole at _____ Casing Leaks: ☐ Yes ☐ No Depth of casing leak(s): _____

Type Completion: ☒ ALT. I ☐ ALT. II Depth of: ☐ DV Tool: _____ w / _____ sacks of cement ☐ Port Collar: _____ w / _____ sack of cement

Packer Type: _____ Size: _____ Inch Set at: _____ Feet

Total Depth: 2883 Plug Back Depth: _____ Plug Back Method: _____

Geological Data:

Formation Name _____ Formation Top _____ Formation Base _____ Completion Information _____
1. _____ At: _____ to _____ Feet Perforation Interval 0 to 0 Feet or Open Hole Interval _____ to _____ Feet
2. _____ At: _____ to _____ Feet Perforation Interval _____ to _____ Feet or Open Hole Interval _____ to _____ Feet

I HEREBY ATTEST THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE

Submitted Electronically

Do NOT Write in This Space - KCC USE ONLY	Date Tested: _____	Results: _____	Date Plugged: _____	Date Repaired: _____	Date Put Back in Service: _____
Review Completed by: <u>Jeff Klock, District Supervisor</u> Comments: <u>Well is broke out with saltwater to surface.</u>					
TA Approved: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> Denied Date: <u>04/12/2018</u>					

Mail to the Appropriate KCC Conservation Office:


	KCC District Office #1 - 210 E. Frontview, Suite A, Dodge City, KS 67801	Phone 620.682.7933
	KCC District Office #2 - 3450 N. Rock Road, Building 600, Suite 601, Wichita, KS 67226	Phone 316.337.7400
	KCC District Office #3 - 137 E. 21st St., Chanute, KS 66720	Phone 620.902.6450
	KCC District Office #4 - 2301 E. 13th Street, Hays, KS 67801-2651	Phone 785.261.6250

Exhibit A

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
DISTRICT OFFICE No. 2
3450 N. ROCK ROAD
BUILDING 600, SUITE 601
WICHITA, KS 67226



PHONE 316-337-7400
FAX 316-630-4005
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

April 12, 2018

Darren Broyles
Drake Exploration, LLC
15894 294TH CIR
#19
ARKANSAS CITY, KS 67005-6126

Re: Temporary Abandonment
API 15-035-19567-00-00
HOUSER 2
SE/4 Sec.19-30S-04E
Cowley County, Kansas

Dear Darren Broyles:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

Shut-in Over 10 years
Casing leak
Well is broke out with saltwater to surface.

Pursuant to K.A.R. 82-3-111, the well must be plugged or returned to service by May 10, 2018.

If you wish to instead file an application for an exception to the 10-year limitation of K.A.R. 82-3-111, demonstrating why it is necessary to TA the well for more than 10 years, then you must file the application for an exception by May 10, 2018.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Jeff Klock, District Supervisor
KCC DISTRICT 2

KCC OIL/GAS REGULATORY OFFICES

Date: 06/04/18

District: 02 ☒

Case #: _____

- ☐ New Situation
☐ Response to Request
☐ Follow-Up

- ☐ Lease Inspection
☐ Complaint
☒ Field Report

Operator License No: 33556

API Well Number: 15-035-19567-00-00

Op Name: DRAKE EXPLORATION, LLC

Spot: SE SW NW SE Sec 19 Twp 30 S Rng 4 ☒ E ☐ W

Address 1: 15894 294TH CIR

1343 Feet from ☐ N ☒ S Line of Section

Address 2: #19

2042 Feet from ☒ E ☐ W Line of Section

City: ARKANSAS CITY

GPS: Lat: 37.42298 Long: 97.03084 Date: 2/15/18

State: KS Zip Code: 67005 -6126

Lease Name: HOUSER Well #: 2

Operator Phone #: (620) 441-7223

County: Cowley

Reason for Investigation:

DENIED TA

Problem:

Persons Contacted:

DARREN BROYLES

Findings:

NO CHANGE IN WELL STATUS / WELL HAS NOT BEEN RETURNED TO SERVICE OR PLUGGED.

Action/Recommendations:

Follow Up Required ☐ Yes ☐ No ☒

Date: _____

RECOMMEND \$100.00 PENALTY PER K.A.R. 82-3-11, FAILURE TO BRING WELL INTO COMPLIANCE.

Verification Sources:

Photos Taken: YES

<input type="checkbox"/> RBDMS	<input type="checkbox"/> KGS	<input type="checkbox"/> TA Program
<input type="checkbox"/> T-I Database	<input type="checkbox"/> District Files	<input type="checkbox"/> Courthouse
<input checked="" type="checkbox"/> Other: <u>LEASE INSPECTION</u>		

By: DUANE KRUEGER

Retain 1 Copy District Office
Send 1 Copy to Conservation Division

Form: 06/04/2018

Exhibit C

Page 1 of 2

Drake Exploration, LLC
Houser #2
SE 3/4 NW 3/4 19-30-4E Q.

Picture Shows:

1. Well has not been brought into compliance. (Return to service or plugged).
2. Saltwater @ surface



CERTIFICATE OF SERVICE

19-CONS-3011-CPEN

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail and electronic service on 07/12/2018.

DARREN BROYLES
DRAKE EXPLORATION, LLC
15894 294th CIRCLE #19
ARKANSAS CITY, KS 67005-6126

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 2
3450 N. ROCK RD BLDG 600 STE 601
WICHITA, KS 67226
Fax: 316-630-4005
d.fox@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe