

**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 Dripping Oil, ) Docket No.: 16-CONS-513-CPEN  
LLC ("Operator") to comply with K.A.R. 82- )  
3-111, K.A.R. 82-3-120, and K.A.R. 82-3-602 ) CONSERVATION DIVISION  
at the Hladek #1-26 well in Trego County, )  
Kansas. ) License No.: 35036

**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. 82-3-111 provides that within 90 days after operations cease on any well, the operator of that well shall plug the well, return the well to service, or file an application with the Conservation Division requesting temporary abandonment ("TA") status. K.A.R. 82-3-111(e)

provides an exemption for certain wells for 365 days if they are fully equipped and capable of production.

4. K.A.R. 82-3-120 provides, in part, that no operator shall drill, complete, service, plug, or operate any oil or gas well without first obtaining or renewing an operator license. K.A.R. 82-3-120(a)(1) further provides that each operator in physical control of any such well shall maintain a current license even if the well is shut in or idle.

5. K.A.R. 82-3-602(a) provides that unless otherwise specified in writing by the Commission, each operator shall close drilling pits within 365 calendar days after the spud date of the associated well.

## **II. FINDINGS OF FACT**

6. Operator conducts oil and gas activities in Kansas under license number 35036. Operator is responsible for one well in Kansas, the Hladek #1-26 ("the subject well"), API #15-195-22918-00-00, in Section 26, Township 12 South, Range 25 West, Trego County, Kansas.

7. Operator's license has been suspended since December 10, 2014, pursuant to the Commission's Penalty Order in Docket 15-CONS-375-CPEN. That Penalty Order required Operator to submit a Well Completion ("ACO-1") Report for the subject well and to pay a \$500 penalty. Operator has not complied.

8. The subject well was spud in February 2014. Operator's license has been expired since February 2015. Commission Staff have inspected the subject well and found it to be inactive in excess of 90 days, and have found that it is not fully equipped and capable of production. The subject well is, therefore, in violation of K.A.R. 82-3-111. Since an inactive well remains on Operator's expired license, Operator is also in violation of K.A.R. 82-3-120.

Commission Staff have also identified various drilling pits that remain open at the subject well site, in violation of K.A.R. 82-3-602.

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

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

10. The above findings of fact are sufficient evidence to support the conclusion that Operator has 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.

11. The above findings of fact are sufficient evidence to support the conclusion that Operator has committed one violation of K.A.R. 82-3-120 because an unplugged well remains on Operator's expired license.

12. The above findings of fact are sufficient evidence to support the conclusion that Operator has committed one violation of K.A.R. 82-3-602 because Operator has not closed the pits associated with the subject well in a timely manner.

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

- A. Operator shall close the pits associated with the subject well.
- B. Operator shall:
  - i. Renew its license or obtain a new license and transfer the subject well to that license, provided, however, that Operator shall be precluded from doing so until it is in compliance with the Penalty Order in Docket 15-CONS-375-CPEN; or
  - ii. Transfer the well to another operator by filing the appropriate forms with the Commission; or

iii. Plug the well.

C. If Operator fails to comply with Paragraphs A and B within 30 days, then Operator shall pay a \$5,000 penalty.

D. If the pits associated with the subject well remain open after 30 days, then Staff is directed to close the pits and assess the costs to Operator.

E. If the subject well remains on Operator's expired, suspended license after 30 days, then Staff is directed to place the well on the appropriate state plugging list, to plug according to priority and as funds allow, and to assess the plugging costs to Operator. This shall not preclude Staff from investigating additional potentially-responsible parties.

F. Staff is directed to seal the subject well and the lease equipment associated with the well until such time as Operator has either complied with this order or the well is plugged with state funds.

G. 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, Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.

H. 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, 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.

I. 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.

J. 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.**

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: SEP 03 2015



Amy L. Gilbert  
Secretary to the Commission

Mailed Date: Sept. 3, 2015

JRM

**CERTIFICATE OF SERVICE**

I certify that on Sept. 3, 2015, 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:

Marc Ware  
Dripping Oil, LLC  
P.O. Box 1380  
Dripping Springs, Texas 78620

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

and hand-delivered to:

Jonelle Rains  
KCC Central Office

/s/ Paula Murray  
Paula Murray  
Legal Assistant  
Kansas Corporation Commission