

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



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

NOTICE OF PENALTY ASSESSMENT
18-CONS-3144-CPEN

September 19, 2017

Lyle L. Gunn
Grady Bolding Corporation
PO Box 486
Ellinwood, KS 67526-0486

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 \$200 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,

Joshua D. Wright
Litigation Counsel
316-337-6200

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

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

In the matter of the failure of Grady Bolding Corporation ("Operator") to comply with K.A.R. 82-3-111 at the Schmeidler B #3 and Schmeidler A #8 in Ellis County, Kansas.)	Docket No.: 18-CONS-3144-CPEN
)	CONSERVATION DIVISION
)	License No.: 7383

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. Pursuant to K.S.A. 74-623, the Commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities.
2. Pursuant to K.S.A. 55-162, whenever the Commission, from investigation or upon written complaint filed with the Commission, finds reasonable cause to believe that a person has violated any provision of K.S.A. 55-150 *et seq.*, or any rules and regulations adopted pursuant to K.S.A. 55-150 *et seq.*, the Commission shall cause such person to come before it at a hearing held in accordance with the provisions of the Kansas Administrative Procedure Act (KAPA). After such hearing, if the Commission finds that such person violated any provisions of K.S.A. 55-150 *et seq.*, the Commission shall take any appropriate action necessary to prevent pollution and protect water supply.
3. Pursuant to K.S.A. 55-164, in addition to any other penalty provided by law, the Commission, upon finding that an operator or contractor has violated the provisions of K.S.A.

55-150 *et seq.*, or any rule and regulation or order of the Commission, may impose a penalty not to exceed \$10,000, which shall constitute an actual and substantial economic deterrent to the violation for which the penalty is assessed. In the case of continuing violation, every day such violation continues shall be deemed a separate violation.

4. Pursuant to K.A.R. 82-3-111, 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 either (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. 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. The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty.

5. K.A.R. 82-3-111(e) provides an exemption for certain wells that are (1) fully equipped and capable of 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

6. Operator conducts oil and gas activities in Kansas under license number 7383.

7. Operator is responsible for the care and control of the following wells, all located in Ellis County, Kansas.

- a. Schmeidler B #3, API #15-051-05115-00-00, located in Section 8,
Township 12 South, Range 17 West; and

b. Schmeidler A #8, API #15-051-20626-00-00, located in Section 17,
Township 12 South, Range 17 West.

8. District Staff inspected the subject wells and collected evidence indicating the subject wells have been inactive and unplugged for longer than the 90 days allowed by K.A.R. 82-3-111. A copy of the inspections is attached hereto as Attachment "A" and is hereby incorporated by reference. The wells did not appear to be exempt pursuant to K.A.R. 82-3-111(e). Operator either did not file TA applications or did not bring the wells into compliance after TA applications were denied.

9. District Staff sent letters to Operator, requiring Operator to bring the subject wells into compliance with K.A.R. 82-3-111 by March 10, 2017 and July 18, 2017, respectively. Copies of the letters are attached hereto as Attachment "B" and are hereby incorporated by reference.

10. District Staff inspected the subject wells after the deadline in the letters passed, verifying that the wells continued to be inactive and unplugged. A copy of the inspections is attached hereto as Attachment "C" and is hereby incorporated by reference.

11. District Staff collected evidence and submitted it to the Legal Department with a recommendation that the Commission issue this Order. The recommendation sheets submitted by District Staff are attached to this Order as Attachment "D" and hereby incorporated by reference, and shall serve as the concise and explicit statement of facts required by K.S.A. 77-526.

III. CONCLUSIONS OF LAW

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

13. The above findings of fact are sufficient evidence to support the conclusion that Operator committed two violation(s) of K.A.R. 82-3-111 because the subject wells have been inactive in excess of the time allowed by regulation without being plugged, returned to service, or approved for TA status.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$200 penalty.

B. Operator shall plug the subject wells, return the subject wells to service, or obtain TA status for the subject wells 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 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.

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. If a party requests a hearing, a corporation or similar entity shall not be permitted to enter an appearance except by its attorney. K.A.R. 82-1-228(d). Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record.

G. 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: SEP 19 2017


Lynn M. Retz
Secretary to the Commission

Mailed Date: September 19, 2017

JDW

INSPECTION REPORT

Case# _____

<input type="checkbox"/>	Complaint
<input checked="" type="checkbox"/>	New Situation
<input type="checkbox"/>	Response to request
<input type="checkbox"/>	Follow-up

Date: 02-08-2017

Operator: Grady Bolding Corp.

License: 7383

Address: 114 North Main P.O. Box 486

Location: SW/4 Sec. 8-12-17w

City/St: Ellinwood KS. 67526

Lease: Schmeidler-B

Phone: 620 -564-2240

County: Ellis

Reason for investigation: Routine lease inspection

Problem: Abandoned well

Findings:

- A lease inspection was conducted on the above said lease on February 06, 2017 and found the following:
- The Schmeidler –B well # 3 located in the SW SE SW SW was found with an open hole with a swedge on the well bore. Rods and tubing were found at the location with the rods laid out in singles. No TA was found on file at the District Office.
- GPS location was 39.01710 & -099.23841. 320'FSL & 4287'FEL. API # 15-051-05115-00-00.

Photos: Yes

Action /recommendations:

- The above said operator is in violation of K.A.R.82-3-111 and will be turned over to Rich Williams TA coordinator for tracking purposes and possible fines.

Pat Staab, E.C.R.S.

(Agent)

February 8, 2017

cc: file; Williams


(Signature)

Date: 02-08-2017
Company –Grady Bolding Corp. # 7383
Lease: Schmeidler-B
Legal: SW /4 Sec. 08-12-17w
Ellis County Kansas



Photo taken 02-06-2017
The Schmeidler B # 3 located in the SW SE SW
SW has rods & tubing lying out. Rods are in
singles. **API # 15-051-05115-00-00.**

UPDATE REPORT

Date: September 13, 2017

Operator: Grady Bolding Corporation

License: 7383

Location: SW NE NW Sec 17-12-17w

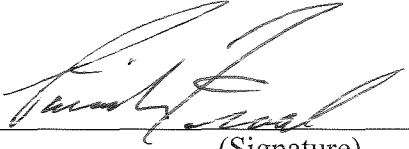
Lease: Schmeidler-A # 8

County: Ellis

Findings:

- A lease inspection was completed on September 13, 2017 and found the following:
- The Schmeidler A # 8 well located in the SE SW NE NW was still found with an open hole with rods in doubles at the location. Tubing also is staked at the well site. GPS location was 39.01306 & 099.23557. 4134' FSL & 3460' FEL. API # 15-051-20626-00-00.
- The above said operator will be turned over to Rich Williams TA coordinator for possible fines.

Pat Staab E.C.R.S.
(Agent)


(Signature)

cc: file; Williams

Date: September 13, 2017
Company: Grady Bolding Corp. # 7383
Lease: Schmeidler-# 8
Legal: SW NE NW Sec 17-12-17w
Ellis County Kansas



Photo taken September 13, 2017.
The Schmeidler-A well # 8 located in the SW NE
NW still has an open hole with rods and tubing
located at the well site. **API # 15-051-20626-00-
00.**



Filed CP-1 on 3-9-17

Expires 9-5-17

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Corporation Commission

Sam Brownback, Governor

NOTICE OF VIOLATION

LYLE L. GUNN
GRADY BOLDING CORPORATION
114 NORTH MAIN
P.O. BOX 486
ELLINWOOD KS 67526-0486

February 10, 2017
KCC Lic.-7383

RE: **TEMPORARY ABANDONMENT**
API Well No. 15-051-05115-00-00
SCHMEIDLER B 3
8-12S-17W, SESWSW
ELLIS County, Kansas

Operator:

On February 08, 2017, a lease inspection documented a probable violation of the following regulation at the referenced well:

- K.A.R. 82-3-111. Within 90 days after operations cease on a well, the operator must return the well to service, plug the well, or obtain approval for temporary abandonment status.

**Failure to remedy this violation
by MARCH 10, 2017
shall be punishable by a \$100 penalty.**

You may contact me if you have any questions.

Sincerely,

RICHARD WILLIAMS
KCC District # 4



Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Corporation Commission

Sam Brownback, Governor

NOTICE OF VIOLATION

GRADY BOLDING CORPORATION
114 NORTH MAIN
P.O. BOX 486
ELLINWOOD KS, 67526

June 20, 2017
KCC Lic. 7383

RE: **TEMPORARY ABANDONMENT**
API Well No. 15-051-20626-00-00
SCHMEIDLER A 8
17-12S-17W, SWNENW
ELLIS County, Kansas

Operator:

On June 20, 2017, a file review documented a probable violation of the following regulation at the referenced well:

- K.A.R. 82-3-111. Within 90 days after operations cease on a well, the operator must return the well to service, plug the well, or obtain approval for temporary abandonment status.

**Failure to remedy this violation
by JULY 18, 2017
shall be punishable by a \$100 penalty.**

You may contact me if you have any questions.

Sincerely,

RICHARD WILLIAMS
KCC District # 4

UPDATE REPORT

Date: September 11, 2017

Operator: Grady Bolding Corporation

License: 7383

Location: SE SW SW Sec 8-12-17w

Lease: Schmeidler-B # 3

County: Ellis

Findings:

- A lease inspection was completed on September 11, 2017 and found the following:
- The Schmeidler B # 3 well located in the SE SW SW was still found with an open hole with rods in singles at the location and tubing at the location. GPS location was 39.01707 & 099.23835. 309' FSL & 4270' FEL. API # 15-051-05114-00-00.
- The operator has an expired CP-1 filed on the above said well, which expired on September 5, 2017.

Pat Staab E.C.R.S.
(Agent)


(Signature)

cc: file; Williams

Date: September 11, 2017
Company: Grady Bolding Corp. # 7383
Lease: Schmeidler-B # 3
Legal: SE SW SW Sec 08-12-17w
Ellis County Kansas



Photo taken September 11, 2017.
The Schmeidler-B well # 3 located in the SE SW
SW still has an open hole with rods and tubing
located at the well site. The well has an expired
CP-1 on the well. **API # 15-051-05115-00-00.**

UPDATE REPORT

Date: September 13, 2017

Operator: Grady Bolding Corporation

License: 7383

Location: SW NE NW Sec 17-12-17w

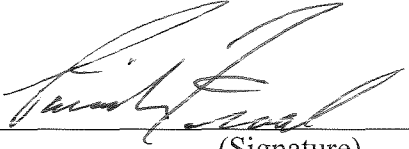
Lease: Schmeidler-A # 8

County: Ellis

Findings:

- A lease inspection was completed on September 13, 2017 and found the following:
- The Schmeidler A # 8 well located in the SE SW NE NW was still found with an open hole with rods in doubles at the location. Tubing also is staked at the well site. GPS location was 39.01306 & 099.23557. 4134' FSL & 3460' FEL. API # 15-051-20626-00-00.
- The above said operator will be turned over to Rich Williams TA coordinator for possible fines.

Pat Staab E.C.R.S.
(Agent)


(Signature)

cc: file; Williams

Date: September 13, 2017
Company: Grady Bolding Corp. # 7383
Lease: Schmeidler-# 8
Legal: SW NE NW Sec 17-12-17w
Ellis County Kansas



Photo taken September 13, 2017.
The Schmeidler-A well # 8 located in the SW NE
NW still has an open hole with rods and tubing
located at the well site. **API # 15-051-20626-00-
00.**

PENALTY ORDER RECOMMENDATION

*****ROUTINE TEMPORARY ABANDONMENT VIOLATION*****

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	September 12, 2017
District/Department:	District #4 Compliance
Person Recommending Penalty:	Richard Williams Compliance officer
Operator Name:	Grady Bolding Corporation
Operator License Number:	7383
Well/Lease Name & Well Number:	Schmeidler B-#3
Well/Lease Location, and County:	SE-SW-SW/4 of Sec. 08-12-17W Ellis County
Well API Number:	15-051-05115-00-00
UIC Docket Number:	N/A
Regulation Number:	K.A.R. 82-3-111
Description of Violation:	Failure to plug, produce, or obtain TA status (including after a TA application is filed and denied).
Date of NOV / TA Denied letter.	Date of NOV letter. 02/10/2017
Deadline in NOV / TA Denied letter.	Deadline in NOV letter. 03/10/2017
Date of follow-up lease inspection.	09/11/2017
Requested Monetary Penalty:	\$100
Requested Operator Activity:	Plug, produce, or obtain TA status if eligible (including a 10-year TA application if required).
Supervisor Initials	

PENALTY ORDER RECOMMENDATION

ROUTINE TEMPORARY ABANDONMENT VIOLATION

Note: this sheet will be attached to the Order that is mailed to the operator.

Date of Recommendation:	September 13, 2017
District/Department:	District #4
Person Recommending Penalty:	Richard Williams Compliance officer
Operator Name:	Grady Bolding Corporation
Operator License Number:	7383
Well/Lease Name & Well Number:	Schmeidler A-#8
Well/Lease Location, and County:	SW-NE-NW/4 of Sec. 17-12-17 W Ellis County
Well API Number:	15-051-20626-00-00
UIC Docket Number:	N/A
Regulation Number:	K.A.R. 82-3-111
Description of Violation:	Failure to plug, produce, or obtain TA status (including after a TA application is filed and denied).
Date of NOV / TA Denied letter.	Date of NOV letter: June 20, 2017
Deadline in NOV / TA Denied letter.	Deadline in NOV letter: July 18, 2017
Date of follow-up lease inspection.	September 13, 2017
Requested Monetary Penalty:	\$100
Requested Operator Activity:	Plug, produce, or obtain TA status if eligible (including a 10-year TA application if required).

CERTIFICATE OF SERVICE

I certify that on 9/19/17, 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:

Lyle L. Gunn
Grady Bolding Corporation
PO Box 486
Ellinwood, KS 67526-0486

and delivered by e-mail to:

Richard Williams
KCC District #4

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