

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

In the matter of the failure of Utah Oil, LLC) Docket No.: 24-CONS-3315-CPEN
(Operator) to report activity that occurred)
during the 2023 calendar year in compliance) CONSERVATION DIVISION
with K.A.R. 82-3-409.)
_____) License No.: 34223

**PRE-FILED DIRECT TESTIMONY
OF
RYAN A. HOFFMAN
ON BEHALF OF COMMISSION STAFF
JULY 19, 2024**

1 **Q. What is your name and business address?**

2 A. Ryan A. Hoffman, 266 N. Main St., Ste. 220, Wichita, Kansas 67202.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by the Kansas Corporation Commission (KCC or Commission) as Director of
5 the Conservation Division.

6 **Q. Would you please briefly describe your background and work experience.**

7 A. I received my Bachelor of Arts degree in Political Science from the University of Kansas in
8 2004, and my Juris Doctorate from Washburn University School of Law in December 2007
9 where I also achieved a Certificate in Natural Resources Law. I was a Legislative Fellow for
10 the Kansas Legislative Research Department during the 2008 legislative session where I
11 helped staff various legislative committees. I began as a Litigation Counsel with the KCC
12 Conservation Division in August 2008. As Litigation Counsel, my duties included drafting
13 and reviewing penalty orders and various applications, attending Oil and Gas Advisory
14 Committee meetings and legislative hearings, and providing advice on regulatory matters to
15 Conservation Division Staff.

16 I was promoted to Director in June 2013. As Director, I chair the Oil and Gas Advisory
17 Committee established by K.S.A. 55-153. I also represent the KCC as a member of the
18 Executive Committee on the Board of Directors for the Groundwater Protection Council, and
19 I was appointed as the Associate Representative for Kansas on the Interstate Oil and Gas
20 Compact Commission (IOGCC) by Governor Brownback in 2014. I have served as the Chair
21 of the Legal and Regulatory Affairs Committee and as the Chair of the Council of Oil and
22 Gas Attorneys for the IOGCC. Further, I am currently serving my second term as President
23 of the Oil, Gas, and Mineral Law Section of the Kansas Bar Association.

1 **Q. What duties does your position with the KCC Conservation Division entail?**

2 A. Generally speaking, I oversee the daily operations of the Division. I directly supervise the
3 four Professional Geologist Supervisors who oversee District Office operations, as well as
4 three Central Office Supervisors who are responsible for the Environmental Remediation
5 Department, Underground Injection Control and Production Departments, and the
6 Administrative Department. I also share oversight of the two Litigation Counsels housed
7 within the Conservation Division. When necessary, I brief the Commissioners on emerging
8 issues and provide testimony to the Kansas Legislature on matters related to the regulation of
9 the oil and gas industry in Kansas.

10 **Q. Have you previously testified before the Commission?**

11 A. No, although I have submitted pre-filed testimony in a different docket.

12 **Q. What is the purpose of your testimony in this matter?**

13 A. The purpose of my testimony is to discuss the regulatory and policy reasons supporting the
14 Commission's issuance of a Penalty Order against Utah Oil, LLC (Operator) for failure to
15 timely submit annual fluid injection reports (U3Cs) for 40 of its injection wells (Subject
16 Wells).

17 **Q. When did the Commission issue the Penalty Order in this docket?**

18 A. The Commission issued the Penalty Order on May 2, 2024.

19 **Q. When did Operator successfully submit U3Cs for the Subject Wells?**

20 A. Operator successfully submitted U3Cs for the Subject Wells on May 1, 2024.

1 **Q. Since Operator submitted the U3Cs before the Commission issued the Penalty Order,**
2 **should the order be rescinded?**

3 A. Absolutely not. As Todd Bryant testified, K.A.R. 82-3-409 requires operators to submit U3Cs
4 for their injection wells by March 1. The date the Commission issued the Penalty Order does
5 not matter—Operator had already missed the regulatory deadline by two months. Moreover,
6 Operator missed the deadline even though it had been given multiple reminders to submit its
7 U3Cs. As Denise Klug testified, Operator received email reminders on January 24, 2024, and
8 February 28, 2024, that it needed to submit its U3Cs. Additionally, as Mr. Bryant testified,
9 Staff mailed Operator a Notice of Violation letter on March 28, 2024, reminding Operator
10 that it needed to submit its U3Cs, and stating that failure to submit them by April 11, 2024,
11 would be punishable by a \$100 per well penalty. The fact that Operator submitted the U3Cs
12 for the Subject Wells one day before the Commission issued the Penalty Order in this docket
13 in no way obviates the fact that Operator missed the deadline to submit the U3Cs after
14 receiving multiple reminders.

15 **Q. Has Operator received any previous penalty orders for failure to timely submit U3Cs?**

16 A. No, it has not. I would note, however, that Operator has submitted its U3Cs on KOLAR since
17 2016. In the nine years spanning 2016 to 2024, Operator has submitted 241 U3Cs. Of those,
18 Operator submitted only one U3C prior to the March 1 deadline in K.A.R. 82-3-409. Attached
19 to my testimony as *Exhibit RH-1* is a table summarizing the dates Operator submitted its
20 U3Cs from 2016 to 2024.

1 **Q. Isn't the failure to timely submit U3Cs just a paper violation that doesn't have any real**
2 **impact on the KCC?**

3 A. Not at all. The Conservation Division relies on operators to self-report a great deal of
4 information. Without receiving that information in a timely manner, Staff would find it
5 extremely difficult to fulfill its mission of protecting fresh and usable waters, preventing
6 waste, and protecting correlative rights. As Todd Bryant testified, Staff uses the information
7 operators provide on their U3Cs to determine the current and historical injection rates
8 occurring in different geological zones throughout Kansas, as well as to make sure that
9 operators are complying with their injection permits. The need for operators to timely submit
10 information is so important that Commission regulations provide a deadline for nearly every
11 form operators are required to submit to the Conservation Division. If the Commission were
12 to set an informal precedent that operators could submit information to the Conservation
13 Division after the regulatory deadline without facing a penalty, then the efficacy of the
14 Conservation Division would suffer greatly.

15 **Q. As there are 40 Subject Wells, the Penalty Order states that Operator has committed 40**
16 **violations of K.A.R. 82-3-409. Would it be reasonable to consider Operator's actions to**
17 **really only constitute one violation of K.A.R. 82-3-409?**

18 A. No, it would not. K.A.R. 82-3-409 requires operators to submit a U3C for each individual
19 injection well. Every failure to timely submit a U3C is thus a violation of the regulation.
20 Additionally, the Commission counts violations on a per well basis. For example, a penalty
21 order finding three wells out of compliance with a regulation counts as three violations, just
22 as three penalty orders finding one well per order out of compliance also count as three
23 violations. Counting violations on a per penalty order basis would be unfair as some penalty

1 orders contain violations for multiple wells, while other penalty orders contain violations for
2 only a single well. On top of that, the ability of Staff to keep track of the number of violations
3 an operator has received would be made more difficult if the Commission started counting
4 violations on a basis other than per well. Finally, operators would be more likely to contest
5 penalty orders if they felt they could convince the Commission to count violations on
6 something other than a per well basis. For the sake of consistency and equity across operators,
7 I believe it is very important for the Commission to continue to count violations on a per well
8 basis.

9 **Q. Please summarize your recommendation.**

10 A. I believe the Commission should affirm the Penalty Order in this docket. Operator did not
11 timely file U3Cs for the Subject Wells, therefore Operator should be required to pay a \$4,000
12 penalty.

13 **Q. Does this conclude your testimony?**

14 A. Yes.

Utah Oil, LLC Annual Fluid Inject Report (U3C) Submission Dates

Year	Number of U3Cs Submitted	Dates U3Cs Submitted
2016	21	March 21
2017	21	April 9
2018	23	One U3C submitted on February 27. All other U3Cs submitted between March 11 and March 28.
2019	23	March 27 and March 28.
2020	22	March 2
2021	30	March 29
2022	30	March 2
2023	31	March 14
2024	40	May 1

CERTIFICATE OF SERVICE

24-CONS-3315-CPEN

I, the undersigned, certify that a true and correct copy of the attached Prefiled Testimony of Ryan A. Hoffman has been served to the following by means of electronic service on July 19, 2024.

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