

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

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

In the matter of an Order to Show Cause issued)	Docket No.: 15-CONS-272-CSHO
to Red Cloud Exploration Operating LLC,)	
Global Energy Solutions Inc., and N.R. Hamm)	CONSERVATION DIVISION
Contractor LLC regarding responsibility under)	
K.S.A. 55-179 for plugging 4 wells on the Heck)	License No.: 34224
Lease in Jefferson County, Kansas.)	32316
)	6192

**ORDER TO SHOW CAUSE, DESIGNATING A PREHEARING OFFICER,
AND SETTING A PREHEARING CONFERENCE**

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. The Commission has jurisdiction to regulate oil and gas production in Kansas under Chapter 55 of the Kansas Statutes Annotated and the General Rules and Regulations for the Conservation of Crude Oil and Natural Gas, K.A.R. 82-3-100 *et seq.*
2. K.S.A. 55-162 provides the Commission with jurisdiction to institute proceedings to enforce the laws of Kansas and Commission rules, regulations, and orders.
3. Pursuant to K.S.A. 55-164, the Commission may assess monetary penalties to operators or contractors who are in violation of Chapter 55 of the Kansas Statutes Annotated, or any rule, regulation, or order of the Commission. The maximum monetary penalty is \$10,000, and each day of a continuing violation constitutes a separate violation.

4. K.S.A. 55-179 provides the Commission with jurisdiction to determine the persons legally responsible for the proper care and control of abandoned oil and gas wells.

5. K.S.A. 55-179(b) provides that a person who is legally responsible for the proper care and control of an abandoned well shall include one or more of the following:

- a. Any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water;
- b. the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well;
- c. the original operator who plugged or abandoned such well; and
- d. any person who without authorization tampers with or removes surface equipment or downhole equipment from an abandoned well.

6. K.S.A. 55-180 gives the Commission a cause of action against the responsible parties listed in K.S.A. 55-179 for the reasonable plugging costs of abandoned wells.

II. FINDINGS OF FACT

7. On October 1, 2014, Commission Staff moved the Commission to set this matter for hearing, alleging the following facts (footnotes omitted):

- a. At issue is the party legally responsible for plugging the following 4 wells (collectively "the subject wells"), all located in Section 1, Township 10 South, Range 19 East, Jefferson County, Kansas:
 - i. Heck #1, API #15-087-20038-00-00;
 - ii. Heck #2, API #15-087-20046-00-00;
 - iii. Heck #3, API #15-087-20047-00-00; and
 - iv. Heck #7, API #15-087-20088-00-00.
- b. Commission records indicate that N. R. Hamm Contractor, Inc. drilled the Heck #1, Heck #2, and Heck #3 wells in the early 1980's, as indicated by Well

Completion ("ACO-1") forms filed with the Commission by N.R. Hamm Contractor, Inc., on December 19, 1984. Commission records indicate that in 1985, N.R. Hamm Contractor, Inc., received injection authorization for the Heck #7 via underground injection control docket D-23,849. N.R. Hamm Contractor, Inc., conducted a mechanical integrity test on the Heck #7 in February 1985 and again in October 1991. Kansas Geological Survey records indicate that the only production off the Heck Lease occurred from 1985 to 1989.

- c. In 1997, James R. Bolinger dba Bolinger Enterprises conducted a mechanical integrity test on the Heck #7. In 1999, the Commission received a Request for Change of Operator Form ("T-1"), signed by Bolinger Enterprises and Global Energy Solutions, and transferring all of the subject wells from Bolinger Enterprises to Global Energy Solutions.
- d. In 2008, J.R.R. of Kansas, Limited, took a new lease on the property on which the subject wells are drilled. As indicated by Jefferson County Register of Deeds records, on October 6, 2009, Red Cloud Exploration Operating took assignment of the 2008 lease.
- e. In 2011, Red Cloud Exploration Operating conducted a mechanical integrity test on the Heck #7. Since at least 2013, Global Energy Solutions has attempted to file a T-1 form with the Commission, transferring responsibility for all of the subject wells to Red Cloud. Commission Staff has rejected the T-1 form, due to the lack of a signature from Red Cloud on the form. Recent Commission inspections indicate that the subject wells are abandoned.

- f. On June 30, 2014, Commission Litigation Counsel sent a letter to N.R. Hamm, Global Energy, and Red Cloud, asking the parties to resolve this matter, and giving until July 21, 2014, for the parties to file Well Plugging Applications ("CP-1's") for the wells. To date, no CP-1's have been filed, and the wells remain abandoned and unplugged.
 - g. Under K.S.A. 55-179(b), Staff believes that N. R. Hamm is responsible for the Heck #1, Heck #2, and Heck #3, as the original operator who abandoned the wells. Staff believes that Global Energy Solutions is responsible for the Heck #1, Heck #2, Heck #3, and Heck #7, as the current or last operator of the lease upon which the wells are located and as the last entity to file paperwork with the Commission accepting responsibility for the wells. And Staff believes that Red Cloud is responsible for the Heck #7 as the last operator of the well.
8. The motion was served on the parties, and no response was filed.

III. CONCLUSIONS OF LAW

9. The Commission finds and concludes that the parties in this docket should attend an evidentiary hearing to show cause why they are not responsible for the subject wells.

10. Pursuant to K.S.A. 77-551(c), the Commission finds and concludes that a Prehearing Officer should be designated in this proceeding to address any matters listed in K.S.A. 77-517(b). The Commission also finds that an initial prehearing conference should be scheduled in this matter.

THEREFORE, THE COMMISSION ORDERS:

A. The Prehearing Officer in this proceeding shall be Lane R. Palmateer, Litigation Counsel, Kansas Corporation Commission, 266 N. Main, Ste. 220, Wichita, Kansas 67202, telephone number 316-337-6200, email address l.palmateer@kcc.ks.gov.

B. A Prehearing Conference is scheduled for Thursday, November 6, 2014. The Prehearing Conference shall begin at 1:30 pm, and shall end by 3:30 pm, at the Commission's offices, 266 N. Main, Ste. 220, Wichita, Kansas 67202. Telephonic attendance may be permitted by advance request. The Prehearing Conference will focus on the development of a procedural schedule for this docket.

C. At the Prehearing Conference, parties shall be prepared to discuss deadlines for filing testimony and briefs, discovery procedures, scheduling of a hearing with the Commission, and any other issues that will promote the orderly and prompt resolution of this proceeding.

D. At the Prehearing Conference, without further notice, this proceeding may be converted into a conference hearing or a summary proceeding for disposition of this matter as provided by the Kansas Administrative Procedure Act ("KAPA"). Any party that fails to attend or participate in the Prehearing Conference, hearing, or other stage of this proceeding shall be held in default under the KAPA.

E. Pursuant to K.A.R. 82-3-228(d)(2), corporations must enter an appearance via an attorney. If a corporation fails to enter an appearance via an attorney prior to the Prehearing Conference, it shall be held in default under the KAPA.

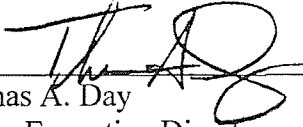
F. The attorney designated to appear on behalf of the agency in this proceeding is Jonathan R. Myers, Litigation Counsel, telephone number 316-337-6200, email address j.myers@kcc.ks.gov.

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

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Com.; Apple, Com.

Dated: OCT 21 2014

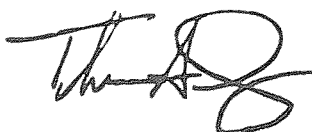

Thomas A. Day
Acting Executive Director

Mailed Date: 10/22/14

LRP

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

OCT 21 2014



CERTIFICATE OF SERVICE

I certify that on 10/22/14, 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:

Kevin Sylla
Red Cloud Exploration Operating LLC
22287 Mulholland Highway #350
Calabasas, California 91302

Herb Edmonds
Global Energy Solutions
201 S. Union Street
PO Box 311
McLouth, Kansas 66054

C. Scott Anderson
N. R. Hamm Contractor, LLC
609 Perry Place
Perry, Kansas 66073

John Almond
KCC District #3
1500 W. 7th Street
Chanute, Kansas 66720

And delivered by hand to:

Jon Myers, Litigation Counsel
Conservation Division Central Office

Kraig Stoll & Patrick Shields
Conservation Division Central Office

/s/ Lane R. Palmateer
Lane R. Palmateer
Litigation Counsel
Kansas Corporation Commission