

**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 Notice of Denial of License) Docket No. 17-CONS-3703-CMSC
Renewal Application to E&B Natural Resources)
Management Corp.) CONSERVATION DIVISION
)
_____) License No 34405

ORDER APPROVING SETTLEMENT AGREEMENT

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds and concludes as follows:

1. On June 28, 2017, Commission Litigation Staff (Staff) filed a Notice of Denial of License Renewal Application against E&B Natural Resources Management Corp. (Operator), stating the license application was denied pursuant to K.S.A. 55-155(c)(4).¹
2. On June 30, 2017, the Operator filed a request for hearing.
3. On April 19, 2018, Staff filed a Motion to Approve Settlement Agreement which attached the Settlement Agreement (SA) duly executed by both parties.² The SA indicated that the Operator would be responsible for plugging, returning to service or obtaining temporary abandonment status for three wells enumerated therein by December 31, 2018.³

¹ Notice of Denial (Jun. 28, 2017).

² Motion to Approve Settlement Agreement (Jun. 22, 2018).

³ SA at 2.

4. Kansas law favors compromising and settling disputes when the agreement is entered intelligently, and in good faith.⁴ The Commission finds that the SA provides a fair and efficient resolution of the matter.

5. Pursuant to the SA, the Operator is hereby on notice that failure to comply with the SA may result in Operator's license being suspended and other such penalty as may be warranted pursuant to the conditions of the SA.

THEREFORE, THE COMMISSION ORDERS:

A. The Motion to Approve Settlement Agreement is granted and the Settlement Agreement is approved.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁵

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

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 07/31/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 08/01/2018

DLK/sc

⁴ *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).

⁵ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

**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 Notice of Denial of License)	Docket No.: 17-CONS-3703-CMSC
Renewal Application Issued to E & B Natural)	
Resources Management Corp.)	CONSERVATION DIVISION
)	
_____)	License No.: 34405

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and E & B Natural Resources Management Corp ("Operator"). Its effective date will be the date the Commission enters an order approving or amending the terms of the Agreement.

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. 55-150 *et seq.*, the Commission has authority to regulate the construction, operation, and abandonment of any well and the protection of the useable water of this state from any actual or potential pollution from any well.

3. Pursuant to K.S.A. 55-155, operators and contractors, as defined in K.S.A. 55-150, shall be licensed by the Commission.

II. BACKGROUND

4. On June 21, 2017, Operator filed a license renewal application.
5. On June 28, 2017, Staff denied Operator's license renewal application.
6. On June 30, 2017, Operator timely requested a hearing.

7. On July 25, 2017, the Commission issued an order setting a prehearing conference for September 25, 2017. The prehearing conference has been continued several times, most recently to December 19, 2017. At the moment, no prehearing conference is scheduled and no procedural schedule has been issued.

8. Staff and Operator informally discussed the possibility of a settlement. During the informal discussions, Staff and Operator were able to reach mutually agreeable terms in anticipated settlement of the issues. It was agreed that Staff would subsequently reduce the terms to writing and forward the draft to Operator for approval and signature.

III. TERMS OF THE SETTLEMENT AGREEMENT

9. The parties agree that the Commission has jurisdiction and authority over this matter. The parties also agree that adoption of this Agreement is in the public interest and that the Commission should approve the stipulations as set forth below.

10. By December 31, 2018, Operator shall plug, return to service, or obtain temporary abandonment status for the following wells (collectively "the subject wells"):

- a. Brubaker #15 R, API #15-001-02691;
- b. Wilson #W 150, API #15-125-02658; and
- c. Wilson #W 151, API #15-125-02659.

11. Operator understands and agrees that failure to comply with any deadline set forth in Paragraph 9 above shall result in Commission assessment of a \$500 penalty. Operator further understands and agrees that if any of the subject wells are not plugged, returned to service, or have not obtained temporary abandonment status, by March 31, 2019, then the Commission shall assess Operator an additional \$2,500 penalty, and Staff may be directed by the Commission plug the wells and assess the costs to Operator.

12. Operator understands and agrees that failure to comply with the provisions of any of the above paragraphs, and the assessment of any penalties or costs under this Agreement, will result in the Commission suspending Operator's license without further notice until compliance is obtained and all outstanding penalties and costs are paid. Operator further understands and agrees that if Operator is found conducting oil and gas operations following suspension of Operator's license, and Operator's license is still suspended, then the Commission shall order all of Operator's oil and gas operations sealed and shall assess an additional \$5,000 penalty.

13. Operator acknowledges that upon any suspension of Operator's license, this matter may be submitted for judicial enforcement or enforcement through the Kansas Attorney General's Office.

14. Operator understands and agrees that each annual application for license renewal constitutes a new application which may be either approved or denied based upon Commission statutes and regulations, and that approval of the present application in no way prejudices or waives any party's legal rights, positions, claims, assertions, or arguments in any future proceedings regarding future applications.

15. Staff shall immediately process Operator's license renewal application.

16. Staff agrees to recommend to the Commission that this Agreement be approved. Staff further agrees that upon approval by the Commission, and barring default proceedings pursuant to K.S.A. 77-520, this Agreement shall constitute a final resolution of this matter.

IV. RESERVATIONS

17. This Settlement Agreement fully resolves issues specifically addressed between the parties. The terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein.

18. The terms and provisions of this Agreement have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve the terms of the Agreement in total, any party has the option to terminate this Agreement and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the terms or provisions hereof, unless otherwise provided herein.

19. Unless (and only to the extent) otherwise specified in this Agreement, the signatories to this Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Agreement: (1) in any future Commission or court proceeding; (2) in any proceeding currently pending before the Commission under a separate docket; and/or (3) in this proceeding, if the Commission decides not to approve this Agreement in total or in any way conditions its approval of the same. This paragraph is not meant to limit future enforcement of this Agreement, should either party fail to fulfill all terms and provisions.

20. Unless (and only to the extent) otherwise specified in this Agreement, this Agreement does not prejudice or waive any party's legal rights, positions, claims, assertions or arguments in any proceedings in this docket, or any other proceeding before the Commission or in any court.

21. If the Commission approves this Agreement in its entirety and incorporates the same into a final order in this docket, the parties agree to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order.

22. This Settlement Agreement shall be binding on all parties upon signing.

IN WITNESS WHERETO, the parties hereby execute and approve this Settlement Agreement by subscribing their signatures below.

Commission Staff
266 N. Main, Ste. 220
Wichita, Kansas 67202

By: Jon Myers

Printed Name: JON MYERS

Title: LITIGATION COUNSEL

Date: 4/19/18

E & B Natural Resources Management Corp
2501 280th Avenue
Hays, KS 67601

By: Gary Richardson

Printed Name: _____

Gary Richardson
Title: Vice President - Business Development

Date: 4-16-2018

CERTIFICATE OF SERVICE

17-CONS-3703-CMSC

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 07/31/2018.

GARY RICHARDSON
E&B NATURAL RESOURCES MGMT. CORP.
2501 280th Ave.
Hays, KS 67601

DUSTIN KIRK, DEPUTY GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
d.kirk@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