

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



Phone: 316-337-6200
Fax: 346-337-6211
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

NOTICE OF PENALTY ASSESSMENT
20-CONS-3064-CPEN

August 29, 2019

Dexter Holleyman
Crown Energy Company
1117 N.W. 24th St.
Oklahoma City, OK 73106-5615

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 \$2,000 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,

Robert E. Vincent
Senior Litigation Counsel
316-337-3273

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

Before Commissioners:

Dwight D. Keen, Chair
Shari Feist Albrecht
Susan K. Duffy

In the matter of the failure of Crown Energy)	Docket No.: 20-CONS-3064-CPEN
Company ("Operator") to comply with K.A.R.)	
82-3-407 at the Wehrman #6 and)	CONSERVATION DIVISION
Hoard/Wherman B #6 in Butler County,)	
<u>Kansas.</u>)	License No.: 33192

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. The Commission has the exclusive jurisdiction and authority to regulate oil and gas activities in Kansas.¹ 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."² Every operator conducting oil and gas activity in Kansas must be licensed by the Commission.³

2. The Commission has the authority to issue a Penalty Order for violation of any provision of K.S.A. 55-101 *et seq.*, rule, regulation, or order of the Commission.⁴ The Commission shall take appropriate action which may include, but not be limited to, imposing a monetary penalty "not to exceed \$10,000, which shall constitute an actual and substantial

¹ K.S.A. 74-623.

² K.S.A. 55-152.

³ K.S.A. 55-155.

⁴ K.S.A. 55-162; K.S.A. 55-164.

economic deterrent to the violation for which the penalty is assessed.”⁵ “In the case of a continuing violation, every day such violation continues shall be deemed a separate violation.”⁶

3. Each injection well shall be completed, equipped, operated, and maintained in a manner that will prevent pollution of fresh and usable water, prevent damage to sources of oil or gas, and confine fluids to the intervals approved for injection. An injection well shall be considered to have mechanical integrity if there are no significant leaks in the tubing, casing, or packer, and no fluid movement into fresh or usable water. An injection well’s mechanical integrity shall be established at least once every five years.⁷

4. The operator of any well failing to demonstrate mechanical integrity shall have no more than 90 days from the date of initial failure to repair and retest the well to demonstrate mechanical integrity, plug the well, or isolate any leaks to demonstrate the well will not pose a threat to fresh or usable water or endanger correlative rights.⁸

5. Mechanical failures or other conditions indicating that a well may not be directing injected fluid into the permitted or authorized zone shall be cause to shut in a well, and the operator shall orally notify the Conservation Division of any failures or conditions within 24 hours of knowledge. The operator shall submit written notice of a well failure within five days, with a plan for testing and repairing the well.⁹

6. No injection well shall be operated before passing a mechanical integrity test (“MIT”). Failure to test a well to show mechanical integrity shall be punishable by a \$1,000 penalty, and the well shall be shut-in until the test is passed.¹⁰

⁵ K.S.A. 55-164.

⁶ *Id.*

⁷ K.A.R. 82-3-407(a).

⁸ K.A.R. 82-3-407(c).

⁹ K.A.R. 82-3-407(d).

¹⁰ K.A.R. 82-3-407(g).

II. FINDINGS OF FACT

7. The Operator conducts oil and gas activities in Kansas under active license number 33192.

8. The Operator is responsible for the care and control of the following wells, all located in Section 17, Township 29 South, Range 8 East, Butler County, Kansas (“the subject wells”).

- a. Wehrman #6, API #15-015-40330-00-00, Underground Injection Control Permit #E-25918; and
- b. Hoard/Wherman B #6, API #15-015-40332-00-00, Underground Injection Control Permit #E-25918.

9. The Commission has no evidence the subject wells have been subjected to a current and successful MIT as required by K.A.R. 82-3-407. Staff has witnessed no such tests and the Operator has not informed Staff such tests have been conducted.

10. On March 26, 2019, Commission Staff sent letters to the Operator, requiring Operator to bring the subject wells into compliance with K.A.R. 82-3-407 by June 17, 2019.¹¹

11. To date, Operator has not conducted a current, successful MIT at the subject wells in accordance with Commission regulations.

III. CONCLUSIONS OF LAW

12. Pursuant to K.S.A. 55-152 and K.S.A. 74-632, the Commission finds and concludes it has jurisdiction over the Operator and this matter.

13. The Commission finds and concludes the Operator committed two violations of K.A.R. 82-3-407 because current, successful MIT’s have not been performed on the subject wells.

¹¹ Exhibit A.

THEREFORE, THE COMMISSION ORDERS:

- A. The Operator shall pay a \$2,000 penalty.
- B. The Operator shall perform successful MIT's on the subject wells or plug them.
- C. The Operator shall shut-in and disconnect the subject wells until such time as successful MIT's have been performed or the wells have been plugged.
- D. If no party requests a hearing, and the Operator is not in compliance with this Order within 30 days, then the 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.
- E. 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 St., Suite 220, Wichita, Kansas 67202. The payment must include a reference to the docket number of this proceeding.
- F. 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 the Operator's right to a hearing.

G. A corporation shall appear before the Commission by a Kansas licensed attorney.¹²

H. 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.

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 08/29/2019 _____



Lynn M. Retz
Executive Director

Mailed Date: 08/29/2019 _____

REV/jmg/kam

¹² K.S.A. 77-515(c); K.A.R. 82-1-228(d)(2).



Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Corporation Commission

Laura Kelly, Governor

FAILED MECHANICAL INTEGRITY TEST (MIT)
DEADLINE FOR COMPLIANCE

LICENSE 33192
CROWN ENERGY COMPANY
1117 N.W. 24TH ST.
OKLAHOMA CITY OK 73106-5615

March 26, 2019

Re: API No. 15-015-40330-00-00
DOCKET No. E25918.2
WEHRMAN 6
17-29S-8E, SWSWNE
BUTLER County, Kansas

Operator:

On March 19, 2019, the referenced well failed a mechanical integrity test. Under K.A.R. 82-3-407(c), you have 90 days to:

- 1) repair and retest the well to show mechanical integrity,
- 2) plug the well, or
- 3) isolate all leaks to demonstrate the well does not pose a threat to fresh or usable water or endanger correlative rights.

The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c).

Failure to comply with K.A.R. 82-3-407(c)
by June 17, 2019
shall be punishable by a \$1,000 penalty.

Please contact this office as soon as possible to let us know your plans for this well.

Sincerely,

STEVE VANGIESON
KCC District # 2

DK



Dwight D. Keen, Chair
Shari Feist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Corporation Commission

Laura Kelly, Governor

FAILED MECHANICAL INTEGRITY TEST (MIT)
DEADLINE FOR COMPLIANCE

LICENSE 33192
CROWN ENERGY COMPANY
1117 N.W. 24TH ST.
OKLAHOMA CITY OK 73106-5615

March 26, 2019

Re: API No. 15-015-40332-00-00

DOCKET No. E25918.3
HOARD/WHERMAN B 6
17-29S-8E, NESWNW
BUTLER County, Kansas

Operator:

On March 19, 2019, the referenced well failed a mechanical integrity test. Under K.A.R. 82-3-407(c), you have 90 days to:

- 1) repair and retest the well to show mechanical integrity,
- 2) plug the well, or
- 3) isolate all leaks to demonstrate the well does not pose a threat to fresh or usable water or endanger correlative rights.

The well must be shut-in and disconnected until it complies with K.A.R. 82-3-407(c).

Failure to comply with K.A.R. 82-3-407(c)
by June 17, 2019
shall be punishable by a \$1,000 penalty.

Please contact this office as soon as possible to let us know your plans for this well.

Sincerely,

STEVE VANGIESON
KCC District # 2

CERTIFICATE OF SERVICE

20-CONS-3064-CPEN

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 08/29/2019.

DANIEL FOX, COMPLIANCE OFFICER, KCC DISTRICT 2
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 2
3450 N. ROCK RD BLDG 600 STE 601
WICHITA, KS 67226
Fax: 316-630-4005
d.fox@kcc.ks.gov

DEXTER HOLLEYMAN
CROWN ENERGY COMPANY
1117 NW 24TH ST.
OKLAHOMA CITY, OK 73106

KELCEY MARSH, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
k.marsh@kcc.ks.gov

RENE STUCKY
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r.vincent@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe