

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

Before Commissioners: Susan K. Duffy, Chair
Dwight D. Keen
Andrew J. French

In the matter of the failure of Crypto Colo) Docket No.: 24-CONS-3024-CPEN
Center Corp (Operator) to comply with K.A.R.)
82-3-120 and K.A.R. 82-3-133 by operating) CONSERVATION DIVISION
wells that are not under its license.)
_____) License No.: 35955

PENALTY ORDER

The Commission finds Operator has violated K.A.R. 82-3-120 and K.A.R. 82-3-133 by conducting oil and gas operations on wells listed on a different operator's suspended and revoked license, assesses a \$10,000 penalty, and further rules as more fully described below.

I. JURISDICTION

1. K.S.A. 74-623 provides the Commission exclusive jurisdiction and authority to regulate oil and gas activities in Kansas. K.S.A. 55-152 provides the Commission with jurisdiction to regulate the construction, operation, and abandonment of any well, and also the protection of the usable water of this state from any actual or potential pollution from any well. The Commission has licensing authority under K.S.A. 55-155.

2. K.S.A. 55-162(a) provides the Commission authority to issue penalty orders for violations of Chapter 55 of the Kansas Statutes Annotated, or of any rule, regulation, or order of the Commission. K.S.A. 55-162(e) provides that whenever an operator is in violation of subsection (a) of the statute, "agents of the commission may enter upon the lease or any other leases under the control of such operator and seal any well operated by the offending party."

3. Under K.S.A. 55-164, a penalty order may include a monetary penalty of up to \$10,000, the penalty must constitute a substantial and actual economic deterrent to the violation, and each day of a continuing violation constitutes a separate violation.

4. K.A.R. 82-3-120 provides that no operator shall operate any well without a current license. K.A.R. 82-3-133 provides that production of oil or gas in violation of a Commission regulation or order shall be deemed unlawful.

II. FINDINGS OF FACT

5. On June 13, 2022, Commission Staff issued Operator a license (#35955) to conduct oil and gas operations in Kansas. Operator has transferred four leases onto its license: (1) On June 23, 2022, a Request for Change of Operator (T-1) form was approved for the Bower lease; (2) On April 5, 2023, a T-1 form was approved for the Bond lease, and (3) On June 7, 2023, T-1 forms were approved for the Mestaugh and Osborn leases.

6. On June 6, 2023, Commission Staff received an email from Max Smetannikov, CEO of Operator, who stated that Operator was producing the Mestaugh and Osborn leases, which were not on Operator's license. The Mestaugh lease was previously operated by KLM Exploration Company (#3133), whose license expired October 30, 2020. The Osborn lease was previously operated by KLMKH, Inc. (#35717), whose license expired November 30, 2022.

7. Commission Staff has reviewed Kansas Geological Survey (KGS) records, which have been updated through March 2023. Those records indicate oil was sold from the Mestaugh lease in January, February, and March 2023.¹

¹ Exhibit A.

III. CONCLUSIONS OF LAW

8. The Commission has jurisdiction over Operator and this matter under K.S.A. 74-623, K.S.A. 55-152, K.S.A. 55-155, K.S.A. 55-162, and K.S.A. 55-164.

9. Operator has violated K.A.R. 82-3-120 by conducting oil and gas operations on wells that were not listed under its license in violation of K.A.R. 82-3-120, resulting in unlawful production under K.A.R. 82-3-133.

THEREFORE, THE COMMISSION ORDERS:

A. Operator shall pay a \$10,000 penalty.

B. Operator 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, to the Commission at 266 N. Main St., Suite 220, Wichita, Kansas 67202, within 30 days from the date of service of this Order. A request for hearing must comply with K.A.R. 82-1-219.

C. Failure to timely request a hearing will result in a waiver of Operator's right to a hearing. If no party timely requests a hearing, then this Order shall become final. If Operator is not in compliance with this Order and the Order is final, then Operator's license shall be suspended without further notice and shall remain suspended until Operator complies. The notice and opportunity for a hearing on this Order shall constitute the notice required by K.S.A. 77-512 regarding license suspension. A party may petition for reconsideration of a final order pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).

D. Credit card payments may be made by calling the Conservation Division at 316-337-6200. 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. Payments must reference the docket number of this proceeding.

BY THE COMMISSION, IT IS SO ORDERED.

Duffy, Chair; Keen, Commissioner; French, Commissioner

Dated: 08/01/2023

Lynn M. Retz

Lynn M. Retz
Executive Director

Mailed Date: 08/01/2023

KAM

MESTAUGH Lease

Lease: MESTAUGH
Operator: KLMKH Inc
Location: NE SW SE T10S, R20E, Sec. 18
Cumulative Production: 28778.82 barrels (from 1988 to 2023)
KS Dept. of Revenue Lease Code: 128152
KS Dept. of Revenue Lease Name: MESTAUGH

[View T1 PDF \(from KCC\)](#)

[View T1 PDF \(from KCC\)](#)

Field: [Mclouth South](#)

County: Jefferson

Producing Zone:

Well Data (may be an incomplete list):

[T10S R20E, Sec. 18, SE NW SE](#)

Lease: MESTAUGH 2

Operator: N. R. HAMM CONTRACTOR, INC.

Current Operator: Crypto Colo Center Corp

API Number: 15-087-20361

Data are received monthly from the Kansas Department of Revenue.

Annual Oil Production, (bbls)

Year	Production	Wells
Production Plots		
1988	2,753	1
1989	1,626	1
1990	739	1
1991	680	1
1992	533	1
1993	669	1
1994	292	1
1995	347	1
1996	449	-
1997	676	1
1998	698	1
1999	873	1
2000	719	1
2001	637	1

Recent Monthly Oil Production, (bbls)

(Complete production available in file saved using blue button at top of page.)

Year	Month	Production	Wells	Reporter or Purchaser/ Reporting Customer
2014	1	36.3	1	KELLY L. MACLASKEY OIL (100%)
2014	2	56.76	1	KELLY L. MACLASKEY OIL (100%)
2014	3	38.05	1	KELLY L. MACLASKEY OIL (100%)
2014	4	67.11	1	KELLY L. MACLASKEY OIL (100%)
2014	5	38.3	1	KELLY L. MACLASKEY OIL (100%)
2014	6	37.09	1	KELLY L. MACLASKEY OIL (100%)
2014	7	39.66	1	KELLY L. MACLASKEY OIL (100%)
2014	8	38.81	1	KELLY L. MACLASKEY OIL (100%)
2014	9	38.42	1	KELLY L. MACLASKEY OIL (100%)

2002	1,018	1
2003	687	1
2004	714	1
2005	1,356	1
2006	1,358	1
2007	679	1
2008	1,422	1
2009	2,477	1
2010	1,350	1
2011	980	1
2012	1,208	1
2013	970	1
2014	502	1
2015	343	1
2016	199	1
2017	367	1
2018	341	1
2019	339	1
2020	316	1
2021	154	1
2022	-	-
2023	307	1

Reported through 2-2023.

Note: bbls is barrels; mcf is 1000 cubic feet.

2014	10	37.37	1	KELLY L. MACLASKEY OIL (100%)
2014	11	37.38	1	KELLY L. MACLASKEY OIL (100%)
2014	12	36.77	1	KELLY L. MACLASKEY OIL (100%)
2015	1	38.49	1	KELLY L. MACLASKEY OIL (100%)
2015	2	27.46	1	KELLY L. MACLASKEY OIL (100%)
2015	3	38.7	1	KELLY L. MACLASKEY OIL (100%)
2015	4	37.42	1	KELLY L. MACLASKEY OIL (100%)
2015	5	40.01	1	KELLY L. MACLASKEY OIL (100%)
2015	6	25.05	1	KELLY L. MACLASKEY OIL (100%)
2015	7	26.55	1	KELLY L. MACLASKEY OIL (100%)
2015	8	27.14	1	KELLY L. MACLASKEY OIL (100%)
2015	9	19.89	1	KELLY L. MACLASKEY OIL (100%)
2015	10	16.02	1	KELLY L. MACLASKEY OIL (100%)
2015	11	22.16	1	KELLY L. MACLASKEY OIL (100%)
2015	12	24.42	1	KELLY L. MACLASKEY OIL (100%)
2016	3	36.82	1	KELLY L. MACLASKEY OIL (100%)
2016	4	25.99	1	KELLY L. MACLASKEY OIL (100%)
2016	5	25.43	1	KELLY L. MACLASKEY OIL (100%)
2016	6	19.51	1	KELLY L. MACLASKEY OIL (100%)
2016	7	26.07	1	KELLY L. MACLASKEY OIL (100%)
2016	8	13.99	1	KELLY L. MACLASKEY OIL (100%)
2016	11	51.43	1	KELLY L. MACLASKEY OIL (100%)
2017	4	36.9	1	KELLY L. MACLASKEY OIL (100%)

2017	5	70.42	1	Shell Trading US Co (100%)
2017	7	36.46	1	Shell Trading US Co (100%)
2017	8	37.6	1	Shell Trading US Co (100%)
2017	9	38.47	1	Shell Trading US Co (100%)
2017	10	72.76	1	KELLY L. MACLASKEY OIL (100%)
2017	11	36.77	1	KELLY L. MACLASKEY OIL (100%)
2017	12	37.49	1	KELLY L. MACLASKEY OIL (100%)
2018	3	20.62	1	KELLY L. MACLASKEY OIL (100%)
2018	5	36.42	1	KELLY L. MACLASKEY OIL (100%)
2018	6	50.45	1	KELLY L. MACLASKEY OIL (100%)
2018	7	36.11	1	KELLY L. MACLASKEY OIL (100%)
2018	8	38.85	1	KELLY L. MACLASKEY OIL (100%)
2018	9	52.86	1	KELLY L. MACLASKEY OIL (100%)
2018	10	38.4	1	KELLY L. MACLASKEY OIL (100%)
2018	11	12.81	1	KELLY L. MACLASKEY OIL (100%)
2018	12	54.74	1	KELLY L. MACLASKEY OIL (100%)
2019	1	17.93	1	KELLY L. MACLASKEY OIL (100%)
2019	2	26.69	1	KELLY L. MACLASKEY OIL (100%)
2019	3	38.01	1	KELLY L. MACLASKEY OIL (100%)
2019	4	34.65	1	KELLY L. MACLASKEY OIL (100%)
2019	5	39.05	1	KELLY L. MACLASKEY OIL (100%)
2019	6	16.35	1	KELLY L. MACLASKEY OIL (100%)
2019	7	30.15	1	KELLY L. MACLASKEY OIL (100%)
2019	8	24.65	1	KELLY L. MACLASKEY OIL (100%)
2019	10	37.69	1	KELLY L. MACLASKEY OIL (100%)

2019	11	36.16	1	KELLY L. MACLASKEY OIL (100%)
2019	12	38.09	1	KELLY L. MACLASKEY OIL (100%)
2020	1	39.88	1	KELLY L. MACLASKEY OIL (100%)
2020	2	17.1	1	KELLY L. MACLASKEY OIL (100%)
2020	3	38.13	1	KELLY L. MACLASKEY OIL (100%)
2020	5	22.61	1	KELLY L. MACLASKEY OIL (100%)
2020	6	27.51	1	KELLY L. MACLASKEY OIL (100%)
2020	7	36	1	KELLY L. MACLASKEY OIL (100%)
2020	8	36.98	1	KELLY L. MACLASKEY OIL (100%)
2020	9	36.67	1	KELLY L. MACLASKEY OIL (100%)
2020	10	20.93	1	KELLY L. MACLASKEY OIL (100%)
2020	11	40.38	1	KELLY L. MACLASKEY OIL (100%)
2021	4	32.58	1	KELLY L. MACLASKEY OIL (100%)
2021	5	32.9	1	KELLY L. MACLASKEY OIL (100%)
2021	6	21.53	1	KELLY L. MACLASKEY OIL (100%)
2021	7	14.07	1	KELLY L. MACLASKEY OIL (100%)
2021	8	42.3	1	KELLY L. MACLASKEY OIL (100%)
2021	12	10.19	1	KELLY L. MACLASKEY OIL (100%)
2023	1	66.03	1	Coffeyville Resources Refining & Marketing (100%)
2023	2	241.43	1	CVR SUPPLY & TRADING (100%)

Pre-1987 cumulative data and monthly volume data is provided under license agreement to the KGS by IHS Energy. As such, it may be reviewed and used for public service and research purposes. It may not be downloaded or used for purposes of re-packaging, reselling or dissemination to third parties.

Kansas Geological Survey
Comments to webadmin@kgs.ku.edu
URL=<http://www.kgs.ku.edu/Magellan/Field/lease.html>
Programs Updated May 27, 2014
Data from Kansas Dept. of Revenue files monthly.

CERTIFICATE OF SERVICE

24-CONS-3024-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 08/01/2023.

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/S/ KCC Docket Room

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