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August 14, 2019

ATTN: Legal
KANSAS CORPORATION COMMISSION
266 N. Main Street, Suite 220
Wichita, Kansas 67202-1513

**Re: Exception to the 10-year time limitation of K.A.R. 82-3-111
Tate-Unrein Unit 3
API #15-093-21205-00-00
Kearny County, Kansas**

To Whom It May Concern:

Enclosed, you will find a copy of the application that Scout Energy Management LLC (34832) has filed for an exception to the 10-year time limitation of K.A.R. 82-3-111 for the Tate-Unrein Unit 3 well, located in the Southwest/4 of Section 5, T26S, R35W of Kearny County, Kansas.

If you have any questions or need any additional information, feel free contact the me by phone at (972) 590-6353 or by email at ssequera@scoutep.com.

Thanks!

Sharon Sequera
Regulatory Analyst

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the matter of the Application of Scout Energy) Management LLC for an exception to the 10-) year time limitation of K.A.R. 82-3-111 for) its Tate-Unrein Unit 3 well located) in the SW/4 of Section 5, Township 26 South,) Range 35 West, Kearny County, Kansas.)	Docket No. 20-CONS-3056-CEXC CONSERVATION DIVISION License No.: 34832
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APPLICATION

COMES NOW, Scout Energy Management LLC (“Applicant”) in support of its Application in the captioned matter and states as follows:

1. Applicant is a Limited Liability Corporation authorized to do business in the State of Kansas. Applicant’s address is 4901 LBJ Freeway Suite 300, Dallas, Texas 75244.
2. Applicant has been issued by the Kansas Corporation Commission Operator’s License 34832, which expires on December 30, 2019.
3. Applicant is the owner and operator of the Tate-Unrein Unit 3 well, 15-093-21205-00-00 (“the subject well”), which is located in the Southwest Quarter of the Northeast Quarter of the Southwest Quarter of Section 5, Township 26 South, Range 35 West, Kearny County, Kansas. The subject well is located on an active oil and gas lease or unit comprising the following lands:
 - All of Section 5, Township 26 South, Range 35 West, Kearny County, Kansas, containing 868.88 acres, more or less (“leased premises”).
4. Pursuant to K.A.R. 82-3-111, the well was shut in, or Applicant obtained temporary abandonment status, for the subject well on May 4, 2010. The subject well has maintained such status from May 4, 2010, to the present date.
5. On or about May 29, 2019, the Kansas Corporation Commission notified Applicant, temporary abandonment status for the subject well would be denied from and after July 12, 2019, because subject well had been temporarily abandoned for more than ten (10) years.

6. K.A.R. 82-3-111 imposes a 10-year limitation on the amount of time during which wells may be temporarily abandoned, but an exception to the 10-year limitation may be obtained pursuant to said regulation through an Application filed with the Commission pursuant to K.A.R.

82-3-100. Applicant seeks such an exception.

7. On June 13, 2019, the subject well passed a Commission Staff-witnessed mechanical integrity test of the casing between the surface and a point within fifty (50) feet above the uppermost perforation or open hole in the well.

8. Applicant wishes to continue TA status for the subject well, because Applicant intends to use the well for the following purpose:

- Complete lower zones (Council Grove - primary target) when economic at a higher commodity price

9. Applicant submits the following information regarding the well in support of the Application:

a. Estimate the total reserves the well could reasonably produce and a reasonable projection of the daily rate of recovery.

- Estimated recovery is 426 MMSCF at 28 MCFD average.

b. List new zones from which you intend to attempt production.

- Based on offset production, Council Grove with perforations at 2,480' - 2,704' (Figure 1).

c. Attach exhibits supporting the intended use for the well. Examples may include log analyses, reservoir studies and decline curve analyses.

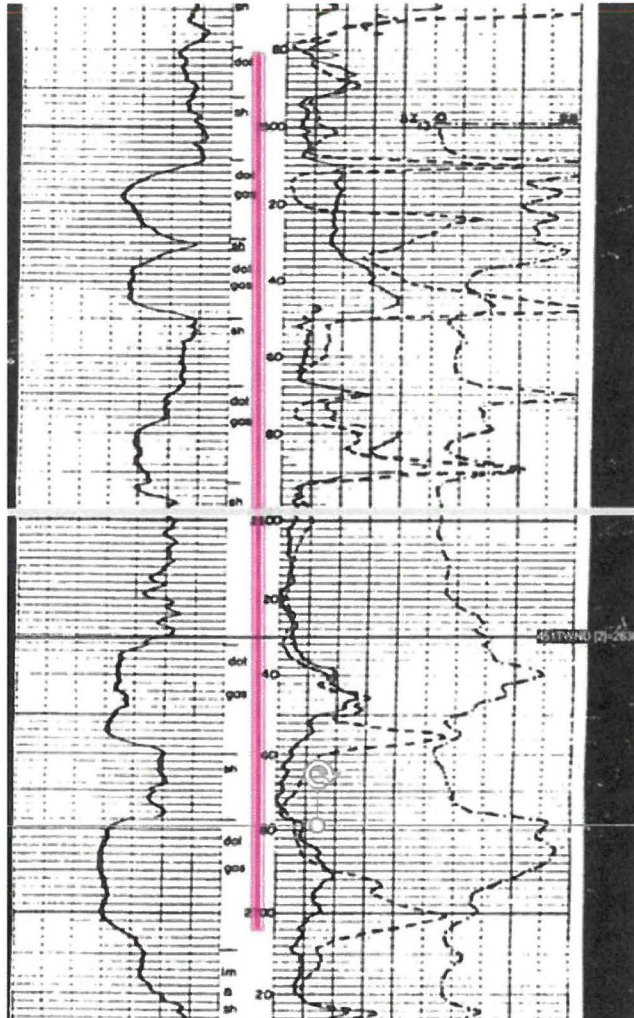


Figure 1. Council Grove Offset Potential

Potential Council Grove Zone:

d. Include any history on other wells in the area supporting the intended use for the well (Figure 2).

- The Tate-Unrein Unit 1 is producing out of the Chase formation. Cumulative production is 6,135 MMCF with an average daily production of 140 MCFD.
- The Tate-Unrein Unit 2 is producing out of the Council Grove formation. Cumulative production is 1,296 MMCF with an average daily production of 62 MCFD.

- The Tate-Unrein Unit 4 is producing out of the Chase formation. Cumulative production is 716 MMCF with an average daily production of 53 MCFD. This well has produced significantly less than the Tate-Unrein Unit 1. Because the Tate-Unrein Unit 3 and the Tate-Unrein Unit 4 are producing from the same Chase formation so closely together, this adds economic risk and is not attractive for optimal production.
- The Fletcher 1-5 was intended to produce from the lower Morrow formation (5,300'), but was a dry hole. It was drilled and abandoned in March 1989.

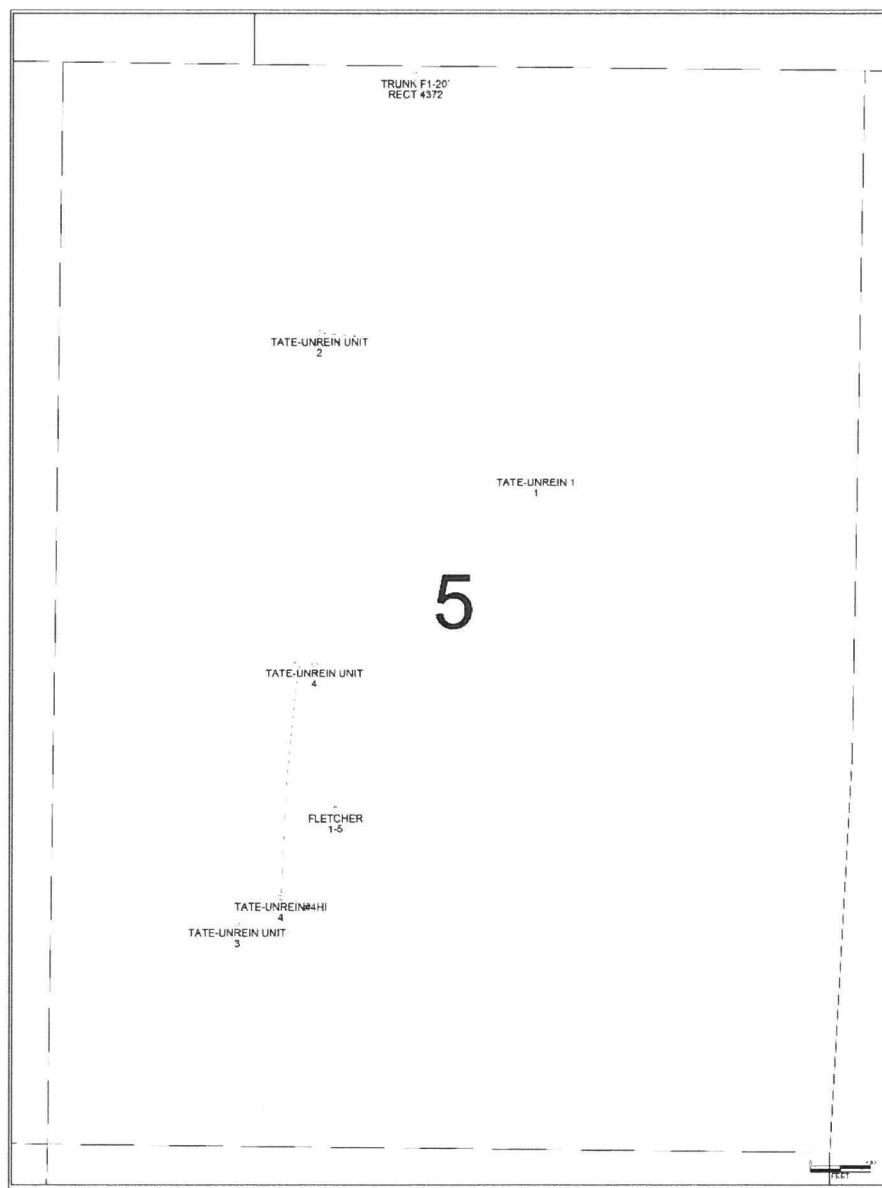


Figure 2. Historical Wells Plat

e. Estimate the costs that will be reasonably incurred in preparing the well for the intended purpose.

- The cost to recompleting the well in the zones indicated above would be approximately \$160,000.

f. Estimate the cost to drill a new well for your stated purpose, or of recompleting an existing well for the intended purpose.

- If the well were to be plugged and abandoned, to establish a new well in place of the Tate-Unrein Unit 3 would cost an estimated \$475,000 based on current prices to drill and complete a well in the Council Grove group or Chase formation.

g. State whether you have approval for expenditure ("AFE") for all costs to be incurred in preparing the well for the intended purpose.

- Currently, no AFE has been prepared for the above stated work. It is believed that a higher commodity price is required to make the work economically feasible.

h. State whether you intend to apply for a unit as part of the plan for the well. State whether a unit Application has been prepared, filed, or granted.

- This well is not intended to be a part of a unit.

i. State whether you intend to apply for an Underground Injection Control ("UIC") permit as part of the plan for the well. State whether a UIC permit Application has been prepared, filed, or granted.

- Scout does not intend to apply for a UIC permit.

j. If the intended use is for a disposal well, indicate the estimated cost of using an alternative disposal well or hauling water, if this well was not available for a disposal well.

- Estimated costs for an alternative disposal have not been considered. This well is not intended to be used as a disposal well.

k. If the intended use is for an enhanced oil recovery project, describe the project in detail.

- This well is not intended to be used in an EOR project.

1. State whether the well is economic to produce at current commodity prices.

Attach supporting exhibits regarding the economics of the well. If the well is not economic at this time, state the estimated commodity price at which the well would become economic to produce, and provide the lifting cost, in dollars per barrel, to produce wells on lease. If the price stated has previously been attained in the market, state whether the well was operated at that time, and if not, explain.

- The estimated IP from the zones to complete is not sufficient to justify the expense at current commodity prices. Using our gas type curve for recompletes – spending \$120,000 to open up and recomplete the Chase zone – with an IP of 75 MCFD, we get the below results which do not reach our internal economic hurdles. This is run at a gas price of \$2.50/MCF. This project would require \$3.60/MCF to become economic with our current lifting costs of \$.0382/MCF.

Perfs :	Gas	Abandonment Date :	11/01/2051	Present Worth Profile (M\$)		
Initial Rate :	0 - 0	Working Int :	0.78013100	PW	5.00% :	30.14
Abandonment :	2,281.25 Mcf/month	Revenue Int :	0.69940070	PW	9.00% :	4.09
Initial Decline :	343.86 Mcf/month	Disc. Initial Invest. (M\$) :	93.616	PW	10.00% :	-0.81
Beg Ratio :	5.60 % year b = 0.000	ROI Investment (disc/undisc) :	0.99 / 1.95	PW	12.00% :	-9.25
End Ratio :	0.000 bbl/Mcf	Years to Payout :	7.64	PW	15.00% :	-19.30
		Internal ROR (%) :	9.83	PW	20.00% :	-31.39

m. State your reasonable estimate of the cost to install a pipeline, tank battery, or any other facilities which would be reasonably necessary to return the well to service.

- The Tate-Unrein Unit 3 never produced out of the Chase formation. It was drilled as an observation well. Therefore, a line would have to be run, a plug drilled out, and a fracture stimulation completed. Estimated cost would be \$120,000.

Explain thoroughly any continuing legal or lease issues concerning the well that prevent the well from being put into service.

- There are no legal or lease issues preventing this well from production.
- n. State the reasonable estimate of the cost to plug the subject well. State the reasonable estimate of what it would cost to plug all of the wells on the lease.
- If we were forced to plug the well, it would cost an estimated \$18,000 to do so. This is based off of current plugging costs encountered after plugging wells recently.
- o. If seismic will be required before the well will be returned to service, explain details of seismic plan.
- No seismic needs to be acquired.
- p. Explain any alternative plans required if the exception is not approved.
- If the exception is not approved, Scout has no additional plans for this well and will be forced to plug the well.

10. Applicant has included a plat map showing the locations of all producing, injection, temporarily abandoned, abandoned, and plugged wells located on the same leased premises as the subject well (Figure 3).

11. Based on the foregoing, Applicant requests the Commission grant an exception to the 10-year limitation, specifically to allow the subject well to remain eligible for temporary abandonment status for three (3) years following the expiration of the 10-year limitation. Applicant understands that the exception would be valid for three (3) years, but Applicant would still need to apply annually to the Conservation Division District Office for approval of an application for temporary abandonment status.

12. Listed in the attached Exhibit "A" are the names and addresses of the following persons:

- A. Each operator of each oil and gas lease covering lands within one-half (1/2) mile radius of the subject well; and

B. Each person who owns any mineral interest of record in and under any lands located within one-half (1/2) mile radius of subject well (provided that such mineral interest is not covered by any oil and gas lease).

13. Notice of this Application will be published pursuant to K.A.R. 82-3-135a. In addition, notice of the hearing to be held in this matter will be provided as prescribed by K.A.R. 82-3-135.

WHEREFORE, Applicant prays that this matter be granted administratively without a hearing, or in the alternative be set for hearing, and upon hearing that the Commission grant Applicant's request, for an exception to the K.A.R. 82-3-111 ten (10) year limitation, to allow the subject well to remain temporarily abandoned for three (3) years, subject to annual approval by the Conservation Division District Office of an application for temporary abandonment status.

Respectfully Submitted,

Scout Energy Management LLC

4901 LBJ Freeway Suite 300

Dallas, TX 75244

(972) 277-1397 (Main #)

(214) 292-9558 (Fax #)

A handwritten signature in black ink, appearing to read 'Sharon Sequera', with a stylized, cursive script.

Sharon Sequera

CERTIFICATE OF SERVICE

I hereby certify on this 14th day of August, 2019, true and correct copies of the above and foregoing Application and the Notice of Application were served by depositing copies of the same in the United States Mail, postage prepaid, and properly addressed to the landowner/s set forth in paragraph 12 of said Application and each party set forth in Exhibit "A" attached to said Application filed by Applicant, and filed with the Kansas Corporation Commission using eFiling Express.


Sharon Sequera

Tate-Unrein Unit 3

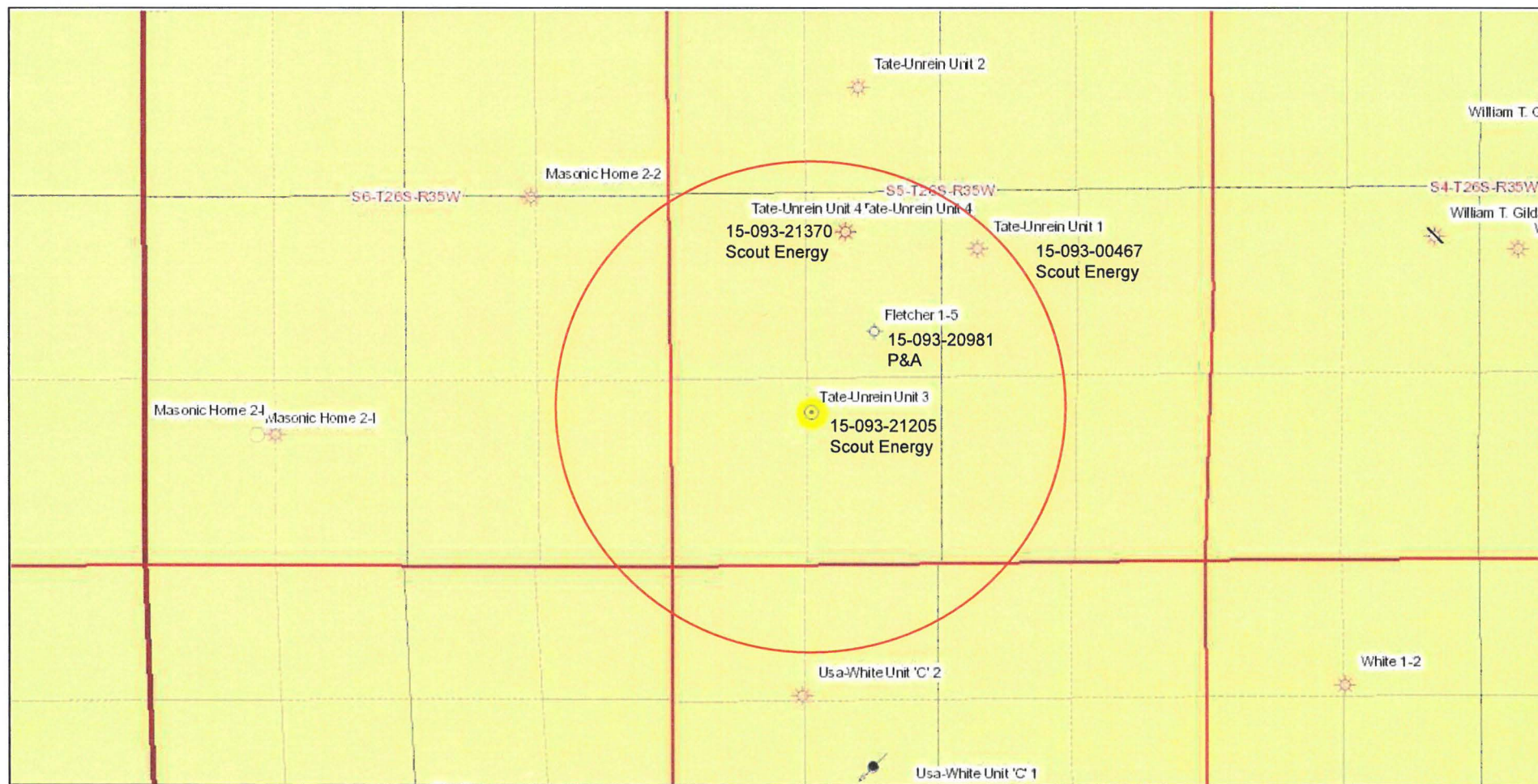
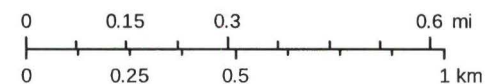


Figure 3. 1/2 mile radius map of wells on same leased premises

June 19, 2019



Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri

Kansas Geological Survey
<http://maps.kgs.ku.edu/oilgas>

EXHIBIT "A"

SURROUNDING OPERATOR(S)

	Name		Street	City	State	Zip
	N/A					

MINERAL OWNERSHIP

Owner #	Name		Street	City	State	Zip
13938	LELAND STANFORD JUNIOR UNIVERSITY		P O BOX 840738	DALLAS	TX	75284-0738
20877	MAP 92-96 MGD		P O BOX 268984	OKLAHOMA CTIY	OK	73126-8984
20916	LORETTA J BOWMAN		P O BOX 5049	TOPEKA	KS	66605
20922	MICHAEL J UNREIN		4112 STONEYLAKE DR	TOPEKA	KS	66610
20923	PATRICK J UNREIN TRUST		6760 SW DANCATER RD	TOPEKA	KS	66610
20982	ARJO PROPERTIES, LTD		P O BOX 4827	HORSESHOE BAY	TX	78657-4827
21004	ARKOMA BASIN MINERALS, INC		203 EAST INTERSTATE 30	ROCKWALL	TX	75087
21049	STEPHEN M MCCORMICK FAMILY TRUST		P O BOX 406	SOUTHFORK	CO	81154
21054	BAT MINERALS LLC		P O BOX 69	LAKIN	KS	67860
21055	GHT MINERALS LLC		1325 HINEMAN DRIVE	GARDEN CITY	KS	67846
21056	TATE FAMILY TRUST		P O BOX 69	LAKIN	KS	67860
21085	CLARKSONS GROUP		12225 GREENVILLE AVE STE 950	DALLAS	TX	75234-9362
21235	NORDLING FAMILY LLC		209 E SIXTH ST	HUGOTON	KS	67951
21323	LARRY AKIN		1852 N 1100 RD	LAWRENCE	KS	66046
21324	LINDA A RENNER		3223 E FIRST ST	LONG BEACH	CA	90800-2605
21346	CAROL D MANLEY		1816 HILLSIDE STREET	WEST DES MOINES	IA	50265
23138	SCOUT ENERGY GROUP III, LP		4901 LBJ FWY SUITE 400	DALLAS	TX	75244
25534	J MARC COTTRELL TRUST		PO BOX 679	GARDEN CITY	KS	67846-0679
25708	HUGOTON III PARTNERSHIP		C/O JP MORGAN CHASE P O DRAWER 9908	FORT WORTH	TX	76102
25709	DAVID A CARLSON , FAMILY TRUST		PO BOX 441	NEWBERRY	SC	29108-0441
23138	SCOUT ENERGY GROUP III, LP		4901 LBJ FWY SUITE 400	DALLAS	TX	75244
26243	J J WEBER		1103 BRAMBLE BUSH DR	HUTCHINSON	KS	67502
26398	JANET LEE COLE		5986 CANYON RESERVE HEIGHTS	COLORADO SPRINGS	CO	80919
26439	JULIE D FALEN		1737 N ORANGE DR # 5	LOS ANGELES	CA	90028
26653	BARBARA TREMBLE MOLINARO		22821 HOLMES RD	CLEVELAND	MO	64734
26733	VIRGINIA ANN SCANLAND JONE		1060 MCKENZIE RD	LAKE HELEN	FL	32744-2012
26898	JOLENE BLACKBURN WAHLGREN		16 HELIN RD	HOPEWELL JUNCTION	NY	12533-5701
23138	SCOUT ENERGY GROUP III, LP		4901 LBJ FWY SUITE 400	DALLAS	TX	75244
27137	F T FLETCHER TR ET AL		PO BOX 126	LAKIN	KS	67860-0126
27306	JAMES W FALEN LIV TR		209 SHADY LN	BOLINGBROOK	IL	60440
27395	SUSAN ANN MILLS		PO BOX 402	BOLINAS	CA	94924-0402

28200	DIANE ELIZABETH CARLSON		7631 LA AVENIDA DR	DALLAS	TX	75248
28703	DAVID NEVIN TREMBLE		163 WATER ST	PRAIRIE DU SAC	WI	53578
28967	NANCY TREMBLE MITCHAM		# 6 FOXCROFT VILLIAGE DR	LITTLE ROCK	AR	72227
29095	JEANNE SCANLAND		6500 QUEENSBURY LN	HIXON	TN	37343-2557
29315	MICHAELA J MILLER		7601 CANTERBURY ST	PRAIRIE VILLAGE	KS	66208-3942
29600	MARTHA ANN BLOOD		14805 MELROSE	OVERLAND PARK	KS	66221
29925	MARYL F WESOLOWSKI		545 PHILLIPS AVE	GLEN ELLYN	IL	60137
30532	GREGORY FALEN		12931 W 116TH ST	OVERLAND PARK	KS	66210-1328
31142	J KIRK COTTRELL TRUST		1716 MAIN ST A-337	LONGMONT	CO	80501
31747	JO ANN R COLE REV TR		PO BOX 913	HUTCHINSON	KS	67504-0913
5987	CHESAPEAKE EXPLORATION LLC		P O BOX 203892	DALLAS	TX	75320-3892
20880	J B STODDARD ESTATE		4145 TRAVIS ST, SUITE 101	DALLAS	TX	75204-7541
21078	J & J HEUTEL JT		P O BOX 12254	DALLAS	TX	75225-0254
25280	HEIDI HEUTEL BOHN		6 LANDMARK	NORTHFIELD	IL	60093-3452
31828	MARTHA W CARGILL		4242 LOMO ALTO DR APT 25E	DALLAS	TX	75219
23138	SCOUT ENERGY GROUP III, LP		4901 LBJ FWY SUITE 400	DALLAS	TX	75244