

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

In the Matter of the Application of Merit Energy Company, LLC for an Order granting an Exception to the Pit Closure Requirements of K.A.R. 82-3-602 for its North Reeve #1-11 drilling pit located in the SW/4 of Section 11, Township 25 South, Range 33 West, Finney County, Kansas.) Docket No. 24-CONS-3282-CEXC
) CONSERVATION DIVISION
) License No. 32446

APPLICATION FOR EXCEPTION

Merit Energy Company, LLC (“Merit”) submits this Application for Exception (“Application”) seeking an exception pursuant to K.A.R. 82-3-100(b) to the time period to close its drilling pit for the North Reeve #1-11 well. In support of its Application, Merit alleges and states:

1. Merit is a Delaware limited liability company, duly authorized by and in good standing with the Kansas Secretary of State’s office to do business in Kansas. Merit has a mailing address of 13727 Noel Road, Suite 1200, Dallas, Texas, 75240.

2. The Commission has issued Merit oil and gas operator’s License No. 32446, which license is in full force and effect through May 30, 2024.

3. In connection with the drilling of its North Reeve #1-11 oil well, API No. 15-055-22546-0100, the Commission issued Merit a permit for a drilling pit.

4. K.A.R. 82-3-602(a)(1)(A) requires drilling pits to be closed within 365 days after the spud date of the well. K.A.R. 82-3-602(a)(2) provides that the Director may grant an extension to the deadline to close a drilling pit due to pit conditions or for other good cause shown, provided that a pit permit extension shall not extend beyond six months after the original deadline date.

5. The North Reeve #1-11 well was spudded on September 29, 2022, as such the original deadline date to close the drilling pit was September 29, 2023. The Director granted two

three-month extensions to close the drilling pit pursuant to his authority under K.A.R. 82-3-602, which extensions expired March 27, 2024. On February 19, 2024, Merit submitted a Notice of Intent to Drill the North Reeve #2-11 well, API No. 15-055-22607-0100, and an associated Application for Surface Pit. For the reasons more particularly described below, Merit desires to utilize the drilling pit for the #1-11 well as the drilling pit for the #2-11 well. On March 13, 2024—two weeks prior to the expiration of the deadline to close the drilling pit for the #1-11 well—Merit sought approval from the Director to utilize the drilling pit for the #1-11 well as the drilling pit for the #2-11 well, which would negate the need to close the drilling pit for the #1-11 only to re-open it in the exact same location for the drilling of the #2-11 well. The Director advised that an exception would need to be obtained to do so and provided an April 10, 2024 deadline date to submit an application seeking an exception. This Application is the application recommended by the Director.

4. The following information provides the background as to why an exception to the pit closure deadlines is necessary. The United States of America (“USA”) owns an undivided one-half interest in the minerals underlying the lands where the #2-11 well will be drilled (NW/4 of Section 11-T25S-R33W). The Bureau of Land Management (“BLM”) is the permitting agent for the USA. In addition to obtaining permission to drill from the Commission, Merit is also required to obtain a drilling permit from the BLM before it may drill the #2-11 well. Merit’s application to drill the #2-11 well has been pending with the BLM since May of 2023. As a condition to drilling the #2-11 well, the BLM has required that the drilling pit be constructed to the specifications set forth in 43 CFR 3170, *et seq.* These specifications include the following requirements:

- (i) installation of an impermeable pit liner of certain minimum thickness and maximum permeability,

- (ii) drilling pit to be constructed at least 50% below ground level, and
- (iii) drilling pit to be constructed with a minimum of 2' of freeboard above the maximum amount of waste that could be placed in the pit.

In essence, the BLM requires a deeper and larger pit than required by the Commission, that must also be lined.

5. Rather than close the drilling pit for the #1-11 well and construct a new pit for the #2-11 well, Merit desires to simply deepen and widen the drilling pit for the #1-11 well to meet required BLM specifications so that it may be used as the drilling pit for the #2-11 well. Proceeding in this manner will prevent waste. Specifically, disturbance to the surface of the land will be significantly reduced because the operations associated with merely deepening an existing pit are far less burdensome than the operations to close a pit and to reconstruct a new pit. Because the scope of operations will be significantly reduced, utilizing the same pit will also prevent the waste of economic resources.

6. Unfortunately, Merit does not anticipate receiving a drilling permit from the BLM until after April 15, 2024. That time table extends into the Lesser-Prairie Chicken breeding season, which will prevent from drilling the #2-11 for an extended period of time and beyond the term of Merit's current drilling rig contract. As such, Merit anticipates spudding the #2-11 well in January 2025, as its first well in its 2025 drilling program.

7. In order to utilize the #1-11 drilling pit as the drilling pit for the #2-11 well, Merit requests an extension to the deadline to close the drilling pit for the #1-11 well to January 31, 2025. Prior to that time the #1-11 drilling pit will be reconstructed so that it can be used as the drilling pit for the #2-11 well, effectively closing the drilling pit for the #1-11 well. When reconstruction

commences, Merit will submit all required pit closure forms for the #1-11 drilling pit and reference this docket as authority for converting the #1-11 drilling pit to the drilling pit for the #2-11 well.

8. K.A.R. 82-3-100(b) provides that the Commission may grant an exception to any of its regulations, after considering whether such exception will prevent waste, protect correlative rights, and prevent pollution. In this case, granting the requested exception will prevent waste for the reasons above set forth.


9. Attached as Exhibit A is a list of all operators or lessees and unleased mineral owners of record within one-half mile of the #1-11 and #2-11 wells and the drilling pit at issue, and the landowner of the land upon which said wells and pit are situated, whose names and addresses Merit has been able to determine after reasonable search and inquiry. Notice of this Application is being provided to all persons identified on Exhibit A, and will be published in the *Wichita Eagle* and the *Garden City Telegram*, the official newspaper for Finney County, Kansas. A true and correct copy of the Notice of Application to be published is enclosed herewith. Each publisher's affidavit will be provided to the Commission upon Merit's receipt from the publisher. As such, notice of this Application will be compliant with K.A.R. 82-3-135a, and be lawful and proper in all respects.

WHEREFORE, Merit prays that the Commission docket this Application and, if no written protest is received within 30 days after Notice of the Application is published and has been duly provided to all interested parties, administratively grant this Application and issue an order providing an exception to the deadline to close the drilling pit for the #1-11 well as more particularly set forth above. In the event a timely and proper protest is filed, Merit requests that the Commission set this Application for hearing, and upon such hearing grant the requested order and make such other provisions as it deems necessary and proper.

Respectfully submitted,

MORRIS LAING LAW FIRM

By: _____



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Attorneys for Merit Energy Company, LLC

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

Jonathan A. Schlatter, of lawful age and first duly sworn upon his oath, deposes and says:

That he is the attorney for Merit Energy Company, LLC; he has read the above and forgoing Application and is familiar with its contents, and that the statements made therein are true and correct to the best of his knowledge and belief.


Jonathan A. Schlatter

SIGNED AND SWORN to before me this 10th day of April, 2024.

My Appointment expires: 11/05/2024

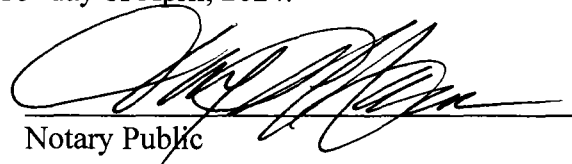

Notary Public



Exhibit A

Offset Operators/Lessees and Unleased Mineral Owners

Scout Energy Management, LLC
4901 LBJ Freeway, Suite 300
Dallas, TX 75244

Reeve Cattle Company, Inc.
P.O. Box 1036
Garden City, KS 67846

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

In the Matter of the Application of Merit Energy)	Docket No. 24-CONS-3282-CEXC
Company, LLC for an Order granting an)	
Exception to the Pit Closure Requirements)	CONSERVATION DIVISION
of K.A.R. 82-3-602 for its North Reeve #1-11)	
drilling pit located in the SW/4 of Section 11,)	License No. 32446
Township 25 South, Range 33 West, Finney)	
County, Kansas.)	

NOTICE OF APPLICATION

TO ALL: OIL AND GAS OPERATORS, PRODUCERS AND LESSEES, OIL AND GAS LESSORS AND ROYALTY OWNERS, UNLEASED AND OFFSETTING MINERAL INTEREST OWNERS, LANDOWNERS, AND ALL OTHER PERSONS CONCERNED:

You are hereby notified that Merit Energy Company, LLC has filed an application with the Kansas Corporation Commission ("Commission") requesting an exception to the time period to close the drilling pit for its North Reeve #1-11 well located in the Southwest Quarter (SW/4) of Section 11, Township 25 South, Range 33 West, Finney County, Kansas.


The application is pending with the Commission. Any persons who object or protest to such application shall be required to file their objections or protests in writing with the Commission within 30 days from the date of this publication. If a written protest is not timely filed, the application may be determined administratively by the Commission and may thereby be granted without hearing or further notice to any interested party. All objections and protests shall clearly state the reasons why granting the application will violate correlative rights, cause waste or pollution. Objections or protests shall be mailed to the Kansas Corporation Commission, Conservation Division, 266 N. Main St., Ste. 220, Wichita, KS 67202, with a copy to applicant's attorneys listed below.

All parties in any way interested or concerned shall take notice of the foregoing and govern themselves accordingly.

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Attorneys for Merit Energy Company, LLC

CERTIFICATE OF SERVICE

I, Jonathan A. Schlatter, hereby certify that on this 10th day of April, 2024, I caused the original of the foregoing **Application** with its attached **Exhibit A**, and the **Notice of Application** to be electronically filed with the Conservation Division of the State Corporation Commission of the State of Kansas, and caused true and correct copies of the same to be deposited in the United States Mail, first class, postage prepaid, and properly addressed to the parties listed on Exhibit A to the Application.


Jonathan A. Schlatter