

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

IN THE MATTER OF THE APPLICATION ) DOCKET NO. 21-CONS- 3143-CEXC  
OF MERIT ENERGY COMPANY, LLC, )  
FOR AN EXCEPTION TO THE 10-YEAR )  
TIME LIMITATION OF K.A.R. 82-3-111 ) CONSERVATION DIVISION  
FOR ITS SMITH W-2 WELL IN THE )  
SOUTHEAST QUARTER OF THE )  
NORTHEAST QUARTER OF SECTION ) LICENSE NO. 32446  
35, TOWNSHIP 28 SOUTH, RANGE 36 )  
WEST, GRANT COUNTY, KANSAS. )  
\_\_\_\_\_ )

**APPLICATION**

COMES NOW, Merit Energy Company (“Merit”), by and through its attorney, Stanford J. Smith, Jr., and in support of its Application in the above captioned matter states as follows:

1. Merit is authorized to do business in the State of Kansas, and has a street address of 13727 Noel Road, Suite 1200, Dallas, Texas, 75240.

2. The Kansas Corporation Commission has issued Merit operator’s license 32446, which expires on May 30, 2021.

3. Merit is the owner and operator of the Smith W-2 well, which is located in the Southeast Quarter of the Northeast Quarter of Section 35, Township 28 South, Range 36 West, Grant County, Kansas, API # 15-067-20389-00-00. The subject well is located on an active oil and gas lease or unit comprising the following lands:

Northeast Quarter of Section 35, Township 28 South, Range  
36 West, Grant County, Kansas.

4. The Smith W-2 was originally perforated in the Council Grove Formation but was shut-in due to uneconomic production.

5. Pursuant to K.A.R. 82-3-111, Merit sought and obtained temporary abandonment status for said well on or about August 9, 2010.

6. On or about December 1, 2020, the Kansas Corporation Commission notified Merit of the KCC's denial of renewal of temporary abandonment status for the well due to the limitation period of ten (10) years imposed by K.A.R. 82-3-111.

7. 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.

8. Merit wishes to continue temporary abandonment status for the subject well because Merit intends to return the well to production in the future due to its capital expenditure moratorium in 2020. With the uncertainty surrounding 2020, Merit decided to freeze all capital expenditures company-wide in March 2020 to preserve cashflow. Merit will have a limited capital budget in 2021, and the reactivation of the Smith W-2 will be considered in 2021. Whether the Smith W-2 reactivation occurs in 2021 or not will depend on how this project compares economically to Merit's other capital projects. The existing Council Grove Formation is the intended target with this reactivation. It is estimated that this well has the potential to initially produce 10 MCFD and has estimated remaining reserves of 81 MMCF. This is based on the Smith W-2's historical production.

9. A Commission Staff-witnessed mechanical integrity test of the casing between the surface and a point within fifty (50) feet above the uppermost perforations is pending.

10. There are three (3) wells on the lease including two (2) active wells and one (1) temporarily abandoned well. It would cost an estimated One Hundred Five Thousand Dollars (\$105,000.00) to plug this well and the remaining wells on the lease. A current production rate for the lease is: The Smith W-1 – 35 mcf and the Smith W-3 – 21 mcf. A basic estimation of remaining reserves and an explanation of the basis is: The Smith W-1 – 264,000 mcf (existing zone), the Smith W-2 – 81, 000 mcf (existing zone), and the Smith W-3 – 186,000 mcf (existing zone). In order to reactivate the Smith W-2 well, it would cost approximately Twenty Thousand Dollars (\$20,000.00) based on current prices. It would cost an estimate of Four Hundred Fifty Thousand Dollars (\$450,000.00) based on current prices to drill and complete a replacement well.

11. Merit has included a plat map, attached as Exhibit A, showing the locations of all producing, injection, temporarily abandoned, abandoned and plugged wells located on the same lease premises as the subject well.

12. Based on the foregoing, Merit requests the Commission grant an exception to the 10-year limitation, specifically to allow the Smith W-2 well to remain eligible for temporary abandonment status for three (3) years following the expiration of 10-year limitation. Merit understands that the exception would be valid for three (3) years, but Merit would still need to apply annually to the Conservation Division District Office for approval of an Application for temporary abandonment status.

13. Listed in attached Exhibit B 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 the subject well if unleased.

14. That the Applicant has sent by regular mail a copy of this Application and Notice of Pending Application to all persons listed on the attached Exhibit B.

15. Notice of this Application will be published pursuant to K.A.R. 82-3-135a.

16. WHEREFORE, Merit 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 Merit's request for an exception to the K.A.R. 82-3-111 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,

MARTIN, PRINGLE, OLIVER, WALLACE  
& BAUER, L.L.P.

By




Stanford J. Smith, Jr.  
645 East Douglas, Suite 100  
Wichita, KS 67202  
(316) 265-9311  
*Attorney for Merit Energy Company*

VERIFICATION

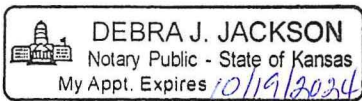
STATE OF KANSAS        )  
                                  ) ss:  
COUNTY OF SEDGWICK )


Stanford J. Smith, Jr., of lawful age, being first duly sworn, upon oath states:

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

  
\_\_\_\_\_  
Stanford J. Smith, Jr.

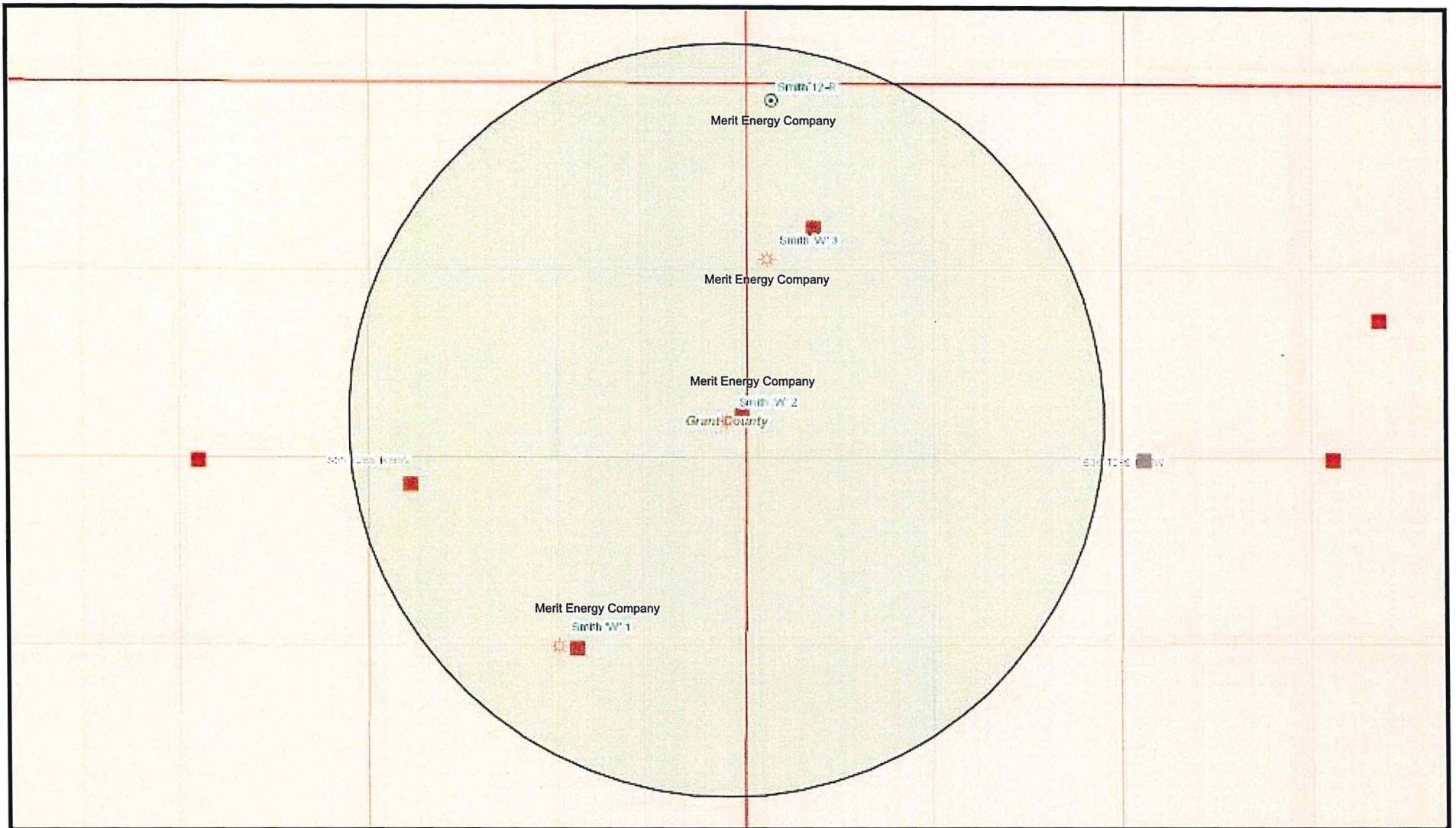
SUBSCRIBED AND SWORN to before me this 11th day of January, 2021.



  
\_\_\_\_\_  
Notary Public

My Appointment Expires:  
10/19/2024

# Smith W-2 AOR Map



## Oil and Gas Wells

- |                                       |  |                                |                                  |  |
|---------------------------------------|--|--------------------------------|----------------------------------|--|
| ● Coal Bed Methane                    | ✕ Enhanced Oil Recovery, Plugged-Abandoned | ✕ Injection, Plugged-Abandoned | ✕ Oil and Gas, Plugged-Abandoned | ⊗ Other, Plugged-Abandoned               |
| ● Coal Bed Methane, Plugged-Abandoned | ☀ Gas                                      | ○ Intent                       | ● Oil                            | ▲ Salt Water Disposal                    |
| ⊕ Dry and Abandoned                   | ✕ Gas, Plugged-Abandoned                   | ○ Location                     | ✕ Oil, Plugged-Abandoned         | ▲ Salt Water Disposal, Plugged-Abandoned |
| ⊖ Enhanced Oil Recovery               | ⊖ Injection                                | ☀ Oil and Gas                  | ⊙ Other                          |  |

1/6/2021

<https://maps.kgs.ku.edu/oilgas>

## EXHIBIT A

**EXHIBIT B**

None

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OF THE STATE OF KANSAS**

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TIME LIMITATION OF K.A.R. 82-3-111	)	CONSERVATION DIVISION
FOR ITS SMITH W-2 WELL IN THE	)	
SOUTHEAST QUARTER OF THE	)	
NORTHEAST QUARTER OF SECTION	)	LICENSE NO. 32446
35, TOWNSHIP 28 SOUTH, RANGE 36	)	
WEST, GRANT COUNTY, KANSAS.	)	

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**NOTICE OF PENDING APPLICATION**

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

TO: ALL OIL AND GAS PRODUCERS, UNLEASED MINERAL INTEREST OWNERS, LANDOWNERS, AND ALL PERSONS WHOMSOEVER CONCERNED:

YOU, and each of you, are hereby notified that Merit Energy Company has filed an Application for an exception to the ten-year time limitation of K.A.R. 82-3-111 for the Smith W-2 well, located in the Southeast Quarter of the Northeast Quarter of Section 35, Township 28 South, Range 36 West, Grant County, Kansas, API # 15-067-20389-00-00.

YOU are further notified that unless written protest is received by the State Corporation Commission within fifteen (15) days after publication of this Notice, the Application in this matter will be granted by administrative approval after said 15 day period. Any such protest should be mailed to the State Corporation Commission of the State of Kansas, Conservation Division, 266 North Main, Suite 220, Wichita, Kansas, 67202, and to the Applicant at the address shown.

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

Merit Energy Company.  
By: Katherine McClurkan  
Regulatory Analyst  
13727 Noel Road, Suite 1200  
Dallas, Texas 75240  
(972) 628-1660