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Kansas Corporation Commission  
/S/ Patrice Petersen-Klein

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

Before Commissioners:

Mark Sievers, Chairman  
Ward Loyd  
Thomas E. Wright

In the Matter of Establishing Rules for ) Docket No. 12-CONS-117-CEXC  
Horizontal Wells Drilled in the Mississippi )  
Formation in the State of Kansas. ) CONSERVATION DIVISION

**PRE-FILED TESTIMONY**

**OF DOUGLAS C. LOUIS**

1 Q. Please state your name and business address.  
2 A. Douglas C. Louis, Kansas Corporation Commission, 130 South Market, Room 2078,  
3 Wichita, Kansas 67202.  
4 Q. By whom are you employed and in what capacity?  
5 A. I am employed by the Kansas Corporation Commission as the Director of the  
6 Conservation Division.  
7 Q. How long have you been employed in this position?  
8 A. Four and a half years.  
9 Q. Prior to that what was your position?  
10 A. I was supervisor of the KCC District No. II field office in Wichita for eleven years, and  
11 prior to that I was employed as the district Geologist for the District No. II field office for  
12 seven years.  
13 Q. What is your educational background?  
14 A. I have a degree in Geology from Wichita State University and a MBA from Wichita State  
15 University. I'm a licensed Geologist in the State of Kansas.  
16 Q. Have you previously testified before the Commission and were your credentials as an  
17 expert witness accepted?  
18 A. Yes.  
19 Q. Are you acquainted with the application filed by Staff in this docket?  
20 A. Yes, I reviewed the application before it was filed.  
21 Q. Will you describe for the Commission the process Staff went through prior to filing its  
22 application in this docket?  
23 A. In January 2011, Staff was contacted by two operators, Chesapeake Exploration, LLC  
24 and SandRidge Exploration & Production, LLC. They wanted to meet with Staff to  
25 discuss their plans for developing the Mississippi formation in Kansas and to learn more  
26 about our horizontal drilling regulations.  
27 Staff met with both operators and was informed of the large, successful Mississippian  
28 play operations in Northern Oklahoma by drilling horizontal wells. They planned on  
29 extending those operations into Southern Kansas, expecting extensive drilling programs  
30 to start around mid-2011, accelerating thereafter.

1           Shortly after, staff began receiving applications to drill horizontal wells. Staff had  
2 many technical questions concerning the new technology. Operators, drilling contractors  
3 and service companies answered staff's questions in a very cooperative manner. After  
4 going through this question-and-answer process, on a dozen or so applications, a formula  
5 application was developed to preemptively answer common Staff questions.

6           At that point it became obvious to Staff and operators, if we were going to keep up  
7 with an increasing number of applications, the well-permitting process needed to be  
8 streamlined. It also became obvious a number of our regulations, which were adopted to  
9 regulate vertical wells, did not adequately address horizontal wells.

10          Staff convened a horizontal well workgroup consisting of industry, Staff, and other  
11 State agencies interested in horizontal drilling. The workgroup's purpose was to propose  
12 ideas to streamline the well permitting process, while collecting critical well-information  
13 and adopting or amending regulations specifically designed for horizontal wells. The  
14 first meeting of the workgroup was held on August 11, 2011.

15          At this meeting, the group decided the best approach was to form four sub-groups to  
16 discuss the following areas: applications, allowables, notice, and environmental issues.

17          Subsequently, the four sub-groups held meetings, then made recommendations to the  
18 whole workgroup on September 28, 2011. At this meeting, there was general agreement  
19 on a number of issues, but there were other issues needing more study and discussion for  
20 future sub-committee meetings.

21 Q. How did Staff proceed?

22 A. Staff filed the application in this docket to establish special field rules for horizontal  
23 drilling and horizontal wells producing from the Mississippi formation.

24 Q. Why an application for special field rules only covering horizontal wells in the  
25 Mississippi formation, rather than seeking a general regulation change?

26 A. Horizontal drilling in the Mississippi formation is where the highest concentration of  
27 activity is occurring. As of the date of my testimony, we have had 96 applications for  
28 horizontal drilling in the Mississippi formation since January 1, 2011. The pace of  
29 application filing is accelerating. Currently, we receive very few applications for  
30 horizontal drilling in other formations. Modifying or creating new regulations usually  
31 takes from nine months to one year (sometimes longer) to complete. Neither Staff nor

1 industry wanted to wait long to get specific regulations in place, because of the impact it  
2 would have on the development of the state's resources, therefore we decided to apply to  
3 the Commission for special field rules.

4 Q. Is there precedent for special field rules covering specific formations in Kansas?

5 A. Yes there is. There are special field rules for the Hugoton field, Panoma field,  
6 Greenwood field, and many smaller fields in the State. In addition, the Commission has  
7 previously adopted special field rules for drilling horizontal wells in the Niobrara  
8 formation in Sherman County, Docket No. 07-CONS-108-CEXC.

9 Q. Will you explain each of the proposed rules in the application and why Staff believes  
10 each is appropriate?

11 A. Yes, I will:

12 • **Eliminating Notice Requirements:**

13 Staff is proposing to allow wells drilled horizontally in the Mississippian  
14 formation to be permitted using a modified intent-to-drill process, rather than  
15 requiring operators to file an application pursuant to K.A.R. 82-3-103a, as long  
16 as the proposed well will meet all setback requirements. Staff will need  
17 additional information, (e.g. the intended path of the horizontal leg) and this  
18 information will be provided on the attachments to our regular intent-to-drill  
19 form.

20 As no application will be filed, no notice will be required, making it similar as if  
21 multiple vertical wells would be drilled on the same tract. It should be noted, all  
22 intent-to-drills are on our website for interested parties to access.

23 • **Modifying Crude Oil Allowables:**

24 Staff proposes an allowable of 200 barrels of oil per day for each 660 feet of  
25 horizontal completion interval. Vertical wells drilled along the same path as a  
26 horizontal well would have to be spaced 660 feet apart, with each well receiving  
27 a 200 barrel per day allowable. This provision would assign an allowable  
28 approximately the same as a series of vertical wells.

29 • **Modifying Natural Gas Allowables:**

30 Staff proposes a gas well allowable of 3 mmcf per day for each horizontal well.  
31 This volume was recommended by industry members based on experience with

1 these wells. Currently, gas allowables for vertical wells are calculated by using  
2 a percentage of the open flow potential as calculated by testing pursuant to  
3 K.A.R. 82-3-303 and K.A.R. 82-3-304. As described below, testing for  
4 horizontal wells is not practicable. Initially, the allowable subcommittee  
5 proposed 2 mmcf, by taking into account the 250 mcf minimum production for  
6 exemption from testing for vertical wells. Industry members were concerned 2  
7 mmcf would be too low, resulting in many applications for exceptions to the  
8 allowable. Three mmcf was proposed as a more workable amount. In addition,  
9 3 mmcf is the gas equivalent of a 200 bbl oil allowable per definitions in K.A.R.  
10 82-3-101(a)(81)(E) and K.A.R 82-3-101(a)(81)(I).

11 • **Eliminating Gas Testing:**

12 Staff proposes horizontal wells drilled in the Mississippi formation be classified  
13 as gas wells, exempting them from testing under the provisions of K.A.R. 82-3-  
14 303 and 304. Although these regulations provide a process for testing gas wells,  
15 the regulations were designed to test vertical wells, and cannot easily be adapted  
16 to test horizontal wells. One of the purposes of the test is to use the results to  
17 assign a gas allowable to the well. This is not necessary, since these wells will  
18 be assigned a set maximum gas allowable as explained above.

19 • **Modifying Flaring:**

20 Staff is proposing to allow gas to be flared for 30 days, with an additional 30 day  
21 extension granted by Staff upon written request. Operators of horizontal wells  
22 in the Mississippi formation will need to flare gas for periods longer than  
23 allowed by K.A.R. 82-3-208 or K.A.R 82-3-314, to clean-up the well following  
24 fracture stimulation, or for the gas to clean-up to pipeline quality, or to get  
25 pipeline connections.

26 The operator will be required to notify the Commission by affidavit if natural  
27 gas will be flared. The appropriate district office must be notified to inspect the  
28 flaring site. It will be required all gas flared be measured. Also, no venting will  
29 be allowed.

1           • **Eliminating High Volume Pump Application:**

2           Staff is proposing to allow the use of high volume pumps without filing an  
3           application for approval under K.A.R. 82-3-131. It is likely horizontal wells in  
4           the Mississippi formation will produce more than 2,500 barrels of fluid per day.  
5           It is believed, allowing pumps to handle this fluid volume, will not harm the  
6           reservoirs or adversely affect other operator's correlative rights.

7           • **Hole-Survey Required:**

8           For horizontal wells in the Mississippi formation, Staff is proposing additional  
9           information be furnished with the completion report. This additional  
10          information, including a hole-survey of the actual path of the well, is currently  
11          required in Commission Orders approving applications for horizontal wells.  
12          Detailed well-location information is necessary to ensure the well "as-drilled"  
13          meets all setback requirements.

14        Q. In your opinion, are these field rules appropriate for horizontal wells drilled in the  
15        Mississippi formation?

16        A. Yes, the proposed field rules are appropriate. The proposed field rules also recognize the  
17        differences between horizontal and vertical wells. While allowing the Commission to  
18        collect pertinent well-information, the rule will allow the permitting process to be  
19        accelerated - without adversely affecting correlative rights, causing waste, or  
20        jeopardizing public safety. For the most part, the proposed field rules were agreed on by  
21        Staff, industry, and other interested state agencies.

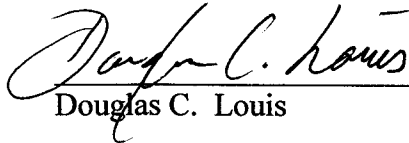
22        Q. Do you have a final recommendation for the Commission?

23        A. Staff recommends the Commission grant this application adopting the proposed rules as  
24        the field rules for horizontal wells drilled in the Mississippi formation.

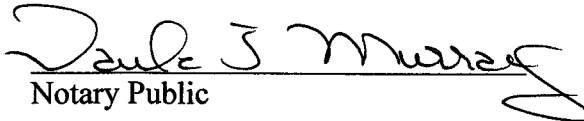
**VERIFICATION OF DOUGLAS C. LOUIS**

STATE OF KANSAS            )  
  ) ss:  
COUNTY OF SEDGWICK    )

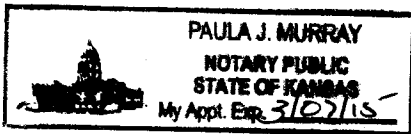
Douglas C. Louis, being first duly sworn, deposes and says that he is the Douglas C. Louis referred to in the foregoing document entitled "Prefiled Testimony of Douglas C. Louis" in Docket No.: 12-CONS-117-CEXC before the State Corporation Commission of the State of Kansas and the statements and attached exhibits therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Douglas C. Louis

SUBSCRIBED AND SWORN to before me on this 28<sup>th</sup> day of October, 2011.

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

My Commission expires:



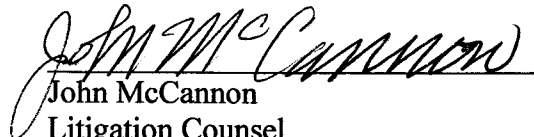
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**CERTIFICATE OF SERVICE**

I, John McCannon, Litigation Counsel, with the Kansas Corporation Commission, certify that on 10-28, 2011, I did cause a true and correct copy of the Pre-Filed Testimony of Douglas C. Louis, to be served by United States mail, first class, postage prepaid to the following:

  
John McCannon  
Litigation Counsel  
Kansas Corporation Commission



**CERTIFICATE OF SERVICE**

I hereby certify that on 10-28-2011, I caused a true and correct copy of the foregoing "Prefiled Testimony of Douglas C. Louis" to be served by placing the same in the United States mail, postage prepaid, to the following parties:

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