

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

In the Matter of the Application of Slawson)	Docket No.: 19-CONS-3255-CUNI
Exploration Company, Inc., for an Order)	
Authorizing Unitization and Unit Operation)	CONSERVATION DIVISION
of the West Jimmy Unit in Thomas County,)	
Kansas.)	License No.: 3988

PRE-FILED TESTIMONY

OF

Jake Eastes

May 7, 2019

1 **Q. What is your name and business address?**

2 A. Jake Eastes, 266 N. Main St. Wichita, KS 67202.

3 **Q. By whom are you employed and in what capacity?**

4 A. I am employed by the Conservation Division of the Kansas Corporation Commission as a
5 Geology Specialist and Research Analyst within the Conservation Division's Production and
6 Underground Injection Control (UIC) Departments.

7 **Q. Would you please briefly describe your educational background and work experience?**

8 A. I was a Wellsite Geologist in Kansas for Musgrove Petroleum during the summer of 2014. I
9 graduated with a Bachelor of Science degree in Geology from Kansas State University in
10 2015. I then graduated with a Master of Science degree in Petroleum Geology from Fort Hays
11 State University (FHSU) in 2017. While at FHSU, I was employed by the United States
12 Geological Survey for a year and six months as a Hydrologic Technician Student Trainee.
13 After graduating from FHSU, I was employed for five months by Impac Exploration Services
14 as a Wellsite/Mudlogging Geologist in the Texas Panhandle. I then started working for the
15 Kansas Corporation Commission in September of 2017.

16 **Q. Have you previously testified before this Commission?**

17 A. Yes.

18 **Q. What duties does your position with the Conservation Division involve?**

19 A. I provide technical support concerning various applications involving UIC wells, unitizations,
20 horizontal wells, well location exceptions, alternate tract units, flaring, and vacuum or high
21 volume pumps. I enforce the Commission's gas gathering and UIC regulations, I review gas
22 well test reports, and I monitor monthly production from Hugoton/Panoma gas wells.

Q. Are you familiar with this docket, 19-CONS-3255-CUNI?

A. Yes.

Q. How are you familiar with this docket?

A. I have thoroughly reviewed and personally worked this Application.

Q. What has the Operator applied for?

A. The Operator has applied for authorization of the unitization and unit operation of the West Jimmy Unit in Thomas County, Kansas.

Q. Have you reviewed the Application for compliance with K.S.A. 55-1303?

A. Yes.

Q. Does the Application contain a description of the unit area, pursuant to K.S.A. 55-1303(a)?

A. Yes, a description can be found on page two, lines 10-22 of the Application. It is also displayed on the plat map within the attached Exhibit "A", Unit Agreement, Article 2.2, Exhibit "B" of the Application.

Q. Does the Application contain a statement of the type of operations contemplated for the unit area, pursuant to K.S.A. 55-1303(b)?

A. Yes, in paragraph five of the Application, the Operator states:

"Slawson Exploration Company, Inc. (SECI) proposes to unitize and operate the leasehold interests owned by Lessees as to oil rights only insofar as they cover the Johnson, Myrick Station, Pawnee, and Lansing-Kansas City formations ("Unitized Formations") underlying the Unit Area pursuant to K.S.A. 55-1304(a)(2). SECI intends to conduct an enhanced oil recovery project within the Unitized Formations underlying the Unit Area. The enhanced recovery project would involve injecting water, gas or other fluids, or any combination thereof, into the Unitized Formations in a patterned flood to increase reservoir pressure and displace oil from injection wells towards producing wellbores to efficiently and economically increase the ultimate recovery of oil from the pool within the Unitized Formations underlying the Unit Area."

1 **Q. Does the Application contain a copy of the proposed plan of unitization, which the**
2 **applicant considers fair, reasonable, and equitable, pursuant to K.S.A. 55-1303(c)?**

3 A. Yes. A copy of the proposed plan of unitization which the operator considers to be fair,
4 reasonable, and equitable is attached to the Application as Exhibit “A” and Exhibit “B”. In
5 paragraph 11 of the Application, the Operator states they believe the Unit Agreement and Plan
6 of Unitization for the West Jimmy unit to be fair, reasonable, and equitable.

7 **Q. Does the Application contain a copy of the proposed operating plan pursuant to K.S.A.**
8 **55-1303(d)?**

9 A. Yes. A copy of the proposed operating plan is attached to the Application as Exhibit “B” and
10 can be found on pages 36-52 of the Application.

11 **Q. Does the proposed operating plan cover the manner in which the unit will be supervised**
12 **and managed as required by K.S.A. 55-1303(d)?**

13 A. Yes. Article 3 of the proposed operating plan covers the manner in which the unit will be
14 supervised and managed.

15 **Q. Does the proposed operating plan address how costs will be allocated and paid as**
16 **required by K.S.A. 55-1303(d)?**

17 A. Yes. Article 11 of the proposed operating plan addresses how costs will be allocated and paid.

18 **Q. Does the Operator’s Application contain everything that is required under K.S.A. 55-**
19 **1303(e)?**

20 A. Yes. K.S.A. 1303(e) requires the application contain an allegation of the facts required to be
21 found by the Commission under K.S.A. 55-1304. The Operator alleges facts that contain
22 everything that is required under K.S.A. 55-1304 in paragraph nine and ten of the Application.

1 **Q. Have your reviewed the Application for compliance with K.S.A. 55-1304?**

2 A. Yes. K.S.A. 55-1304 requires the Commission find that the primary production from the pool
3 or proposed unitized area has reached a low economic level and without introduction of
4 artificial energy, abandonment of oil or gas wells is imminent; or that the unitized
5 management, operation, and further development of the pool or the proposed unit area is
6 economically feasible and reasonably necessary to prevent waste within the reservoir; that the
7 value of the estimated additional recovery of oil or gas substantially exceeds the estimated
8 additional cost incident to conducting such operations; and the proposed operation is fair and
9 equitable to all interest owners.

10 **Q. Do you recommend the Commission make a finding that the conditions listed in K.S.A.**
11 **55-1304 exist?**

12 A. Yes.

13 **Q. Please explain the basis for your recommendation. ?**

14 A. A review of producing leases within the proposed unit area revealed that a significant decline
15 in primary production is occurring across all leases and introducing artificial energy to the
16 pool sought to be unitized is necessary in order to produce the remaining substantial quantities
17 of oil or gas. The estimated value gained from implementing intervention in order to produce
18 the remaining oil or gas from this pool greatly exceeds the cost to apply the intervention. By
19 analyzing the Operator's Phase I and Phase II of their proposed tract participation and
20 allocation of production, Staff believes the parameters used to determine participation and the
21 weight given to those parameters are fair and equitable to all interest owners.

1 **Q. Have you reviewed the Application for compliance with K.S.A. 55-1305?**

2 A. Yes. K.S.A. 55-1305 requires the Commission order providing for the unitization and unit
3 operation of a pool be based on terms and conditions that are just and reasonable and include
4 a plan for unit operations that covers all the requirements listed under K.S.A. 55-1305.

5 **Q. What is the legal description of the unit area, as required by K.S.A. 55-1305(a)?**

6 A. The NW/4 and the SW/4 of Section 24, the SE/4, SW/4, NE/4, and the E/2 NW/4 of Section
7 23, the NW/4 of Section 25, the NE/4 and the NW/4 of Section 26, and the NE/4 NE/4 of
8 Section 27. All located in Township 10 South, Range 34 West, Thomas County, Kansas.

9 **Q. What is the nature of the operations contemplated, as required by K.S.A. 55-1305(b)?**

10 A. The nature of the operations to be conducted shall consist of secondary recovery by the
11 injection of water, gas, or other fluids or substances, or combinations thereof, deemed
12 necessary or desirable to increase the ultimate recovery of unitized substances from the
13 unitized lands and formations.

14 **Q. How many separately owned tracts are within the unit area?**

15 A. There are 10 separately owned tracts within the proposed unit area.

16 **Q. Does the plan for unit operations include an allocation of all oil and gas to the separately
17 owned tract within the unit area, as required by K.S.A. 55-1305(c)?**

18 A. Yes, the Operator's plan for unit operations includes an allocation of all oil and gas to the
19 separately owned tracts within the area. The Operator states in their attached unit agreement
20 in Article 6, paragraph 6.1, "All Unitized Substances produced and saved shall be allocated
21 to the several Tracts in accordance with the respective Tract Participation. The amount of
22 Unitized Substances allocated to each Tract, regardless of whether the amount is more or less
23 than the actual production of Unitized Substances from the well or wells, if any, on such Tract,

1 shall be deemed for all purposes to have been produced from such Tract.” The percentages of
2 allocation is represented within the attached operating agreement as Exhibit “A” Part II,
3 Exhibit “A” Part III, and Exhibit “A” Part IV.

4 **Q. Does the plan for unit operations include a provision for credits and charges among**
5 **working interest owners, as required by K.S.A. 55-1305(d)?**

6 A. Yes. Article 11 of the Operating Agreement found in Exhibit A is a provision for the credits
7 and charges among working interests owners.

8 **Q. Does the plan for unit operations include a provision for how costs shall be paid, as**
9 **required by K.S.A. 55-1305(e)?**

10 A. Yes. Exhibit C of the Operating Agreement attached to the Application details the accounting
11 procedures and provisions on how costs shall be paid for the West Jimmy Unit Operating
12 Agreement.

13 **Q. Does the plan for unit operations include a provision for non-operating working interest**
14 **owners to be furnished with costs and expenses, as required by K.S.A. 55-1305(f)?**

15 A. Yes. Paragraph two of Exhibit C states that Non-Operating working interest owners will
16 receive a detailed statement on or before the last day of each month for their proportionate
17 share of the Joint Account.

18 **Q. Does the plan for unit operations include a provision regarding non-operating interest**
19 **owners wishing to have their respective share of the financial costs carried or otherwise**
20 **financed, pursuant to K.S.A. 55-1305(g)?**

21 A. Yes. Article 11.4 of the Operating Agreement provides for non-operating interest owners who
22 wish to have their respective share of the financial costs carried or otherwise financed.

1 **Q. Does the plan for unit operations include a provision for the supervision and conduct of**
2 **unit operations, as required by K.S.A. 55-1305(h)?**

3 A. Yes, within Exhibit B of the Application titled the Unit Operating Agreement for the West
4 Jimmy Unit, Article Three includes provisions for the supervision and conduct of unit
5 operations that comply with K.S.A. 55-1305(h).

6 **Q. Does the plan for unit operations include a provision for voting procedures for working**
7 **interest owners, as required by K.S.A. 55-1305(i)?**

8 A. Yes. Exhibit B of the Application titled the Unit Operating Agreement for the West Jimmy
9 Unit, Article Four outlines the voting provisions and procedures for working interest owners
10 that complies with K.S.A. 55-1305(i).

11 **Q. Is there a time when the unit operations shall commence and terminate, as required by**
12 **K.S.A. 55-1305(j)?**

13 A. Yes, in regards to the commencement, the Operator states in Article 18, paragraph 18.1 of the
14 unit operating agreement plan that “This Agreement shall become effective when the Unit
15 Agreement becomes effective.” In regards to the termination of unit operations the Operator
16 states in Article 18, paragraph 18.2 of the unit operating plan “This Agreement shall continue
17 in effect so long as the Unit Agreement remains in effect, and so long thereafter until (a) all
18 wells used in Unit Operations have been plugged and abandoned or turned over to a Working
19 Interest Owner in accordance with Article 17; (b) all Unit Equipment and real property
20 acquired for the joint account have been disposed of by Unit Operator in accordance with
21 instructions of the Working Interest Owners; and (c) all amounts owed to Unit Operator by
22 any party have been fully paid, including accrued interest; and (d) there has been a final
23 accounting.”

1 **Q. Is there a provision specifying the particular records the unit operator shall keep and**
2 **the accounting procedure the unit operator shall follow, pursuant to K.S.A. 55-1305(K)?**

3 A. Yes, attached as Exhibit C within the Operator's attached Unit Operating Agreement is the
4 proposed accounting procedure for the proposed unit.

5 **Q. Does the plan for unit operations include a provision for office expenses other than**
6 **reasonable overhead charges?**

7 A. No.

8 **Q. Under K.S.A. 55-1305, no plan providing for unit operations shall become effective**
9 **unless the plan has been approved in writing by owners who will be required to pay at**
10 **least 63% of the costs of unit operations. Has the applicant met that percentage?**

11 A. Yes, in paragraph 12 of the Application the Operator states, "As of the date of this Application,
12 the Plan has been approved by 87.026% of the persons required to pay the costs of unit
13 operations and by 91.473% of the owners of the production or proceeds that will be credited
14 to royalties, excluding overriding royalties or other like interests carved out of the leasehold
15 estate. SECI and its affiliate, Alameda Energy, Inc., own a combined 65.97% of the working
16 interest in the oil and gas leases covering the Unit Area and Unitized Formations."

17 **Q. Under K.S.A. 55-1305(a)(1), no plan providing for unit operations shall become effective**
18 **unless approved in writing by owners of at least 63% of the production or proceeds that**
19 **will be credited to royalties. Under K.S.A. 55-1305(a)(2), the required percentage is 75%.**
20 **Has Applicant met the required percentage?**

21 A. Yes, as explained in my response to the previous question, the Operator has met this
22 requirement.

1 **Q. Do you have a recommendation regarding whether the Commission should approve the**
2 **Operator's Application?**

3 A. Yes, I recommend the Commission grant the Operator's Application to unitize their proposed
4 West Jimmy Unit in order to prevent waste, protect correlative rights, and to produce
5 remaining oil and gas from the unitized pool more efficiently.

6 **Q. Does this conclude your testimony as of this date, May 7, 2019?**

7 A. Yes.

CERTIFICATE OF SERVICE

19-CONS-3255-CUNI

I, the undersigned, certify that a true copy of the attached Prefiled Testimony of Jake Eastes has been served to the following by means of electronic service on May 7, 2019.

JAKE EASTES, GEOLOGIST SPECIALIST
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
j.eastes@kcc.ks.gov

ROBERT J. McFADDEN, ATTORNEY
FOULSTON SIEFKIN LLP
1551 N. Waterfront Parkway
Suite 100
Wichita, KS 67206
rmcfadden@foulston.com

JONATHAN R. MYERS, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
j.myers@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

/S/ Paula J. Murray

Paula J. Murray