

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

IN THE MATTER OF THE APPLICATION)
OF ALTAVISTA ENERGY, INC., TO) DOCKET NO. 14-CONS-863-CUIC
AUTHORIZE THE INJECTION OF SALT)
WATER INTO THE SQUIRREL FORMATION)
AT THE JIM BELL LEASE,, WELL NO. AI-1,) LICENSE NO. 34350
AI-2, AI-3, AI-4, AI-5, AI-6, AI-7, AI-8, AI-9,)
AI-10, AI-11, AI-12, AI-13, AI-14 AND AI-16,) CONSERVATION DIVISION
LOCATED IN DOUGLAS COUNTY, KANSAS)

PREFILED TESTIMONY OF PHIL FRICK
OF ALTAVISTA ENERGY, INC.

Q. Please state your name.

A. Phillip Frick.

Q. Please state your business address.

A. 4595 K-33 Highway, Wellsville, KS 66092.

Q. What is the name of your business and what type of business do you conduct?

A. Altavista Energy, Inc. We are an oil and gas exploration and production company.

Q. Could you please give the Commission a brief summary of your educational background, employment history and experience in the oil and gas industry?

A. I have a BS in Business Administration from the University of Kansas. I worked in compliance and IT in the banking sector for several years, and moved to the oil and gas industry in 2007 with Enerjex Resources doing compliance, land and legal work. I started with Altavista Energy, Inc., in April of 2010. In the course of my employment in the oil and gas industry I have performed a number of diverse

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1 tasks including well pulling, pumping, roustabout work, observation of drilling,
2 cementing and hydraulic fracturing jobs, all facets of land work, all KCC and EPA
3 related compliance work, GPS mapping, accounting and administering both
4 purchase and sale transactions.

5 Q. Could you please describe for the Commission the project Altavista Energy, Inc.
6 is conducting on the Jim Bell lease that led to the filing of the subject
7 Applications?

8 A. Altavista Energy acquired the Jim Bell lease as part of a larger transaction in
9 2011. At that time it had four producing wells on it, and made approximately 0.3
10 bopd. We drilled seven additional producing wells and seven injection wells on
11 the eastern side of the lease in 2011, and increased production to approximately
12 3.0 bopd. In late 2013 we decided to try the western side of the lease as it was
13 relatively unexplored, and found significantly more oil; we drilled and completed
14 10 producing wells, and the 8 additional injection wells in the form of an 'inline
15 330' pattern. This is the same pattern being used by the previously approved
16 injection wells, AI-1 through AI-7, and they have been injecting since January of
17 2012 with no ill effects. It is common practice to drill injection wells in eastern
18 Kansas as part of the development process to maximize the recovery of oil. Of
19 the 49 leases that Altavista Energy or its related companies currently operate, 48
20 of them have injection wells. Without a proper waterflood (via injection wells),
21 significantly less oil will be recovered from our new development on the Jim Bell
22 Lease, thereby wasting the natural resources of the State of Kansas.

1 Q. As part of the Application process, you were required to publish notice, as well as
2 give notice by mail to all landowners and leasehold interest owners within a half
3 mile of the Jim Bell lease boundary. Did you do that and could you tell the
4 Commission how many people were notified by mail of this Application?

5 A. I did perform the required notice procedures. There were 19 parties notified by
6 mail.

7 Q. Of those 19 people notified, how many Protests were received?

8 A. One Protest involving five parties.

9 Q. Upon receipt of the Protest, what did you do to try to address their concerns?

10 A. I attempted to contact each party listed, and either spoke to someone at that
11 number or left a message. One of the parties, Franklin Turley, dropped his
12 protest after our conversation. The other four parties indicated they wanted to
13 continue the Protest and go to a hearing.

14 Q. Are you aware of whether the KCC staff also attempted to address the
15 Protestant's concerns and if so, in what way?

16 A. I was present at a pre-hearing on Thursday, June 5th, 2014, in which Ralph
17 Tomlinson (one of the Protestants) called in to discuss the matter with the KCC
18 staff. In the course of that pre-hearing it sounded like there had been additional
19 conversations with KCC staff regarding the applications.

20 Q. Were either of these attempts successful?

21 A. They were not, in terms of totally alleviating their concerns.

22 Q. Do you believe the well construction design complies with the KCC regulations
23 and will properly protect the fresh and usable water resources in the area?

1 A. I do.

2 Q. Are the surrounding wells within a quarter mile radius of these injection wells
3 completed in a manner to protect fresh and usable water resources?

4 A. I believe that they are.

5 Q. In their protest, the Protestants expressed their concern about fresh water wells
6 in the area and the watershed of the Douglas County State Fishing Lake. Could
7 you address those concerns?

8 A. When we drilled our injection wells on this lease, we first drilled down
9 approximately 40-60 feet and set that length of 7" surface casing (pipe). It is
10 cemented in from bottom to top. Next, the wells drilled down to their total depth
11 past the oil bearing formation (where we inject), and then completed using 2.875"
12 threaded pipe that is cemented in place from just below the total depth of the well
13 casing to the surface. In other words, the entire well is cased with pipe that is
14 encased in cement for its entire length. And there are two layers of pipe and
15 cement for the top 40-60 feet. To be certain that the well was constructed
16 properly, it is then given a Mechanical Integrity Test before it can be approved for
17 use as an injection well. This is done in the presence of a KCC representative,
18 who monitors the test and signs off on it. All of our Jim Bell wells passed the MIT
19 testing with no issues, and will be tested every five years as is required.
20 Additionally, the lease is visited by a company employee (a pumper) every day,
21 who is knowledgeable enough to detect any issues with specific wells (leaks,
22 excessive pressures, etc.). We believe that with the well construction techniques
23 utilized, the additional testing for verification, and the daily monitoring by our

1 employees that our wells sufficiently protect all freshwater sources. Additionally,
2 when the wells have come to the end of their useful life, our company or whoever
3 the current operator is will be obligated to plug the wells. These plugging
4 operations are regulated by the KCC and we don't believe there will be water
5 contamination issues once the wells are plugged. With a column of cement filling
6 the entire well, the possibilities of contamination are again, very remote.

7 Q. The Protestants have also stated concerns about the amount of water used by
8 these wells, as well as what happens to any wastewater. Would you please
9 address those concerns?

10 A. Much of the water used is water that is produced with the oil. Additional water is
11 provided by a Rural Water Meter, which is approved for such use by the Rural
12 Water District. No water is used in the injection wells directly from the aquifer in
13 the area, and the water is cycled through the injection wells repeatedly; no
14 disposal is required.

15 Q. The Protestants have also stated concerns about backflow from the wells
16 containing radioactive material. Could you please address those concerns?

17 A. The injection system is a 'closed system', effectively cycling any water produced
18 from the oil bearing formation back into the formation. The wells and pipelines
19 have check valves to prevent any sort of 'back flow', and no significant radiation
20 is present in the oil producing formation that we are aware of.

21 Q. The Protestants have also stated concerns about seismic activity related to
22 injection wells. Could you please address those concerns?

1 A. Given the pressures, volumes and depths involved in Eastern Kansas oil
2 production, we believe increased seismicity due to our operations is extremely
3 remote. News regarding increased seismic activity related to oil and gas
4 development has come from deep horizontal drilling in shale and disposing of
5 enormous volumes of water in disposal wells, which is dramatically different from
6 the type of drilling and completions we do in Eastern Kansas. The KCC staff is
7 better educated to address these matters, but given the lack of any evidence of
8 oil and gas drilling causing seismic activity in our area, despite approximately 100
9 years of oil and gas activity, I'm comfortable stating that these particular injection
10 wells are extremely unlikely to cause earthquakes.

11 Q. Based upon your experience in the oil and gas industry, is the use of salt water
12 injection wells in the shallow fields in this area a common practice?

13 A. Salt water injection wells are very common in eastern Kansas. As stated
14 previously, 98% of our leases have salt water injection wells, and I would add
15 that the lease that doesn't would benefit from them. We just haven't gotten to that
16 lease to drill injection wells yet. In my experience, it is more unusual to find
17 leases in eastern Kansas that do not have injection wells than it is to find those
18 that do. In the past 3 years, I would estimate that we have drilled over 200
19 injection wells, all of which have been approved.

20 Q. Based upon your experience with these other projects, are you aware of any
21 harm that has occurred to fresh and usable water in the area?

22 A. I am not.

1 Q. Do you believe that the granting of this Application will allow increased
2 production on the Jim Bell lease without causing any harm to fresh and usable
3 water in the area?

4 A. I do.