

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Pat Apple, Chairman
Shari Feist Albrecht
Jay Scott Emler

In the matter of the application of Veem)
Jade Oil & Gas LLC, for an exception to the) Docket No. 18-CONS-3260-CEXC.
10-year limitation of K.A.R. 82-3-111 for its) CONSERVATION DIVISION
wells known to the Commission as: the) License No. 32874
Daves #D21 well, located in Section 27;)
Smith A #2 well, located in Section 28; and)
for determination of responsibility for the)
Smith B #10 and Smith B #12 wells, both)
located in Section 21, all in Township 29)
South, Range 9 East, Elk County, Kansas.

APPLICATION FOR EXCEPTION FROM THE K.A.R. 82-3-111(b) 10-YEAR LIMIT;
AND DETERMINATION OF RESPONSIBILITY

COMES NOW Veem Jade Oil & Gas LLC ("Operator"), and for its application in the captioned matter states as follows.

1. Operator is an Oklahoma limited liability company registered to do business in the State of Kansas. Operator's address is 11417 S Granite Ave, Tulsa, OK 74137
2. Operator holds operator's license no. 32874, issued by the Commission, which license expires on July 30, 2018.
3. Operator is the owner and operator of the following two wells (the "Wells"), in Township 29 South, Range 9 East, Elk County, Kansas:
 - a. Daves #D21, API #15-049-21631-00-00, located in Section 27; and
 - b. Smith A #2, API #15-049-21717-00-00, located in Section 28

The Wells are located on active oil and gas leases comprising the following lands in Township 29 South, Range 9 East, Elk County, Kansas:

NW/4 NW4 of Section 27; and

N/2 NE/4 of Section 28

4. Pursuant to K.A.R. 82-3-111, Operator applied for temporary abandonment (“TA”) status for the Wells, but was denied TA status by the District Office in August 2016.
5. With the matter of the denied TA application unresolved, the Commission issued a penalty for violating K.A.R. 82-3-111 with regard to the Wells. [See KCC docket #18-CONS-3221-CPEN.] Operator promptly paid the fine assessed by the Commission, and now submits this Application to restore the TA status of the Wells.
6. Pursuant to K.A.R. 82-3-100, Operator seeks an exception to the 10-year temporary abandonment limitation for the Wells.
7. Operator believes that there is oil present in commercial quantities in one or more of the unopened zones behind the pipe on these Wells, making the Wells candidates for reestablishing production. Operator plans to run a cased hole Spectral Neutron Log (SNL) in each Well, that should in part, determine the existence of hydrocarbons and the fluid level within the well bore. Operator has consulted with Century Wireline Services (using Century Geophysical, LLC technology), who reports that the SNL has a very high success ratio of approximately 95%.

Using the SNL on Operator’s Smith B#9 well, the Kansas City zone has been identified as potentially productive. The Kansas City is a known productive zone in the surrounding areas.

<u>Well</u>	<u>Distance in feet from Smith B#9</u>			
	<u>North</u>	<u>South</u>	<u>East</u>	<u>West</u>
Daves #21		589	694	
FW Smith #2		327		61

A plat map has been attached to show the locations of these wells in relation to each other. This testing in a sampling of wells, if successful, will make all of Operator's wells in the Bush-Denton field potential candidates for further analysis and ultimately reestablishing production; making plugging at this time premature.

Weather permitting, Operator plans to move on to the Smith B#9 well site as soon as the contractor's Pulling Unit becomes available in early 2018. Immediately after re-completing the Smith B#9, plans are to move the rig to the FW Smith #1 followed by FW Smith 2, Smith B#8 and Daves #21. However, as each well is assessed, this plan and priority list will be adjusted based on that assessment.

8. As explained in the above paragraph, the early stage of the above-described assessment process will include a determination of the condition and fluid level of each of the Wells.
9. Operator has included plat maps generated with information from the Kansas Geological Survey online database, showing the locations of all producing, injection, temporarily abandoned, abandoned, and plugged wells located on the same leased premises as the Wells. The plat maps are attached hereto as Exhibit A.
10. Based on the foregoing, Operator requests the Commission grant an exception to the 10-year limitation; allowing the Wells to be temporarily abandoned for the three (3) years from April 2017, without further need to re-apply during the three (3) year period.

11. As required by K.A.R. 82-3-100, notice of the hearing to be held in this matter will be provided in accordance with K.A.R. 82-3-135(c)(1).

Orphaned Wells

12. The November 21, 2017, Order also assessed penalties for the following two wells, which Operator believes it is not responsible for, pursuant to the Commission's policy on orphaned wells.

- a. Smith B #10, API # 15-049-21865-00-00, located in Section 21; and

- b. Smith B #12, API #15-049-21954-00-00, located in Section 21.

Although Operator did seek temporary abandonment status for these two wells in 2016, this was done under a threat of regulatory action at the time, and Staff's informing the Operator that the Commission had changed its abandoned well responsibility. Operator has no information on said wells other than that information provided by the Commission records, and has never had any physical contact with said wells. Operator has signed documents ostensibly accepting responsibility for these wells, but under duress and mistake, believing that such action was necessary to avoid being in violation of Commission rules.

13. Operator requests an Order from the Commission that the wells listed in Paragraph 12 above, are not the responsibility of Operator.

Operator is now in Compliance with the November 21, 2017, Order

14. Operator received a letter from KCC staff that its license was suspended, pursuant to the language in the Commission's November 21, 2017, Order. The filing of this Application cures the matter, and complies with the November 21, 2107, Order, pending the outcome

of this Application. Operator's wells are currently shut in as a precaution during these few days of extreme cold weather, but when the cold weather threat subsides, it is Operator's belief that the matter now cured, does not prohibit Operator from resuming production in accordance with lease and regulatory rights and responsibilities.

15. Operator requests that this Application be consolidated with its pending Application filed on September 15, 2017, KCC Dkt # 18-CONS-3149-CEXC, which Application also requests an exception from the 10-year rule for two wells in the same field as the Wells in this Application.

WHEREFORE, Operator requests that the Commission grant Operator a 3-year exception to the 10-year temporary abandonment limitation for the Wells in paragraph 3 above, without need to reapply during that 3-year period; and that if no protest to this Application is received, that the Application be granted without hearing, and for an order that Operator is not responsible for the wells listed in paragraph 12 above, and for such other relief as the Commission deems necessary and appropriate.

Respectfully Submitted,

EDMISTON LAW OFFICE, LLC

By: /s/ Diana Edmiston

Diana Edmiston (S.C. 15160)

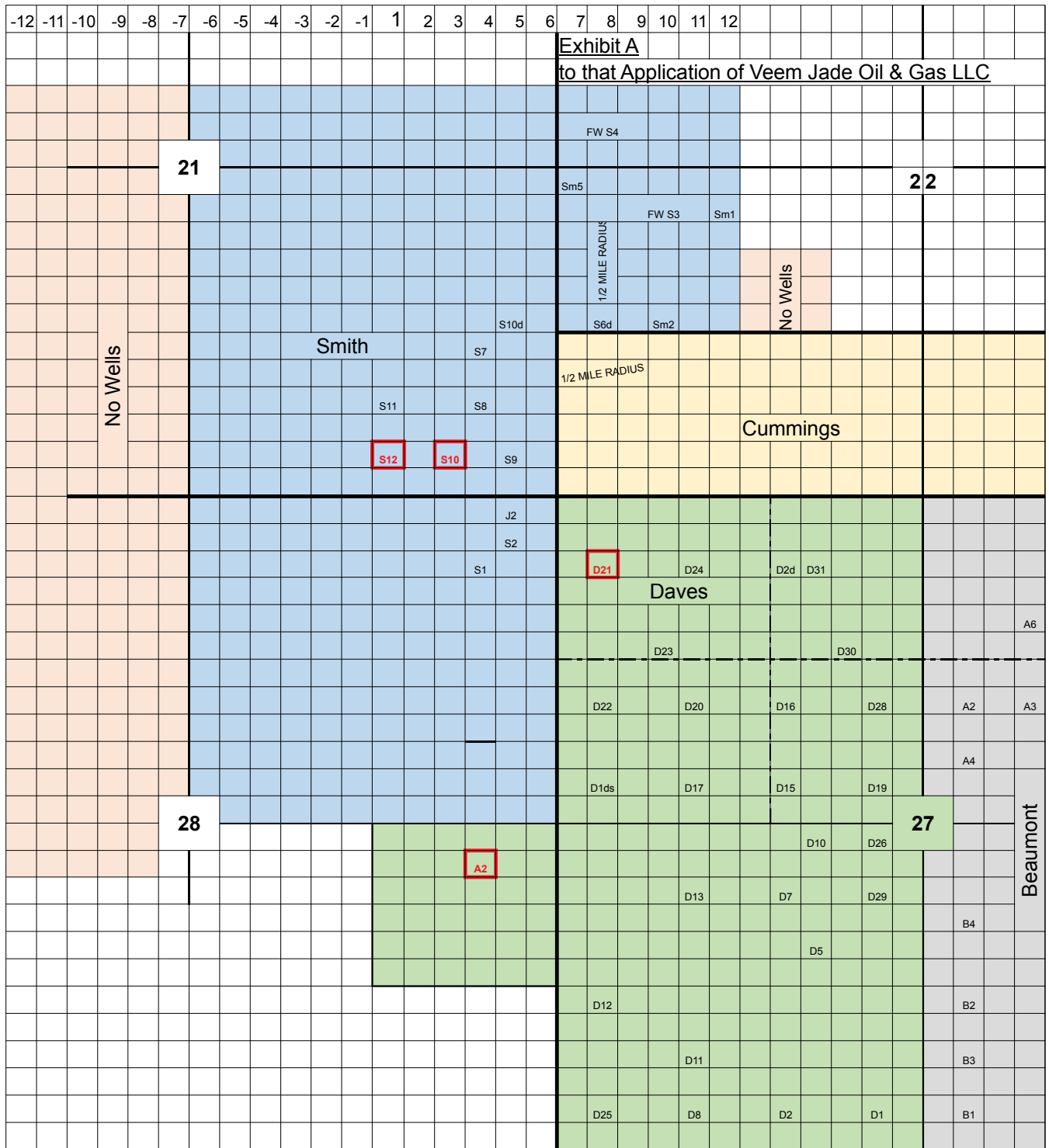
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Attorney for Veem Jade Oil & Gas LLC



VERIFICATION

STATE OF ~~OKLAHOMA~~ ^{TEXAS})
COUNTY OF Dallas) SS:

Mahesh Chhabra, of lawful age, being first duly sworn, upon oath states that he is the Managing Member of Veem Jade Oil & Gas LLC; and that he has read the foregoing Application, is familiar with the contents thereof, and that the statements contained therein are true and correct according to his knowledge, information and belief.

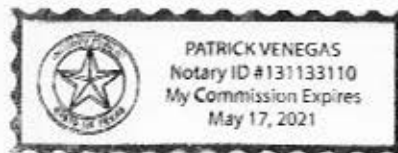
Subscribed and sworn to before me, a notary public.

My appointment expires:

May 17, 2021

Patrick Venegas
Name Patrick Venegas
Notary Public

M. Chhabra
1/2/2018



CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this **2nd** day of **January, 2018**, she caused the above and foregoing **Application** to be electronically delivered, to the following person at the addresses shown:

Jon Myers, Litigation Counsel
Kansas Corporation Commission
Conservation Division
j.myers@kcc.ks.gov
Attorney for Commission Staff

/s/ Diana Edmiston