

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

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Dwight D. Keen

IN THE MATTER OF THE APPLICATION)	DOCKET NO. 18-CONS-3284-CWLE
OF URBAN OIL & GAS GROUP, LLC. FOR)	
A LOCATION EXCEPTION FOR)	
THE CLARK No. 1 WELL IN THE)	CONSERVATION DIVISION
SOUTHWEST QUARTER OF SECTION 15,)	
TOWNSHIP 26 SOUTH, RANGE 2 EAST,)	LICENSE NO. 34381
SEDGWICK COUNTY, KANSAS)	

PRE-FILED DIRECT TESTIMONY

OF

SCOTT ELLINGSON

ON BEHALF OF

URBAN OIL & GAS GROUP, LLC

Hearing Date

August 16, 2018

1 Q. Please state your name and business address.

2 A. Scott Ellingson, 1000 East 14th, Suite 300, Plano, Texas 75074.

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

4 A. Urban Oil & Gas Group, LLC as Project Geologist.

5 Q. Have you ever testified before the Kansas Corporation?

6 A. No

7 Q. Please summarize your educational background and work experience.

8 A. I graduated with a Bachelor of Science in Geology from the University
9 Minnesota. From 2005 to 2006, I worked as a Wellsite Geologist for Tooke
10 Rockies Inc, in Dickinson, North Dakota. I was responsible for steering horizontal
11 wells drilled in the Bakken, Nisku and Red River. I examined and analyzed
12 rock cuttings and gamma ray counts to determine the location of the pay zone and
13 maintain the wellbore within the pay zone. In 2006, I went to work for
14 Continental Resources in Enid, Oklahoma. I was there for approximately for 2
15 years and worked as an Associate Geologist. I oversaw the Richland County,
16 Montana, Bakken project. For approximately 8 months in 2008, I worked for
17 BBX Operating, managing the construction of a gathering system in Texas.
18 From there, I worked for Merit Energy Co. in Dallas, Texas. I worked as a
19 Geologist developing prospects in Oklahoma and Wyoming. I joined Urban Oil
20 and Gas Group in 2011 and have performed the duties standard and usual for a
21 Project Geologist, including working all company assets across 7 different states.
22 I have drilled wells in Illinois, Arkansas, Texas, Louisiana, Kansas and Oklahoma
23 and I am a member of the acquisition team.

24 Q. Are you familiar with the Application filed by Urban Oil & Gas Group, LLC in
25 Docket No. 18-CONS-3284-CWLE?

26 A. Yes.

27 Q. In this Application, Urban Oil and Gas Group, LLC is requesting authority to
28 drill the Clark No. 1 well at a location 1840 feet from the South line and 200 feet
29 from the East line of the SE/4 of Section 15, Township 26 South, Range 2 East,
30 Sedgwick County, Kansas. Are you familiar with this request?

31 A. Yes.

32 Q. Have you prepared a plat that shows the general area, the wells drilled in that
33 area and the proposed location of the Clark No. 1 well?

34 A. Yes, I have and it is attached to this Pre-filed Testimony as Exhibit No. 3.

35 Q. What is the targeted formation for the proposed Clark No. 1 well?

36 A. The primary target for the Clark No. 1 well is the Simpson sand. Marked as
37 Exhibit No. 4 attached hereto is a plat that shows the outline of the Simpson
38 Beach trend and wells that found the Simpson sandy shale. Those wells that were
39 drilled within the Simpson Beach outline have a better developed reservoir than
40 those drilled outside of the Simpson Beach outline.

41 Q. Do you believe, then, that it is necessary to drill within your black polygon outline
42 in order to attempt to obtain commercial production from the Simpson sand?

43 A. Yes.

44 Q. Are there any wells that currently produce from this Simpson Beach trend?

45 A. Yes. The Lygrisse A1X well located in the SE/4 SE/4 NE/4 of Section 15.
46 That well is reflected on Exhibit No. 5 attached hereto and is the only current

47 producer from the Simpson sand, but there are a number of wells that have tested
48 or previously produced from the Simpson. Those wells and their initial production
49 rates are reflected on Exhibit No. 5 attached hereto.

50 Q. Tell us a little bit about the Simpson sand reservoir within this Simpson Beach
51 trend.

52 A. Attached as Exhibit No. 6 is a type log from the Hamant 8-X well located in
53 the SW/4 SW/4 NW/4 of Section 14. The Simpson is found at a drilling depth
54 from approximately 3239 feet to approximately 3266 feet on this log. The
55 targeted Simpson Beach trend is found between 3264 feet and 3274 feet on this
56 log. Our analysis indicates the reservoir has approximately 11% porosity with
57 30% water saturation and a resistivity factor of 20%. If a well finds a reservoir
58 within these parameters, we estimate the primary recovery to be approximately
59 24,000 barrels of oil.

60 Q. Based upon your estimates, will the Clark No. 1 well be economical to drill,
61 complete and produce?

62 A. Yes. We estimate the well will cost approximately \$215,000 to drill and
63 complete. Estimating initial production of 25 barrels of oil per day with a 30%
64 decline per year and discounting the revenue by 20% present value, we find the
65 rate of return to be 98%. That is a very good rate of return and the well should
66 payout in slightly over 1 year.

67 Q. Why is it necessary for you to drill at the requested location rather than at a
68 location farther to the West.

69 A. As you can see from Exhibit No. 4, we estimate the limits of the Simpson Beach

70 trend to be no farther than 600 feet from the East line of the SE/4 of Section 15 at
71 the requested location. The edge of the reservoir may be much closer to the East
72 line of the SE/4 than 600 feet. We would prefer to drill as close to the center of
73 the Simpson Beach trend as possible to place the well in the heart of the reservoir
74 and to be certain we do not miss the Simpson Beach trend all together. Moving
75 the well to the East within 200 feet of the East line of the SE/4 of Section 15 gets
76 us closer to that center of the reservoir and it also keeps us far enough away from
77 the anticipated West edge of the reservoir to increase the probability of success for
78 the well. When you look at Exhibit 5 showing the wells that found reservoir in
79 the Simpson Beach trend, you can see that the requested location is between two
80 wells that tested oil from this reservoir. We wish to stay close to those wells for
81 control points.

82 Q. If you are not permitted to drill this well at this location and must move the well
83 to the West, what impact do you believe it will have on the Clark No. 1 well?

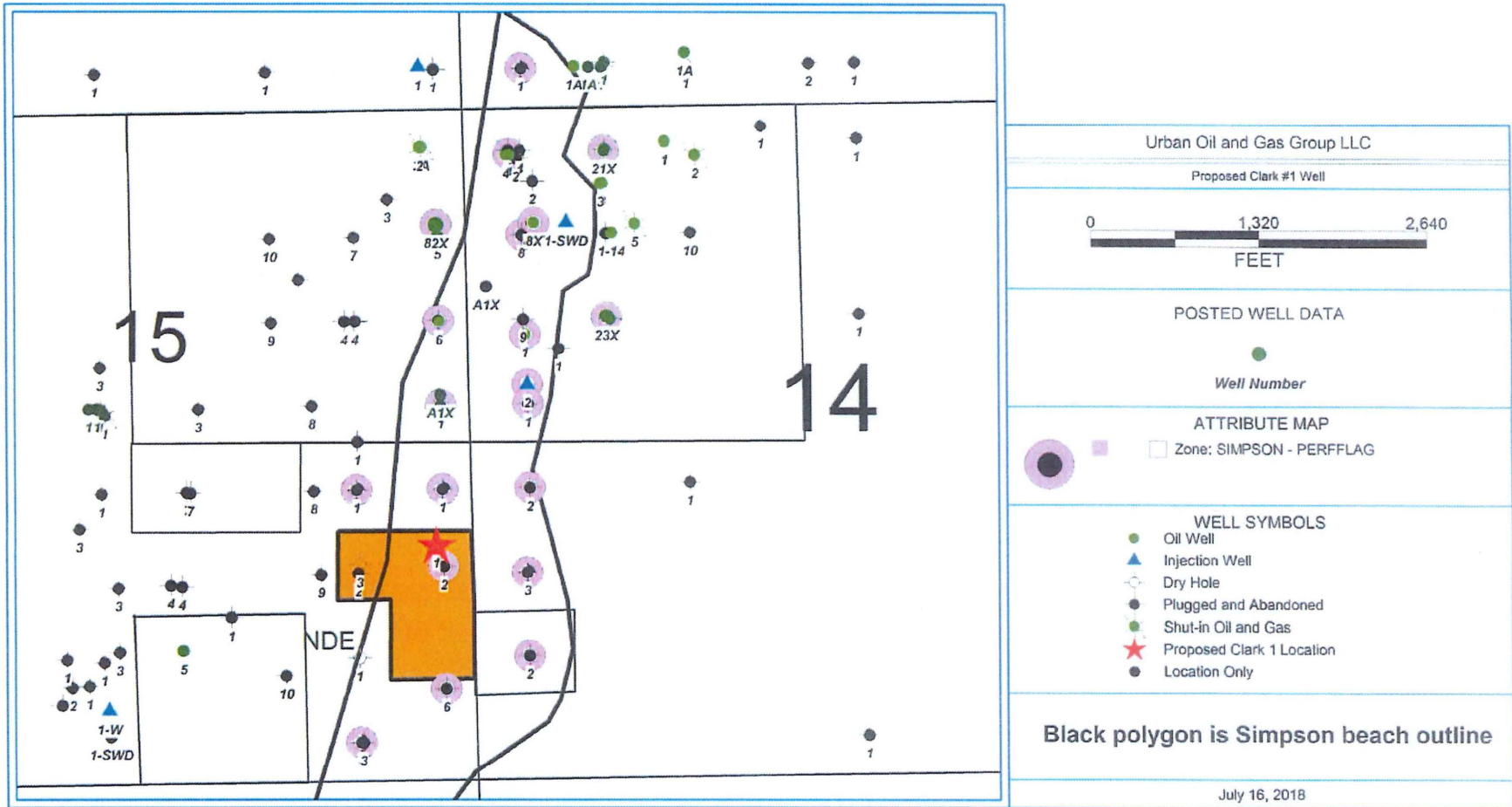
84 A. The risk of drilling the well increases as you move to the West and the potential
85 productivity of the well decreases as you move to the West.

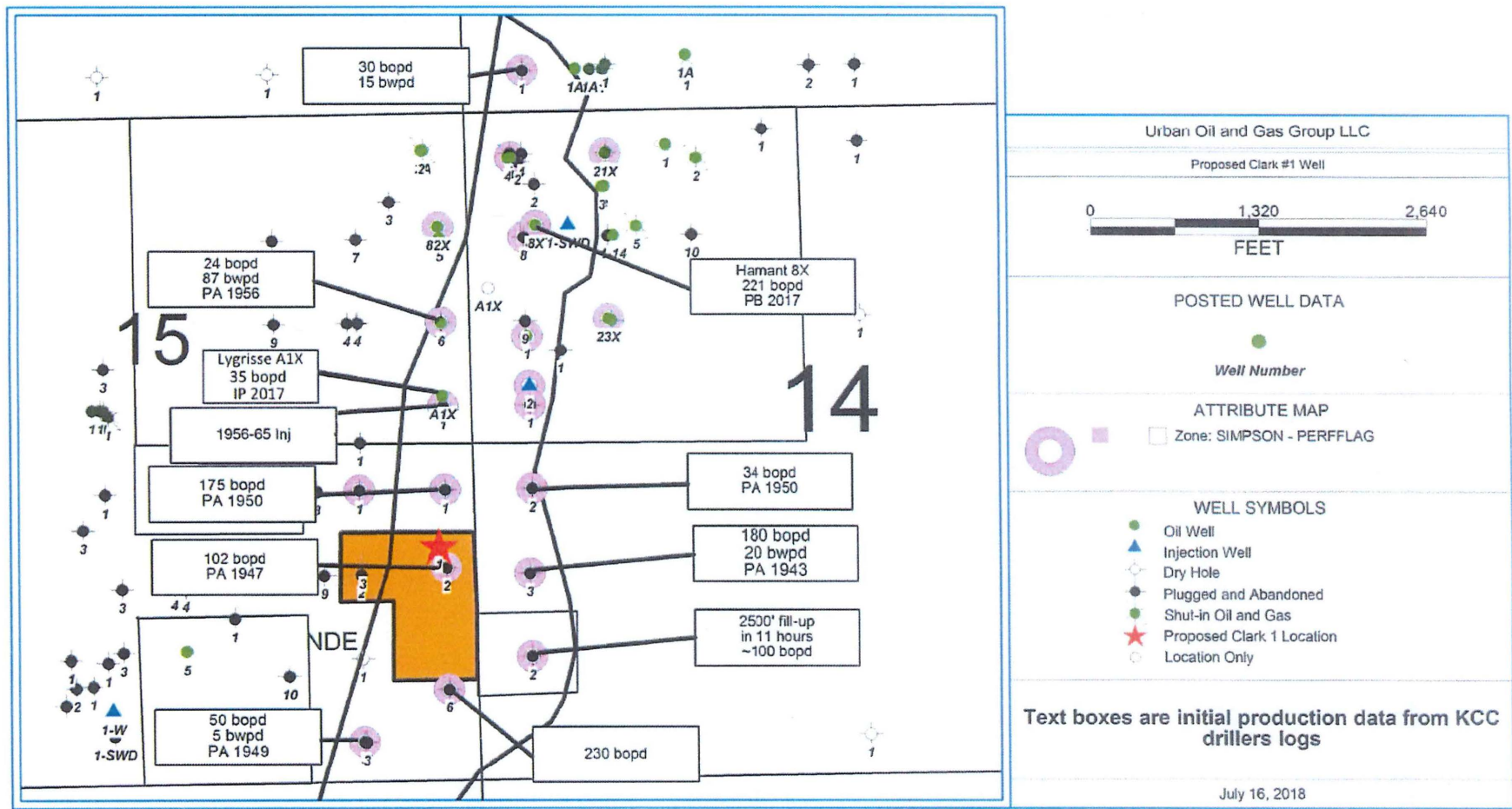
86 Q. Do you believe granting the application will promote orderly development of
87 additional oil and gas reserves not currently being produced, prevent waste and
88 protect correlative rights?

89 A. Yes.

90 Q. Does this complete your testimony?

91 A. Yes.





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Exhibit No. 6

URBAN OIL AND GAS GROUP LLC
HAMANT
8-X
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