

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

Before Commissioners: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Susan K. Duffy

In the Matter of the Application of Merit Energy Company, LLC for a well location exception for its NLV 4-1 well, to be located in the Northeast Quarter of Section 4, Township 29 South, Range 33 West, Haskell County, Kansas. _____)	Docket No. 20-CONS-3049-CWLE
	CONSERVATION DIVISION
	License No. 32466

**APPLICATION
FOR WELL LOCATION EXCEPTION AND ALLOWABLE**

Merit Energy Company, LLC (“Applicant”) files this Application for Well Location Exception and Allowable (“Application”) with the State Corporation Commission of the State of Kansas (“Commission”) requesting an order authorizing the drilling of its NLV 4-1 well at the location specified below and for the assignment of a full allowable to said well. In support of its Application, Applicant states and alleges as follows:

1. Applicant is a Delaware limited liability company whose mailing address is 13727 Noel Road, Suite 1200, Dallas, Texas, 75240.
2. The Commission has issued Applicant oil and gas operator’s License No. 32446, which license is in full force and effect through May 30, 2020.
3. Applicant is the operator of a valid and subsisting oil and gas lease (“Subject Lease”) covering the deep rights to the Northeast Quarter (NE/4) of Section 4, Township 29 South, Range 33 West, Haskell County, Kansas.
4. Applicant desires to drill and complete its NLV 4-1 well (“Subject Well”) as an oil well at a location that is 157’ from the East line and 2,245’ from the North line of Section 4-T29S-R33W, Haskell County, Kansas. The Subject Well would be drilled to a true vertical depth of

approximately 5,650' measured from surface. Applicant intends to test the Chester sandstone formation for oil reserves.

5. K.A.R. 82-3-108(a) prescribes a 330' setback from any lease or unit boundary for any well drilled in Haskell County, Kansas. K.A.R. 82-3-108(c) provides that a well location exception may be granted to permit drilling a well within the prescribed setback if necessary to prevent waste or to protect correlative rights.

6. Applicant requests a well location exception pursuant to K.A.R. 82-3-108(c) because Applicant desires to drill the Subject Well at a location that is 157' from the East boundary line of the Subject Lease.

7. Drilling the Subject Well at the proposed location is necessary to prevent the waste of hydrocarbon resources. Applicant's geophysical and geological staff have interpreted 3D-seismic data and identified what is believed to be a narrow Chester sandstone channel near the eastern boundary line of the Subject Lease. Applicant has determined that drilling the Subject Well at the proposed location is necessary to optimize the recovery of oil and gas reserves from the identified reservoir within the narrow width sandstone channel. Based upon Applicant's geophysical and geological analysis, it is not feasible to move the Subject Well West to comply with the minimum setback. Doing so would move the location of the Subject Well off the identified structure and potential oil reservoir, which would prevent Applicant from recovering substantially all of oil and gas reserves in place—resulting in waste.

8. Drilling the Subject Well at the proposed location will not violate the correlative rights of the offsetting mineral owners.¹ The identified sandstone channel is limited in width, and

¹ Applicant is the operator of the offsetting oil and gas lease.

Applicant has determined that very little, if any, of the seismically defined sandstone channel extends into the offsetting lands. As a result, any offset drainage resulting from drilling the Subject Well at the proposed location would be extremely limited.

9. Exhibit A contains a survey and a plat showing the boundary of the Subject Lease, the proposed location of the Subject Well, and all completed, partially drilled and permitted wells on the Subject Lease and adjacent properties.

10. Applicant is the operator of the oil and gas lease located less than 330' from the proposed location of the Subject Well. Exhibit B contains a list of Applicant's lessors under such offset lease. There are no unleased mineral owners whose property boundary is located less than 330' from the proposed location of the Subject Well, and there are no other operators whose lease line is located less than 330' from the proposed location of the Subject Well.

11. Applicant requests that a full oil allowable of 200 BOPD be assigned to the Subject Well in accordance with the provisions of K.A.R. 82-3-203 (oil allowable in non-prorated pool). Applicant requests that a full gas allowable be assigned to the Subject Well in accordance with K.A.R. 82-3-312 (gas allowable in non-prorated pool).

12. Applicant requests the assignment of a full acreage attribution unit to the Subject Well.

13. A proposed notice of intent to drill the Subject Well is attached as Exhibit C. Applicant will be submitting a revised notice of intent to drill correcting the distance to the nearest lease or boundary line and making reference to this docket.

14. Pursuant to K.A.R. 82-3-108(f), notice of this Application will be provided to all those persons identified in Exhibit B, and will be published in the *Wichita Eagle* and the *Haskell County Monitor*, an official newspaper of Haskell County, Kansas, in accordance with K.A.R. 82-

3-135a(d). Notice will therefore be lawful and proper in all respects. Each publisher's affidavit will be provided to the Commission upon receipt. A copy of the Notice of Application is enclosed with this Application.

WHEREFORE, Applicant requests that this Application be docketed by the Commission accept and that, if no interested party files a timely and proper protest, the Commission enter an order administratively granting this Application and authorizing the drilling of the Subject Well at the location proposed and assigning it a full oil and gas allowable without incurring the time and expense of an evidentiary hearing. In the event a valid protest is timely filed, Applicant requests that the Commission set this Application for hearing and, upon such hearing, grant the requested order, and afford such other and further relief as the Commission deems necessary and proper.

Respectfully submitted,

MORRIS, LAING, EVANS, BROCK &
KENNEDY, CHTD.

By: _____


Jonathan A. Schlatter, #24848
300 N. Mead, Suite 200
Wichita, KS 67202-2745
Telephone: 316-262-2671
Fax: 316-262-6226
jschlatter@morrislaing.com

Attorneys for Merit Energy Company, LLC

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

Jonathan A. Schlatter, being of lawful age and first duly sworn upon his oath, deposes and says:

That he is the attorney for Merit Energy Company, LLC; he has read the above and foregoing Application and is familiar with the contents thereof, and that the statements made therein are true and correct to the best of his knowledge and belief.



Jonathan A. Schlatter

SIGNED AND SWORN to before me this 14th day of August, 2019.



Notary Public

My Appointment expires: 11/05/2020



EXHIBIT A Survey and Plat

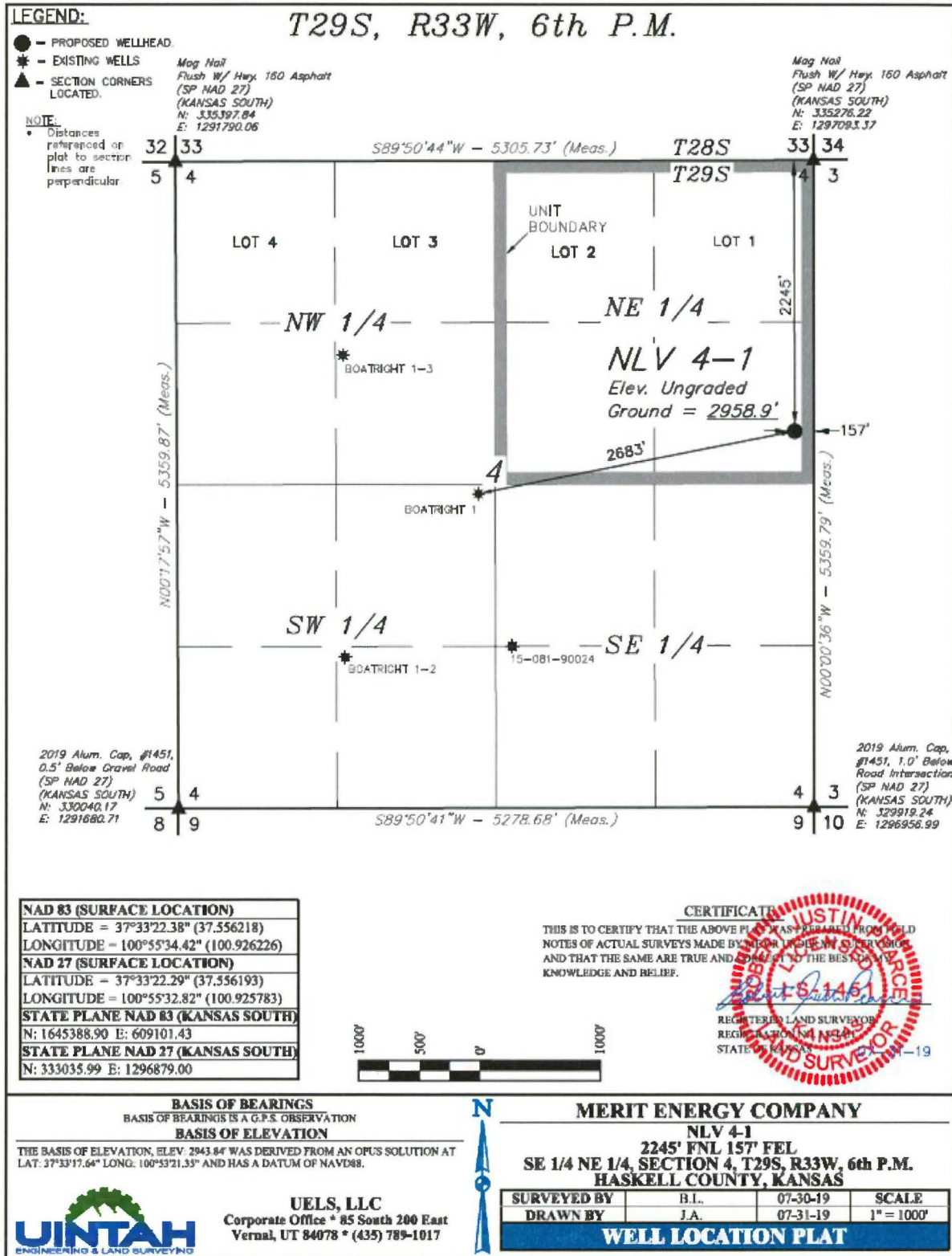


EXHIBIT A (cont.)
Survey and Plat

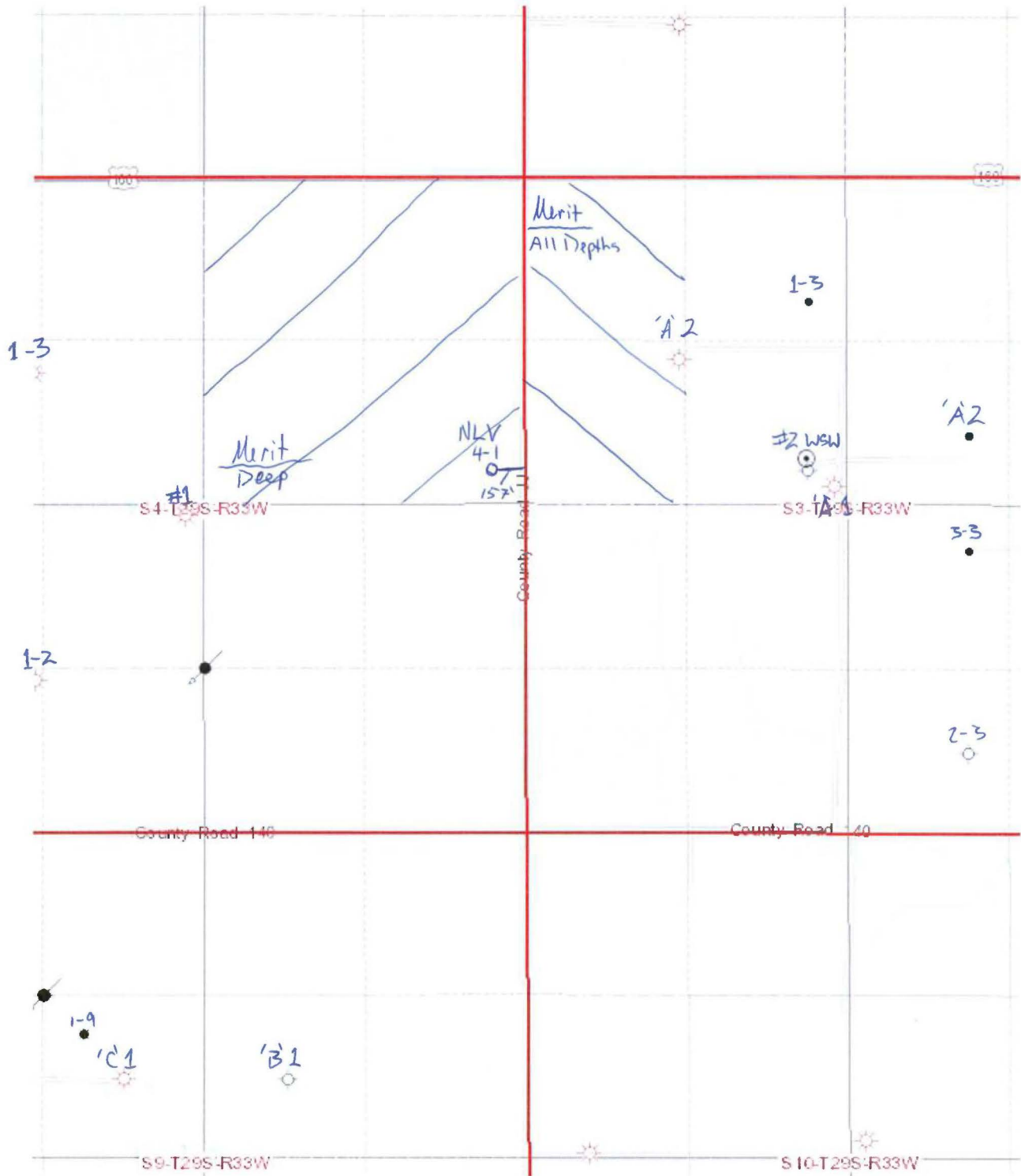


EXHIBIT B
Offset Operators and Unleased Mineral Owners

Owner Name	Owner Type:	Address:	City:	State:	Zip Code:
MARK F MCLAIN	RI	1575 US HWY 83	SUBLETTE	KS	67877
JANIS L MCLAIN GIAN, F/K/A JANIS L MCLAIN	RI	1502 KINGSBURY ROAD	GARDEN CITY	KS	67846
LENNET R FROELICH, F/K/A LENNET R MCLAIN	RI	605 W LARK AVE	SUBLETTE	KS	67877
MARCIA MCLAIN GOLDEN, F/K/A MARCIA C MCLAIN	RI	1521 PIONEER ROAD	GARDEN CITY	KS	67846

EXHIBIT C
Proposed Notice of Intent to Drill

ATTACHED

For KCC Use:

Effective Date: _____
District # 1
SGA? Yes No

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form C-1

March 2010

Form must be Typed
Form must be Signed
All blanks must be Filled

NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

Form KSONA-1, Certification of Compliance with the Kansas Surface Owner Notification Act, MUST be submitted with this form.

Expected Spud Date: 8/13/2019
month day year

OPERATOR: License# 32446
Name: Merit Energy Company, LLC
Address 1: 13727 NOEL ROAD, SUITE 1200
City: DALLAS State: TX Zip: 75240 + 7362
Contact Person: IDANIA MEDINA
Phone: 6206294228

CONTRACTOR: License# 5929
Name: Duke Drilling Co., Inc.

Well Drilled For: Oil Gas Enh Rec Storage Disposal Seismic # of Holes Other
Well Class: Infield Pool Ext. Wildcat Other
Type Equipment: Mud Rotary Air Rotary Cable

If OWWO: old well information as follows:
Operator:
Well Name:
Original Completion Date: Original Total Depth:

Directional, Deviated or Horizontal wellbore? Yes No
If Yes, true vertical depth:
Bottom Hole Location:
KCC DKT #: 20-CONS-3049-OWLE

Prorated & Spaced: Hugoton-Panoma. NLUB Notice attached.

Spot Description:
NE SE SE NE Sec. 4 Twp. 29 S. R. 33 E W
2245 feet from N S Line of Section
157 feet from E W Line of Section

Is SECTION: Regular Irregular?

(Note: Locate well on the Section Plat on reverse side)

County: Haskell

Lease Name: NLV Well #: 4-1

Field Name: Wildcat

Is this a Prorated / Spaced Field? Yes No

Target Formation(s): St Louis

Nearest Lease or unit boundary line (in footage): 330

Ground Surface Elevation: 2959 Surveyed feet MSL

Water well within one-quarter mile: Yes No

Public water supply well within one mile: Yes No

Depth to bottom of fresh water: 600

Depth to bottom of usable water: 820

Surface Pipe by Alternate: I II

Length of Surface Pipe Planned to be set: 1800

Length of Conductor Pipe (if any):

Projected Total Depth: 6000

Formation at Total Depth: St Louis

Water Source for Drilling Operations: Well Farm Pond Other

DWR Permit #: Applied For

(Note: Apply for Permit with DWR)

Will Cores be taken? Yes No

If Yes, proposed zone:

AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

- 1. Notify the appropriate district office prior to spudding of well;
2. A copy of the approved notice of intent to drill shall be posted on each drilling rig;
3. The minimum amount of surface pipe as specified below shall be set by circulating cement to the top; in all cases surface pipe shall be set through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary prior to plugging;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within 120 DAYS of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. In all cases, NOTIFY district office prior to any cementing.

I hereby certify that the statements made herein are true and to the best of my knowledge and belief.

Date: Signature of Operator or Agent: Title:

For KCC Use ONLY
API # 15 -
Conductor pipe required 0 feet
Minimum surface pipe required 840 feet per ALT. I II
Approved by:
This authorization expires:
(This authorization void if drilling not started within 12 months of approval date.)
Spud date: Agent:

Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well will not be drilled or Permit Expired Date:
Signature of Operator or Agent:

4
29
33
E
W

For KCC Use ONLY
API # 15 - _____

IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator: Merit Energy Company, LLC
Lease: NLV
Well Number: 4-1
Field: Wildcat
Number of Acres attributable to well: 10
QTR/QTR/QTR/QTR of acreage: NE - SE - SE - NE

Location of Well: County: Haskell
2245 feet from N / S Line of Section
157 feet from E / W Line of Section
Sec. 4 Twp. 29 S. R. 33 E W

Is Section: Regular or Irregular

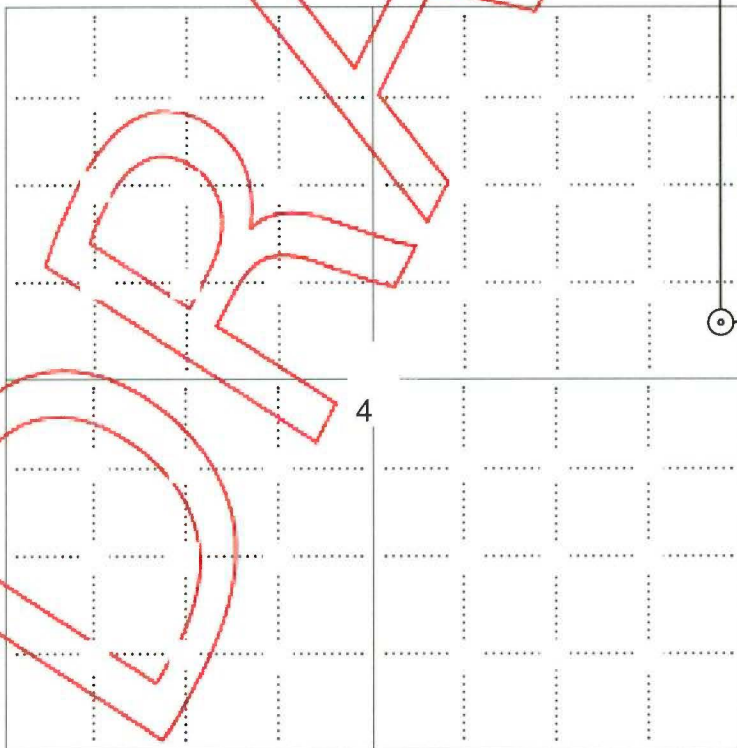
If Section is Irregular, locate well from nearest corner boundary.

Section corner used: NE NW SE SW

PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032).

You may attach a separate plat if desired.

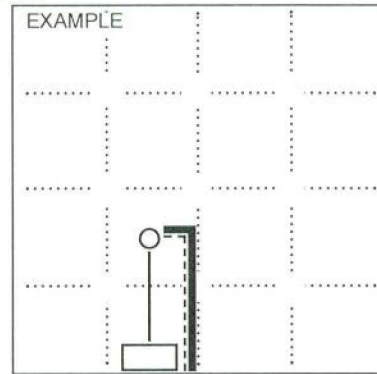


2245 ft.

157 ft.

LEGEND

- Well Location
- Tank Battery Location
- Pipeline Location
- Electric Line Location
- Lease Road Location



NOTE: In all cases locate the spot of the proposed drilling location.

In plotting the proposed location of the well, you must show:

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).
5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT

Form CDP-1
May 2010
Form must be Typed

Submit in Duplicate

Operator Name: Merit Energy Company, LLC		License Number: 32446
Operator Address: 13727 NOEL ROAD, SUITE 1200		DALLAS TX 75240
Contact Person: IDANIA MEDINA		Phone Number: 6206294228
Lease Name & Well No.: NLV 4-1		Pit Location (QQQQ): NE SE SE NE
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 20000 (bbls)	Sec. 4 Twp. 29 R. 33 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2245 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 157 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Haskell County
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? Bentonite and Cuttings
Pit dimensions (all but working pits): <u>150</u> Length (feet) <u>150</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits		Depth from ground level to deepest point: <u>5</u> (feet) <input type="checkbox"/> No Pit
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one mile of pit: <u>4107</u> feet Depth of water well: <u>560</u> feet		Depth to shallowest fresh water <u>360</u> feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: <u>Fresh Water Mud</u> Number of working pits to be utilized: <u>1</u> Abandonment procedure: <u>Evaporation and Backfill</u> Drill pits must be closed within 365 days of spud date.
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.		
_____ Date		_____ Signature of Applicant or Agent

KCC OFFICE USE ONLY			
Date Received: <u>08/09/2019</u>	Permit Number: _____	Permit Date: _____	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input type="checkbox"/> RFAC <input type="checkbox"/> RFAS	

KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

Form KSONA-1
January 2014

Form Must Be Typed
Form must be Signed
All blanks must be Filled

**CERTIFICATION OF COMPLIANCE WITH THE
KANSAS SURFACE OWNER NOTIFICATION ACT**

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: C-1 (Intent) CB-1 (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)

OPERATOR: License # 32446
Name: Merit Energy Company, LLC
Address 1: 13727 NOEL ROAD, SUITE 1200
Address 2: _____
City: DALLAS State: TX Zip: 75240 + 7362
Contact Person: IDANIA MEDINA
Phone: (620) 629-4228 Fax: (620) 624-7014
Email Address: idania.medina@meritenergy.com

Well Location:
NE SE SE NE Sec. 4 Twp. 29 S. R. 33 East West
County: Haskell
Lease Name: NLV Well #: 4-1

If filing a Form T-1 for multiple wells on a lease, enter the legal description of the lease below:

Surface Owner Information:

Name: Peter York
Address 1: 1161 Road JJ
Address 2: _____
City: Sublette State: KS Zip: 67877 + _____

When filing a Form T-1 involving multiple surface owners, attach an additional sheet listing all of the information to the left for each surface owner. Surface owner information can be found in the records of the register of deeds for the county, and in the real estate property tax records of the county treasurer.

If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

Select one of the following:

I certify that, pursuant to the Kansas Surface Owner Notice Act (House Bill 2032), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.

I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I must provide the name and address of the surface owner by filling out the top section of this form and that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

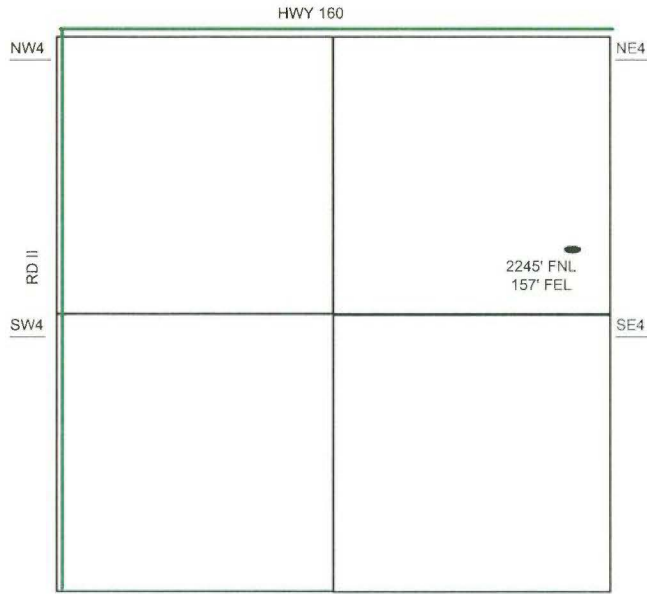
If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

I hereby certify that the statements made herein are true and correct to the best of my knowledge and belief.

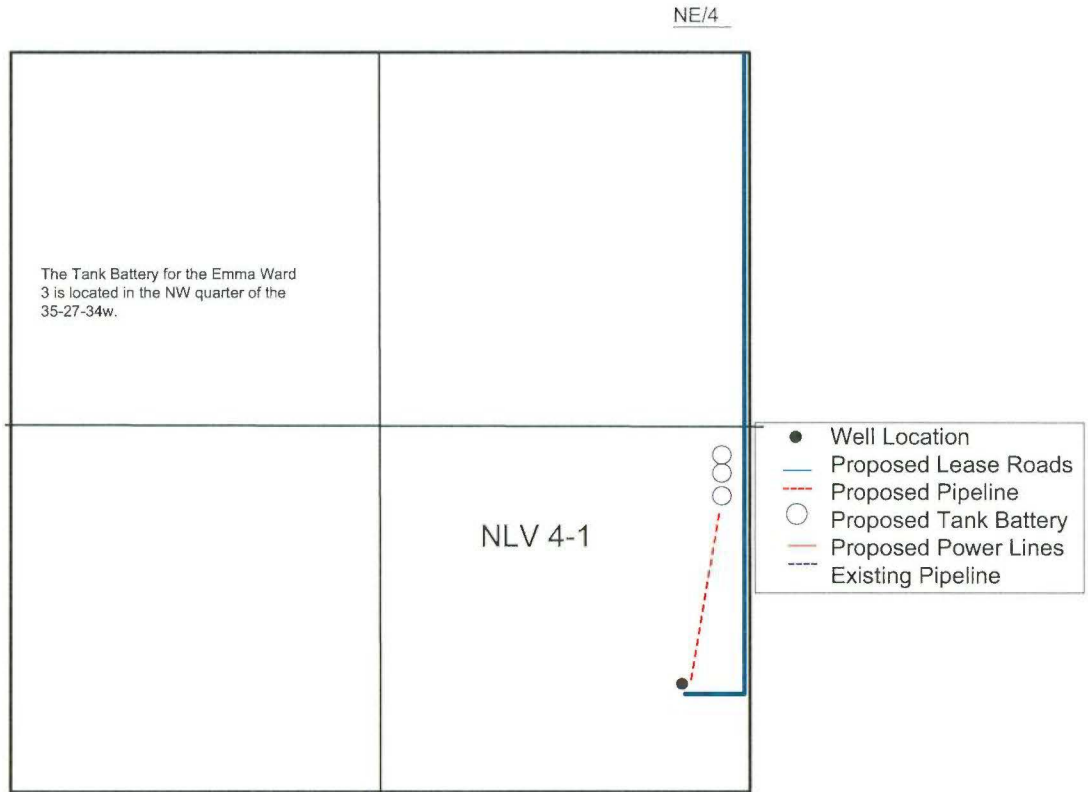
Date: _____ Signature of Operator or Agent: _____ Title: _____

Proposed Plan of Construction

NLV 4-1
Sec 4 T29S-R33W
Haskell County, KS



Sec 4 - T29S - R33W



Proposed Details of
NE/4 Sec 4 - T29S - R33W

Note-Drawing **Not** to Scale

NOTICE

Nearest Lease or Unit Boundary Line

K.A.R. 82-3-108 provides that all oil and gas well locations must comply with setback requirements, unless an exception has been granted by the Commission. Depending upon whether the subject well is an oil well or gas well, and also depending upon the county in which the well is located, the setback may be 330 feet or 165 feet from the nearest lease or unit boundary.

This Intent to Drill (“C-1”) form indicates that the distance between the well and the nearest lease or unit boundary will comply with the setback requirement. Accordingly, the C-1 has been approved. However, the C-1 also stated that the well location is very near a boundary line of a Section or a Quarter-Section. This notice is being sent as a courtesy reminder, in case an error was made on the C-1.

As the operator of the proposed well, you must independently verify that the proposed well location complies with the applicable regulatory setback. If at any time it should appear that a well does not comply with the regulatory setback, the well may be subject to being shut-in pending Commission approval of an application for a well location exception. In addition, if such an application is not granted by the Commission, you may be required to plug the well.

If the proposed well location will comply with the regulatory setback, this notice may be disregarded. Please contact the KCC Production Department with any questions or concerns.

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

Before Commissioners: Dwight D. Keen, Chair
 Shari Feist Albrecht
 Susan K. Duffy

In the Matter of the Application of Merit Energy) Company, LLC for a well location exception for) its NLV 4-1 well, to be located in the Northeast) Quarter of Section 4, Township 29 South,) <u>Range 33 West, Haskell County, Kansas.</u>)	Docket No. 20-CONS-3049-CWLE CONSERVATION DIVISION License No. 32466
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TO ALL: OIL AND GAS OPERATORS, PRODUCERS AND LESSEES, OIL AND GAS LESSORS AND ROYALTY OWNERS, UNLEASED AND OFFSETTING MINERAL INTEREST OWNERS, LANDOWNERS, AND ALL PERSONS CONCERNED:

You are hereby notified that Merit Energy Company, LLC (“Applicant”), has filed with the Kansas Corporation Commission an Application requesting a well location exception and full oil and gas allowable for its NLV 4-1 well to be located 157’ from the East line and 2,245’ from the North line of Section 4-T29S-R33W, Haskell County, Kansas, which well location is 157’ from the East boundary line of its oil and gas lease. Applicant plans to drill the well to a true vertical depth of 5,650’ measured from surface, and intends to test the Chester sandstone formation for recoverable quantities of oil and gas reserves.

The application is pending with the Commission. Any persons who object or protest to such application shall be required to file their objections or protests in writing with the Commission within 15 days from the date of this publication. If a written protest is not timely filed, the application may be determined administratively by the Commission and may thereby be granted without hearing or further notice to any interested party. All objections and protests shall clearly state the reasons why granting the application will violate correlative rights, cause waste or pollution. Objections or protests shall be mailed to the Kansas Corporation Commission, Conservation Division, 266 N. Main St., Ste. 220, Wichita, KS 67202, with a copy to Applicant’s attorneys listed below. All parties in any way interested or concerned shall take notice of the foregoing and govern themselves accordingly.

Jonathan A. Schlatter, #24848
MORRIS LAING EVANS BROCK
& KENNEDY, CHTD.
300 N. Mead, Suite 200
Wichita, KS 67202-2745
Office (316) 262-2671
Attorneys for Merit Energy Company, LLC

CERTIFICATE OF SERVICE

I, Jonathan A. Schlatter, hereby certify that on this 14th day of August, 2019, I caused the original of the foregoing Application and its Exhibits A, B, and C, and the Notice of Application to be electronically filed with the Conservation Division of the State Corporation Commission of the State of Kansas, and caused true and correct copies of the same to be deposited in the United States Mail, postage prepaid, and properly addressed to the individuals described on Exhibit B to the application.



Jonathan A. Schlatter