

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of R.T. Enterprises of	)	Docket No.14-CONS-550- CWLE
Kansas, Inc. for Multiple Well Location Exceptions	)	
for Wells Upon the Pearson and Finnerty Leases	)	License No. 33715
Located in Section 11, Township 15 South, Range 20	)	
East in Douglas County Kansas	)	Conservation Division

**PRE-FILED DIRECT TESTIMONY OF LANCE TOWN**

1     **Q.     STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2     A.     My name is Lance Town. My business address is R.T. Enterprises of Kansas, Inc., P.O. Box  
3             339, Louisburg, Kansas 66053.

4     **Q.     WHAT IS YOUR OCCUPATION?**

5     A.     I am self employed as an owner and officer of R.T. Enterprises of Kansas, Inc. ("R.T.") which  
6             owns and operates oil and gas leases in eastern Kansas. I am also an owner and officer of  
7             Town Oilfield Service, Inc. ("TOS"), which is an oil and gas service company, that provides  
8             drilling, pulling, plugging and other related services to numerous oil and gas operators in  
9             eastern Kansas. I am also an owner and officer of additional companies involved in oil and  
10            gas related activities similar to those engaged in by R.T. and TOS.

11    **Q.     WHAT WAS THE NATURE OF YOUR EMPLOYMENT PRIOR TO THAT TIME?**

12    A.     I am a third generation oil producer and have been around the oil business my whole life. I  
13            started working full time for Town Oil Company in 1991, and performed a number of duties  
14            while employed in that capacity including field maintenance, pumping, employee supervision,  
15            and regulatory compliance. I started my first oil and gas related company in 1996 and since  
16            that time I have been self employed as an oil producer and oil field service provider in eastern

1 Kansas.

2 **Q. DOES TOS PROVIDE OILFIELD SERVICE WORK TO COMPANIES OTHER**  
3 **THAN THOSE WHICH YOU ARE AFFILIATED WITH?**

4 A. Absolutely. TOS owns two drilling rigs and is responsible for drilling approximately 250 to  
5 300 wells per year for many different operators on a contract basis. In addition, TOS provides  
6 various other oil field services upon numerous eastern Kansas oil and gas leases.

7 **Q. WHAT IS R.T.'S RELATIONSHIP TO THE PEARSON LEASE AND THE**  
8 **FINNERTY LEASE BOTH LOCATED IN SECTION 11, TOWNSHIP 15 SOUTH,**  
9 **RANGE 20 EAST IN DOUGLAS COUNTY, KANSAS?**

10 A. R.T. is the operator of both the Finnerty Lease and the Pearson Lease.

11 **Q. PLEASE EXPLAIN THE CIRCUMSTANCES LEADING UP TO THE FILING OF**  
12 **THE SUBJECT APPLICATION FOR WELL LOCATION EXCEPTIONS UPON THE**  
13 **FINNERTY LEASE AND THE PEARSON LEASE BY R.T.?**

14 A. R.T. became the operator of the Pearson Lease and the Finnerty Lease in November of 2012,  
15 and shortly after acquiring said leases R.T. began developing said leases on a "five spot"  
16 pattern with production wells spaced every 2.5 acres. Notice of Intents to Drill were properly  
17 filed and approved by KCC staff before each well was drilled upon said leases. After R.T. had  
18 caused approximately 27 wells to be drilled upon the Pearson and Finnerty Leases, R.T.  
19 received a letter from KCC legal staff ordering R.T. to file the subject application. Obviously  
20 R.T. complied with the demand made by KCC legal staff and the subject application was filed.

21 **Q. IN YOUR OPINION IS R.T. REQUESTING SPECIAL AUTHORITY OR**  
22 **TREATMENT IN ITS APPLICATION?**

23 A. Not at all. Virtually all oil leases in eastern Kansas have been developed on the same spacing

1 being proposed in the application, and I am not aware of any operators other than R.T. who  
2 have been forced to file an application for well location exceptions in order to develop their  
3 lease on said spacing. In fact many shallow oil leases in eastern Kansas are developed on less  
4 than 2.5 acre well spacing. By filing the subject application R.T. is merely asking to be treated  
5 in the same manner as all other oil operators in eastern Kansas are being treated.

6 **Q. WHY ARE VIRTUALLY ALL OIL LEASES IN EASTERN KANSAS DEVELOPED**  
7 **ON CLOSE WELL SPACING?**

8 A. Oil reservoirs in eastern Kansas typically have very low permeability and the oil found in  
9 these reservoirs is very thick crude, therefore a single vertical well is not capable of draining  
10 a ten acre area. In addition, the majority of the oil in place must be recovered through the  
11 implementation of secondary recovery operations - most commonly waterflooding.

12 **Q. IS THIS PRACTICE OF CLOSE WELL SPACING A RECENT DEVELOPMENT, OR**  
13 **HAS IT BEEN AN EXISTING PRACTICE FOR A LONG PERIOD OF TIME?**

14 A. Shallow eastern Kansas oil reservoirs have been developed using close well spacing for as  
15 long as I can remember. I am not sure when the practice began but I know that this practice  
16 dates back more than 75 years by virtue of the close spacing of wells which were drilled in the  
17 1940's that still exist today.

18 **Q. WHEN YOU AND OTHER OPERATORS DEVELOPED THEIR LEASES ON 2.5**  
19 **ACRE WELL SPACING DID YOU BELIEVE THAT YOU WERE VIOLATING ANY**  
20 **KCC REGULATIONS BY DOING SO?**

21 A. No. Virtually all operators, the KCC field staff, and everyone else participating in the eastern  
22 Kansas oil business, share a common belief that eastern Kansas is subject to 2.5 acre well  
23 spacing. To my knowledge K.A.R. 82-3-108(b) has always been interpreted by the

Commission, KCC staff and industry participants to provide for 2.5 acre oil well spacing for the counties listed therein.

**Q. IN YOUR OPINION CAN THE PEARSON LEASE OR THE FINNERTY LEASE BE EFFECTIVELY AND EFFICIENTLY DRAINED BY VERTICAL PRODUCTION WELLS DRILLED ON TEN ACRE SPACING?**

A. No. The majority of the recoverable oil beneath the Pearson Lease and the Finnerty Lease would be left unrecovered if either the Pearson Lease or the Finnerty Lease were developed on ten acre well spacing. R.T. stimulates each of its production wells with hydraulic fracture treatments, and even after being fracture treated said wells are not capable of draining a ten acre area. Therefore, developing the Pearson and the Finnerty Leases on ten acre well spacing would result in waste.

**Q. HOW DID R.T. DETERMINE WHAT THE WELL SPACING SHOULD BE ON THE PEARSON LEASE AND THE FINNERTY LEASE?**

A. We chose a spacing and drilling pattern that would in our opinion maximize the ultimate recovery of oil beneath said leases in a reasonable amount of time, with the fewest number of wells possible. Obviously R.T. wanted to try to maximize the ultimate recovery from the Pearson and the Finnerty Leases in order to prevent underground waste; however, it was also important for R.T. to minimize the cost incurred in doing so. R.T. is in business to make a profit, therefore there is no incentive for R.T. to incur the cost of drilling more than the minimum number of wells necessary to recover the oil reserves beneath the Finnerty Lease and the Pearson Lease.

**Q. IN YOUR OPINION IS THE GRANTING OF R.T.'S APPLICATION NECESSARY IN ORDER TO PREVENT WASTE?**

1 A. Yes. Unless R.T. is permitted to develop the Pearson Lease and the Finnerty Lease on 2.5 acre  
2 well spacing, significant amounts of oil in place beneath said leases will not be recovered and  
3 waste will occur. As I indicated earlier, the oil reserves beneath the Pearson Lease and the  
4 Finnerty Lease simply cannot be efficiently and effectively drained by vertical wells drilled  
5 on ten acre spacing. In order for said reserves to be efficiently and effectively drained the  
6 Pearson Lease and the Finnerty Lease must be developed on 2.5 acre production well spacing  
7 as proposed in R.T.'s application.

8 **Q. IN YOUR OPINION IS THE GRANTING OF R.T.'S APPLICATION NECESSARY**  
9 **IN ORDER TO PROTECT CORRELATIVE RIGHTS?**

10 A. Yes. All of the leases in the vicinity of the Pearson Lease and the Finnerty Lease have been  
11 developed on less than ten acre well spacing. Therefore, if R.T. is prevented from developing  
12 the Pearson Lease and the Finnerty Lease on less than ten acre well spacing, R.T. will be  
13 unable to protect said leases against drainage and R.T.'s correlative rights will be violated.

14 **Q. DO YOU BELIEVE THAT EXISTING REGULATIONS PROHIBIT R.T. FROM**  
15 **DEVELOPING THE PEARSON LEASE AND FINNERTY LEASE ON 2.5 ACRE**  
16 **SPACING?**

17 A. No, I believe that existing KCC regulations authorize R.T. to develop the Pearson and  
18 Finnerty Leases on 2.5 acre spacing.

19 **Q. DOES THIS COMPLETE YOUR TESTIMONY TO THE COMMISSION?**

20 A. Yes.

VERIFICATION

STATE OF KANSAS            )  
                                          ) ss:  
COUNTY OF Miami        )

I, Lance Town, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing testimony, that I have read the testimony and am familiar with its contents, and that the facts set forth therein are true and correct.



\_\_\_\_\_  
Lance Town

SUBSCRIBED AND SWORN to before me this 17<sup>th</sup> day of July, 2014.

**AMY NELSON**  
**NOTARY PUBLIC**  
**STATE OF KANSAS**  
My Commission Expires 11/3/15



\_\_\_\_\_  
Notary Public

Appointment/Commission Expires: 11/3/15