

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

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

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| In the Matter of the Application of Oil Sources |) | Docket No. 15-CONS-107-CWLE |
| Corp. for an Order granting a Well Location |) | |
| Exception for its Two Bros. lease wells to be |) | CONSERVATION DIVISION |
| located in the Southwest Quarter of Section 32, |) | |
| Township 15 South, Range 21 East, Franklin |) | License No. 34585 |
| County, Kansas. |) | |

ORDER GRANTING APPLICATION

The above-captioned matter comes before the State Corporation Commission of the State of Kansas for consideration and determination. Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings:

I. JURISDICTION

1. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities.
2. K.S.A. 55-155 provides licensing authority to the Commission.
3. K.A.R. 82-3-108(a) provides that the setback requirement for oil and gas wells shall be 330 feet from any lease or unit boundary line, except as provided in subsection (b) or (c).
4. K.A.R. 82-3-108(b) provides that an oil well drilled to a total depth of less than 2,000 feet in any of the following counties in eastern Kansas shall be subject to a setback of 165 feet from any lease or unit boundary: Allen, Anderson, Atchison, Bourbon, Brown Cherokee, Coffey, Crawford, Douglas, Elk, Franklin, Greenwood, Jackson, Jefferson, Johnson, Labette, Leavenworth, Linn, Lyon, Miami, Montgomery, Neosho, Osage, Shawnee, Wilson, Woodson,

and Wyandotte. Further, wells drilled to a total depth of less than 2,500 feet in Chautauqua County are subject to the 165-foot setback.

5. K.A.R. 82-3-108(c) provides that the commission may grant an exception to the well setback requirements if necessary either to prevent waste or protect correlative rights.

II. FINDINGS OF FACT

6. Commission records indicate the operator is currently licensed to conduct oil and gas activities in Kansas under K.S.A. 55-155.

7. The operator filed an application on July 25, 2014 requesting a well location exception for the following wells on the Two Bros. Lease in Franklin County, Kansas (collectively the "subject wells"):

- a. Two Bros. #10: Located approximately 1,111' from the West line ("FWL") and 1,185' from the South line ("FSL") of Section 32, Township 15 South, Range 21 East.
- b. Two Bros. #11: Located approximately 1,111' FWL and 730' FSL of Section 32, Township 15 South, Range 21 East.
- c. Two Bros. #12: Located approximately 1,111' FWL and 470' FSL of Section 32, Township 15 South, Range 21 East.
- d. Two Bros. #13: Located approximately 1,111' FWL and 165' FSL of Section 32, Township 15 South, Range 21 East.

8. The subject wells will be drilled to an estimated depth of 800' from surface to test for hydrocarbon reserves in the Squirrel sand formation within the Paola-Rantoul field.

9. Notice was served and published as required under K.A.R. 82-3-135a. A corrected notice was required to be published in the official county newspaper due to an error in

the original notice. The notice period expires on August 29, 2014, and no protest has been received to date. Applicant has requested expedited treatment of this application to accommodate a rig schedule. Applicant understands that this order is contingent upon a protest not being received on or before August 29, 2014, and that this order shall become null and void pending additional process if a protest is timely received.

10. The well will be located 121 feet from the nearest lease or unit boundary, instead of the required 165 feet. As described in the application, the subject wells will offset current wells to the eastern boundary. The operator's lease is too narrow to allow for the setbacks to be met on both sides. The mineral owner to the west received notice of this application.

11. The proposed locations are necessary to protect the operator's correlative rights and its lessors, and to prevent uncompensated drainage from the leasehold.

III. CONCLUSIONS OF LAW

12. The Commission has jurisdiction over the operator and this matter.

13. The application was filed in accordance with the rules and regulations of the Commission and Kansas statutes.

14. Notice was properly served and published.

15. Based on the available facts, the Commission finds that the application should be granted to prevent waste and protect correlative rights.

THEREFORE, THE COMMISSION ORDERS:

A. The application for a well location exception at the subject well is hereby granted, and the well is assigned a full allowable. This Order is contingent upon a protest not being received by August 29, 2014, as described in Paragraph 9 of this Order.

B. This Order is a summary proceeding pursuant to K.S.A. 77-537, which provides in paragraph (b)(4) that summary proceedings are not effective until the time for requesting a hearing has expired. K.S.A. 77-542 provides that a request for hearing shall be filed within 15 days of any agency notice resulting in a right to request a hearing. If service of this Order is by mail, three days are added to the deadline. Any party taking an action permitted by this summary proceeding before the deadline for requesting a hearing has expired shall be deemed to have waived their right to a hearing pursuant to K.S.A. 77-504.

C. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order. If service of this Order is by mail, three days are added to the deadline. The petition shall be addressed to the Commission and sent to 266 N. Main St., Ste. 220, Wichita, Kansas 67202-1513. Pursuant to K.S.A. 55-606, K.S.A. 66-118b, and K.S.A. 77-529(a), reconsideration is prerequisite for judicial review of this Order. Any party taking an action permitted by this summary proceeding before the deadline for a petition for reconsideration does so at their own risk of further proceedings.

D. The Commission retains jurisdiction of the subject matter and the parties and may enter additional orders as it deems appropriate.

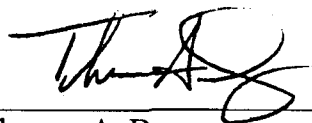
BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Com.; Apple, Com.

Date: AUG 28 2014

Date Mailed: 8/28/14

LRP



Thomas A. Day
Acting Executive Director

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

AUG 28 2014



CERTIFICATE OF SERVICE

I certify that on 8/28/14, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Jonathan A. Schlatter
300 N. Mead, Suite 200
Wichita, KS 67202-2745
Attorney for the Applicant

And delivered by hand to:

Jim Hemmen
Conservation Division Central Office

/s/ Lane R. Palmateer
Lane R. Palmateer
Litigation Counsel
Kansas Corporation Commission