

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 failure of VEEM Jade)
Oil & Gas LLC (“Operator”) to comply with) Docket 19-CONS-3108-CPEN
K.A.R. 82-3-111 at the Beaumont #B1,)
Beaumont #B2, Beaumont #B3, Beaumont) CONSERVATION DIVISION
#B4, Daves #D13, Daves #D15, Daves)
#D22 and Daves #D23 in Elk County,) License No. 32874
Kansas.)

PREFILED TESTIMONY

OF

MAHESH CHHABRA

ON BEHALF OF VEEM JADE OIL & GAS LLC

1 **Q. Would you state your name for the record?**

2 A. Mahesh Chhabra

3 **Q. What is your occupation or profession?**

4 A. Self-employed owner/operator of oil gas properties in Kansas and Oklahoma

5 **Q. Would you please describe the operations of Veem Jade Oil & Gas LLC?**

6 A. Veem Jade Oil & Gas LLC operates oil producing properties in Elk County, KS

7 **Q. Have you ever testified before the Kansas Corporation Commission?**

8 A. No.

9 **Q. Would you describe your educational background for the Commission?**

10 A. BS Mechanical Engineering from IIP, Varanasi, India, and MS in Industrial Engineering
11 from University of Arkansas Fayetteville.

12 **Q. How long have you been involved in the oil and gas industry in Kansas and**
13 **Oklahoma?**

14 A. Over twenty years as an independent oil and gas operator.

15 **Q. Can you provide a history/summary of Veem Jade's activities oil and gas operations**
16 **in the Bush Denton Field?**

17 A. We purchased these leases from the previous owners who acquired these from Sheriffs'
18 auction. The properties were passed on to us with limited information and had identified
19 falsely some producers which had not been producing for a long time. They operated
20 these leases very poorly. They drilled a good well, the Daves 31, but lost it due to bad
21 completion.

22 We cleaned up the leases and put a few wells back into production with a lot of
23 investment and had more problems than rewards. With additional investment we tried to

1 further develop these leases in a proper way by a) collecting a lot of seismic which
2 identified several good prospects, b) conducted a reservoir engineering study which
3 concludes that over a million barrels of oil can still be recovered with primary production
4 methods. As a small producer we had (and have) our vision of developing this field with
5 goals set per these exhaustive studies and have been implementing all our plans in a slow
6 and study manner including during the times of extremely unfavorable market
7 conditions.

8 **Q. Can you describe the current status of the eight (8) wells subject to this docket?**

9 **A.** Yes.

10 Beaumont #B1, API#15-049-20974-00-00; – This well has not been down for 10 years. I
11 made an error on the temporary abandonment form, and will submit a corrected form.

12 Beaumont #B2, API#15-049-21536-00-00; – This well has not been down 10 years; it
13 has produced during that time with a packer.

14 Beaumont #B3, API#15-049-21609-00-00 – This well is down and should be eligible for
15 temporary abandonment.

16 Beaumont #B4, API#15-049-22251-00-00 – This well is down and we believe should be
17 declared eligible for temporary abandonment.

18 Daves #D13, API#15-049-21325-00-00 – This well is down and we believe should be
19 declared eligible for temporary abandonment.

20 Daves #D15, API#15-049-21327-00-00– This well is down and we believe should be
21 declared eligible for temporary abandonment.

22 Daves #D22, API#15-049-21630-00-00 –This well is down and we believe should be
23 declared eligible for temporary abandonment.

1 Daves #D23, API#15-049-21658-00-00 – This well is down and we believe should be
2 declared eligible for temporary abandonment.

3 **Q. Have you corresponded and discussed these and all of your Bush Denton wells with**
4 **the Commission Staff prior to this? If so, can you summarize those exchanges?**

5 A. Yes.

6 **First**, in 2016, I was surprised at hearing from the District Staff about the number
7 of wells that were deemed to be Veem Jade's responsibility. On further discussion and
8 research, I learned that some of the wells would be my responsibility, and some might
9 not, as I'd never done anything with the wells. Some wells I'd never seen, and had no
10 records or information on. I attempted to gather information for filing temporary
11 abandonment forms, but on some of the wells, I simply couldn't find any information.
12 Initially, there were eight (8) wells for which Veem Jade did not contest responsibility.

13 **Second**, I discussed the applicability of the *Quest* case with the District Staff, and
14 explained that I believed some of the wells were *Quest* wells, and not Veem Jade's
15 responsibility.

16 **Third**, I expressed a desire to enter into a plugging agreement for those wells that
17 are Veem Jade's responsibility; however many of the wells that might turn out to be. The
18 District Staff and Veem Jade exchanged draft plugging agreements. As we left it, we
19 were waiting for Staff to respond to our proposed adaptation of their sample agreement.

20 **Q. Did Veem Jade leave it at that?**

21 A. No.

22 We decided to take ownership of the matter; wanting a responsible and appropriate
23 resolution. We made a two-part request to the Commission Staff: One, that we ask the

1 Commission for a ruling on the wells that we didn't believe are our responsibility; and
2 the other, that we enter into a plugging agreement for the wells that are ruled to be Veem
3 Jade's responsibility. There was another case before the Commission at that time with
4 similar circumstances. [*In re IGWT, Inc.*, KCC Dkt. 17-CONS-3099-CSHO.]

5 However, at that time, further discussion and actions were put on hold because
6 the Commission opened its investigatory docket on abandoned well responsibility.
7 [Docket No.: 17-CONS-3362-CINV.] It is our understanding that the Staff didn't pursue
8 any cases of questionable abandoned well responsibility during the pendency of that
9 docket. While we proposed the hold on our request, we did expect discussions with Staff
10 would continue, subject to a possible policy or rule announcement by the Commission in
11 the Abandoned Well investigatory docket. A copy of an email from our counsel to Staff
12 Counsel John McCannon is attached to my testimony, showing that these conversations
13 were ongoing. At some point after the attached email was sent, our counsel received a
14 call from Staff attorney Jon Myers saying he was assuming responsibility for the matter.

15 Then in 2017, without further communication from the Staff, Veem Jade was
16 stunned to receive a penalty order for two wells. Veem Jade complied with that penalty
17 order, but then a series of cascading enforcement actions followed, regardless of Veem
18 Jade's attempts to comply and to get back to discussing an agreement; and to where it
19 was conducting its operations in good standing with the Commission.

20 **Q. Back to the eight wells in this penalty order. After you filed the temporary**
21 **abandonment applications on these eight wells in July, you heard from the District**
22 **Staff, right? Can you describe this contact from the Staff?**

1 A. Yes. In mid-July 2018, I had to go into the hospital in California for heart tests and a
2 possible procedure. Once they tested, they immediately performed an angioplasty.
3 During my recovery I received a call from Duane, telling me he was denying these
4 temporary abandonment applications. I explained that I was recovering from my heart
5 surgery. I also stressed that we want to do a plugging agreement. Duane said don't worry
6 about all of this until I got recovered.

7 **Q. What happened next with regard to the wells?**

8 A. I received a penalty order for all of these eight wells.

9 **Q. Were you instead expecting to work out a plugging agreement with Duane and the**
10 **Staff?**

11 A. Yes. I thought we were finally going to get an agreement worked out, as soon as I was
12 recovered.

13 **Q. Is it still Veem Jade's desire to enter into a plugging agreement concerning the wells**
14 **for which it is deemed responsible?**

15 A. Yes. Veem Jade's desire all along has been to enter a plugging agreement concerning the
16 wells for which it is responsible, but those requests from Veem Jade to work on an
17 agreement appear to not be heard, and fines and penalties assessed instead.

18 There is one immediate concern: Veem Jade has already plugged more wells in
19 the past year than it would have been required to plug in any version of the proposed
20 plugging agreements it has discussed or exchanged with the District Staff. The plugging
21 costs, nearly broke Veem Jade. A plugging agreement should take the wells already
22 plugged into account, so that Veem Jade isn't immediately saddled with a financial
23 responsibility that will strain its budget further to the breaking point, out of balance with

1 its resources. And back to what Veem Jade said first and since 2016, its desire is to enter
2 into a plugging agreement concerning the wells for which it is responsible.

3 **Q. Do you believe the penalty order was wrongly assessed?**

4 A. Yes. First of all, as stated above in my testimony, the status of one of the wells is such
5 that the temporary abandonment applications should not have been denied. Another well,
6 I regrettably made the error, and would have corrected it if caught. As for the other
7 wells, we have tried to do a plugging agreement, and thought that is what we were now
8 going to be able to accomplish with the Staff.

9 **Q. Does this conclude your testimony?**

10 A. Yes.

Exhibit 1



Veem Jade Oil and Gas LLC

11417 S Granite Ave.
Tulsa, OK 74137
918-519-0429
mahesh.chhabra@gmail.com

Tulsa, OK
January 13, 2017

Duane Sims
Kansas Corporation Commission
Chanute, KS 66720

Dear Duane,

**Subject: TA wells – Veem Jade Oil and Gas LLC, Operator License
32874**

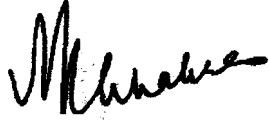
I have asked Diana Edmiston, our attorney in Wichita, for help in this matter. She has informed us that the Commission is again reviewing its policy on abandoned well responsibility, and that the extent of our responsibility for the wells in question may be impacted by that change. We do feel that regardless of what policy changes the Commission ultimately adopts, we will likely be responsible for the eight (8) wells listed on the attached spreadsheet. So we have modified your proposed compliance agreement to cover those specific wells, while we seek a ruling from the Commission on the other wells. We are forwarding that agreement to KCC lawyer, John McCannon.

While these matters are pending, we have already moved one experimental 'Bailer Unit' in to test an abandoned well. As discussed in your office we plan on using these Bailer units to attempt to achieve further production from old wells before we must resort to plugging them. We have an option to acquire up to five Bailers to install on our wells.

We are offering to go ahead and execute this agreement for the eight (8) wells, and submit it to the Commission for approval, at the same time we request the

ruling on the remaining abandoned wells located within our physical lease boundaries.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mahesh K Chhabra', with a stylized, cursive script.

Mahesh K Chhabra,
Manager,
Veem Jade Oil and Gas LLC, Operator

AGREEMENT

This Agreement is between **Veem Jade Oil & Gas, LLC** ("Operator") (License #32874) and the **Staff of the Corporation Commission of the state of Kansas** ("Staff"). If the Commission does not approve this Agreement by a signed order on or before [date], this Agreement shall not be binding on either party.

A. Background

Operator is deemed responsible for those EIGHT wells ("the Wells") listed on Exhibit A attached hereto. Staff and Operator have reached a mutually acceptable agreement under which Operator will be given sufficient time, taking into consideration Operator's existing resources and the condition of the wells (to the extent known), to plug the wells, return them to service, or obtain temporary abandonment status for the wells; to avoid potential violations and penalties. Staff believes this agreement is in the interest of the Commission and the public generally.

B. Terms of Compliance Agreement

1. Within 60 days from the date the Commission issues its order approving this Agreement, Operator shall plug, return to service, or obtain temporary abandonment status for one (1) of the subject wells. Thereafter, Operator shall plug, return to service, or obtain temporary abandonment status for one (1) more subject well every 90 days until all eight (8) of the Wells have been brought into compliance with K.A.R. 82-3-111, which final deadline shall be deemed (the "Compliance Date"). On achieving such compliance, the parties' obligations under this Agreement will be deemed fully satisfied, and the Agreement terminated.
2. If Operator fails to comply with any deadline described in Paragraph 1 above, then the Commission may deem Operator to have violated K.A.R. 82-3-111 with respect to said well and deadline, and may issue a penalty order assessing a \$100 penalty for the missed deadline. If all of the subject wells are not in compliance with K.A.R. 82-3-111 by being plugged, returned to service, or having temporary abandonment status, by the Compliance Date, then in addition to the above-described penalty(ies), the Commission may plug any of the wells not in compliance with said regulation, and assess to Operator, the actual, reasonable plugging costs incurred.
3. Operator's duties under this Agreement shall be assignable to a successor Operator of the leases, upon the filing of Transfer of Operator (T-1) form indicating the new Operator, and the Commission's acceptance of that form; *provided* the Assignee Operator also consents in writing to be bound by this Agreement. Upon such assignment, the transferring Operator shall have no further obligation for the wells covered by this Agreement.

4. Except as described by this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 with regard to the Wells.
5. Should Staff believe Operator has breached this Agreement, Staff shall so notify Operator in writing. Operator shall have 30 days after receipt of such notice to either bring the matter into compliance, or to dispute in writing, Staff's allegation of breach, before a penalty order is issued pursuant to paragraph 2 above. No single breach or alleged breach of this agreement shall invalidate the remainder of this Agreement.
6. It is acknowledged that Operator disputes its responsibility for other abandoned wells located within the boundaries of its leases and not covered by this Agreement. Contemporaneously with the signing of this Agreement, Operator is requesting a ruling from the Commission that Operator is not responsible for those wells. Should the Commission ultimately issue an order holding Operator responsible for those additional wells, then at Operator's option, those wells may be added to this Agreement, and the Compliance Date extended in proportion to the number of wells added.

AGREED TO AND ACCEPTED by:

Commission Staff

By: _____
Printed Name: _____
Title: _____
Date: _____

Veem Jade Oil & Gas, LLC

By: 

Printed Name: Mahesh K Chhabra
Title: Manager
Date: January 13, 2017

Subject: Fw: Veem Jade Oil and Gas Operator#
From: "Diana Edmiston" <diana@edmistonlawoffice.com>
Sent: 1/20/2017 9:49:25 PM
To: "j.mccannon@kcc.ks.gov" <j.mccannon@kcc.ks.gov>;

John--

This is a follow up to my phone call Wednesday, about Veem Jade's abandoned well matter. Again, Veem Jade believes it is responsible for approximately 8 of the wells on its inventory, but not the abandoned wells of which it has never had any physical contact, control, information or overt knowledge. We intend to ask the Commission for a ruling on those wells, but for now would ask that the matter be placed on hold pending the outcome of the Commission's abandoned well responsibility rulemaking and related policy review.

I'm forwarding you the email and attachments that Mr. Chhabra, the manager of Veem Jade, sent to Duane Sims a few minutes ago. I thought he was going to have me send the documents to you, but he either misunderstood, or did his own thing in sending them to Duane. Now that Duane has been sent the documents, you will need them too, to prevent any confusion between your two offices. We have not attached the referenced list of '8 wells'. I still need to have Mr. Chhabra confirm those with me first, and confirm that the number is actually 8 wells. (I had intended to send all of the items to you together, but the items having already been sent to Duane, I want you to have them as well.) I will get the list of wells to you as soon as I've been able to confirm it with Mr. Chhabra.

Diana

Diana Edmiston
 Edmiston Law Office, LLC
 200 E. 1st, Suite 301
 Wichita, KS 67202
 316.267.6400

----- Forwarded Message -----

From: "Mahesh Chhabra" <mahesh.chhabra@gmail.com>
 To: "Duane Sims" <d.sims@kcc.ks.gov>
 Cc: "Mike Seaver" <vpsmack555@aol.com>
 Sent: 1/20/2017 3:02:40 PM
 Subject: Veem Jade Oil and Gas Operator#

As I mentioned in our earlier conversation that our attorney in Wichita pointed out the Commissions' ruling which might apply in

reducing our liability. She has since found out that the Commission has in front of them other similar cases and are considering looking at these including ours. Regardless of Commissions ruling we have to plug, return to service, or obtain temporary abandonment for eight wells. While our petition for other wells is under consideration by the Commission I have signed the agreement (attached) for eight wells.

Thanks,

Mahesh

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this **21st** day of **January, 2019**, she caused the above and foregoing **Testimony of Mahesh Chhabra** to be electronically delivered, to the following person at the addresses shown:

Lauren Wright, Litigation Counsel
Kansas Corporation Commission
Conservation Division
l.wright@kcc.ks.gov
Attorney for Commission Staff

Michael Duenes, Assistant General Counsel
Kansas Corporation Commission
m.duenes@kcc.ks.gov
Prehearing Officer

/s/ Diana Edmiston