

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

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

PRE-FILED REBUTTAL TESTIMONY

OF

JOHN ALMOND

On Behalf of Commission Staff

February 4, 2018

1 **Q. What is your name?**

2 A. John Almond.

3 **Q. Are you the same John Almond who submitted direct testimony in this matter on**
4 **January 7, 2019?**

5 A. Yes.

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. To respond to the direct testimony filed by the Operator.

8 **Q. Have you reviewed Mahesh Chhabra's direct testimony?**

9 A. Yes.

10 **Q. On page 1, lines 22, through page 2, line 7, in reference to Veem Jade's activities in the**
11 **Bush Denton Field Mr. Chhabra describes the work put in by the Operator to clean up,**
12 **invest in, and further develop these leases. Do you agree with Mr. Chhabra's assessment**
13 **of the leases?**

14 A. No. Staff has indicated that the Beaumont lease is abandoned. The Daves lease has four sites
15 with environmental issues pertaining to brine impacted soils and one unpermitted open pit
16 with fluid. The lease inspection report for the Daves lease is attached as J.A. Rebuttal
17 Exhibit 1.

18 **Q. Can you describe the environmental concern found at site one located on the Daves lease**
19 **in more detail?**

20 A. Yes. Site one is comprised of an emergency dike that contained fluid at the time of the
21 inspection. The southeast corner of the emergency dike has an area of brine-impacted soils.
22 The brine-impacted soils are the result of produced fluids leaking from the emergency dike.

1 The brine in the produced fluids affected an area approximately 113 square yards in size.

2 Pictures of site one are attached as J.A. Rebuttal Exhibit 2.

3 **Q. Please describe the environmental issue found at site two located on the Daves lease.**

4 A. Site two is comprised of a brine-impacted area that is approximately 0.10 of an acre. The
5 brine-impact was caused by a leak at the injection pump. Pictures of site two are attached as
6 J.A. Rebuttal Exhibit 3.

7 **Q. Please describe the environmental issue found at site three located on the Daves lease.**

8 A. Site three is comprised of brine-impacted soils in the location of the plugged injection well
9 Daves #D-20, API# 15-049-21607-00-01. The injection well was plugged by the Operator on
10 July 12, 2017. While there was not any visible evidence of surface fluids in this location at
11 the time of the inspection it appears that something occurred near this injection well between
12 February 16, 2013 and November 5, 2014 that led to brine-impacted soils and the Operator
13 failed to report it or do any remediation work. Google Earth Historical Imagery of the location
14 from February 16, 2013 does not show any visible brine impacts in the vicinity while the
15 imagery from November 5, 2014 shows a brine-impacted area of approximately 0.40 of an
16 acre in size that you can still see on the property today. The Google Earth Historical Imagery
17 and pictures of site 3 are attached as J.A. Rebuttal Exhibit 4.

18 **Q. Please describe the environmental issue found at site four located on the Daves lease.**

19 A. Site four is comprised of an unpermitted open pit that contained fluid at the time of the
20 inspection. The pit was located next to the oil production well Daves #D-30, API#15-049-
21 22174-00-00. Pictures of site four are attached as J.A. Rebuttal Exhibit 5. The condition of
22 the Daves lease has deteriorated over time. As pictures and field inspections show, there are
23 multiple compliance and environmental concerns that are going to require remediation.

1 **Q. On page 2, lines 10-11, Mr. Chhabra states that the Beaumont #B1, API#15-049-20974-**
2 **00-00 “has not been down for 10 years. I made an error on the temporary abandonment**
3 **(TA) form, and will submit a corrected form”. Will submitting a new form with a**
4 **different shut-in date result in Staff approving temporary abandonment (TA) status on**
5 **this well?**

6 A. No. According to the TA form submitted by the Operator, this well only has 65 feet of surface
7 casing.¹ The minimum surface casing requirement for an ALT 1 well is 450 feet. The TA form
8 also indicates that the Long String casing is not cemented to surface. There is no surface
9 control on this well; in order to obtain an approved TA Staff would need a current fluid level,
10 a casing integrity test, and possibly a bond log to verify construction of the well.

11 **Q. On page 2, lines 12-13, Mr. Chhabra states that the Beaumont #B2, API#15-049-21536-**
12 **00-00 “has not been down for 10 years; it has produced during that time with a packer”.**
13 **Do you agree with this statement?**

14 A. No. There is no tubing within the well bore. If the Operator was able to produce through a
15 packer it is likely due to there being an integrity failure of the casing.

16 **Q. What would the Operator need to do in order to obtain TA status for this well?**

17 A. According to the TA form, submitted by the Operator, this well only has 65 feet of surface
18 casing.² As stated previously, the minimum surface casing requirement for an ALT 1 well is
19 450 feet. The TA form also indicates that the Long String casing is not cemented to surface.
20 There is no surface control on this well. In order to obtain an approved TA Staff would need
21 a current fluid level, a casing integrity test, and possibly a bond log to verify construction of
22 the well.

¹ See Prefiled Testimony of John Almond, Exhibit A p. 1, (Jan. 7, 2019).

² *Id.*, Exhibit A p. 2.

1 **Q. On page 2, lines 14-15, regarding the Beaumont #B3, API#15-049-21609-00-00,**
2 **Mr. Chhabra states, “This well is down and should be eligible for temporary**
3 **abandonment.” Do you agree with this statement?**

4 A. No. According to the TA form, this well only has 65 feet of surface casing.³ Again, the
5 minimum surface casing requirement for an ALT 1 well is 450 feet. The TA form also
6 indicates that the Long String casing is not cemented to surface. There is no surface control
7 on this well. In order to obtain an approved TA Staff would need a current fluid level, a casing
8 integrity test, and possibly a bond log to verify construction of the well.

9 **Q. On page 2, lines 16-17, regarding the Beaumont #B4, API#15-049-22251-00-00,**
10 **Mr. Chhabra states, “This well is down and we believe should be declared eligible for**
11 **temporary abandonment.” Do you agree with this statement?**

12 A. No. According to the TA form, this well has been shut-in since March 11, 1997 and only has
13 65 feet of surface casing.⁴ Again, the minimum surface casing requirement for an ALT 1 well
14 is 450 feet. The TA form also indicates that the Long String casing is not cemented to surface.
15 There is no surface control on this well. In order to obtain TA status for this well the Operator
16 would need to file an application for an exception to the time limitations in K.A.R. 82-3-111
17 and perform a casing integrity test.

18 **Q. On page 2, lines 18-19, regarding the Daves #D13, API#15-049-21325-00-00,**
19 **Mr. Chhabra states, “This well is down and we believe should be declared eligible for**
20 **temporary abandonment.” Do you agree with this statement?**

21 A. No. According to the TA form, this well has been shut-in since January 1, 1997 and only has

³ *Id.*, Exhibit A p. 3.

⁴ *Id.*, Exhibit A p. 4.

1 65 feet of surface casing.⁵ The minimum surface casing requirement for an ALT 1 well is 450
2 feet. The TA form also indicates that the Long String casing is not cemented to surface. There
3 is no surface control on this well. In order to obtain TA status for this well the Operator would
4 need to file an application for an exception to the time limitations in K.A.R. 82-3-111 and
5 perform a casing integrity test.

6 **Q. On page 2, lines 20-21, regarding the Daves #D15, API#15-049-21327-00-00,**
7 **Mr. Chhabra states, “This well is down and we believe should be declared eligible for**
8 **temporary abandonment.” Do you agree with this statement?**

9 A. No. According to the TA form, this well has been shut-in since January 1, 1997 and only has
10 65 feet of surface casing.⁶ The minimum surface casing requirement for an ALT 1 well is 450
11 feet. The TA form also indicates that the Long String casing is not cemented to surface. There
12 is no surface control on this well. In order to obtain TA status for this well the Operator would
13 need to file an application for an exception to the time limitations in K.A.R. 82-3-111 and
14 perform a casing integrity test.

15 **Q. On page 2, lines 22-23, regarding the Daves #D22, API#15-049-21630-00-00,**
16 **Mr. Chhabra states, “This well is down and we believe should be declared eligible for**
17 **temporary abandonment.” Do you agree with this statement?**

18 A. No. According to the TA form, this well has been shut-in since January 1, 1997 and only has
19 65 feet of surface casing.⁷ The minimum surface casing requirement for an ALT 1 well is 450
20 feet. The TA form also indicates that the Long String casing is not cemented to surface. There
21 is no surface control on this well. In order to obtain TA status for this well the Operator would

⁵ *Id.*, Exhibit A p. 5.

⁶ *Id.*, Exhibit A p. 6.

⁷ *Id.*, Exhibit A p. 7.

1 need to file an application for an exception to the time limitations in K.A.R. 82-3-111 and
2 perform a casing integrity test.

3 **Q. On page 3, lines 1-2, regarding the Daves #D23, API#15-049-21327-00-00, Mr. Chhabra**
4 **states, “This well is down and we believe should be declared eligible for temporary**
5 **abandonment.” Do you agree with this statement?**

6 A. No. According to the TA form, this well has been shut-in since January 1, 1997 and only has
7 65 feet of surface casing.⁸ The minimum surface casing requirement for an ALT 1 well is 450
8 feet. The TA form also indicates that the Long String casing is not cemented to surface. There
9 is no surface control on this well. In order to obtain TA status for this well the Operator would
10 need to file an application for an exception to the time limitations in K.A.R. 82-3-111 and
11 perform a casing integrity test.

12 **Q. To recapitulate, the Operator asserts all eight subject wells should be eligible for TA**
13 **status. Do you agree with this assessment?**

14 A. No. None of the eight subject wells are eligible for TA status because Staff needs further
15 information to verify the subject wells are not a threat to fresh and useable water.

16 **Q. On page 3, lines 13-19, Mr. Chhabra describes communications between the Operator**
17 **and Staff regarding the Operator’s responsibility of wells listed on the Operator’s well**
18 **inventory and the applicability of Quest. Do you recall this conversation?**

19 A. Yes. I met with the Operator on August 30, 2016, to discuss compliance issues. At this
20 meeting, Mr. Chhabra stated under Quest he did not believe he was responsible for wells on
21 his leases unless he produced them. I provided him with a copy of his well inventory that he
22 had certified for the previous three years and explained that it was Staff’s position that he is

⁸ *Id.*, Exhibit A p. 8.

1 responsible for all of the wells on his certified well inventory. This meeting was summarized
2 by a memorandum and maintained with our files, the memorandum is attached as J.A.
3 Rebuttal Exhibit 6.

4 **Q. On page 3, lines 17-18, Mr. Chhabra states “The District Staff and Veem Jade exchanged**
5 **draft plugging agreements.” Do you agree with this statement?**

6 A. No. At our August 30, 2016, meeting District Staff discussed the possibility of entering into
7 a compliance agreement. Staff explained that the Operator would be required to plug or return
8 to production two wells per quarter. I advised the Operator that we would be using our
9 standard compliance agreement template so that terms are consistent among all other
10 operators. I gave Mr. Chhabra a copy of a sample compliance agreement Staff used at the
11 time. That sample compliance agreement is attached as J.A. Rebuttal Exhibit 7.

12 **Q. On page 3, lines 18-19, Mr. Chhabra states, “As we left it, we were waiting for Staff to**
13 **respond to our proposed adaptation of their sample agreement.” Do you agree with this**
14 **statement?**

15 A. No. Following the August 2016 meeting, Mr. Chhabra requested substantial modifications to
16 the compliance agreement. Staff worked with the Operator for months negotiating the terms
17 of the compliance agreement. The Operator would not commit to an exact number of wells
18 he would return to production or plug per year and kept requesting more time. At one point,
19 the Operator contacted Staff over the phone and indicated that his legal counsel did not
20 recommend entering into a compliance agreement. In January 2017, the Operator sent Staff
21 the letter and plugging agreement attached as Exhibit 1 to Mahesh Chhabra’s testimony. The
22 letter stated that the Operator had obtained legal counsel to assist in this matter so District

1 Staff felt it was more appropriate for communication to take place between the legal
2 department and the Operator's attorney.

3 **Q. The letter you referenced above stated that the Operator was seeking a ruling from the**
4 **Commission regarding their responsibility of other wells on their license. To your**
5 **knowledge, has the Operator ever filed an application for a Commission Order to**
6 **determine well plugging responsibility?**

7 A. Yes. In Docket 18-CONS-3260-CEXC, the Operator did request a Determination of
8 Responsibility from the Commission regarding the Smith B #10, API #15-049-21865-00-00
9 and the Smith B #12, API #15-049-21954-00-00 wells. The Operator later withdrew its
10 request in its Amendment to Application. To my knowledge that is the only formal request
11 for determination of responsibility the Operator has made.

12 **Q. On page 4, lines 15-16, Mr. Chhabra states "Then in 2017, without further**
13 **communication from the Staff, Veem Jade was stunned to receive a penalty order for**
14 **two wells." Did District Staff send Veem Jade notice of violation (NOV) letters before**
15 **submitting penalty recommendations to legal staff?**

16 A. Yes. On June 20, 2017, District Staff mailed two NOV letters to The Operator. The letters
17 gave the Operator until July 18, 2017, to bring the wells into compliance in order to avoid a
18 penalty order. The NOV letters are attached as J.A. Rebuttal Exhibit 8.

19 **Q. On page 5, lines 3-6, Mr. Chhabra describes a phone conversation he had with Duane**
20 **Sims, Environmental Compliance and Regulatory Specialist. Does District Staff have**
21 **any records of this conversation?**

22 A. No. There are no KCC records of this conversation.

1 **Q. On page 5 lines 15- page 6 line 2, Mr. Chhabra expresses his desire to enter into a**
2 **plugging agreement. Is District Staff open to entering into an agreement with the**
3 **Operator?**

4 A. Staff is open to the possibility of entering into a compliance agreement that would address the
5 22 inactive wells on the Operator's license. The agreement would need to be based on the
6 standard compliance agreement template with an objective of plugging or returning to service
7 at least two (2) wells per quarter.

8 **Q. Do you have a recommendation regarding the Penalty Order in this docket?**

9 A. Yes. The Penalty Order should be affirmed. The Operator failed to plug, produce, or obtain
10 TA status for the eight subject wells and remains in violation of K.A.R. 82-3-111 as of this
11 date. The assessment of the \$100.00 penalty for each of the eight subject wells in the
12 Commission's Penalty Order is reasonable and should be upheld.

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

14 A. Yes.

KCC OIL/GAS REGULATORY OFFICES

Inspection Date: 01/25/2019 District: 3 Incident Number: 6380

- ☒ New Situation ☐ Lease Inspection
☐ Response to Request ☐ Complaint
☐ Follow-up ☒ Field Report

Operator License No: 32874 API: Q3: NW Q2: SW Q1: NW
Operator Name: VEEM Jade Oil & Gas LLC SEC 27 TWP 29 RGE 9 RGEDIR: E
Address: 11417 S Granite Ave FSL:
City: Tulsa FEL:
State: OK Zip Code: 74137 Lease: Daves Well No.:
Phone contact: 918-519-0429 County: EK

Reason for Investigation:

While checking the status of wells on the lease, district staff discovered numerous sites with brine-impacted soils and 1 unpermitted open pit with fluid.

Problem:

Brine-impacted soils and an unpermitted pit.

Persons contacted:

Findings:

On 1-25-2019 district staff was checking the status of wells on the Daves lease and discovered 3 sites with brine-impacted soils and 1 unpermitted open pit with fluid.

Site 1 (GPS point 37.500686 -96.416078): This site is comprised of an emergency dike that contained fluid at the time of the inspection. The Southeast corner of the emergency dike has an area of brine-impacted soils. The brine-impacted soils are the result of produced fluids leaking from the emergency dike. The brine in the produced fluids impacted an area approximately 113 square yards in size. See the attached Google Earth generated map for reference. CONTINUED ON ADDITIONAL FINDINGS

Actions / Recommendation Follow-up Required ☐ Deadline Date:

Remediation letters will be mailed to the operator to address the brine-impacted soils and the operator will be given 30 days to empty and close the pit.

Photo's Taken: 10

☒ RBDMS ☒ KGS ☐ TA DB Report Prepared By: Taylor Herman
☒ T1 DBF ☒ District Files ☐ Courthouse Position: District Geologist

KCC OIL/GAS REGULATORY OFFICES

Additional Findings:

Site 2 (GPS point 37.500965 -96.416232): This site is comprised of a brine-impacted area that is approximately .10 of an acre. The brine impact was caused by a leak at the injection pump. See the attached Google Earth generated map for reference.

Site 3 (GPS point 37.500922 -96.413730): This site is comprised of brine-impacted soils in the location of the plugged injection well Daves D-20 15-049-21607-0001. The injection well was plugged by VEEM Jade Oil & Gas LLC on 7-12-2017. There was not any visible evidence of surface fluids in this location at the time of the inspection. The KCC has a T-1 operator transfer form on file that shows VEEM Jade Oil & Gas LLC took over operations of the lease on 10-1-2000. Google Earth Historical Imagery of the location from 2-16-2013 does not show any visible brine impacts in the vicinity of Daves D-20 (See attached Google Earth generated map). Google Earth Historical Imagery of the location from 11-5-2014 does have visible brine impacts in the vicinity of the well location (See attached Google Earth generated map). It appears that some event occurred near the Daves D-20 injection well between 2-16-2013 and 11-5-2014 that led to brine-impacted soils. The brine impacted an area approximately .40 of an acre in size.

Site 4 (GPS point 37.502281 -96.408699): This site is comprised of an open pit that contained fluid at the time of the inspection. The pit was located next to the oil production well Daves D-30 15-049-22174.

Daves Lease 27-29S-9E Elk Co. VEEM Jade Oil & Gas LLC

Brine impacted soils 1-25-2019 Site 1

Rd 7

Legend
□ Brine Impacted Soils



Google Earth

© 2015 Google

200 ft

N

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0836
Subject: Emergency dike SITE 1	PIC Orientation: Facing South
FSL: 3787	Latitude: 37.500965
FEL: 5166	Longitude: -96.416232
API#:	
Date: 1-25-2019	Time: 11:47 AM
Staff: Duane Sims	

Additional Information: SITE 1: Fluid in emergency dike at the tank battery.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0838
Subject: Emergency dike leaking SITE 1	PIC Orientation: Facing North
FSL: 3686	Latitude: 37.500686
FEL: 5120	Longitude: -96.416078
API#:	
Date: 1-25-2019	Time: 11:50 AM
Staff: Duane Sims	

Additional Information: SITE 1: Fluid in emergency dike at the tank battery.

Daves Lease 27-29S-9E Elk Co. VEEM Jade Oil & Gas LLC
Brine Impacted soils 1-25-2019 Site 2

Legend
□ Brine Impacted Soils



Rd 7

Google Earth

© 2018 Google

200 ft



KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0839
Subject: Injection pump SITE 2	PIC Orientation: Facing West
FSL: 3787	Latitude: 37.500965
FEL: 5166	Longitude: -96.416232
API#:	
Date: 1-25-2019	Time: 11:56 AM
Staff: Duane Sims	

Additional Information: SITE 2: Brine impact from injection pump leak.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0841
Subject: Injection pump leak SITE 2	PIC Orientation: Facing South
FSL: 3804	Latitude: 37.501007
FEL: 5052	Longitude: -96.415839
API#:	
Date: 1-25-2019	Time: 11:57 AM
Staff: Duane Sims	

Additional Information: SITE 2: Brine impact from injection pump leak.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0843
Subject: Brine impact from injection pump SITE 2	PIC Orientation: Facing South
FSL: 3739	Latitude: 37.500830
FEL: 5039	Longitude: -96.415799
API#:	
Date: 1-25-2019	Time: 11:58 AM
Staff: Duane Sims	

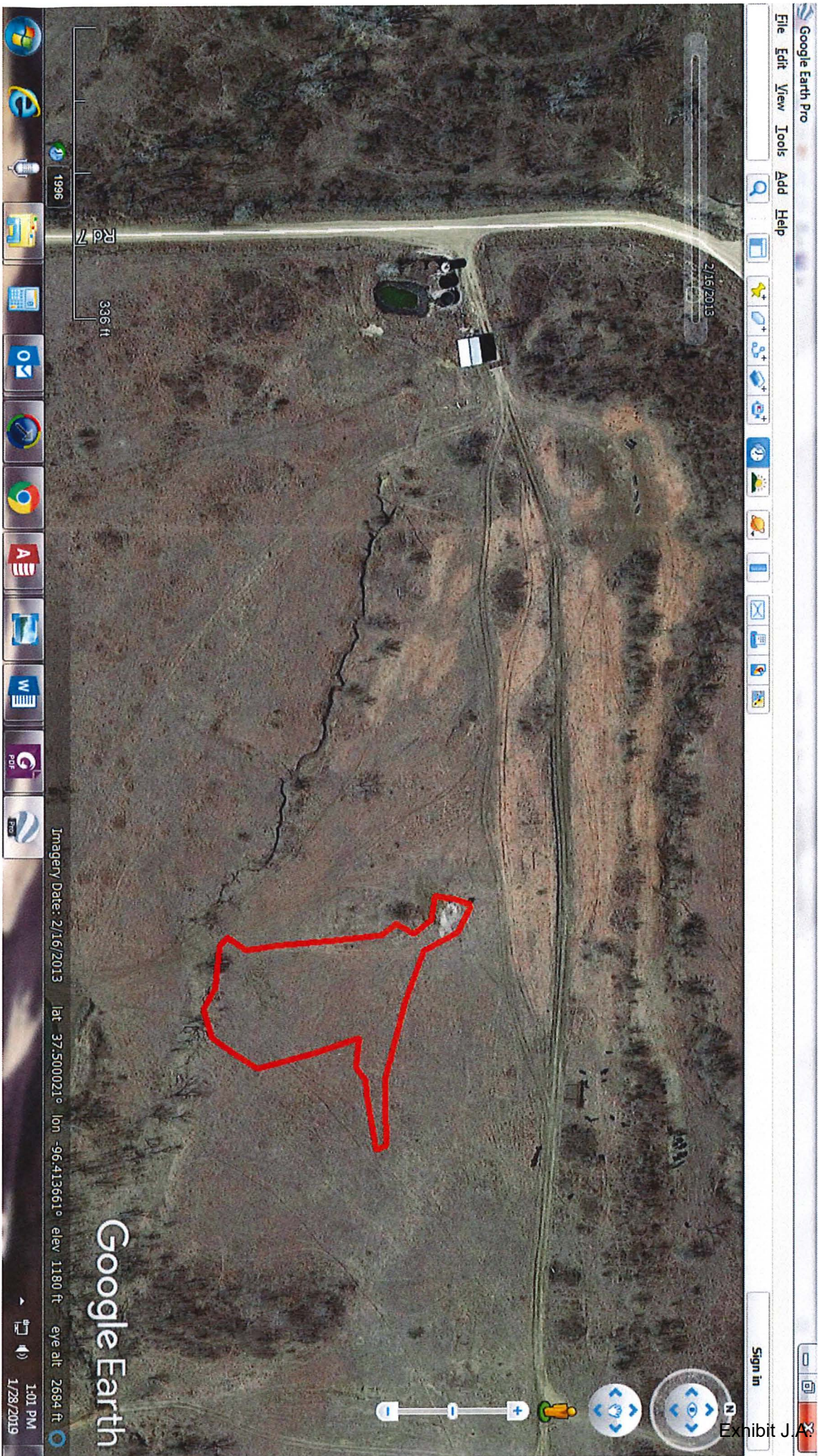
Additional Information: SITE 2: Brine impact from injection pump leak.

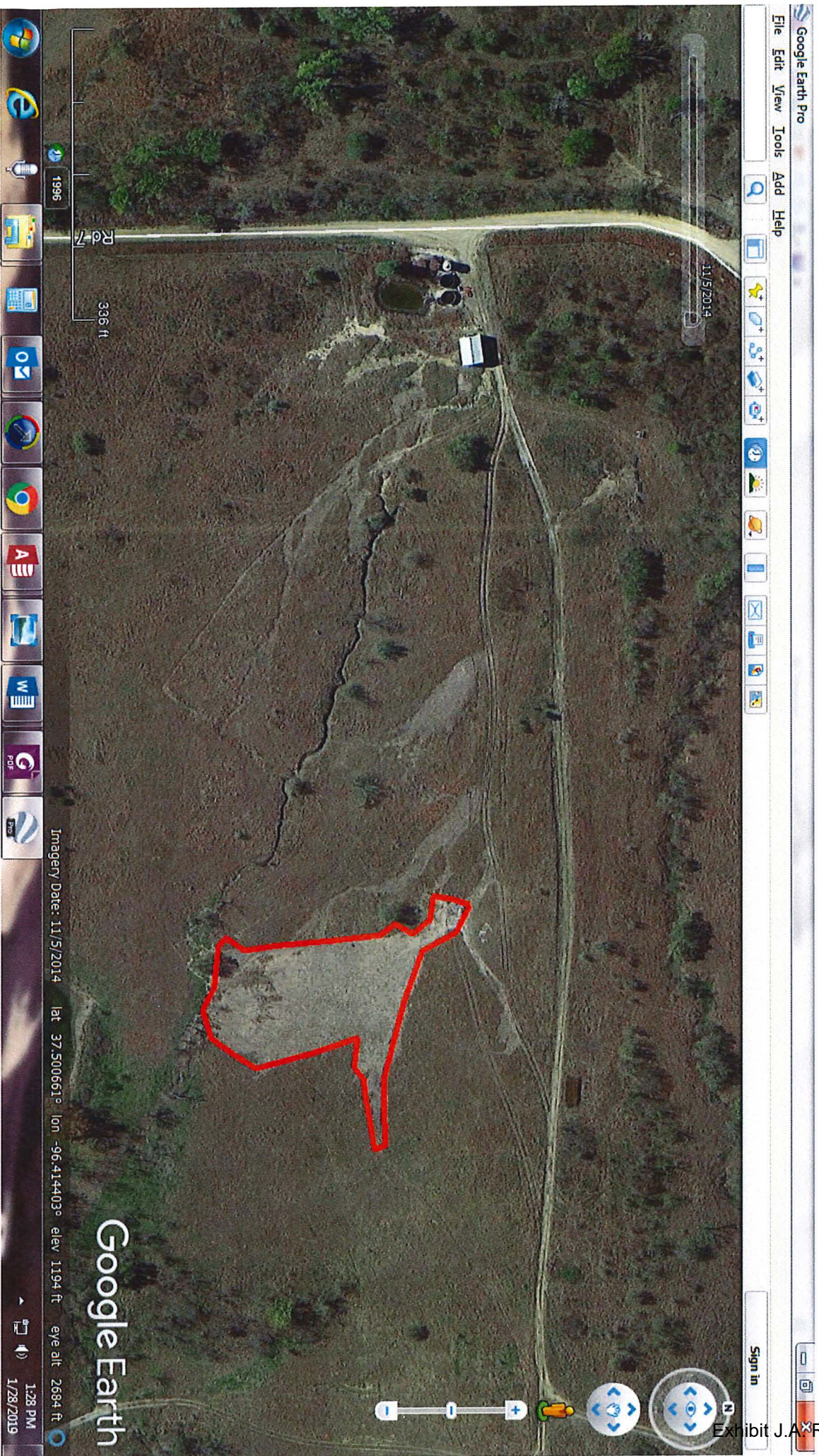
KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0843
Subject: Brine impact from injection pump SITE 2	PIC Orientation: Facing South
FSL: 3738	Latitude: 37.500825
FEL: 4996	Longitude: -96.415650
API#:	
Date: 1-25-2019	Time: 11:58 AM
Staff: Duane Sims	

Additional Information: SITE 2: Brine impact from injection pump leak.





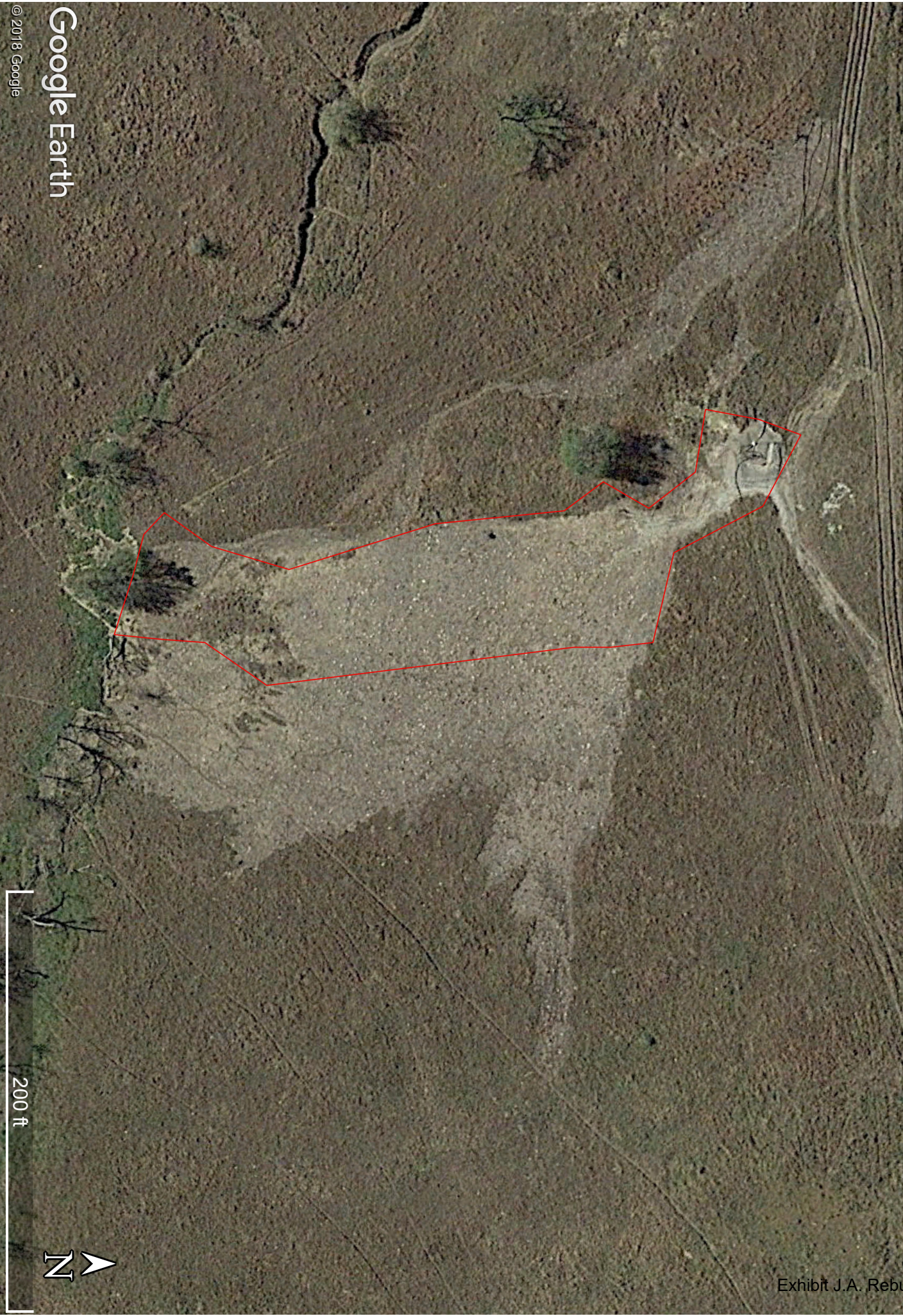
Daves Lease 27-29S-9E Elk Co. VEEM Jade Oil & Gas LLC

Brine impacted soils 1-25-2019 Site 3

Legend



Brine Impacted Soils



Google Earth

© 2018 Google

200 ft



KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0849
Subject: Brine impact near Daves D-20 SITE 3	PIC Orientation: Facing South
FSL: 3738	Latitude: 37.500922
FEL: 4996	Longitude: -96.413730
API#:	
Date: 1-25-2019	Time: 1:08 PM
Staff: Duane Sims	

Additional Information: SITE 3: Brine impact near location of plugged injection well Daves D-20 15-049-21607-0001.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0852
Subject: Brine impact near Daves D-20 SITE 3	PIC Orientation: Facing South
FSL: 3509	Latitude: 37.500182
FEL: 4351	Longitude: -96.413439
API#:	
Date: 1-25-2019	Time: 1:08 PM
Staff: Duane Sims	


Additional Information: SITE 3: Brine impact near location of plugged injection well Daves D-20 15-049-21607-0001.

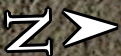
Daves Lease 27-29S-9E Elk Co. VEEM Jade Oil & Gas LLC

Unpermitted open pit 1-25-2019 Site 4

Legend

 DAV/30 OPENPITW/WATER

DAV/30 OPENPITW/WATER 



KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0855
Subject: Open pit near Daves D-30 SITE 4	PIC Orientation: Facing North
FSL: 4285	Latitude: 37.502281
FEL: 2987	Longitude: -96.408699
API#:	
Date: 1-25-2019	Time: 12:53 PM
Staff: Duane Sims	

Additional Information: SITE 4: Open pit near Daves D-30 15-049-22174.

KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



Operator: VEEM Jade Oil & Gas LLC	KLN: 32874
Lease: Daves	Legal: 27-29S-9E
County: Elk	PIC ID#: IMG_0856
Subject: Open pit near Daves D-30 SITE 4	PIC Orientation: Facing North
FSL: 4285	Latitude: 37.502281
FEL: 2987	Longitude: -96.408699
API#:	
Date: 1-25-2019	Time: 12:53 PM
Staff: Duane Sims	

Additional Information: SITE 4: Open pit near Daves D-30 15-049-22174.

MEMORANDUM

August 30, 2016

To: File

From: John Almond

RE: Compliance meeting Veem Jade Oil & Gas #32874

John Almond and Duane Sims met with Veem Jade operator Mahesh Chhabra, a partner, (I think his first name was Mike, I do not recall the partner's last name) and a Contractor Ron Cunningham. Ron was at the meeting to help the operator with estimates for putting wells into production, plugging or testing wells that are abandoned and needed to be in compliance and to also keep up to date with the KCC rules and regulations and specifically, what the process was for a compliance agreement.

Mr. Chhabra brought some paperwork to the meeting in reference to "Quest Cherokee" and he said he was not responsible for wells on his leases unless he produced them. I gave Mr. Chhabra a copy of his well inventory generated from RBDMS that he had certified for the past three (3) years and told him he would be responsible for all of the wells on his well inventory and on his license. He said he was going to visit with his attorney about that and he did not want to commit to a plugging agreement with wells that he did not believe he was responsible for.

According to Mr. Chhabra, the "Quest" rules were put into place in 2004 or 2005 and I told him the Legal Staff in Wichita had directed us to go by the lease assignments or if the operator had a "NEW" lease, I told Mr. Chhabra that Legal Staff told us that if an operator acquired leases by accepting an assignment of an existing lease, that they were responsible for all the wells on the lease. He said he was not aware of that and he would ask his attorney to get clarification on that. He said he didn't know if he had an assignment or a new lease and I told him that he would be responsible for the wells that he put

on his well inventory. He questioned why this rule has not been updated on the KCC website that is used by producers to determine how to be in compliance? I told him that he could research that if he wanted to, we were trying to do what we were told to do.

Duane Sims told him and I agreed that he could still put wells into production with the compliance agreement, that we were not going to make him only plug wells, if he has a current lease, he can put wells into production. Duane told him he should be able to put into production or plug at least two (2) wells per quarter, he said he didn't know if he could afford that.

We went through the wells on the list and he was trying to decide what he wanted to do with them. He was talking about some kind of bailer system that he had to produce the wells that he could move from well to well. He wanted to make a plan to bring the wells in compliance, such as (1) well first quarter, (2) wells the second quarter, (1) well the 3rd quarter and (2) wells 4th quarter or just (1) well per quarter. I told him that we would only be using the compliance agreements that we had used for other operators and all of the agreements would be the same and I gave him and everyone at the meeting a copy of a "sample" compliance agreement that we had been using.

I told Mr. Chhabra that we were not the only ones who had to approve the compliance agreements, we told him that our supervisor would have to approve the agreement and then the Commission would have to approve and the agreement would be in the form of an order from the Commission. He said he would not agree to put wells on an agreement that he did not think was his responsibility, I told him we would have to use the wells that were on his well inventory and that Duane would verify the status of the wells on his lease to make sure we had them all. He said he did not want to be responsible for all the wells on his leases and would not sign an agreement with all the wells on it. That was the end of the meeting.

Sample Only

COMPLIANCE AGREEMENT

This agreement is between _____ U.S.A. Inc. ("Operator") (License # _____) and Commission Staff ("Staff"). If the Commission does not approve this Agreement by a signed order, this Agreement shall not be binding on either party.

A. Background

1. Operator is responsible for the ** wells ("the subject wells") on the attached list. All wells are out of compliance with K.A.R. 82-3-111, or will be out of compliance within 12 months due to lease and temporary abandonment approval expiring. Operator has asked for an agreement to avoid penalties while Operator works to plug the wells, return them to service, or to obtain temporary abandonment status for them. Staff is supportive of an agreement.

B. Terms of Compliance Agreement

2. By May 31, 2017, Operator shall plug, return to service, or obtain new temporary abandonment status for _____ of the subject wells, Operator shall plug, return to service, or obtain temporary abandonment status for an additional _____ subject wells within each three calendar months thereafter, resulting in all subject wells being returned to compliance by August 2023.

3. If Operator fails to comply with any deadline described in Paragraph 2, then Operator shall be assessed a \$1,000 penalty for each missed deadline. If any 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 November 30, 2023, then Operator shall be assessed an additional \$2,500 penalty, and Staff may plug the wells and assess the costs to Operator.

4. None of the subject wells are currently authorized for injection. Upon Commission approval of this agreement, injection authority would be cancelled. The wells would have been highlighted in yellow on the attached list, and would have an "x" marked in the far right column. (this paragraph does not apply to this agreement)

5. If Operator fails to comply with any of the above paragraphs, or if penalties or costs are owed, then Staff shall suspend Operator's license until compliance is obtained and the penalties or costs are paid. If Staff suspends Operator's license, then Staff shall send its standard notice of license suspension letter to Operator. If Staff finds Operator conducting oil and gas operations after 10 days from the date of a notice of license suspension letter, and Operator's license is still suspended, then Staff is authorized to seal all of Operator's oil and gas operations and to assess an additional \$5,000 penalty.

6. Operator agrees to waive its right to appeal any future orders of the Commission regarding this matter, any penalties or costs assessed under this Agreement, and any suspension of Operator's license implemented by Staff due to Operator's failure to comply with this Agreement.

Sample Only

The terms of this Agreement shall remain binding upon Operator even if its interests in the subject wells are conveyed. However, any subject well transferred to another operator and then brought into compliance with K.A.R. 82-3-111 shall no longer be the responsibility of Operator under this Agreement, and shall count towards Operator meeting its compliance obligations under this Agreement.

7. Except as described by this Agreement, staff will not pursue Operator for any violation of K.A.R. 82-3-111 of the subject wells that occurred or occurs prior to November 30, 2023, except for wells brought into compliance after Commission approval of this Agreement that fall out of compliance that remain on Operator's license.

8. If Staff discovers additional wells, not listed on Operator's well inventory, on leases where wells subject to this Agreement are currently located, then this Agreement may be amended to add such additional wells with the written consent of both Operator and Staff. If this Agreement is amended, then Staff must file a statement to that effect in the Commission docket that will be created for this matter, also stating that Operator is not opposed to the addition of the wells. The addition of wells will not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline.

9. Once this Agreement has been in effect for two years, Staff may re-open negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staff's intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for approval, within 90 days of the Staff's written notice, then this Agreement shall be null and void upon Staff filing a statement to that effect in the Commission docket that will be created for this matter.

Commission Staff

By: _____

Printed Name: _____

Title: _____

Date: _____

Sample

By: _____

Printed Name: _____

Title: _____

Date: _____

Conservation Division
District Office No. 3
1500 W. Seventh
Chanute, KS 66720



Phone: 620-432-2300
Fax: 620-432-2309
<http://kcc.ks.gov/>

Pat Apple, Chairman
Shari Foist Albrecht, Commissioner
Jay Scott Emler, Commissioner

Sam Brownback, Governor

June 20, 2017

Mahesh K Chhabra
VEEM Jade Oil & Gas LLC
11417 S GRANITE AVE
TULSA, OK 74137-8110

Re: Temporary Abandonment
API 15-049-21675-00-00
SMITH A 1
NE/4 Sec.28-29S-09E
Elk County, Kansas

Dear Mahesh K Chhabra:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

Shut-in Over 10 years

Pursuant to K.A.R. 82-3-111, the well must be plugged or returned to service by July 18, 2017.

If you wish to instead file an application for an exception to the 10-year limitation of K.A.R. 82-3-111, demonstrating why it is necessary to TA the well for more than 10 years, then you must file the application for an exception by July 18, 2017.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Duane Sims
KCC DISTRICT 3

Conservation Division
District Office No. 3
1500 W. Seventh
Chanute, KS 66720



Phone: 620-432-2300
Fax: 620-432-2309
<http://kcc.ks.gov/>

Pat Apple, Chairman
Shari Feist Albrecht, Commissioner
Jay Scott Entler, Commissioner

Sam Brownback, Governor

June 20, 2017

Mahesh K Chhabra
VEEM Jade Oil & Gas LLC
11417 S GRANITE AVE
TULSA, OK 74137-8110

Re: Temporary Abandonment
API 15-049-21844-00-00
SMITH B 8
SE/4 Sec.21-29S-09E
Elk County, Kansas

Dear Mahesh K Chhabra:

Your application for Temporary Abandonment (TA) for the above-listed well is denied for the following reasons(s):

Shut-in Over 10 years

Pursuant to K.A.R. 82-3-111, the well must be plugged or returned to service by July 18, 2017.

If you wish to instead file an application for an exception to the 10-year limitation of K.A.R. 82-3-111, demonstrating why it is necessary to TA the well for more than 10 years, then you must file the application for an exception by July 18, 2017.

This deadline does NOT override any compliance deadline given to you in any Commission Order.

You may contact me if you have any questions.

Sincerely,
Duane Sims
KCC DISTRICT 3

CERTIFICATE OF SERVICE

19-CONS-3108-CPEN

I, the undersigned, certify that the true copy of the attached Prefiled Rebuttal Testimony of John Almond has been served to the following parties by means of electronic service on February 4, 2019.

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/S/ Paula J. Murray

Paula J. Murray