

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

In the matter of Application of Nacogdoches)	Docket No. 22-CONS-3407-CMSC
Oil & Gas, LLC (Operator) for an Operator's)	
License Renewal.)	CONSERVATION DIVISION
)	
)	License No. 32042

PRE-FILED REBUTTAL TESTIMONY OF

RYAN DULING

ON BEHALF OF COMMISSION STAFF

SEPTEMBER 23, 2022

1 **Q. Are you the same Ryan Duling who has previously pre-filed testimony on August 26,**
2 **2022 in this docket?**

3 A. Yes.

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

5 A. The purpose of my rebuttal testimony is to discuss certain comments contained in the pre-
6 filed testimony of Mr. Brent Ivy, given on behalf of Nacogdoches Oil & Gas, LLC (Operator)
7 on September 9, 2022. It appears most of Mr. Ivy's comments are in regard to the compliance
8 agreement in Docket 20-CONS-3288-CMSC (Docket 20-3288). However, nothing has been
9 filed in Docket 20-3288, and Operator is currently 14 wells behind in that agreement. Even if
10 Operator requested relief in Docket 20-3288, Staff would be opposed as Operator has not
11 shown good faith in meeting its obligations under the current agreement, as well as Operator's
12 license being suspended under the agreement. Ultimately, the issue at hand is the denial of
13 Operator's application for license because of Operator's license suspension.

14 **Q. On page 4, lines 1-12 of his testimony, Mr. Ivy discusses several obstacles experienced**
15 **by Operator. Are those obstacles a reason to renew Operator's license?**

16 A. No. One of the obstacles referenced by Operator is the coronavirus pandemic and the impact
17 that it had on operators. However, District #3 currently has more than 20 Commission
18 approved agreements that are ongoing. A vast majority of the operators subject to those
19 agreements have been able to maintain compliance with the agreements despite the ongoing
20 pandemic. Also, it is important to note that Operator signed off on the compliance agreement
21 after the coronavirus pandemic started. Lastly, I would like to mention that paragraph 3 of the
22 compliance agreement in Docket 20-3288 provides that Operator, upon good cause shown,
23 may receive an extension of the time to achieve compliance for up to 30 days from an

1 applicable deadline to bring the requisite number of wells into compliance. Commission Staff
2 never received such a request from operator.

3 **Q. On page 5 line 30 through page 6 line 2 of his testimony, Mr. Ivy states he could not find**
4 **any KCC regulation that requires wells to be connected to a permanent power source to**
5 **be considered compliant. Is there such a regulation?**

6 A. In my opinion there is. KCC regulation K.A.R. 82-3-111 discusses the temporary
7 abandonment of wells. Generally, inactive wells are out of compliance after 90 days unless
8 they fall under the exception identified in K.A.R. 82-3-111(e). Under K.A.R. 82-3-111(e), a
9 well that is exempted from the requirements of the regulation must (1) be fully equipped for
10 production of oil or gas or for injection; (2) capable of immediately resuming production of
11 oil or gas or of injection; (3) subject to a valid, continuing oil and gas lease; (4) have a
12 cessation period of less than 365 consecutive days; and (5) is in full compliance with all of
13 the Commission's regulations. In his testimony, Mr. Ivy states Operator has to move motors
14 around the lease from the well to well. Without motors and a permanent power source, these
15 wells cannot fall under this exception because they are not fully equipped for production or
16 for injection and they are not capable of immediately resuming production.

17 **Q. On page 7 line 20-22 of his testimony, Mr. Ivy states that Operator had three wells**
18 **plugged in September 2021 to meet its compliance objectives. Is that accurate?**

19 A. No. As I stated on page 7 line 18 through page 8 line 20 of my direct testimony, while Operator
20 had plugging applications filed, the Spradling East #EOS-1 and Spradling East #EOSI-1 were
21 not actually plugged. Additionally, there is no record the John Ord #47 has ever been brought
22 into compliance with the terms of the agreement in Docket 20-3288. Therefore, Operator did
23 not meet its compliance objectives as Mr. Ivy claims on page 7, lines 28-30. I would also like

1 to point out that Mr. Ivy did not provide the attachments that accompany the email in his
2 exhibit N-8. I have attached a copy of the entire email and its attachments to my testimony as
3 ***Exhibit RD-5***. As you can see, three of the wells included in the attachment are addressed in
4 my direct testimony and were out of compliance. Based on this, Operator was still in fact
5 behind in its quarterly objectives and its license needed to remain suspended.

6 **Q. On page 8 lines 4-7 and page 14 lines 2-4 of his testimony, Mr. Ivy references three**
7 **historical plugging records that were submitted to Staff. Are operators allowed to add a**
8 **compliant well to a compliance agreement?**

9 A. No. If a well is already in compliance, such as a previously plugged well, then it does not
10 make sense to allow an operator to add such a well to a compliance agreement in order to
11 meet its quarterly objectives.

12 **Q. What about the wells referenced in Mr. Ivy's testimony?**

13 A. In Docket 20-3288, the plugging reports provided were for wells with no historical data. In
14 regard to the compliance agreement, staff used GPS to locate and document the wells before
15 the agreement was signed and a Commission Order was issued. Operator signed off on each
16 of the wells that were subject to the agreement. The wells with the same well number as the
17 historical plugging reports were drilled and completed several years later than when the
18 plugging reports were completed. Operator even attempted to use these historical plugging
19 records to claim a well that it had previously returned to service as part of the agreement was
20 actually plugged. There were several issues with this. First, a well cannot be historically
21 plugged and also returned to service. Second, a well cannot count toward meeting compliance
22 agreement objectives multiple times.

1 Mr. Ivy references communication with District #3 field staff, Alan Dunning, regarding
2 these plugging records, but does not provide any written communication to support his
3 statements. Additionally, I would like to point out that paragraph 6 of the compliance
4 agreement states that additional wells may be added with the written consent of the District
5 Supervisor, Mr. Troy Russell. Mr. Russell has not provided any such written consent, and
6 Staff has not filed any status updates in Docket 20-3288 about adding any wells to the
7 agreement.

8 **Q. On page 14 lines 6-21 of his testimony, Mr. Ivy claims there were well numbering issues.**
9 **Do you agree with that statement?**

10 A. No. Mr. Ivy claims that Staff renamed more than 70 wells. That is simply incorrect and there
11 is no data in the Commission's Risk Based Data Management System (RBDMS) database to
12 suggest that any wells have been renamed by Staff. As Staff locates wells on a lease, Staff
13 documents the location of the well as a session point and not the actual well number. A session
14 point is a temporary identification given to the well while Staff is collecting GPS locations in
15 the field. This temporary identification usually consists of three letters of the lease name and
16 a number that is in numerical order as staff locates wells on the lease. An example would be
17 SPR01, SPR02, etc. Staff will later match up the session points to the actual well numbers per
18 the spot locations provided by the operator on the operator's well inventory. The spot location
19 of the well is the actual footages where the well is located. As I state above, Operator reviewed
20 and signed off on each of the wells that are part of the compliance agreement which included
21 the well name, API number, and spot location of each of the wells subject to the agreement.

22 In order to document the location of the wells, Staff utilized KGS, Google Earth, and the
23 original waypoint file from the GPS survey conducted by Staff. This documentation was made

1 available to Operator. Operator should already have this information since it is Operator's
2 responsibility to provide this information on their well certification each year. Staff was and
3 has been cooperative in assisting Operator in matching historical well records prior to the GPS
4 survey, but Operator has not reciprocated the effort. Ultimately, it is Operator's responsibility
5 to know which wells are which and to file the correct paperwork for the correct well.
6 Normally, if an operator is unsure of the correct well number the operator will contact Staff
7 and together they will work to determine what well the operator is trying to plug or return to
8 service.

9 **Q. In his testimony, Mr. Ivy suggests the Commission amend the Compliance Agreement**
10 **in Docket 20-3288. What is Staff's position regarding that suggestion?**

11 A. On page 13 of his testimony, Mr. Ivy suggests that the final compliance deadline be extended
12 one year to June 30, 2026. Staff is opposed to such an extension. First, the compliance
13 agreement in Docket 20-3288 does not allow for such an extension to occur. Second,
14 extending the agreement would reward Operator for not achieving compliance by
15 unsuspending the license and allowing Operator to start over.

16 **Q. On page 15 lines 29-30 of his testimony, Mr. Ivy references an email that you sent to**
17 **Operator on March 3, 2022. Do you wish to address that email?**

18 A. Yes. As I previously stated in my direct testimony, two wells, the Spradling East EOS-1 and
19 Spradling East EOSI-1, previously were included as being plugged and brought into
20 compliance with the agreement. However, Operator failed to actually plug these wells and
21 they were subsequently removed from the agreement after Staff verified the wells had actually
22 not been plugged. Additionally, the Ord #23-B and Spradling 48 are wells Operator attempted
23 to earn credit toward its compliance objectives when in fact the wells were plugged back in

1 the 1950s. I don't know why those wells were included in the report attached to that email,
2 but they were subsequently and correctly removed. All four of these wells are referenced in
3 Staff's March 9, 2022, field report that was attached to my direct testimony as Exhibit RD-3.
4 Operator states that my testimony demonstrates confusion with well naming and numbering
5 on its lease. However, I feel that my testimony and the compliance agreement signed by
6 Operator adequately identify all of the wells and shows that Operator's license was and should
7 still be suspended.

8 **Q. In his testimony, Mr. Ivy states Operator was met with opposition and hostility by Staff.**
9 **Is that statement accurate?**

10 A. No. The fact that Staff was willing to enter into a compliance agreement in the first place is
11 an indication that Staff was willing to work with Operator regarding its compliance issues.
12 Unfortunately, Operator did not comply with the terms of that agreement which is what led
13 to its license suspension and license denial. Instead Operator attempted to use plugging reports
14 from the 1950s as a way to meet its objectives, wanted credit for wells that it did not take any
15 action on, and did not sell oil for several years after wells were supposedly returned to service.
16 These actions show Operator's lack of credibility when Staff made a great deal of effort in
17 creating this agreement with the intention of trying to help Operator bring all of its wells into
18 compliance.

19 **Q. Please summarize your recommendations.**

20 A. I recommend the Order Denying Application for License be affirmed. Operator has tried to
21 distract from what this docket is really about, which is the denial of its license. The fact is that
22 Operator has failed to take any action in the docket created for the compliance agreement.
23 Ultimately, Operator's license is suspended for noncompliance with its Commission approved

1 agreement because Operator did not take advantage of the opportunities provided to it. As a
2 consequence, Commission rules and regulations prevent the renewal of Operator's license.

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

4 A. Yes.

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	51	15-099-21975-00-00	NWNENW	26	32	17	OIL	7/6/2021	PR	3
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	59	15-099-21983-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	47	15-099-19263-00-00	SWSWSW	26	32	17	OIL	7/6/2021	PR	3
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
ORD	18-B	15-099-19243-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	25-B	15-099-19231-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	26-B	15-099-19232-00-00	NESWNW	26	32	17	OIL	7/6/2021	PR	3
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
SPRADLING EAST	EOS-1	15-099-23817-00-00	SEWNNE	26	32	17	OIL	9/28/2021	PA	3
SPRADLING EAST	EOS-2	15-099-23818-00-00	SWNENE	26	32	17	OIL	9/29/2021	PA	3
SPRADLING EAST	EOSI-1	15-099-23816-00-00	NWNENE	26	32	17	OIL	9/28/2021	PA	3

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
Total Wells Brought Into Compliance		<div>15</div>		Total Compliance Objective to Date						<div>18</div>
Current Quarter End Date									<div>12/31/2021</div>	

CERTIFICATE OF SERVICE

22-CONS-3407-CMSC

I, the undersigned, certify that a true and correct copy of the attached Prefiled Rebuttal Testimony of Ryan Duling has been served to the following by means of electronic service on September 23, 2022.

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