

**BEFORE 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 Application of Slawson)	Docket No. 19-CONS-3255-CUNI
Exploration Company, Inc., for an Order)	
Authorizing the Unitization and Unit)	CONSERVATION DIVISION
Operation of the West Jimmy Unit in)	
<u>Thomas County, Kansas</u>)	License No. 3988

**PREFILED TESTIMONY
of
STEPHEN B. SLAWSON**

on behalf of

SLAWSON EXPLORATION COMPANY, INC.

April 25, 2019

1 **Q. Please state your name, title and business address.**

2 A. My name is Steve Slawson. I am the Vice President of Slawson Exploration
3 Company, Inc. My business address is 204 North Robinson, #2300, Oklahoma
4 City, Oklahoma 73102.

5 **Q. Please summarize your educational background.**

6 A. I graduated from Duke University in 1978 with a double major in Mechanical
7 Engineering and Economics.

8 **Q. Please summarize your professional experience.**

9 A. I worked for Gulf Oil from 1978 to 1981 as a Production Engineer and Reservoir
10 Engineer. After that I worked as a Reservoir Engineer for Lawson Engineering
11 from 1981 until 1983, when I moved over to Slawson Exploration. At Slawson
12 Exploration I worked as a Reservoir Engineer until November of 1988, at which
13 time I became Operations Manager and Vice President, and have been ever since.

14 **Q. Have you previously testified before the Kansas Corporation Commission or
15 any other state's oil and gas regulatory commission or board?**

16 A. No.

17 **Q. Are you familiar with the Application filed by Slawson Exploration
18 Company, Inc. in this docket for an order approving the unitization and unit
19 operation of the West Jimmy Unit in Thomas County, Kansas?**

20 A. Yes, I am familiar with the Application and with the operations that are proposed
21 in that Application.

1 **Q. Is the subject of the Application within your responsibility as Vice President**
2 **of Slawson Exploration?**

3 A. Yes, it is.

4 **Q. Has Slawson Exploration conducted engineering studies of the unit area to**
5 **determine feasibility of the waterflood project?**

6 A. Yes, we conducted various studies, including geologic mapping and pressure
7 testing. We have not done calculations of oil in place versus recovery to date
8 because it was difficult to determine a porosity cutoff. We also believe that the
9 marginal nature of most of the wells made an exhaustive study moot—it was either
10 flood or plug, which would be a waste of recoverable resources.

11 **Q. Have you reviewed these studies in preparation of this testimony?**

12 A. Yes.

13 **Q. Please define the pool that Slawson Exploration intends to develop pursuant**
14 **to the plan for unit operations included in the Application.**

15 A. The formations we intend to develop within the unit area are the geological
16 intervals described as the Johnson, Myrick Station, Pawnee and Lansing-Kansas
17 City formations which are between the depths of 4,114 feet and 4,720 feet on the
18 well log of the James BE #2 well, located in the Southwest Quarter of the
19 Southwest Quarter (SW/4 SW/4) of Section 23, Township 10 South, Range 34
20 West, Thomas County, Kansas, or the stratigraphic equivalent thereof (“Unitized
21 Formations”).

22 **Q. Why is that pool a good candidate for the enhanced oil recovery project?**

1 A. This pool is a good candidate for a waterflood project because, through the
2 waterflood process, we very conservatively estimate that we will be able to
3 recover a substantial amount of additional reserves, approximately 140,000
4 barrels or 40% of primary recovery, that would not otherwise be recovered
5 without the implementation of the project.

6 **Q. Please explain how Slawson Exploration intends to implement the proposed**
7 **waterflood project within the Unitized Formations.**

8 A. The waterflood project would involve injecting saltwater into the Unitized
9 Formations in a patterned flood to increase reservoir pressure and displace oil
10 from injection wells towards producing wellbores. This would begin by
11 converting the Soucie 2 and James B 1-23 wells (as shown on the map in Exhibit
12 1) into injection wells. We will then observe production from the surrounding
13 wells and evaluate the effects of the injection. If those operations prove
14 successful, we will also convert the James 1-26 and either the James BE 2 or the
15 Hills Trust 1 wells into injection wells and produce oil out of the remaining wells.
16 We will start with the Johnson Formation, which is widespread, and work our
17 way up through the more localized Myrick Station, Pawnee and Lansing-Kansas
18 City formations.

19 **Q. What factors or barriers, if any, could potentially inhibit the success of the**
20 **proposed project?**

21 A. It is unknown how these formations will perform on injection, as there is no core
22 or directional permeability data available, but we are not aware of any factors or
23 barriers that will inhibit the success of the project.

1 **Q. Were you involved in creating the methodology for allocating production**
2 **from the proposed West Jimmy Unit to the various leasehold and mineral**
3 **owners?**

4 A. Yes, I was involved.

5 **Q. Please explain the methodology set forth in the Plan of Unitization (Exhibit A**
6 **to the Application) for allocating production.**

7 A. Slawson Exploration proposes to use a formula that allocates production on a per
8 well basis based on three weighted well participation factors. The three well
9 participation factors and weight afforded to each are: (i) 20% to the well's
10 percentage of zones open within the Unitized Formations as compared to the total
11 number of open zones in all unit wells, (ii) 65% to the well's percentage of total
12 cumulative production of all wells through June 30, 2018, and (iii) 15% to the
13 well's percentage each well has in the total current production of all wells from
14 January 1, 2018 to June 30, 2018.

15 **Q. Do you believe that this methodology for allocating production is fair,**
16 **reasonable and equitable to all leasehold and mineral owners?**

17 A. Yes, this allocation equation is the result of detailed negotiations between
18 Slawson Exploration and the other operators, Murfin Drilling Company Inc. and
19 Norstar Petroleum, Inc.

20 **Q. Did you determine whether the value of the estimated additional recovery**
21 **will substantially exceed the estimated additional cost of unit operations?**

22 A. Yes, we did, and it does.

1 **Q. What is the estimated investment required to install and operate the**
2 **proposed waterflood project?**

3 A. We have estimated that the required capital investment to install the waterflood
4 will be \$1,400,000, and that the operating expenses for the unit will be roughly
5 \$60,000 per month.

6 **Q. Do you have an opinion as to whether the unitized operation of the proposed**
7 **West Jimmy Unit is economically feasible?**

8 A. Yes, given our projected costs and returns, the proposed waterflood project has an
9 estimated rate of return of 64% and an estimated payout of one and a half years.

10 **Q. Do you have an opinion as to whether the unitized operation of the proposed**
11 **West Jimmy Unit is reasonably necessary to prevent waste within the**
12 **Unitized Formations?**

13 A. Yes, I believe the waterflood project is necessary to recover the substantial
14 amount of estimated reserves that would not be recovered through primary
15 recovery alone. The marginal production from the wells has left us in a flood-or-
16 plug scenario.

17 **Q. Has Slawson Exploration collected written approvals of the proposed Unit**
18 **Agreement (Exhibit A to the Application) and Unit Operating Agreement**
19 **(Exhibit B to the Application) from at least 63% of the owners who will be**
20 **required to pay the costs of unit operation?**

1 A. Yes. At the date of filing the Application, we had received written approval from
2 87.026% of those parties. As of today, we now have written approval from
3 approximately 89.625% of them.

4 **Q. Has Slawson Exploration collected written approvals of the proposed Unit**
5 **Agreement (Exhibit A to the Application) and Unit Operating Agreement**
6 **(Exhibit B to the Application) from at least 75% of the owners of the**
7 **production or proceeds that will be credited royalties, excluding overriding**
8 **royalties or other like interests carved out of the leasehold estate?**

9 A. Yes. At the date of filing the Application, and still today, we have received
10 written approval from 91.473% of those parties.

11 **Q. Do you believe that the proposed unit operation is fair and equitable to all**
12 **interest owners?**

13 A. Yes.

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

15 A. Yes, but I reserve the right to supplement my testimony prior to the deadline
16 established by the Commission for Slawson Exploration to pre-file testimony in
17 this docket.

AFFIDAVIT

STATE OF Oklahoma)

COUNTY OF Oklahoma)

STEPHEN B. SLAWSON, first being sworn on his oath, states:

I am the witness identified in the preceding testimony. I have read the testimony and the accompanying attachments and am familiar with their contents. Based upon my personal knowledge, the facts stated in the testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.



STEPHEN B. SLAWSON

Subscribed and sworn to before me this 25th day of April, 2019 by STEPHEN B. SLAWSON.

My Commission Expires:


Notary Public

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 26th day of April, 2019, he caused a true and correct copy of the foregoing Prefiled Testimony of Stephen B. Slawson to be filed with the Kansas Corporation Commission, and that he caused a copy to be served via electronic mail to the following parties:

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Exhibit 1
to the Prefiled Testimony of Stephen B. Slawson on behalf of
Slawson Exploration Company, Inc.

WEST JIMMY UNIT MAP

