

NOV 07 2011

1 CONSERVATION DIVISION
2 WICHITA, KS

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

3
4

5 IN THE MATTER OF ESTABLISHING)
6 RULES FOR HORIZONTAL WELLS) DOCKET NO. 12-CONS-117-CEXC
7 DRILLED IN THE MISSISSIPPI)
8 FORMATION IN THE STATE OF) OPERATOR NO. 32334
9 KANSAS.) CONSERVATION DIVISION

10
11

12 **PREFILED TESTIMONY OF CHESAPEAKE EXPLORATION, LLC,**
13 **BY AND THROUGH CHESAPEAKE OPERATING, INC./DAVID W. EVANS**
14

15

16 Q. Please state your name and business address for the record?

17 A. David W. Evans, Chesapeake Energy Corporation, 6100 N. Western, Oklahoma
18 City, Oklahoma 73118.

19 Q. By whom are you employed and in what capacity?

20 A. I am employed by Chesapeake Energy Corporation as a Senior Asset Manager of
21 the Northern Mid Continent District.

22 Q. How long have you been employed in this position?

23 A. Almost five years.

24 Q. What job responsibilities does a Senior Asset Manager have?

25 A. At Chesapeake, Asset Managers are responsible for the completion and
26 production of all oil, gas and service wells and facilities that are located in their
27 area of responsibility.

28 Q. Have you previously testified before the Kansas Corporation Commission?

29 A. No.

30 Q. Have you previously testified before other regulatory agencies as a petroleum
31 engineer and were your qualifications accepted?

32 A. Yes. I have testified before the Oklahoma Corporation Commission.

1 Q. Could you please briefly summarize your educational and work experience?

2 A. I graduated from the University of Oklahoma in 1978 with a B.S. in Petroleum
3 Engineering. Since graduation I have been employed by various independent oil
4 and gas operators. I have been involved in drilling, completing and producing oil
5 and gas wells in Oklahoma, Texas, Arkansas and Kansas. As indicated above, I
6 have been with Chesapeake now for almost five years.

7 Q. Are you familiar with the Application filed in this docket and the Prefiled
8 Testimony of Doug Louis?

9 A. Yes. I am familiar with the Application filed by the Commission to establish
10 rules for horizontal wells drilled in the Mississippi formation. In addition, I
11 served as a member of one of the sub-groups of the Horizontal Well Work Group
12 and I have also reviewed the Prefiled Testimony of Doug Lewis.

13 Q. Regarding the issues set forth in the Application and Mr. Lewis' testimony, which
14 areas will you be addressing in your testimony today?

15 A. In cooperation with SandRidge Exploration and Production, LLC, we have
16 divided up areas covered by the Application and Mr. Lewis' testimony. I will be
17 addressing modifications to the intent process eliminating the need for an
18 Application and Notice; the oil allowable for horizontal wells; the gas allowable
19 for horizontal wells and the filing of an as-drilled survey and plat after the wells
20 have been drilled.

21 Q. In this regard, could you please comment on your understanding of the changes to
22 eliminate the requirement to file an Application for each and every horizontal well
23 to be drilled and go to an intent process similar to vertical wells?

1 A. Currently K.A.R. 82-3-103a requires an operator or person responsible for drilling
2 a well to file an Application for any well where the intended deviation from the
3 surface to the top of the producing formation exceeds seven degrees (7°). The
4 operator then has to provide notice pursuant to K.A.R. 82-3-135a which involves
5 noticing offset operators or unleased mineral owners as well as publishing notice
6 in the official newspaper of the county where the well is located and *The Wichita*
7 *Eagle*. This current application process and its required notice, particularly the
8 publication notice, for drilling horizontal Mississippi wells that meet all setbacks
9 requirements needs to be replaced with a modified intent to drill process. The
10 preparation of the Application and its subsequent notice and publication
11 requirements are cumbersome, burdensome and time consuming without any real
12 offset benefits. These provisions place an unnecessary burden on the operator
13 drilling horizontal wells that is not required of similarly located vertical wells. If
14 all setback requirements are met for proposed horizontal Mississippi wells, and
15 the proposed well path does not penetrate or cross any unleased minerals or
16 undeveloped leasehold, then there is no reason to treat these wells differently than
17 vertical wells. An approved intent to drill with the newly required attachments
18 such as a description of the proposed well path and its terminus along with the
19 footages from the nearest lease or unit boundary are sufficient to protect all
20 potential interest owners and offset interest owners. These intents to drill will be
21 available on the Commission website and are sufficient to inform any interested
22 parties of the well location with respect to any offset acreage or the acreage
23 wherein the well is being drilled.

1 Q. Could you please discuss how the oil allowable will be assigned for horizontal
2 wells?

3 A. Current Mississippi oil wells are allowed to produce 200 barrels of oil per day. In
4 order to treat horizontal wells similarly to vertical wells, the work group felt that a
5 horizontal well should be allowed 200 barrels of oil per day for each 660 feet of
6 completion interval. In this way, the horizontal well would still be given the
7 benefit of an allowable commensurate with the amount of formation being
8 contacted without giving it an unfair advantage over vertical wells.

9 Q. Could you please discuss the proposal for natural gas allowables?

10 A. As will be discussed by SandRidge's witness, there are difficulties in performing
11 the standardized gas tests for horizontal wells. Since the Application and his
12 testimony support doing away with these testing requirements, an alternative to
13 using a percent of open flow potential for gas allowables had to be arrived at.
14 Based upon industry experience with similar horizontal wells in the Mississippian
15 formation, it was determined that a 3 MMCF per day gas allowable would be
16 sufficient to allow these wells to produce at a rate that would also maximize any
17 associated oil recovery.

18 Q. Could you please address the "as drilled" plat requirement proposed in the
19 Application?

20 A. As discussed above, an operator will be required to file an intent to drill that sets
21 out the intended path of the well. As a follow up and to make sure that wells are
22 drilled as intended and to make sure that offset operators and other interested
23 parties can be sure that the well was drilled as intended or at least did not
24 encroach upon any of the required setbacks, it is proposed that "as drilled" plats

1 be furnished by the operators with the completion reports. Included in that "as
2 drilled" plat would be the survey of the well's path including the lease boundaries,
3 and the location or coordinates where the Mississippi formation is encountered,
4 penetrated and completed. The operator will be required to show the location of
5 the first perf and the last perf so that everyone can be assured that the perforations
6 comply with the setback requirements. This allows interested parties to be
7 informed of the well's path as it relates to setbacks to be sure the well was drilled
8 and completed within the required setbacks.

9 Q. Do you have any other comments you wish to make with regard to the Staff's
10 Application?

11 A. Yes. As Doug Lewis indicated in his Prefiled Testimony, Chesapeake and
12 SandRidge discussed with Staff our respective plans for developing the
13 Mississippi formation in Kansas. I believe Staff as has also met with other
14 operators. In any event, Staff convened the Horizontal Well Work Group
15 consisting of industry, Staff and other state agencies interested in horizontal
16 drilling. Chesapeake would like to compliment the Staff for undertaking this
17 effort. This type of cooperation by regulatory agencies working with industry and
18 other interested parties creates a good working environment for companies doing
19 business in Kansas. The Staff's efforts in this regard have been commendable and
20 the present Application which arose out of those efforts is an excellent example of
21 how regulatory agencies, industry and other interested parties working together
22 can promote efficiency and development while protecting the rights of all
23 interested parties. I would like to thank Doug Lewis and his Conservation
24 Division staff for their efforts in this regard.

1 Q. Does this conclude your testimony?

2 A. Yes.