



## ONEOK FIELD SERVICES COMPANY, L.L.C.

April 18, 2008

Mr. Leo Haynos  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604-4027

STATE CORPORATION COMMISSION

APR 21 2008

RE: Docket No. 08-MDWG-486-MIS

*Susan K. Duffy* Docket  
Room

Dear Mr. Haynos:

Since our October 30 meeting in Topeka, OFS has worked diligently to find an appropriate and cost-effective solution to the low-Btu gas issues in the Holcomb area. Unfortunately, substantially changing a situation that has evolved over several decades is not easy or cheap. After negotiations for KMIGT to build and/or own a line from Holcomb to Lakin fell through in February, OFS made an offer to acquire KMIGT's Holcomb station, which would then allow OFS to construct a new pipeline from Holcomb to the KMIGT Lakin line as an unregulated facility. KMIGT has been investigating the feasibility of spinning down Holcomb, and has recently (this week) concluded it is feasible. KMIGT has informed OFS that it is formulating a counter-proposal for the commercial terms of such an arrangement.

In its March 31 letter to you, Midwest Energy indicated it will "...continue to expect KMIGT and ONEOK to fulfill their commitments to reconfigure their systems in a manner that will allow only processed gas to be delivered on this pipeline...". It is important to note that KMIGT and OFS committed only to investigate such a solution, which we are continuing to do, and that this is a radical departure from the use this pipeline has been in for the last 40 years. Meanwhile, steel pipe prices have increased by about 12% this month, making this project even more expensive.

As an alternative course of action, OFS obtained information from MWE regarding the location of its customers along the Holcomb line and estimated the costs to extend new pipelines to those customers from a different source of gas that meets MWE's tariff specifications. We estimate this cost at \$980,000. Removing these customers from the Holcomb line would also create an opportunity for new receipts of low-Btu gas into the pipeline. OFS has recently been asked by producers to consider reactivation of the Grueben delivery point into KMIGT's Holcomb line in Scott County to accommodate production of low Btu gas to the east of that point. However, MWE has just now indicated it is not interested in pursuing such a change in the supply of gas. We don't understand MWE's lack of interest in being connected to a residue gas pipeline and expanding its system, and we would like to pursue this concept further to better understand why this is not an attractive solution. It certainly seems to have some advantages relative to a Holcomb-Lakin line, including a much lower cost. For now, we continue to work with KMIGT to pursue the spindown of the Holcomb station.

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Meanwhile, Holcomb Btu levels have been stable at around 850 since November, and this gas has apparently been flowing to customers without incident or complaint. Significantly, due to unusually dry conditions, irrigation started early this year and gas-driven irrigation pumps have been operating under heavy loads for over a month.

The current waiver of MWE's tariff Btu minimum expires May 1. If MWE were to insist on 900, or even 870 Btu gas in the Holcomb line after May 1, the only immediate way to achieve that level is by shutting in a substantial number of low-Btu wells, which causes great harm to producers, OFS, the state of Kansas, royalty owners, and others. The current Holcomb gas has been shown to be of adequate quality. MWE has for years delivered 750 Btu gas or lower, saturated with water, with high hydrocarbon dewpoint, and at low pressure, to many customers in other parts of southwest Kansas. In view of these facts, it seems at best inconsistent for MWE to insist on an immediate jump to tariff-quality gas at Holcomb.

MWE indicated in its March 31 letter that it did not intend to unilaterally extend support for the waiver beyond May 1, 2008. If MWE is looking for support from OFS for such an action, it certainly has it, and OFS asks that the KCC extend the waiver, or take other action to avoid shut-in of production, while we continue to seek a more complete solution to this long-standing issue.

MWE implied that it has not been kept informed of progress toward a solution. Producers have also expressed concern about the status of this issue. Leo, if you believe another meeting of the stakeholders hosted by the KCC would be beneficial, OFS would be pleased to travel to Topeka to participate at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "David Scharf". The signature is written in black ink and is positioned above the printed name and title.

David Scharf  
Vice President, Commercial