

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

In the Matter of the Application of Merit) Docket No. 21-CONS-3211-CALL
Energy Company, LLC for an Order granting)
an Exception to the Oil Production Allowable) CONSERVATION DIVISION
assigned to its Black Knight 28-1 located in the)
SE/4 of Section 28, Township 27 South, Range) License No. 32446
33 West, Haskell County, Kansas.)

APPLICATION FOR SPECIAL OIL PRODUCTION ALLOWABLE

Merit Energy Company, LLC (“Merit”) submits this Application for Special Oil Production Allowable (“Application”) seeking an exception pursuant to K.A.R. 82-3-203(b) to the oil production allowable for its Black Knight 28-1 well located in Haskell County, Kansas, and in lieu thereof assigning said well a special oil production allowable of ■■■ barrels of oil per day (“BOPD”), to be effective as of January 1, 2021. In support of its Application, Merit alleges and states:

1. Merit is a Delaware limited liability company, duly authorized by and in good standing with the Kansas Secretary of State’s office to do business in Kansas. Merit has a mailing address of 13727 Noel Road, Suite 1200, Dallas, Texas, 75240.

2. The Commission has issued Merit oil and gas operator’s License No. 32446, which license is in full force and effect through May 30, 2021.

3. Merit’s affiliate, Merit Hugoton L.P., is the owner of an oil and gas lease (“Subject Lease”) covering the Southeast Quarter (SE/4) of Section 28, Township 27 South, Range 33 West, Haskell County, Kansas, among other lands. Merit operates the Subject Lease on behalf of said affiliate and is authorized to file this Application on its behalf.

4. On or about September 16, 2019, Merit drilled the Subject Well, API No. 15-081-22198-0100, on the Subject Lease from a surface-hole location approximately 1,245’ FSL and

2,302' FEL of Section 28-T27S-R33W, Haskell County, Kansas, to a bottom-hole location approximately [REDACTED] FSL and [REDACTED] FEL of said section. The Subject Well was drilled to a measured total depth of [REDACTED] and true vertical depth of [REDACTED] measured from surface. The Subject Well was completed on or about September 26, 2019, in the [REDACTED] formation shown to exist between a measured total depth of [REDACTED] and [REDACTED] and between a true vertical depth of [REDACTED] and [REDACTED] measured from surface ("Subject Pool"). The as-drilled plat map was attached to the Well Completion Report for the Subject Well, which was submitted under a request for Confidentiality per K.A.R. 82-3-107(e), and which Confidentiality request was granted through January 8, 2022.

5. In January of 2021, the Subject Well was [REDACTED], which has resulted in significantly increased oil production. The increased oil production has prompted the filing of this Application, and is the reason for the request that the increased production allowable be made effective as of January 1, 2021.

6. All wells drilled in nonprorated pools located within producing intervals between 4001'–6000' are assigned an oil production allowable of 200 BOPD effective as of the date of first production. *See* K.A.R. 82-3-203(a). Any interested party may file an application requesting an exception from the production allowable assigned under K.A.R. 82-3-203(a) by filing an application with the Conservation Division, which application shall include:

- (i) the location of the well and the acreage attributed to the well;
- (ii) the allowable requested;
- (iii) the geological name of the producing formation;
- (iv) the top and bottom depths of the producing formation;

- (v) a list of the persons provided notice pursuant to K.A.R. 82-3-135a, and the date notice was provided; and
- (vi) any other relevant information that the Commission may require.

K.A.R. 82-3-203(b). The allowable shall be the amount of oil that can be produced from a pool without causing waste or injuring correlative rights, and without discriminating between pools.

K.A.R. 82-3-200(c). Moreover, the Commission may grant an exception to any of its regulations, after considering whether such exception will prevent waste, protect correlative rights, and prevent pollution. K.A.R. 82-3-100(b).

7. The location of the Subject Well, the geological name of the producing formation and its top and bottom depths are described above. Merit hereby attributes 10 acres to the Subject Well.

8. For the following reasons, assigning the Subject Well a special oil production allowable of [REDACTED] BOPD, effective as of January 1, 2021, is necessary to prevent waste and to protect the correlative rights of the royalty owners and working interest owners of the Subject Lease. See K.S.A. 55-602. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] of

the statewide daily production oil allowable of 200 BOPD. [REDACTED]

[REDACTED] statewide daily production oil allowable [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Merit's petroleum engineers have also determined that producing the Subject Well at a higher rate of production will allow for a more efficient use of reservoir energy, which should increase the ultimate recovery of oil from the Subject Pool while extending the economic life of the Subject Well. Finally, recent increases in commodity prices justify increasing production of oil from the Subject Well in order to maximize returns to the working interest and royalty interest owners.

9. Restraining the Subject Well to the statewide daily production oil allowable of 200 BOPD could cause physical and economic waste, as it is likely to cause [REDACTED]

[REDACTED]

while potentially wasting reservoir energy, which would reduce the overall recovery of oil reserves from the Subject Pool. Additionally, it would delay the revenue that could be realized from the sale of oil from the Subject Well, resulting in economic waste.

10. Assigning the Subject Well the requested oil production allowable is not injurious to the correlative rights of any offset party, and would not result in an inequitable or unfair taking of oil from the Subject Pool by Merit. *See* K.S.A. 55-603; K.A.R. 82-3-200(c). The geological limits of the Subject Pool are confined beneath the lands covered by the Subject Lease, therefore the correlative rights of offset mineral owners and lessees will not be violated, nor will cognizable drainage result.

11. A list of all operators or lessees and unleased mineral owners within one-half mile of the Subject Well, whose names and addresses Merit has been able to determine after reasonable search and inquiry, is attached as Exhibit A. Notice of this Application is being provided to all

persons identified on Exhibit A, and will be published in the *Wichita Eagle* and the *Haskell County Monitor-Chief*, the official newspaper for Haskell County, Kansas. A true and correct copy of the Notice of Application to be published is enclosed herewith. Each publisher's affidavit will be provided to the Commission upon Merit's receipt from the publisher. As such, notice of this Application will be compliant with K.A.R. 82-3-135a and K.A.R. 82-3-203(b)(5) and (c), and be lawful and proper in all respects.

WHEREFORE, Merit prays that the Commission docket this Application and, if no written protest is received within 15 days after Notice of the Application is published and has been duly provided to all interested parties, administratively grant this Application and issue an order excepting the Subject Well from the standard oil production allowable and assigning it the Special Oil Production Allowable requested herein. In the event a timely and proper protest is filed, Merit requests that the Commission set this Application for hearing, and upon such hearing grant the requested order and make such other provisions as it deems necessary and proper.

Respectfully submitted,

MORRIS, LAING, EVANS, BROCK
& KENNEDY, CHARTERED

By: 

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Attorneys for Merit Energy Company, LLC

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

Jonathan A. Schlatter, being of lawful age and being first duly sworn upon his oath, deposes and says:

That he is the attorney for Merit Energy Company, LLC; he has read the above and forgoing Application and is familiar with its contents, and that the statements made therein are true and correct to the best of his knowledge and belief.


Jonathan A. Schlatter

SIGNED AND SWORN to before me this 7th day of April, 2021.


Notary Public

My Appointment expires: 11/05/2024



Exhibit A

Offset Operators/Lessees and Unleased Mineral Owners

Scout Energy Management, LLC
4901 LBJ Freeway, Suite 300
Dallas, TX 75244

Palmer Oil, Inc.
3118 N Cummings Rd.
P.O. Box 399
Garden City, KS 67846

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assigned to its Black Knight 28-1 located in the)	
SE/4 of Section 28, Township 27 South, Range)	License No. 32446
<u>33 West, Haskell County, Kansas.</u>)	

NOTICE OF APPLICATION

TO ALL: OIL AND GAS OPERATORS, PRODUCERS AND LESSEES, OIL AND GAS LESSORS AND ROYALTY OWNERS, UNLEASED AND OFFSETTING MINERAL INTEREST OWNERS, LANDOWNERS, AND ALL OTHER PERSONS CONCERNED:

You are hereby notified that Merit Energy Company, LLC has filed an application with the Kansas Corporation Commission ("Commission") requesting an exception from the oil production allowable assigned to its Black Knight 28-1 well and in lieu thereof for the assignment of a special oil production allowable for such well. The surface location of the Black Knight 28-1 well is approximately 1,245' from the South Line and 2,302' from the East line of Section 28, Township 27 South, Range 33 West, Haskell County, Kansas, and the bottom-hole location is in the SW/4 NW/4 SE/4 of said Section 28.

The application is pending with the Commission. Any persons who object or protest to such application shall be required to file their objections or protests in writing with the Commission within 15 days from the date of this publication. If a written protest is not timely filed, the application may be determined administratively by the Commission and may thereby be granted without hearing or further notice to any interested party. All objections and protests shall clearly state the reasons why granting the application will violate correlative rights, cause waste or pollution. Objections or protests shall be mailed to the Kansas Corporation Commission, Conservation Division, 266 N. Main St., Ste. 220, Wichita, KS 67202, with a copy to applicant's attorneys listed below.

All parties in any way interested or concerned shall take notice of the foregoing and govern themselves accordingly.

Jonathan A. Schlatter
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KENNEDY, CHTD.
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Wichita, KS 67202-2745
Phone: (316) 262-2671
Fax: (316) 262-6226
Attorneys for Merit Energy Company, LLC

CERTIFICATE OF SERVICE

I, Jonathan A. Schlatter, hereby certify that on this 7th day of April, 2021, I caused the original of the foregoing **Application** with its attached **Exhibit A**, and the **Notice of Application** to be electronically filed with the Conservation Division of the State Corporation Commission of the State of Kansas, and caused true and correct copies of the same to be deposited in the United States Mail, first class, postage prepaid, and properly addressed to the parties listed on Exhibit A to the Application.


Jonathan A. Schlatter