

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

Before Commissioners:                    Andrew J. French, Chairperson  
    Dwight D. Keen  
    Susan K. Duffy

In the matter of the application of Merit Energy    )    Docket No: 21-CONS-3211-CALL  
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.    )

**ORDER MAKING UNREDACTED APPLICATION PUBLIC  
AND GRANTING APPLICATION**

Merit Energy Company, LLC (Operator) requests a production allowable in excess of that authorized by K.A.R. 82-3-203; Commission Staff supports the request. In turn, Commission Staff requests the un-redacted version of Operator’s application be made public, reporting that Operator is not opposed. As further described below, both requests are granted.

**I. Procedural Background**

1.        On April 7, 2021, Operator filed an application for an exception to the oil production allowable described in K.A.R. 82-3-203 for its Black Knight #28-1 well, filing both a redacted public version of the application and an un-redacted confidential version. On June 2, 2021, Commission Staff motioned for the designation of a presiding officer and the scheduling of a prehearing conference, stating, essentially, that it did not recommend approval of the application due to the confidential status of the un-redacted filing.<sup>1</sup>

2.        On June 8, 2021, the Commission designated a presiding officer for prehearing matters and set a June 24, 2021, prehearing conference. On June 9, 2021, Staff motioned to make the un-redacted version of Operator’s application public, stating that Operator was not opposed, and that

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<sup>1</sup> See Motion for the Designation of a Presiding Officer and the Scheduling of a Prehearing Conference, ¶ 3 (“Based on the confidentiality of the application filed by Operator, Staff does not recommend approval at this time...”).

upon review of the application and resolution of the confidentiality issue, Staff recommended granting Operator's application. On June 24, 2021, the presiding officer cancelled the prehearing conference.

## **II. Jurisdiction**

3. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulation oil and gas activities.

4. K.A.R. 82-3-203 provides oil production allowables based on depth and allows for the filing of an application for an exception to the oil production allowables.

## **III. Analysis/Findings of Fact**

5. Operator requests a special oil production allowable of 300 barrels per day, effective as of January 1, 2021, for its Black Knight #28-1 well, API #15-081-22198, located in Section 28, Township 27 South, Range 33 West, Haskell County. Under K.A.R. 82-3-203, the well would be assigned an oil production allowable of 200 barrels per day.<sup>2</sup>

6. Operator's application contains all that is required under K.A.R. 82-3-203(b).

7. Notice was properly served and published. In excess of 15 days have elapsed since publication.<sup>3</sup> No protest to the grant of the application was filed.

8. Making Operator's un-redacted application publicly available is in the public interest.

9. Upon review of Operator's application and in light of Staff's recommendation, the Commission finds granting Operator's application will prevent waste, will protect correlative rights, and will have no meaningful impact on pollution.<sup>4</sup>

## **IV. Conclusions of Law**

10. In light of the above, Operator's application should be granted.

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<sup>2</sup> The Black Knight #28-1 produces from the Morrow, a non-prorated pool, at a depth of about 5,200 feet (*see* Application, ¶¶ 4, 6); K.A.R. 82-3-203(a) provides an oil production allowable of 200 barrels per day for wells producing from a depth of 4,001 to 6,000 feet.

<sup>3</sup> *See* K.A.R. 82-3-135a(e).

<sup>4</sup> *See* K.A.R. 82-3-100(b).

**THEREFORE, THE COMMISSION ORDERS:**

A. Operator's application is granted. The Black Knight #28-1 is assigned a special oil production allowable of 300 barrels per day, effective as of January 1, 2021.

B. At such time as oil production from the Black Knight #28-1 decreases to the point that the special production allowable is no longer needed, the special production allowable shall become void, and the well shall be subject to any relevant allowable in the general rules and regulations.

C. A copy of Operator's un-redacted application is attached to this order.

D. Operator's application is being granted via summary proceedings; thus, this order does not take effect until after the time for requesting a hearing has expired.<sup>5</sup> Any party may request a hearing on the above issues by submitting a written request setting forth the specific grounds upon which relief is sought, to the Commission at 266 N. Main, Suite 220, Wichita, Kansas 67202, within 15 days from the date of service of this order.<sup>6</sup> If a hearing is not requested, then this order shall become effective upon expiration of the time for requesting hearing.<sup>7</sup>

E. If this order becomes effective, then any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>8</sup>

**BY THE COMMISSION IT IS SO ORDERED.**

French, Chairperson; Keen, Commissioner; Duffy, Commissioner

Dated: 08/03/2021



Lynn M. Retz  
Executive Director

Mailed Date: 08/03/2021

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<sup>5</sup> See K.S.A. 77-537.

<sup>6</sup> See K.S.A. 77-542.

<sup>7</sup> See K.S.A. 77-537.

<sup>8</sup> See K.S.A. 55-606; K.S.A. 77-503(c); K.S.A. 77-531(b).

APR 07 2021

CONSERVATION DIVISION  
WICHITA, KS



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April 7, 2021

Lynn M. Retz  
Executive Director  
Kansas Corporation Commission  
266 N Main St., Suite 220  
Wichita, Kansas 67202

**RE: Docket No. 21-CONS-3211-CALL; In the Matter of the Application of Merit Energy Company, LLC for an Order granting an Special Oil Production Allowable to its Black Knight 28-1 well.**

Dear Ms. Retz:

On behalf of Merit Energy Company, LLC ("Merit") and pursuant to K.A.R. 82-1-221a, I respectfully request Confidential status for portions of the application submitted in the above-referenced docket. Enclosed herewith is an original and seven (7) copies of the unredacted Application marked "CONFIDENTIAL". I have electronically submitted a public version of the application through eFiling Express with the information Merit believes to be Confidential redacted. Specifically, the information on pages 1-4 concerning the requested special oil production allowable, the recompletion technique and equipping of the subject well, and the formation and depths in which the subject well is completed are proprietary, and constitute trade secrets and/or commercially sensitive information. Merit could be harmed financially if this information were disclosed because it represents information procured at a significant cost, is not otherwise publicly available, and could be damaging to a competitive advantage Merit has worked to obtain. Moreover, the well completion and recompletion information has already been granted Confidential status per K.A.R. 82-3-107(e) through January 8, 2022.

April 7, 2021  
Page 2

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Enclosed herewith, under Confidential seal, is the unredacted version of the application, which I ask that the Commission hold in confidence pursuant to the provisions of K.A.R. 82-1-221a and K.S.A. 66-1220a.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,



Jonathan A. Schlatter  
For the Firm

*Attorneys for Merit Energy Company, LLC*

JAS/cah  
Enclosures

APR 07 2021

CONSERVATION DIVISION  
WICHITA, KS

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 300 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

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2,302' FEL of Section 28-T27S-R33W, Haskell County, Kansas, to a bottom-hole location approximately 1,761' FSL and 2,264' FEL of said section. The Subject Well was drilled to a measured total depth of 5,645' and true vertical depth of 5,600' measured from surface. The Subject Well was completed on or about September 26, 2019, in the Morrow formation shown to exist between a measured total depth of 5,164' and 5,215' and between a true vertical depth of 5,207' and 5,258' 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 recompleted with a frac, 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 300 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. After the Subject Well was originally completed it encountered mechanical issues due to high fluid levels, which created problems operating the downhole pump utilized in the artificial lift system. After recompleting the Subject Well with a frac that resulted in increased oil production, Merit installed a specialized downhole pump that was better able to handle the high fluid levels and associated gas breakout. This specialized equipment allows the Subject Well to operate more efficiently, provided it is operated at a production level in excess of the statewide daily production oil allowable of 200 BOPD. If Merit were forced to slow down the newly installed artificial lift system to satisfy the statewide daily production oil allowable, it is likely that fluid levels will again increase inside the Subject Well causing poor gas separation



downhole. The result would be that the same inefficiencies originally encountered will recur, and the operating cost structure for the Subject Well will be unnecessarily increased.

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 mechanical issues with the newly installed artificial lift system resulting in an unnecessarily increased operating structure, 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: 

Jonathan A. Schlatter, #24848

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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 7<sup>th</sup> 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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**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

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

**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*

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**CERTIFICATE OF SERVICE**

I, Jonathan A. Schlatter, hereby certify that on this 7<sup>th</sup> 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.



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Jonathan A. Schlatter

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## **CERTIFICATE OF SERVICE**

21-CONS-3211-CALL

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service and a copy sent by US Mail, postage prepaid, on 08/03/2021.

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/S/ DeeAnn Shupe  
DeeAnn Shupe

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