

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

IN THE MATTER OF THE APPLICATION)	DOCKET NO. 20-CONS- <u>3143</u> -CEXC
OF MERIT ENERGY COMPANY, LLC,)	
FOR AN EXCEPTION TO THE 10-YEAR)	
TIME LIMITATION OF K.A.R. 82-3-111)	CONSERVATION DIVISION
FOR ITS WMSU 1104 WELL IN THE)	
SOUTHWEST QUARTER OF THE)	
NORTHWEST QUARTER OF SECTION)	LICENSE NO. 32446
33, TOWNSHIP 34 SOUTH, RANGE 41)	
WEST, MORTON COUNTY, KANSAS.)	
_____)	

APPLICATION

COMES NOW, Merit Energy Company ("Merit"), by and through its attorney, Stanford J. Smith, Jr., and in support of its Application in the above captioned matter states as follows:

1. Merit is authorized to do business in the State of Kansas, and has a street address of 13727 Noel Road, Suite 1200, Dallas, Texas, 75240.
2. The Kansas Corporation Commission has issued Merit operator's license 32446, which expires on May 30, 2020.
3. Merit is the owner and operator of the WMSU 1104 well, which is located in the Southwest Quarter of the Northwest Quarter of Section 33, Township 34 South, Range 41 West, Morton County, Kansas, API # 15-129-20307-00-00. The subject well is located on an active oil and gas lease or unit comprising the following lands:

Northwest Quarter of Section 33, Township 34 South, Range
41 West, Morton County, Kansas.

4. The WMSU 1104 was originally perforated in the Lower Morrow Formation but was not actively produced and was shut-in as inactive.

5. Pursuant to K.A.R. 82-3-111, Merit sought and obtained temporary abandonment status for said well on or about October 15, 2005.

6. On or about October 1, 2019, the Kansas Corporation Commission notified Merit of the KCC's denial of renewal of temporary abandonment status for the well due to the limitation period of ten (10) years imposed by K.A.R. 82-3-111.

7. K.A.R. 82-3-111 imposes a 10-year limitation on the amount of time during which wells may be temporarily abandoned, but an exception to the 10-year limitation may be obtained pursuant to said regulation through an Application filed with the Commission pursuant to K.A.R. 82-3-100. Applicant seeks such an exception.

8. Merit wishes to continue temporary abandonment status for the subject well because Merit intends to use the well for production from new zones behind pipe as well as part of an enhanced oil recovery project. Merit is currently evaluating the enhanced oil recovery project which looks to have potential in the Lower Morrow and the Upper Morrow (4824 – 4848) Formations. The total reserves the well could reasonably produce and a reasonable projection of the daily rate is 12 bopd: Original Oil in Place estimate is between 18,703 mbo and 11,273 mbo.

All WMSU active injectors/producers will be used for the continuation of this flood. The WMSU 1104 will continue to be used as a producer out of the Lower Morrow Zone. The uphole Morrow target is already completed in Merit's two nearby injectors, the 1101 and 1108. There are multiple other producers that could have untapped reserves in this upper zone that Merit would like to explore.

The WMSU 1104 is already a part of an enhanced oil recovery project within the Lower Morrow formation. Merit would like to restore this interval of perforations to production as well as to perforate a newly discovered, Upper Morrow Lobe. This Upper Morrow Lobe has untapped potential, as it is being injected into by the nearby 1101 and 1108 injectors, but only one producer, the 1602 is producing out of this uphole zone. Merit would like to explore the potential of perforation in the Upper Morrow Lobe in the 1001, 1107 and 1702. The WMSU waterflood still has 1,401 mbo of proved, developed, producing reserves. WMSU South has 41.2% recovery versus WMSU Mid only seeing 28.1% recovery. Merit believes that this opportunity in the upper lobe could raise the recovery rate and tap into reserves that are pressured up by existing injection.

The WMSU 1104 is potentially economic to produce in the current commodity environment. Costly repairs need to be made to the producer – prior to making these repairs, Merit would like to perforate and test the Upper Morrow Lobe in the 1107 producer. After establishing an accurate rate, Merit can then establish whether the costs to repair, perforate and complete the Upper Morrow Lobe would justify returning the well to production.

Merit is currently working up a procedure to perforate the Upper Morrow in the WMSU 1107. We will then analyze initial rates and pressures to determine applicability in the WMSU 1104. Reservoir engineering is doing a complete workup of the Upper Morrow reserves and cum production.

9. A Commission Staff-witnessed mechanical integrity test of the casing between the surface and a point within fifty (50) feet above the uppermost perforations is pending.

10. In order to reactivate the WMSU 1104 well as part of an EOR project, it would cost approximately Two-Five Thousand Dollars (\$25,000.00) based on current prices. It would cost an estimate of One Million Dollars (\$1,000,000.00) based on current prices to drill and complete a replacement well.

11. Merit has included a plat map, attached as Exhibit A, showing the locations of all producing, injection, temporarily abandoned, abandoned and plugged wells located on the same lease premises as the subject well.

12. Based on the foregoing, Merit requests the Commission grant an exception to the 10-year limitation, specifically to allow the WMSU 1104 well to remain eligible for temporary abandonment status for three (3) years following the expiration of 10-year limitation. Merit understands that the exception would be valid for three (3) years, but Merit would still need to apply annually to the Conservation Division District Office for approval of an Application for temporary abandonment status.

13. Listed in attached Exhibit B are the names and addresses of the following persons:

- A. Each operator of each oil and gas lease covering lands within one-half (1/2) mile radius of the subject well; and
- B. Each person who owns any mineral interest of record in and under any lands located within one-half (1/2) mile radius of the subject well if unleased.

14. That the Applicant has sent by regular mail a copy of this Application and Notice of Pending Application to all persons listed on the attached Exhibit B.

15. Notice of this Application will be published pursuant to K.A.R. 82-3-135a.

16. WHEREFORE, Merit prays that this matter be granted administratively without a hearing, or in the alternative be set for hearing, and upon hearing that the Commission grant Merit's request for an exception to the K.A.R. 82-3-111 10-year limitation, to allow the subject well to remain temporarily abandoned for three (3) years, subject to annual approval by the Conservation Division District Office of an application for temporary abandonment status.

Respectfully submitted,

MARTIN, PRINGLE, OLIVER, WALLACE
& BAUER, L.L.P.

By 


Stanford J. Smith, Jr.
100 North Broadway, Suite 500
Wichita, KS 67202
(316) 265-9311
Attorney for Merit Energy Company

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)

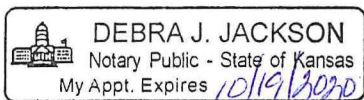
Stanford J. Smith, Jr., of lawful age, being first duly sworn, upon oath states:

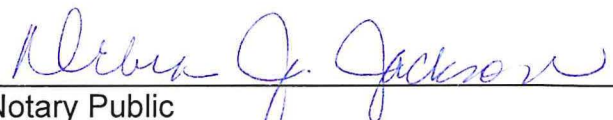
That he is the attorney for Merit Energy Company, applicant herein; that he has read the above and foregoing Application of Merit Energy Company and is familiar with the contents thereof; and, that the statements made therein are true and correct to the best of his knowledge and belief.



Stanford J. Smith, Jr.

SUBSCRIBED AND SWORN to before me this 5th day of November, 2019.





Notary Public

My Appointment Expires:
10/19/2020

WMSU 1104 1/2 Mile AOR Map

37.05642, -101.80574 (WGS84)

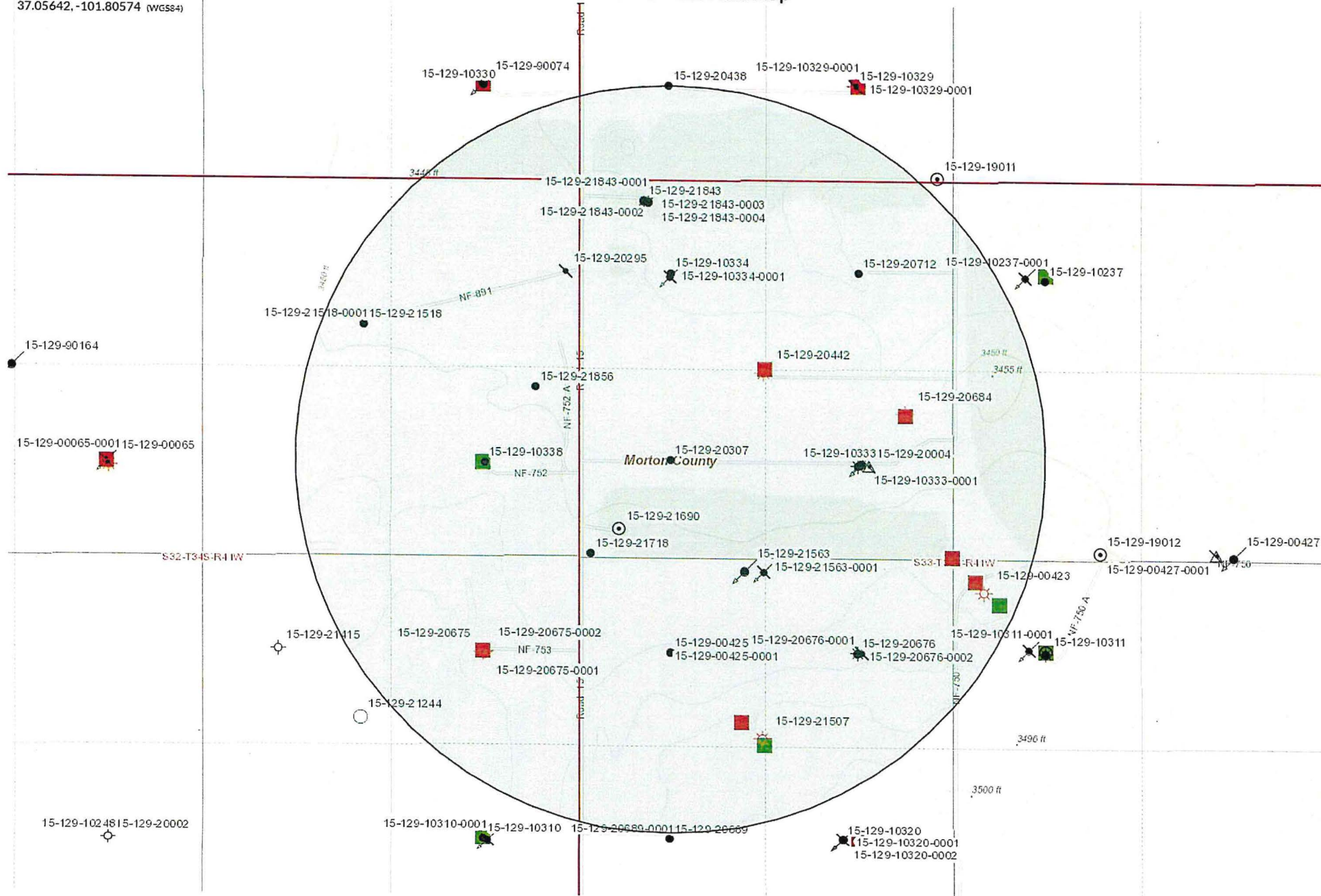


EXHIBIT A

EXHIBIT B

None

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WEST, MORTON COUNTY, KANSAS.)	

NOTICE OF PENDING APPLICATION

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

TO: ALL OIL AND GAS PRODUCERS, UNLEASED MINERAL INTEREST OWNERS, LANDOWNERS, AND ALL PERSONS WHOMSOEVER CONCERNED:

YOU, and each of you, are hereby notified that Merit Energy Company has filed an Application for an exception to the ten-year time limitation of K.A.R. 82-3-111 for the WMSU 1104 well, located in the Southwest Quarter of the Northwest Quarter of Section 33, Township 34 South, Range 41 West, Morton County, Kansas, API # 15-129-20307-00-00.

YOU are further notified that unless written protest is received by the State Corporation Commission within fifteen (15) days after publication of this Notice, the Application in this matter will be granted by administrative approval after said 15 day period. Any such protest should be mailed to the State Corporation Commission of the State of Kansas, Conservation Division, 266 North Main, Suite 220, Wichita, Kansas, 67202, and to the Applicant at the address shown.

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

Merit Energy Company.
By: Katherine McClurkan
Regulatory Analyst
13727 Noel Road, Suite 1200
Dallas, Texas 75240
(972) 628-1660