BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

In the matter of whether the license of Thor) Operating, LLC (Operator) should be revoked.)	Docket No: 24-CONS-3001-CSHC
)	CONSERVATION DIVISION
)	License No: 36020
In the matter of the failure of Quito, Inc ("Operator") to comply with K.A.R. 82-3-120	Docket No: 24-CONS-3072-CPEN
	CONSERVATION DIVISION
	License No: 33594
In the matter of the failure of Quito, Inc.) and/or Thor Operating, LLC to comply with)	Docket No: 24-CONS-3086-CMSC
K.A.R. 82-3-120 and K.A.R. 82-3-133.	CONSERVATION DIVISION
)	License Nos: 33594 & 36020

PRE-FILED DIRECT AND REBUTTAL TESTIMONY OF

MARK W. McCANN

ON BEHALF OF THOR OPERATING, LLC and QUITO, INC.

JUNE 7, 2024

- 1 Q. State your name and current business address.
- 2 A. Mark W. McCann, 1613 W. 6th Street, Bartlesville, Oklahoma 74003.
- 3 Q. Are you the sole shareholder and officer of Quito, Inc.?
- 4 A. Yes.
- 5 Q. Are you related by blood or marriage to Scott Joe Goetz?
- 6 A. No.
- Q. Are you acquainted with Mr. Goetz, and if so, please state how you are acquainted with him.
- 9 A. Mr. Goetz was formerly an employee of McCann Field Services, Inc. McCann
- Field Services, Inc. is an Oklahoma Corporation. I was the sole owner and officer
- of McCann Field Services, Inc.
- 12 Q. When did Mr. Goetz employment with McCann Field Services, Inc. cease?
- 13 A. October 28, 2022.
- 14 Q. Has Mr. Goetz ever been an employee of Quito, Inc.?
- 15 A. No.
- 16 Q. After Mr. Goetz employment with McCann Field Services, Inc. ceased, did you
- 17 continue to have a business relationship with him?

Direct and Rebuttal Testimony of Mark W. McCann Dockets 24-CONS-3001-CSHO, 24-CONS-3072-CPEN, and 24-CONS-3086-CMSC

- 1 A. Yes. Mr. Goetz performed services as an independent contractor for Stellar Field
- 2 Services, Inc., another company that I own.
- 3 Q. Renewal of the operator's license of Quito was denied in Docket No. 22-
- 4 CONS-3115-CMSC. I trust you are familiar with those proceedings?
- 5 A. Yes.
- 6 Q. In March 2022, District #3 Staff conducted lease inspections at each of the
- 7 leases belonging to Quito. Did you review the Staff reports generated as a
- 8 result of those inspections?
- 9 A. Yes.
- 10 Q. Did the reports assert violations of Kansas statutes, rules and regulations, or
- 11 Commission order relating to the operation of oil and gas wells?
- 12 A. Yes.
- 13 Q. Following receipts of the reports, what action did Quito take?
- 14 A. Quito undertook to correct all of the violations.
- 15 Q. A hearing was held in that Docket on December 19, 2022?
- 16 A. Yes.

- Q. With respect to any of the violations asserted in the March 2022 reports, had

 Quito ever received a Notice of Violation letter or letters concerning any of
 the violations set out in the reports?
- 4 A. No.
- Two business days prior to the hearing on December 19, 2022, did Quito receive written notification from KCC Staff that two of its applications to temporarily abandon wells were disapproved?
- 8 A. Yes. Quito was advised that the shut-in dates on two of its applications to TA
 9 wells were incorrect.
- 10 Q. Can you briefly address that issue?
- 11 A. The form which an operator submits to TA a well contains a shut-in date. My

 12 understanding was that the shut-in date corresponds to the date the well is

 13 physically capped and not open to the atmosphere. In my discussions with KCC

 14 Staff, it appears that Staff considers the shut-in date to be a date that physical

 15 operation of the well ceases. It also appears that Staff relies on oil sales records

 16 as one source of information to determine the appropriate date.
- Q. Did Quito receive additional notices from KCC Staff on December 16, 2022, one business day prior to the hearing?

- 1 A. Yes.
- 2 Q. Did those notices also relate to TA denials and shut-in dates that Staff
- 3 asserted were incorrect?
- 4 A. Yes.
- 5 Q. Did Quito also received reports of KCC Staff on the morning of December 19,
- 6 **2022, prior to the hearing?**
- 7 A. Yes.
- 8 Q. Did Quito have sufficient time to respond to those reports?
- 9 A. I didn't even have time to read the reports prior to the start of the hearing.
- 10 Q. Prior to your receipt of the mail on the afternoon of December 15, 2022, did
- you believe that Quito had addressed all of the violations asserted in the
- prior field inspection reports and was fully compliant with all statutes, rules
- and regulations, and Commission orders?
- 14 A. Yes.
- 15 Q. Between April 6, 2023 and May 9, 2023, is it correct that Quito approved
- transfer of wells on eight leases to Thor Operating, LLC?
- 17 A. Yes.
- 18 Q. Please identify the eight leases.

- 1 A. The leases are the Appleby, Dearmond, Flossie-White, McFarland-Delong,
- 2 Morton, Sears, Wall, and Williamson.
- 3 Q. Who is the owner of the working interest in those eight leases?
- 4 A. Kansas Production Company, Inc.
- 5 Q. Are you the sole stockholder and officer of Kansas Production Company,
- 6 **Inc.?**
- 7 A. Yes.
- 8 Q. Does Scott Joe Goetz own any interest in any of those eight leases?
- 9 A. Mr. Goetz does not own any overriding royalty, working or other interest
- whatsoever in any of those eight leases.
- 11 Q. Does Thor Operating, LLC own any interest in any of those eight leases?
- 12 A. Thor owns no overriding royalty or working interest in any of the eight leases.
- 13 Q. Did you discuss with Mr. Goetz which wells Quito would transfer to Thor on
- each of the leases, and if so, please summarize the substance of those
- discussions.
- 16 A. In light of the non-renewal of Quito's license, Mr. Goetz and I agreed that it
- would be best to identify and transfer those wells on the eight leases which
- presented limited risk of involving regulatory compliance issues. We agreed that

- would be the safest course of action. Accordingly, 40 of the 47 wells that were transferred were fully equipped and had been in operation until the Commission entered its Final Order in Docket No. 22-CONS-3115-CMSC on February 9, 2023.
- Q. Have you had an opportunity to review the Pre-Filed Testimony of Troy
 Russell in these three consolidated dockets?
- 6 A. Yes.
- Q. Directing your attention to exhibit TR-4 attached to Mr. Russell's Testimony,
 do you agree with Mr. Russell's assertion that many of the wells are in
 violation of K.A.R. 82-3-111?
- 10 A. I disagree with Mr. Russell's assessment. As discussed in greater detail in Mr.

 Goetz testimony, 40 of the 47 wells were fully equipped wells in operation up

 until February 9, 2023, and met the requirements of K.A.R. 82-3-111(e).
- 13 Q. On July 18, 2023, was Quito operating the Sears #30 well?
- 14 A. No.
- 15 Q. After February 9, 2023, has Quito operated any wells?
- 16 A. No.
- Q. Did Thor operate the fully equipped wells on the eight leases that were transferred to it?

- A. Yes, the wells transferred to Thor on the eight leases were being operated by

 Thor up until October 3, 2023, when operations ceased as a result of the order

 entered in Docket No. 24-3086.
- Q. Please identify those wells listed on Mr. Russell's exhibit TR-4 that are not fully equipped for production of oil or gas or for injection.
- A. Those wells would be the Tom Appleby #2, and the Dearmond #38, #M-3 and #M-5 wells, and the Sears #1, #14 and #22 wells.
- Q. Are the fully equipped wells capable of immediately resuming production of
 oil or gas or of injection?
- 10 A. Yes.
- Q. Are all of the fully equipped wells subject to valid, continuing oil and gas leases?
- 13 A. Yes
- Q. Were all of the fully equipped wells in production on and prior to February9, 2023?
- 16 A. Yes.
- Q. Following transfer of the fully equipped wells from Quito to Thor, were operations resumed on each of those wells by Thor?

- 1 A. Yes.
- 2 Q. Did Thor continue to operate each of the fully equipped wells until October
- **3 3**, **2023?**
- 4 A. Yes.
- 5 Q. To the best of your knowledge, are each of the fully equipped wells
- 6 otherwise in compliance with all of the Commissions regulations?
- 7 A. Yes.
- 8 Q. Mr. Russell's exhibit TR-4 identifies certain spill sites on the Sears lease which
- 9 he indicates have not been remediated. Do you disagree with Mr. Russell's
- assessment, and if so, why?
- 11 A. I disagree with Mr. Russell's assessment. The KCC Staff inspection of the Sears
- lease conducted in March of 2022 identified three spill sites. One spill site was
- near the Sears KHCA-23 well. Another spill site was near the Sears #33 well. A
- third spill site was near the Sears M-1 well. Quito, Inc. remediated each of these
- sites. On October 24, 2022, I sent a letter to Taylor Herman, the geologist with
- the Kansas Corporation Commission. In that letter, I advised Mr. Herman as to
- the remediation efforts that Quito had undertaken at each of the three sites. A

- copy of my prior letter, together with photographs of the remediated sites, is attached hereto as Exhibit MM-1.
- Q. Following your correspondence to Mr. Herman, have you received any subsequent communications indicating that the remediation efforts were unsatisfactory?
- 6 A. No.
- Q. Mr. Russell's exhibit TR-4 identifies an open pit near the Sears #35 well in violation of K.A.R. 82-3-602. Do you disagree with Mr. Russell's assessment, and if you disagree, please explain why.
- 10 A. I disagree with Mr. Russell's assessment. The pit near the Sears #35 well was
 11 identified in a Staff Inspection of the Sears Lease in March of 2022. The pit was
 12 backfilled. A photograph of the backfilled pit is attached as the last page of
 13 Exhibit MM-1.
- Q. On or shortly after August 28, 2023, did you receive the Notice of Violation letter from Nancy D. Borst, attached as Exhibit A, page 1 of 5 to the Penalty Order issued in Docket No. 24-CONS-3072-CPEN?
- 17 A. Yes.

Have you reviewed K.A.R. 82-3-120, and are you familiar with that Q. 1 regulation? 2 A. Yes. 3 Did you review the Exhibit A captioned: "Quito, Inc. License: 33594"? Q. 4 A. Yes. 5 6 Q. Does that exhibit show a total of 141 wells? A. Yes. 7 Does that total include wells previously transferred by Quito to Thor? Q. 8 Yes. 47 of the wells have previously been transferred to Thor. Α. 9 Did Quito allow its license to expire? 10 Q. A. No. Quito sought to renew its license in Docket No. 22-CONS-31115-CMSC, but 11 renewal of Quito's license was denied by the Commission by Final Order dated 12 February 9, 2023. 13 Is it your understanding that denial of renewal of Quito's license constitutes 14 Q. a license revocation? 15 A. Yes. 16 Was renewal of Quito"s license, or obtaining a new license in transferring the 17 Q. wells to that license, one of the options specified in the NOV letter? 18

- 1 A. Yes.
- 2 Q. K.A.R. 82-3-120(j) provides that upon revocation of a license, no new license
- shall be issued to that operator or contractor until expiration of one year of
- 4 the date of revocation. Prior to September 11, 2023, was Quito eligible to
- renew its license or obtain a new license and transfer the wells to that
- 6 license?
- 7 A. It is my understanding that under the regulation, Quito was not then eligible to
- 8 renew its license or obtain a new license.
- 9 Q. K.A.R. 82-3-120(a) provides in part that each operator in physical control of
- any such well or gas storage facility shall maintain a current license, even if
- the well or storage facility is shut-in or idle. K.A.R. 82-3-120(a)(2) provides
- that each licensee shall annually submit a completed license renewal form on
- or before the expiration date of the current license. Do you know of any
- manner in which Quito could comply with those mandates in light of the
- 15 Commission's prior denial of renewal of its license?
- 16 A. No.

- 1 Q. What do you believe the directives previously recited as set forth in K.A.R.
- 2 82-3-120(a) concerning maintenance of a current license are intended to
- 3 accomplish?
- A. I believe those directives are intended to designed to prevent operators from simply allowing their license to expire as a method to avoid liabilities associated

with regulatory compliance for wells on the operator's license.

- Q. One year has now passed since the date of the Commission's Final Order in

 Docket No. 22-CONS-3115-CMSC. Has Quito applied for issuance of a new

 operator's license?
- 10 A. Yes.

6

- 11 Q. When was that application submitted to the Commission?
- 12 A. It was mailed into the Commission on May 6, 2024.
- 13 Q. What is the current status of that application?
- 14 A. I have received no response from Commission Staff concerning the application.
- 15 Q. Have you requested an opportunity to meet with Commission Staff and
 16 explore the possibility of entering into a compliance agreement as a means
 17 of resolving any compliance issues which may exist relative to Quito?

- 1 A. Yes, I have made that request, but it is my understanding that Commission Staff
 2 declines to consider a compliance agreement at this time.
- Q. Excluding the wells previously transferred to Thor, what is Quito's intent regarding the remaining wells on its well inventory?
- 5 A. Quito intends to transfer the wells to its new license.
- Q. If my math is correct, excluding those wells previously transferred to Thor,
 94 wells remain on Quito's license. Do those 94 wells include wells presently
 fully-equipped, situated on valid oil or gas leases, that could be placed back
 into operation in short order?
- 10 A. Yes. Of the 94 wells on Quito's well inventory, approximately 53 are fully
 11 equipped production or injection wells that could be placed back into operation
 12 immediately.
- Q. Of the 94 wells, are there wells which have been temporarily abandoned?

 14 A. Yes. There are approximately 19 wells on which the TA Applications have been renewed and are presently current.
- Q. Of the 94 wells, are there wells which Quito sought to temporarily abandon prior to December 19, 2022, and if so, what is the status of those TA Applications?

- A. There are approximately 21 wells that fall within this category. Some of those applications were denied, and many of the denial letters indicated the basis for denial was incorrect shut-in date.
- Q. Did Quito attempt to re-apply for TA status on those wells where the original
 TA Application was denied?
- A. Yes. To the best of my knowledge, Quito has submitted corrected TA

 Applications on those wells where the original TA Application was denied.
- 8 Q. Do you know what the status of the corrected TA Applications is?
- 9 A. No. Quito has received no further communications from Commission Staff 10 regarding the corrected TA Applications it submitted.
- 12 As a general proposition, is it correct that Commission Staff has continued 12 to renew the TA status of wells on Quito's well inventory approved for 13 temporary abandonment prior to December 19, 2022?
- 14 A. Yes.
- Q. With respect to TA Applications filed after December 19, 2022 by Quito, has the company received any response to those applications?
- 17 A. No.
- 18 Q. Do you know why Quito has received no response to those applications?

- A. I believe that Commission Staff declines to respond to those applications because Quito's license is revoked, although I have not been specifically advised that this is the case.
- Q. Please state your understanding of the status of Sears #1 and Sears #14
 wells.

Α.

The Sears #1 and Sears #14 are temporarily abandoned production wells. A TA Application dated November 7, 2022, showing a date shut-in of: "07/22/2022 EST." was submitted by Quito to the Commission. On December 16, 2022, the TA Application was denied. The correspondence from Commission Staff indicated that the reason for denial was "incorrect shut-in date". Quito subsequently filed a corrected TA Application on December 22, 2022. I am advised that Quito has received no response to the last TA Application that it filed. Thor also filed a TA application on October 25, 2024. It has received no response to that application.

The Sears #14 well is a production well. An application to temporarily abandon the Sears #14 dated November 7, 2022 was filed with the Commission.

That TA Application showed a date shut in of: "07/2022 EST.". That TA Application was also denied, and the correspondence from the KCC dated

- December 16th, 2022 indicated the reason for denial was "incorrect shut-in date".
- 2 Quito submitted a corrected TA Application on December 22, 2022, but has not
- received a response to that application. Thor also filed a TA application on
- 4 October 25, 2024. It has received no response to that application.
- 5 Q. What is your understanding of the status of the Sears #22 well?
- 6 A. Prior to December 19, 2022, Quito had filed an application to convert the Sears
- 7 #22 well from a production well to an enhanced recovery well. That application
- was pending on December 19, 2022. Subsequently, the application was returned
- 9 to Quito. To the best of my recollection, Quito was advised by the UIC
- Department that the application had been administratively terminated or
- 11 dismissed.
- 12 Q. Does Quito have access to KOLAR under its revoked license number 33594?
- 13 A. Quito does not have access to KOLAR under its license number 33594.
- 14 Q. Are there errors on Quito's well inventory that need to be corrected?
- 15 A. Yes.
- 16 Q. Can you provide an illustrative example?
- 17 A. On page 2 of 5 of Exhibit A attached to the NOV letter of August 28, 2023, the
- 18 KL Bever #2 well, API #15-019-20555-00-01 is listed. That well has previously

- been plugged, and a plugging report was resubmitted to the KCC on October 5, 2022 together with a plugging fee, if needed.
- 3 Q. Do you believe there are other corrections that need to be made?
- A. Yes, but without access to KOLAR, and because it appears that Commission Staff declines to act upon requests submitted under Quito's revoked license, it does not appear Quito is able to address those issues at this time.
- Q. Upon receipt of the August 28, 2023 NOV letter, did Quito consider transfer
 of the remaining wells on its well inventory to Thor?
- 9 A. Yes.
- 10 Q. Why didn't Quito transfer the remaining wells on its well inventory to Thor 11 at that time?
- 12 A. Docket No. 24-3001 had been opened, creating doubt as to whether the 13 remaining wells could be transferred to Thor.
- Q. Do you believe it would be appropriate to plug the remaining wells on Quito's well inventory?
- 16 A. No. The majority of the wells on Quito's well inventory are fully equipped. The
 17 production wells are capable of production. Plugging those wells would cause
 18 economic waste.

1	Q.	Are there some wells on Quito's well inventory that may need to be
2		plugged?
3	A.	Yes. Some of the wells are candidates for plugging.
4	Q.	Does plugging a well cost money?
5	A.	Yes.
6	Q.	Where does that money typically come from?
7	A.	Revenue arising from oil production.
8	Q.	Has that revenue stream been interrupted by these proceedings?
9	A.	Yes.
10	Q.	Have you had an opportunity to review Troy Russell's exhibit TR-5?
11	A.	Yes.
12	Q.	Do you understand the basis of Mr. Russell's assertion that the wells within
13		the quarter-mile area of review are abandoned?
14	A.	I believe Mr. Russell is classifying these wells as abandoned because they are not
15		in compliance with K.S.A. 82-3-111.
16	Q.	Has Quito been able to comply with K.A.R. 82-3-111 under its expired
17		license?
18	Δ	No

Does Quito desire to comply with K.A.R. 82-3-111? Q. 1 Α. Yes. 2 Does Quito intend to comply with K.A.R. 82-3-111 as soon as its new license Q. 3 application is approved? 4 A. Yes. 5 6 Q. Are some of the wells which Mr. Russell designates as abandoned on exhibit TR-5 fully-equipped wells, capable of immediate production? 7 Α. Yes. 8 Are some of the abandoned wells currently approved for TA status under 9 Q. Quito's revoked license 33594? 10 Α. Yes. 11 Are some of the wells, wells upon which Quito has previously made 12 Q. application to temporarily abandon, and with respect to which Quito has 13 received no response? 14 A. Yes. 15 Please address the Appleby #3 disposal well and the Appleby #8 production 16 Q. well. 17

Direct and Rebuttal Testimony of Mark W. McCann Dockets 24-CONS-3001-CSHO, 24-CONS-3072-CPEN, and 24-CONS-3086-CMSC

- A. The Appleby #3 is a disposal well completed to the Layton Sand Formation, with perforations at a subsurface depth of 900' to 935'. That well is an Alt. II completion; the outside of the casing is cemented from total depth to surface.

 The casing diameter is 4½ inches. A lining string with a diameter of 2 7/8th inches is cemented inside the casing. The well has been successfully tested for mechanical integrity. The test is current.
 - The Appleby #8 is a Mississippi Chat well, with perforations at a subsurface depth of 1807' to 1879'. The Appleby #8 well is a production well which is also an Alt. II completion.
- 10 Q. Are you aware of any manner in which there could be communication of 11 fluids between the Appleby #3 and Appleby #8 wells?
- 12 A. No.

7

8

9

- 13 Q. Please describe the Dearmond #W-11 well.
- 14 A. The Dearmond #W-11 well is an authorized disposal well perforated at a subsurface depth of 1903' to 1923'. It is an Alt. II completion. It has 4 $\frac{1}{2}$ " casing, and is operated with 2 $\frac{3}{8}$ " tubing and packer.

- Q. Have you reviewed the 15 wells which Mr. Russell identifies in Exhibit TR-5 as abandoned wells located within the quarter-mile radius of the Dearmond #W-11 well?
- 4 A. Yes.
- 5 Q. To what subsurface depth and formation are those wells completed?
- A. Some of those wells are abandoned wells previously drilled and completed by
 Prairie Sinclair. I have reviewed the drillers reports on those wells, as well as the
 completion reports on the remaining wells. All of those wells are completed to
 the Peru/Wayside Formation at a subsurface depth range of 900' to 935'.
- 10 Q. Are you aware of any manner in which there could be physically
 11 communication between the Dearmond #W-11 and the remaining wells listed
 12 under it on Mr. Russell's Exhibit TR-5?
- 13 A. No.
- 14 Q. In your opinion, are there abandoned wells within the quarter-mile area of
 15 review of any of the injection wells listed on Mr. Russell's Exhibit TR-5 that
 16 are abandoned and may need to be plugged to provide assurance that fluids
 17 injected cannot communicate with an abandoned well?

Direct and Rebuttal Testimony of Mark W. McCann Dockets 24-CONS-3001-CSHO, 24-CONS-3072-CPEN, and 24-CONS-3086-CMSC

- A. Yes, I believe there are some wells on Mr. Russell's list that are wells abandoned by prior operators and would be appropriate candidates for plugging in order to allow the continued use of an injection well.
- 4 Q. Is Quito receptive to addressing those types of issues?
- 5 A. Yes. I would like the opportunity to engage in communications with Commission 6 Staff to address those issues.
- 7 Q. Have you had an opportunity to review Mr. Russell's Exhibit TR-3?
- 8 A. Yes.
- 9 Q. Among other information, that exhibit reflects sales of oil from the Clark10 Bever and LDS Church leases in July 2023; Quito is designate as the operator
 11 of those two leases. Did Quito operate either of those two leases after
 12 February 9, 2023?
- 13 A. No.
- 14 Q. Can you explain why oil was sold from those two leases in July 2023?
- 15 A. Yes. Quito had operated those two leases prior to February 9, 2023. There were
 16 partial loads in the oil storage tanks on both of those leases that had
 17 accumulated from Quito's prior operations. The purchaser, Energy Transfer, was
 18 contacted to pick up both partial tanks for sale.

- Q. Do you know how the Kansas Geological Survey obtains the information used and producing these oil sales reports?
- A. It is my understanding that the Kansas Geological Survey obtains its information from the Kansas Department of Revenue, and that the Kansas Department of Revenue in turn receives the designated lease operator information from the Kansas Corporation Commission.
- 7 Q. The reports in Mr. Russell's exhibit TR-2 reflect sales of oil on the Appleby,
 8 Dearmond, White, McFarland-Delong, Sears and Wall leases. Do you know
 9 why Quito was still shown as the operator on the Kansas Geological Survey
 10 records at that time?
- 11 A. I assume that the Kansas Geological Survey had not been advised of the transfer 12 of those leases to Thor.
- 13 Q. Have you attempted to respond to the major points raised in the pre-filed
 14 testimony of the various witness whose pre-filed testimony has been
 15 presented by the Commission?
- 16 A. Yes.
- 17 Q. Does this conclude your testimony?
- 18 A. Yes.

CERTIFICATE OF SERVICE

I, the undersigned, certify that a true copy of the attached Pre-Filed Direct and Rebuttal Testimony of Mark W. McCann has been served to the following by means of electronic service on June 7, 2024.

Kelcey Marsh, Litigation Counsel Kansas Corporation Commission Central Office 266 N. Main St, Ste 220 Wichita, KS 67202-1513 Fax: 785-271-3354 k.marsh@kcc.ks.gov

Jonathan R. Myers, Asst. General Counsel Kansas Corporation Commission 266 N. Main St., Ste. 220 Wichita, KS 67202-1513 Fax: 316-337-6211 j.myers@kcc.ks.gov

Nancy Borst Kansas Corporation Commission 266 N. Main St., Ste. 220 Wichita, KS 67202-1513 n.borst@kcc.ks.gov Troy Russell
Kansas Corporation Commission
District Office No. 3
137 E. 21st Street
Chanute, KS 66720
t.russell@kcc.ks.gov

Ryan Duling Kansas Corporation Commission District Office No. 3 137 E. 21st Street Chanute, KS 66720 r.duling@kcc.ks.gov

<u>/s/ John R. Horst</u> JOHN R. HORST

Quito, Inc. 1613 W. 6th St

Bartlesville, OK 74003

Telephone: 918-331-6433 mccanncompanies@vahoo.com

October 24, 2022

Taylor Herman Geologist Kansas Corporation Commission

Dear Mr. Herman:

Following an inspection (By the KCC District #3 office) in March of 2022, I became aware of 3 areas upon the Sears Lease identified as needing remediation.

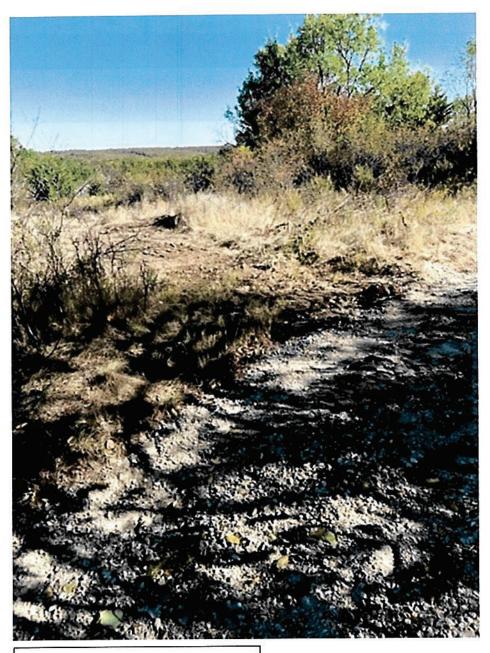
- The area to the south of Sears 23 API: 15-19-25571-00-00 (2517 N 501 W). This area was treated with approximately 200lbs. of pelletized gypsum blended into soil of the affected area. (See photo)
- Sears M-1 API: 15-019-27013-00-00(4967 S 4669 E), this has had approximately 300lbs of pelletized gypsum blended into soil of the affected area. (see photo)
- Sears 33 API: 15-019-26211-00-00 (984 S 4471 E), 300lbs of gypsum blended into the soil of the
 affected area as well as 32 tons of river bottom dirt, which was trucked to location. (see photo)

Please review and if there are any further suggestions or improvements needed let us know so we can address.

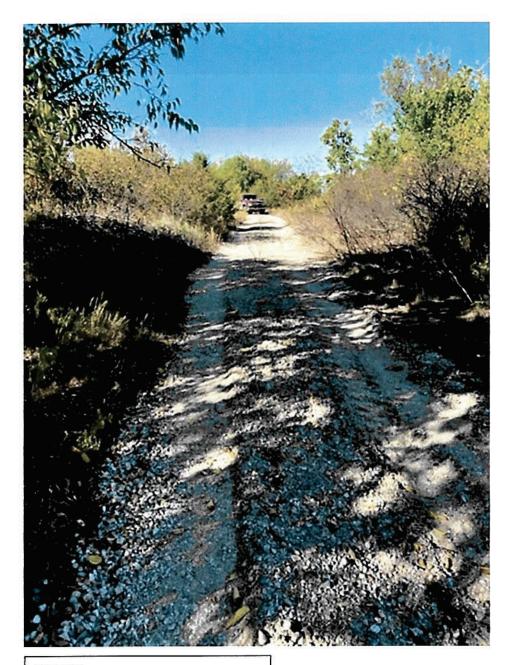
Sincerely,

Mark W. McCann

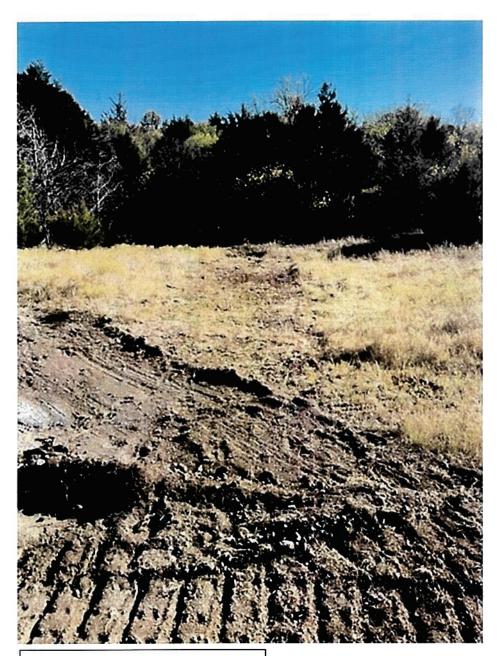
President



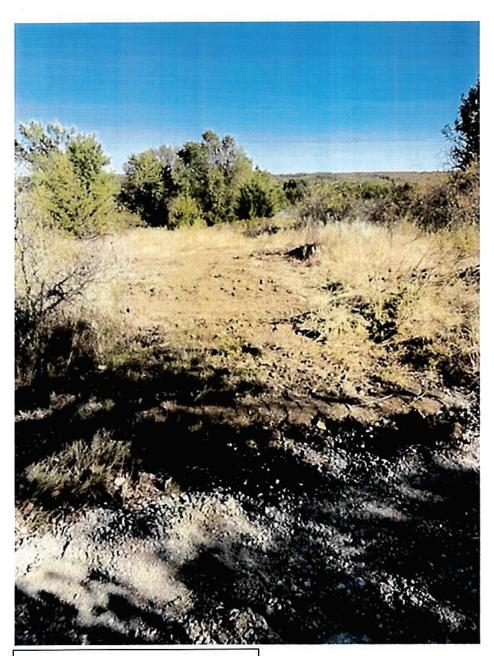
Sears 23

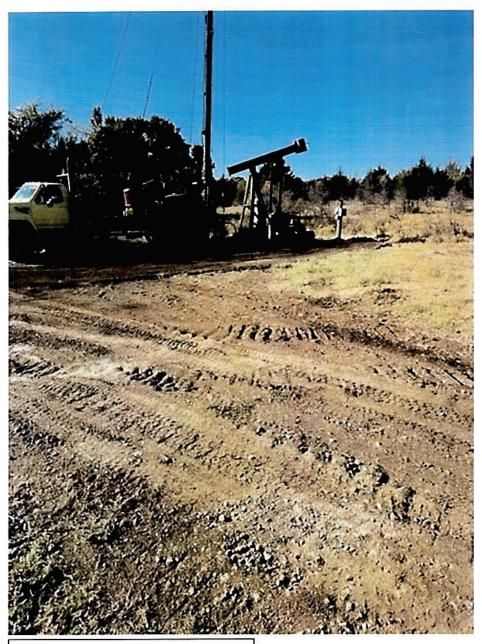


Sears 23



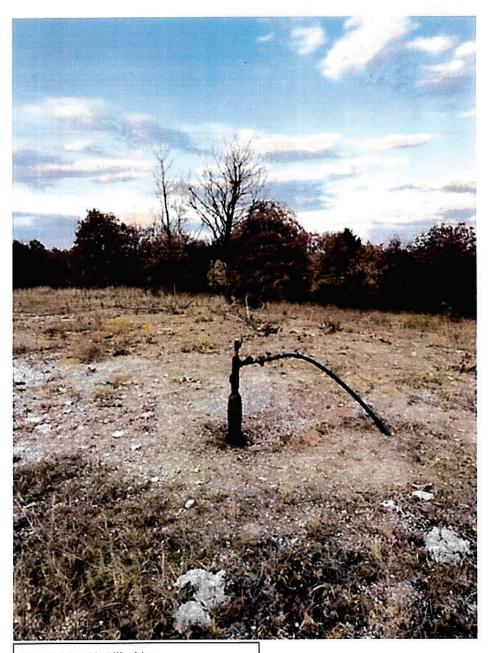








Sears 33 Remediation



Sears 35 - Pit Filled in