

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

In the matter of the Application of Veem Jade Oil & Gas LLC, for an exception to the 10-year limitation of K.A.R. 82-3-111 for its Smith A #1 well in Section 28, and Smith B #8 well in Section 21, Township 29 South, Range 9 East, Elk County, Kansas.)	Docket No. 18-CONS-3149-CEXC
)	
)	CONSERVATION DIVISION
)	
)	License No. 32874
)	

**STAFF'S RESPONSE TO OPERATOR'S RESPONSE TO STAFF
MOTION FOR PREHEARING OFFICER AND
PREHEARING CONFERENCE**

Commission Staff (Staff) of the State Corporation Commission of the State of Kansas (Commission) files this Response, wherein Staff opposes Operator's request for its Application to be approved. In support of its Response, Staff states as follows:

I. BACKGROUND

1. On September 15, 2017, Veem Jade Oil & Gas LLC ("Operator") filed an Application in this docket for an exception to the 10-year time limitation of K.A.R. 82-3-111 for the captioned wells.

2. On April 2, 2018, Staff sent a letter to the Operator, identifying three issues with the Application: (1) that successful mechanical integrity tests had not been conducted on the wells; (2) that the Application did not address whether and who was notified of the Applications pursuant to K.A.R. 82-3-135a(b); and (3) that the Application lacked various data necessary for Staff to analyze the Application.¹ Staff requested these matters be addressed by April 30, 2018, to avoid Staff requesting assignment of a prehearing officer and the scheduling of a prehearing conference. The Operator failed to respond by the deadline.

¹ See Exhibit A.

3. On June 21, 2018, Staff filed a Motion for Prehearing Officer and Prehearing Conference. On July 2, 2018 Operator responded to Staff's motion and requested the Commission grant the Operator's Application for an exception to the 10-year time limitation of K.A.R. 82-3-111 without a hearing, to which Staff presently responds.

II. ARGUMENT

4. The Operator's request for the Application to be granted without hearing should be denied. The Application is incomplete and notice of the Application is insufficient. Staff cannot recommend approval of the Application at this time. Thus, Staff requests an Order scheduling a prehearing conference, in anticipation of an evidentiary hearing where Staff may recommend denial of the Application.

5. A mechanical integrity test ("MIT") is a test used by Conservation Division Staff to determine that the wellbore has the mechanical integrity to protect fresh and usable water resources. Concerning Temporary Abandonment ("TA") Applications, Conservation Division Staff test the casing integrity of the well to determine whether granting the well temporary abandonment status could cause pollution of fresh and usable water. Regardless of what the test is called, the subject wells failed. Staff cannot recommend approval of this Application until the Operator demonstrates the subject wells' casing has integrity to protect fresh and usable water.

6. Contrary to the Operator's assertion that K.A.R. 82-3-100 only requires the Operator to publish notice pursuant to K.A.R. 82-3-135a(d),² K.A.R. 82-3-100(b) states that the applicant shall publish notice of the application pursuant to K.A.R. 82-3-135a, which is titled "NOTICE OF APPLICATION."³ K.A.R. 82-3-100 does not state that only subsection (d) applies.

² Operator's Response ¶ 3biii.

³ Emphasis added.

7. The Operator quotes a small portion of K.A.R. 82-3-135a(b) asserting that it does not apply because “that provision expressly excepts items otherwise provided in K.A.R. 82-3-100.”⁴ The subsection should be read in its entirety in order to determine its applicability to this Application.

“(b) Production matters. Except as otherwise provided in K.A.R. 82-3-100, 82-3-108, 82-3-109, 82-3-138, 82-3-203, 82-3-208, 82-3-209, 82-3-300, and 82-3-300a, each applicant for an order filed pursuant to K.A.R. 82-3-100 through K.A.R. 82-3-314 shall give notice of the application on or before the date the application is filed with the conservation division by mailing or delivering a copy of the application to the following:

- (1) Each operator or lessee of record within a one-half mile radius of the well or of the subject acreage; and
- (2) Each owner of the minerals in unleased acreage within a one-half mile radius of the well or of the subject acreage.”⁵

8. The Operator filed this Application seeking a Commission order granting them an exception to the 10-year TA limitation in K.A.R. 82-3-111 pursuant to K.A.R. 82-3-100. Thus, K.A.R. 82-3-135a(b) applies and Staff will not recommend approval of this Application until the Operator amends the Application to identify the parties listed in K.A.R. 82-3-135a(b) and note when and how they were served, or amend the Application to note that such parties do not exist.

9. The Application is incomplete, as it does not provide much of the data requested in the instructions available online for submitting an Application for an exception to the 10-year TA limitation.⁶ Specifically, the Application does not provide a breakdown of how many and what types of wells are on the leases; an estimated cost to plug the wells; a current production rate for the leases; a basic estimation of the remaining reserves and an explanation of the basis for estimation; and an estimation of the cost to perform whatever actions are necessary using

⁴ Operator’s Response ¶ 3biii.

⁵ Emphasis added.

⁶ http://www.kcc.ks.gov/images/PDFs/oil-gas/forms/sample_ta_exception.pdf

current prices. Until the operator amends the Application to provide the missing data, Staff will not recommend approval of this Application.

WHEREFORE, the Operator's request that the Application be granted without a hearing should be denied and Staff's motion for the designation of a prehearing officer and the scheduling of a prehearing conference should be granted.

Respectfully submitted,



Lauren N. Wright, #27616
Litigation Counsel
Kansas Corporation Commission
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STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | PAT APPLE, COMMISSIONER

April 2, 2018

Diana Edmiston
Edmiston Law Office, LLC
200 E. 1st Street, Suite 301
Wichita, Kansas 67202
Attorney for Veem Jade Oil & Gas LLC

Re: Veem Jade Oil & Gas, License #32874

Docket #18-CONS-3149-CEXC

Smith A #1, API #15-049-21675; Smith B #8, API #15-049-21844

Docket #18-CONS-3260-CEXC

Daves #D21, API #15-049-21631; Smith A #2, API #15-049-21717;
Smith B #10, API #15-049-21865; Smith B #12, API #15-049-21954

Diana,

Reviewing the referenced applications, Staff sees three issues that need to be resolved.

First, as noted in some previous correspondence, Operator needs to conduct successful mechanical integrity tests on all of the wells. Staff understands Operator is currently scheduled to have much of this work done in the coming weeks.

Second, the applications do not address whether, and who, was notified of the applications pursuant to K.A.R. 82-3-135a(b). I believe the appropriate remedy would be to amend the applications to identify those parties and to note when and how they were served, or to note such parties do not exist.

Third, the applications do not provide much of the data requested in the instructions online for the sample application for an exception to the 10-year temporary abandonment rule; specifically, a breakdown of how many and what types of wells are on the leases; an estimated cost to plug the wells and all remaining wells on the leases; a current production rate for the leases; a basic estimation of the remaining reserves and an explanation of the basis for estimation; and an estimation of the cost to perform whatever actions are necessary using current prices. Again, I believe the appropriate remedy would be to amend the application to provide the data.

In light of your March 29, 2018, correspondence, and other correspondence, Staff is willing to wait until April 30, 2018, before requesting assignment of prehearing officers and the scheduling of prehearing conferences in anticipation of Staff recommending denial of the applications, if the above are not remedied. Alternatively, if you would like these matters to simply proceed, just let me know and Staff can file a motion prior to April 30, 2018.

If the above issues are remedied, I believe Staff would likely be in favor of granting the applications, and they could probably be granted relatively quickly.

Sincerely,

Jon Myers
Litigation Counsel, Kansas Corporation Commission

Cc: Troy Russell & John Almond, KCC District #3

Exhibit A
Page 1 of 1

RECEIVED
KCC DIST # 3

APR 26 2018

CHANUTE, KS

Casing Integrity Test

Operator License 32874
Operator Name Veem Sade Oil + Gas
Address 11417 S. Granite Ave.
City, State, Zip Tulsa, OK 74137-8110
* Contact Person Maresh K Chhabra Phone 918-298-1555
Lease Smith "A" Well # 1 API # 15- 049-21675-00-00
County EIK Section 28 Twp 29S Rge 9 (E)W
4309 FSL 350' FEL SE-NE-NE
GPS Lat 37.502399 GPS Long -96.417720
TD (Plug Back) _____
Pipe- Surface Production Tubing
Set 7" 4 1/2"
Cement 65' 2471
Cement 40sks 150sks
TD 2475' Production formation/perf/ open hole Miss. 2425-2452-Perf
Fluid level 497'
Tubing and Packer _____ Fluid Depression X
Zone between 0 and 2425 tested.
Start _____ Min. _____ Min. _____
Pressure Never pressured over 155psi
Tested by Cornish Wireline Serv.
Signature [Signature] Title MIT Tech
Test Date 4-25-2018
Satisfactory _____ Failed X
KCC agent [Signature] Title ECRS
Witness Y/N Yes
Remarks: _____
Computer update RBDms

TP 2425 - FL 497 = 1928 - 50 = 1878 x .43 = 807.54 #

Pumped for 2 Hrs. Pressure never exceeded 155#

Casing Integrity Test

RECEIVED
KCC DIST #3
APR 04 2018
CHANUTE, KS

Operator License 32874
Operator Name VEEM Tube Oil & Gas, LLC
Address 11417 S. Granite Ave
City, State, Zip Tulsa, OK 74137
✱ Contact Person Mahesh K Chhabra Phone 918-298-1555

Lease Smith B Well # 8 API # 15- 049-21844-00 00
County SEK Section 21 Twp 29 Rge 9 E SW
990 FSL 288 FEL

GPS Lat 37.507842 GPS Long -96.417457
TD (Plug Back) _____

	Surface	Production	Tubing
Pipe	<u>8 5/8</u>	<u>4 1/2</u>	_____
Set	<u>60'</u>	<u>2378</u>	_____
Cement	<u>0' 2015</u>	<u>988' 150 lbs</u>	_____
TD	<u>2380</u>	Production formation/perf/ open hole <u>2307 2342</u>	
Fluid level	<u>204</u>	_____	
Tubing and Packer	_____	Fluid Depression	<u>X</u>
Zone between	<u>2307</u>	and	<u>2342</u> tested.
Start	<u>20</u> Min.	<u>40</u> Min.	<u>60</u>
Pressure	<u>Pressure on well for 2 hours. No pressure built.</u>		

Tested by Cornish Wireline Service
Signature [Signature] Title MIT Tech

Test Date 4-3-18
Satisfactory _____ Failed X

KCC agent [Signature] Title ECRS

Witness Y/N Yes

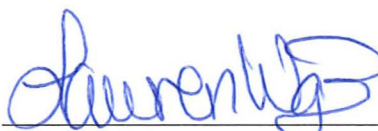
Remarks: (TD) 2307 - (FL) 204 = 2103 - 50 = 2053 x .43 = 883

Computer update RBDMS

VERIFICATION

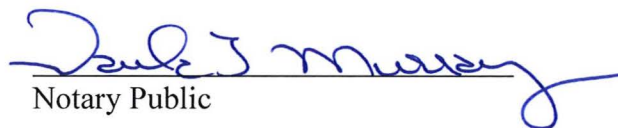
STATE OF KANSAS)
) ss.
COUNTY OF SEDGWICK)

Lauren N. Wright, of lawful age, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Staff's Response*, and attests that the statements therein are true to the best of her knowledge, information and belief.

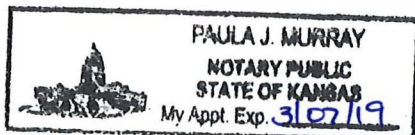


Lauren N. Wright, S. Ct. #27616
Litigation Counsel
State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 12 day of July, 2018.


Notary Public

My Appointment Expires: 3/07/19



CERTIFICATE OF SERVICE

18-CONS-3149-CEXC

I, the undersigned, certify that the true copy of the attached Staff's Response has been served to the following parties by means of electronic service on July 12, 2018.

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/S/ Paula J. Murray

Paula J. Murray