

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Pat Apple, Chair
Shari Feist Albrecht
Jay Scott Emler

In the Matter of the Application of Norstar)	Docket No. 17-CONS-3403-CVAC
Petroleum, Inc. for Authorization to Impose a)	
Vacuum on its Hume Bros. Lease located in the)	CONSERVATION DIVISION
NW/4 of Section 34, Township 29 South, Range)	
41 West, Stanton County, Kansas)	License No. 31652
_____)	

PRE-FILED DIRECT TESTIMONY

OF

LANNY O. BUTNER

ON BEHALF OF

WHITE EXPLORATION, INC.

1 Q. Please state your name and business address.

2 A. My name is Lanny Butner, and my business address is 1026 N. Sandpiper Circle,
3 Wichita, Kansas 67230.

4 Q. By whom are you employed and in what capacity?

5 A. I am self-employed and the owner of Lanny Butner & Associates. In that business, I
6 perform many functions. I manage the operation of multiple producing oil and gas
7 properties that are located in Texas, Oklahoma and Kansas. I generate drilling
8 prospects and design projects for the improvement of producing oil and gas properties,
9 including waterfloods. I also evaluate and perform valuations of producing oil and gas
10 properties for acquisitions, estate planning purposes, and divestitures.

11 Q. Please summarize your educational background.

12 A. I received a Bachelor of Science degree in Petroleum Engineering from the University
13 of Texas in 1975. I also received a master's degree in Business Administration from
14 Wichita State University in 1995.

15 Q. Please summarize your professional experience.

16 A. After I graduated from the University of Texas, I worked for Atlantic Richfield
17 Company as a Drilling and Completions Engineer from 1975 to 1981. During that
18 time with ARCO, I supervised the drilling and completion of wells in Alaska, both in
19 the Prudhoe Bay and offshore in the Arctic Ocean, offshore in the Gulf of Mexico,
20 onshore in the Gulf coast states, and in the Mid-Continent region. Then, from 1981
21 through 1983, I worked as a Petroleum Engineer for Ladd Petroleum Company.
22 During that time, I was responsible for the selection and supervision of Ladd's drilling
23 rigs and operations in Texas, Oklahoma and Kansas. Then, from 1983 through 1989, I
24 worked as the Production Manager for Murfin Companies, Inc. in Wichita, where I was

1 responsible for managing all of its producing oil and gas properties in Kansas,
2 Colorado, New Mexico and Nebraska. From 1989 through 1993, I was the Executive
3 Vice President of K&E Petroleum, Inc. where I was responsible for the acquisition,
4 financing and divestiture of the oil and gas company. From 1993 to 2014, I have also
5 been running my own oil and gas consulting company, Lanny Butner & Associates.

6 Q. Have you previously testified before the Kansas Corporation Commission and were
7 your qualifications to testify as an expert petroleum engineer accepted?

8 A. Yes, I have testified in numerous KCC hearings. All of my prior testimony in KCC
9 matters was as an expert petroleum engineer.

10 Q. What is the purpose of your testimony in this docket?

11 A. I was retained by White Exploration, Inc. ("White Exploration") to review and evaluate
12 the merits of the Application filed by Norstar Petroleum, Inc. ("Norstar") in this
13 docket.

14 Q. What did you review in connection with your testimony?

15 A. I reviewed the following documents and information:

- 16 • Application filed by Norstar
- 17 • Protest filed by White Exploration
- 18 • Norstar's responses to White Exploration's data requests
- 19 • Prefiled Direct Testimony of Brady Pfeiffer, including Exhibits A through E
- 20 • Publicly available information and data relating to the oil and gas leases and
21 wells that are at issue and otherwise involved in this docket
- 22 • K.A.R. § 82-3-131

23 Q. At page 3, lines 6 through 11, Mr. Pfeiffer concludes that the field that Norstar's wells
24

1 are producing from is nearly depleted and that vacuum compression is necessary to
2 extend the life of its wells. Do you agree with his conclusions?

3 A. No, I do not agree with his conclusions. I have reviewed his prefiled testimony and
4 Mr. Pfeiffer does not provide any data or other information to support that conclusion.
5 I am also skeptical that using vacuum compression on Norstar's wells is necessary or
6 will extend the economic life of those wells. The test results shown by Mr. Pfeiffer
7 indicate that using compression will not result in much, if any, additional production
8 and the additional expense of adding compression will, without a boost in production,
9 decrease the economic life of those wells.

10 Q. Mr. Pfeiffer claims that production from Norstar's wells has recently declined and that
11 using vacuum compression is necessary to remain competitive with off-set operators.
12 Do you agree with his conclusion?

13 A. No, I do not agree with him. In fact, based on the information that I have reviewed, it
14 appears to me that the recent decline in production from the wells on the Hume
15 Brothers lease is the result of some mechanical problem with those wells. The steep
16 decline in oil production from those wells, as shown on the decline curve attached to
17 Mr. Pfeiffer's testimony, indicates to me that those wells likely have a mechanical
18 problem that is causing the decline in production. Moreover, I did not see a similar
19 sudden decrease in oil production from the wells on the leases operated by White
20 Exploration that offset the Hume Brothers lease. Since all of those wells are
21 considered to be producing from a common source of supply that leads me to conclude
22 that the drop in production in Norstar's wells is not caused by a reservoir issue. Thus,
23 it must be the result of some mechanical issue with those wells.

24 Q. Does Norstar have any options available to them other than installing vacuum

compression on their wells?

A. Yes, they can install a compressor after the separation equipment on the Hume lease and use standard compression – not vacuum compression. Moreover, they could do that at any time without obtaining any approval from the KCC.

Q. Has Norstar sold any of the gas that has been produced from its wells on the Hume Brothers lease to date?

A. No, I have not seen any information that suggests that any of that gas has been sold to date.

Q. If that gas has not been sold, what has Norstar done with it?

A. I assume that it has been either vented or flared.

Q. Do you know whether or not Norstar can sell the gas that is produced from its wells on the Hume Lease?

A. No, I do not. Norstar has not provided any gas test results which would show that the gas produced from that lease is of sufficient quality that it would be accepted by the gas purchaser.

Q. Do you have reason to believe that the gas produced from the wells on the Hume Brothers lease might not be "pipeline quality" gas?

A. Yes, that would be a logical conclusion based on the fact that the wells on that lease have not produced gas since 1998 when the first well was drilled on that lease. Since there have been no gas sales from that lease to date, then there must be some reason why that gas was not sold. The primary reasons that the gas would not be sold are either that there are not sufficient quantities of gas to justify laying a pipeline to transport that gas to the sales point or the gas is not "pipeline quality."

Q. Do you have any other comments regarding Mr. Pfeiffer's testimony?

1 A. Yes, Mr. Pfeiffer claims that installing vacuum compression on Norstar's wells will
2 increase production and recoverable reserves. However, in his testimony, he fails to
3 include any information regarding the costs that will be incurred to install and to run
4 that compression. Without considering those costs additional costs of vacuum
5 compression, I am not able to accurately estimate the economic limit for those wells or
6 the remaining recoverable reserves for those wells.

7 Q. Does that conclude your testimony?

8 A. Yes, it does, however, I reserve the right to supplement this testimony if additional
9 information becomes available.
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 22nd day of September, 2017, he caused a true and correct copy of the foregoing Pre-Filed Testimony of Lanny Butner to be filed with the Kansas Corporation Commission, and that he caused a copy to be served via electronic mail to the following parties:

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s/ David E. Bengtson

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