

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

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

In the matter of the application of Duncan Energy)	Docket No.: 17-CONS-3429-CBSO
Company and Farleigh Oil Properties for an)	(177,932-C), (C-26,223)
exception to certain regulations of this)	
Commission otherwise applicable to gas wells)	CONSERVATION DIVISION
producing coalbed methane gas in Jackson,)	
Pottawatomie, Nemaha, Shawnee, Jefferson,)	License No.: N/A
<u>Brown, and Osage Counties, Kansas.</u>)	

PRE-FILED TESTIMONY

OF

JIM HEMMEN

1 Q. What is your name and business address?

2 A. Jim Hemmen, 266 North Main Suite 220, Wichita, Kansas 67202.

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

4 A. I'm employed by the Conservation Division of the Kansas Corporation Commission as a
5 Research Analyst within the Division's Production Department.

6 Q. How long have you been employed by the KCC?

7 A. Since July 1982.

8 Q. Have you previously testified before this Commission?

9 A. Yes. I have testified as an expert witness on numerous occasions.

10 Q. What does your position with the Conservation Division involve?

11 A. I provide technical input concerning various applications, including those involving
12 unitizations, horizontal wells, well-location exceptions, alternate tract units, flaring, and
13 vacuum or high volume pumps. I enforce the Commission's gas gathering regulations,
14 review gas well test reports for accuracy, monitor monthly production from
15 Hugoton/Panoma gas wells, and generally present Staff recommendations before the
16 Commission where appropriate.

17 Q. Are you familiar with this docket, 17-CONS-3429-CBSO?

18 A. Yes.

19 Q. How are you familiar with this docket?

20 A. I monitor all special proration and spacing orders that govern productive fields in Kansas.
21 Staff believes the spacing order in this docket is an appropriate candidate for
22 cancellation. It no longer appears useful or necessary.

23 Q. Would you please provide the Commission with some background information regarding
24 special proration and spacing orders?

25 A. Yes. Special proration and/or spacing orders are exceptions to the Commission's general
26 rules and regulations, and provide different rules for production and/or spacing in a given
27 field. There used to be hundreds of these special orders, but now there is only a handful.
28 The others have all been cancelled or have expired on their own terms.

29 Q. Why was the order in this docket originally issued?

30 A. The order was issued in October 1991 and was meant to exempt the applicants and their
31 associated working interests from having to comply with a number of regulations which

1 would have applied to coalbed methane gas wells they planned to drill in the seven
2 counties listed in the caption. The order also mandated forty-acre spacing units within
3 these seven counties when drilling for coalbed methane gas. The applicants felt the order
4 necessary to encourage exploration of methane gas reserves believed to be contained
5 within the largely unfamiliar and unexploited coal seams underlying these seven
6 counties.

7 Q. Do either of the applicants still exist?

8 A. Not to Staff's knowledge. Duncan Energy's KCC license expired in 1995 and Farleigh
9 Oil's license expired in 1993. The former was an out-of-state partnership and the latter
10 appears to have been an out-of-state non-corporate entity, neither of which were ever
11 registered with the Kansas Secretary of State.

12 Q. If the order in this docket is cancelled, will the Commission's general rules and
13 regulations then control this field?

14 A. Yes.

15 Q. And the Commission's general rules allow ten-acre spacing while providing 330-foot
16 setbacks?

17 A. Yes.

18 Q. Why is the order no longer necessary?

19 A. For two reasons. First, the expected drilling activity never materialized. In the twenty-
20 five years since the order was issued, only two coalbed methane wells have been drilled
21 in the seven counties. Both were drilled in 2004 and plugged in 2006 by an operator that
22 no longer holds a valid KCC license. Public documents show no evidence that any
23 production was ever sold from the wells.

24 Second, drilling activity is unlikely to ever occur. Prior to 1991, there had not been
25 any significant exploration for methane gas in the seven-county area. Since then, the coal
26 seams have been lightly explored for their potential as commercial sources of methane
27 gas. The result of that exploration was the discovery that the methane gas contained
28 within those coal seams contains unusually high concentrations of nitrogen and
29 significant concentrations of carbon dioxide. This fact renders the gas reserves non-
30 commercial by virtue of the gas not being combustible. In order to make the gas saleable,

1 the nitrogen and carbon dioxide would have to be removed before the gas would be
2 marketed. Doing that is uneconomical.

3 Q. Have there been any protests against the cancellation of the order in this docket?

4 A. No.

5 Q. Will cancellation of the spacing order in this docket cause waste or lead to violations of
6 correlative rights?

7 A. No.

8 Q. So Staff's recommendation is that the November 27, 1991, Order creating rules for
9 coalbed methane wells drilled in the seven counties listed in the caption of this docket,
10 and which is attached to Staff's December 27, 2016, motion in this docket, be cancelled?

11 A. Yes.

12 Q. Does this conclude your testimony as of this date, September 25, 2017?

13 A. Yes.

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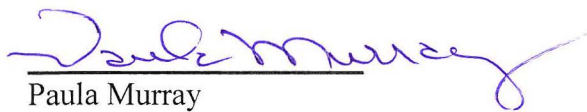
CERTIFICATE OF SERVICE

I, Paula Murray, certify that on Sept. 25, 2017, I did cause a true and correct copy of the Pre-Filed Testimony of Jim Hemmen to be served by United States mail, first class, postage prepaid to the following:

N/A

And by email to:

Michael J. Duenes, Assistant General Counsel
KCC Topeka Office



Paula Murray
Paula Murray
Legal Assistant
Kansas Corporation Commission