

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION)	DOCKET NO. 23-CONS-3175-CUNI
OF BEREXCO LLC FOR AN ORDER)	
AUTHORIZING UNITIZATION AND UNIT)	CONSERVATION DIVISION
OPERATION OF THE ARNOLD UNIT IN)	
STANTON COUNTY, KANSAS.)	LICENSE NO. 34318

APPLICANT'S SUBMISSION OF PREFILED TESTIMONY
AND MOTION FOR GRANT OF APPLICATION BY SUMMARY PROCEEDINGS

COMES NOW BEREXCO LLC ("Applicant"), and submits herewith the prefiled testimony
of the following witnesses in this matter:

Prefiled Testimony of Michael Kay, Petroleum Engineer on behalf of BEREXCO
LLC dated February 8, 2023 consisting of 6 numbered pages and Exhibits 1, 2, 3, 4,
5 and 6 attached; and

Prefiled Testimony of Charles B. Spradlin, Jr., Petroleum Landman on behalf of
BEREXCO LLC dated February 8, 2023 consisting of 6 numbered pages and no
Exhibits.

Applicant requests that the Commission accept the qualifications of the witnesses as experts and
their prefiled testimony as their sworn testimony in this matter, and incorporate the prefiled
testimony into the record of this proceeding.

Applicant further requests that its Application herein be amended to substitute the
accompanying Notification List showing the names and addresses of all oil and gas lessors, lessees,
mineral owners, mortgagees, and other persons owning oil and gas interests of record in and to the
Arnold Unit, and each operator or lessee of record and owner of record of the minerals in the
Unitized Formation in unleased acreage within a one-half (1/2) mile radius of the subject acreage

for its counterpart appended to the Application as Exhibit C. No prejudice will result from this request inasmuch as Exhibit C, as amended, merely identifies persons entitled to receive, and who have received, notice of the Application without changing the substantive provisions of the Application or affecting the rights of parties to this proceeding.

Pursuant to K.S.A. 77-519, Applicant further moves the Commission for an order authorizing the use of summary proceedings in this docket in accordance with K.S.A. 77-537. In support of its motion, Applicant states as follows:

1. Pursuant to K.S.A. 77-537(a) of the Kansas Administrative Procedure Act (“KAPA”, K.S.A. 77-501, et seq.), a state agency, including the Commission, may use summary proceedings in lieu of a hearing, subject to a party’s request for a hearing on the order, if:

- “(1) The use of those proceedings in the circumstances does not violate any provision of law;
- (2) the protection of the public interest does not require the state agency to give notice and an opportunity to participate to persons other than the parties;
- (3) based upon an investigation of the facts by the state agency, beyond receipt of the allegations, the state agency believes in good faith that the allegations will be supported to the applicable standard of proof, provided however that an alleged failure to meet the standards set forth in this subsection shall not be subject to immediate judicial review and shall not invalidate any later agency action that has been supported to the applicable standard of proof; and
- (4) the order does not take effect until after the time for requesting a hearing has expired.”

2. The statutory conditions for use of summary proceedings are met in this case. The Application in this matter was filed pursuant to the unitization statute, K.S.A. 55-1301, et seq., which generally permits unitization and unit operation of a pool or part thereof to be ordered by the Commission upon application and after notice and hearing conducted by the Commission in

accordance with the provisions of the KAPA. K.S.A. 55-1303, 1304. However, the KAPA specifically authorizes the use of summary proceeding in lieu of a hearing if no hearing is requested and the remaining conditions of K.S.A. 77-537 are satisfied. Thus, there is no provision of the law applicable to this matter that will be violated if summary proceedings are used, satisfying the conditions of K.S.A. 77-537(a)(1). No protests have been filed and no request for hearing made by persons who are not parties to this proceeding, after notice of the Application was served and published by the Applicant as required by K.S.A. 55-1310 and K.A.R. 82-3-135a. The only persons involved in this proceeding are therefore the Applicant and the Commission Staff. There is no provision of the law for the protection of the public interest that requires the Commission or the Applicant to give additional notice and an opportunity to participate to persons other than the parties, so the requirements of K.S.A. 77-537(a)(2) are met. Data and evidence provided by the Application and Applicant's prefiled testimony and exhibits, to be confirmed by the Commission's own investigation of the facts, are sufficient to prove the allegations of the Application as required by K.S.A. 77-537(a)(3). Finally, any final order issued by the Commission can and should include notice of the right to request a hearing as required by K.S.A. 77-542, and notice that the order will not become effective until the time for requesting a hearing has expired, in accordance with K.S.A. 77-537(a)(4). These requirements are set forth in K.S.A. 77-537(b)(2) and (3), and fulfill the fourth condition for use of summary proceedings here.

3. Inasmuch as the allegations of the Application are or will be substantiated by Applicant's prefiled testimony and an investigation of the facts to be conducted by the Commission Staff; there are no parties to this proceeding other than the Applicant and the Commission Staff; no member of the public has responded to notice of the Application to protest and request a hearing

and the time for doing so has expired; and there are no other persons or parties who will be prejudiced or adversely affected, Applicant respectfully requests that its Application herein be granted by the Commission by the use of summary proceedings.

WHEREFORE, Applicant prays that the Commission accept the prefiled testimony of Applicant's witnesses accompanying this filing, and that it accept and substitute the amended Notification List appended hereto for Exhibit C submitted with the Application in this proceeding.

Applicant further prays that the Commission find and order that the use of summary proceedings as authorized by K.S.A. 77-537 is appropriate in this case and satisfies the requirements of K.S.A. 55-1303 and 1304.

Applicant further prays that the Commission find, based upon the evidence submitted with Applicant's verified Application and prefiled testimony, and revealed by investigation of the Commission Staff, that the allegations of the Application are true, and that:

- (a) notice of the Application has been properly published and otherwise served;
- (b) the Unit Agreement and Plan of Unitization, and Unit Operating Agreement, for the Arnold Unit set forth as Exhibits A and B to the Application are fair, reasonable and equitable to all parties in the unit and satisfy the further requirements of K.S.A. 55-1304; and
- (c) the proposed unit operations are economically feasible, and are necessary to prevent waste and protect correlative rights in accordance with K.S.A. 55-1304.

Based upon the foregoing, Applicant further prays that the Commission issue its order as prescribed by K.S.A. 55-1305 granting the Application in this docket by the use of summary proceedings; and that the Commission grant to the Applicant such other and further relief as it may deem just and proper.

Respectfully submitted,



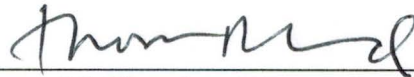
Thomas M. Rhoads (S.C. 10005)
Law Offices of Thomas M. Rhoads LC
200 E. 1st Street, Suite 301
Wichita, Kansas 67202-2114
Telephone: (316) 260-4440
Facsimile: (316) 260-4419
Email: tmrhoads@sbcglobal.net

Attorney for Applicant,
BEREXCO LLC

VERIFICATION

STATE OF KANSAS)
) SS:
COUNTY OF SEDGWICK)

Thomas M. Rhoads, of lawful age and being first duly sworn upon his oath, deposes and states: That he is the attorney for the Applicant, BEREXCO LLC, in the above-captioned action; that he has read the above and foregoing Motion for Summary Proceedings, knows and understands the contents thereof, and states that the statements and allegations therein contained are true and correct according to his knowledge, information, and belief.



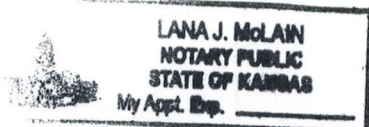
Thomas M. Rhoads

SUBSCRIBED AND SWORN TO before me, the undersigned authority, this 9th day of February, 2023.

My commission expires: 11-8-26



Notary Public



CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this 9 day of February, 2023, he caused true and correct copies of the above and foregoing Applicant's Submission of Prefiled Testimony and Motion for Grant of Application by Summary Proceedings to be served electronically upon the following persons at the email addresses shown:

Jonathan R. Myers
Assistant General Counsel
Kansas Corporation Commission
Email: j.myers@kcc.ks.gov

Kelcey Marsh
Litigation Counsel
Kansas Corporation Commission
Email: k.marsh@kcc.ks.gov



Thomas M. Rhoads

Exhibit C

Names and Addresses of All Oil and Gas Lessors, Lessees, Mineral Owners, Mortgagees, and Other Persons Owning Oil and Gas Interests of Record In and To the Arnold Unit, and Each Operator or Lessee of Record and Owner of Record of the Minerals in the Unitized Formation in Unleased Acreage Within a One-Half (1/2) Mile Radius of the Subject Acreage

ARNOLD WATERFLOOD UNIT

Stanton County, Kansas

NOTIFICATION LIST

Manuel Corporation
Adam Investments, Inc.
Seaoil Corporation
Adam E. Beren Revocable Trust
Nancy Tobin Beren Revocable Trust
Amy Beren Bressman Revocable Trust
Julie Beren Platt Revocable Trust
c/o Berexco LLC
2020 N. Bramblewood
Wichita, KS 67206

Cherokee Warrior, Inc.
PO Box 399
Garden City, KS 67846

KLFR Holdings, GP, LLC
5910 N. Central Expressway, Suite 255
Dallas, TX 75206

Lazarus Holding, LLC
PO Box 25313
Dallas, TX 75225

Consul Properties L.L.C.
PMB 401
6608 N. Western Ave.
Oklahoma City, OK 73116

The Richard L. Arnold Living Trust dated November 2, 2016
2930 S. Highway 27
Johnson, KS 67855

Pearl M. Hershberger
2453 E. Raynell St.
Springfield, MO 65804

Steven Arnold Living Trust, dated September 13, 2018
281 E. Road 15
Johnson, KS 67855

Peter and Shelley Rosario Joint Revocable Trust, dated June 24, 2013
6644 Tuttle Creek Blvd.
Manhattan, KS 66503

Troy L. Adams and Cheryl A. Adams
PO Box 628
Johnson, KS 67855

Cynthia Connelly
26779 County Road 45 1/2
Greeley, CO 80631

Candace S. Owen
9477 WCR #15
Longmont, CO 80504

Nancy Carr Revocable Trust, dated December 3, 2012
2916 Ridgeview Circle, Apartment D
Erie, CO 80516

Magic Rock Minerals, LLC
PO Box 780425
Wichita, KS 67278

Kathleen Pierce
1016 S. 29th St.
Parsons, KS 67357

Larry Dee Carr
11405 State Highway 59
Siebert, CO 80834

Molly Jo Carr
Address Unknown

Sarah J. Schamberger, a/k/a Sarah Carr Schamberger
2184 Northern Oak Dr.
Braselton, GA 30517

Quinque Oil & Gas Producing Company
PO Box 710
Liberal, KS 67905

White Exploration, Inc.
PO Box 780425
Wichita, KS 67278

M. Brian Peterson & Shawn M. Peterson
PO Box 180
Johnson City, KS 67855

Davis Ehram Farms, LLC
PO Box 1089
Hugoton, KS 67951

Baughman Foundation, Inc.
112 West 3rd Street
Liberal, KS 67901

Henry A. Esser, LLC, a Colorado LLC
Annette E. Anderson, Member
Sarah E. McDonald, Member
632 South Manorwood Lane
Louisville, CO 80027

Annette E. Anderson Revocable Trust
632 South Manorwood Lane
Louisville, CO 80027

Sarah E. McDonald
1398 German Court
Erie, CO 80516

Black Stone Minerals Company, L.P.
1001 Fannin, Suite 2020
Houston, TX 77002

William T. Seyb & Karen Seyb
PO Box 900
Johnson City, KS 67855

Virgil Stephen Shepard and Glenda F.
Shepard Living Trust dated August 11, 2014
3000 E Road 17
Johnson City, KS 67855

Baxter-Commodities-Identity Grains, LLC
PO Box 390
Johnson City, KS 67855

Farm Credit of Southwest Kansas, FLCA
1606 E. Kansas
Garden City, KS 67846

First National Bank of Syracuse
908 N. Main Street
Garden City, KS 67846

Richard O. Brekke & Gloria Brekke
921 Gemini Ln
Pueblo, CO 81008

City of Johnson
PO Box 500
Johnson City, KS 67855

BNSF Railway Company
2650 Lou Menk Dr.
Fort Worth, TX 76131

Plummer-Clark, L.L.C., a Kansas LLC
10624 Rainier Ave
Seattle, WA 98178

John R. & Anna S. Plummer
Address Unknown
Presumed Deceased

Wilson & Jennie Plummer
Address Unknown
Presumed Deceased

Neil & Helen M. Plummer
Address Unknown
Presumed Deceased

Warren & Gwen Marie Plummer
Address Unknown
Presumed Deceased

Hester J. & Virgil F. Clark
Address Unknown
Presumed Deceased

Frank E. Plummer
Address Unknown
Presumed Deceased

Melvin Winger
5250 N Road H
Johnson City, KS 67855

Archie L. Nairn
PO Box 486
Johnson City, KS 67855

Edwin Winger
c/o Wheatridge Grain
PO Box 914
Johnson City, KS 67855

Roy Winger
26902 251st St
McLouth, KS 66054

Ward L. Nairn
201 N. Graves
Johnson City, KS 67855

Paul E. Plummer, Jr. Revocable Trust,
dated February 7, 1994
204 N Graves St
Johnson City, KS 67855

Paul E. Plummer, Jr. & Leaura Plummer
204 N Graves St
Johnson City, KS 67855

Robert Z. Hume & Chesna Hume
10600 S Road V
Manter, KS 67862

James L. Carrithers & Firma Carrithers
779 1st Ave
Windom, KS 67491

Marilyn Joy Blake & R. Kenneth Blake
18112 SE 19th St.
Vancouver, WA 98683

Loretta Kendrick & Lori R. Minnihan
111 South Berry
New Market, AL 35761

Cindy Corkins & Phill Corkins
889 N. 1928 Road
Lecompton, KS 66050

Jane Harper & Thomas Harper
759 Oscar Talley Road
Anderson, MO 64831

Lance A. Kendrick & Michelle Kendrick
785 Snowbird Lane
Lafayette, CO 80026

Daniel D. McKinney & Valorie McKinney
2235 Canning Factory Road
Anderson, MO 64831

Timothy A. Kendrick & Gayle Kendrick
24812 Red Robin Dr.
Wittman, AZ 85361

Thomas J. Kendrick & Yancy Kendrick
31256 Beal Rd.
Stover, MO 65078

Teresa Lusk & Trex Lusk
167 Dakapolis Dr.
Gravois Mills, MO 65037

Patrick Kendrick & Kathy Kendrick
709 Charles
Hesston, KS 67062

Pamela Eikleberry & Kevin Eikleberry
5416 East Seven Palms Drive
Cave Creek, AZ 85331

Phyllis Trammel & Herschel D. Trammel
13149 Highway H
Granby, MO 64844

Rosalee McKnelly & Wayne McKnelly
Address Unknown
Presumed Deceased

Lois Ann Mighell & Robert Mighell
901 Willow Brook
Copperas Cove, TX 76522

Melanie Caywood & Gary Caywood
1014 SW Twilight Lane
Blue Springs, MO 64015

Barbara Jean Smith Revocable Living
Trust U/A 3/13/02
16974 Macaw Ln.
Gravette, AR 72736

Lewis J. Smith
3092 NW Thistle Pl
Corvallis, OR 97330

Thomas E. Smith
963 Squirrel Hollow Rd
Monroe, GA 30655

Linda S. Choate
9807 W 49th St
Shawnee, KS 66203

Steven C. Smith
15502 254th St
Lawrence, KS 66044

Danny L. Jones & Sylvia A. Jones
1005 Cardinal Place
Enid, OK 73703

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

BEFORE COMMISSIONERS: SUSAN K. DUFFY, CHAIR
 DWIGHT D. KEEN, COMMISSIONER
 ANDREW J. FRENCH, COMMISSIONER

IN THE MATTER OF THE APPLICATION)	DOCKET NO. 23-CONS-3175-CUNI
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AUTHORIZING UNITIZATION AND UNIT)	CONSERVATION DIVISION
OPERATION OF THE ARNOLD UNIT IN)	
STANTON COUNTY, KANSAS.)	LICENSE NO. 34318

PREFILED TESTIMONY

OF

MICHAEL KAY, PETROLEUM ENGINEER
ON BEHALF OF
BEREXCO LLC
FEBRUARY 8, 2023

1 Q Would you please state your name, title, and business address?

2 A My name is Michael C. Kay. I am a Petroleum Engineer with BEREXCO LLC. Our
3 office is at 2020 N. Bramblewood, Wichita, Kansas 67206.

4 Q How long have you practiced your profession?

5 A Since 2018.

6 Q Have you appeared before this commission on prior occasions and been qualified as
7 an expert Petroleum Engineer to give testimony regarding applications being held by
8 this commission?

9 A Yes

10 Q Please state your qualifications.

11 A I have a Bachelor of Science in Petroleum Engineering from Texas A&M University
12 which I received in 2018. In June 2018 I hired on with BEREXCO full time as a
13 Petroleum Engineer. My responsibilities include conducting reservoir evaluations and
14 preparing engineering studies for secondary recovery potential. I also work on a
15 variety of other subjects including production operations, acquisitions, and
16 divestitures.

17 Q Are you familiar with the application filed by BEREXCO LLC, for the Unitization
18 and Unit Operation of the Arnold Unit?

19 A Yes.

20 Q As an engineer working for BEREXCO, is Stanton County part of your area of
21 responsibility?

22 A Yes.

23 Q Have you made or supervised the engineering studies and the exhibits regarding this
24 Application to prepare yourself to testify today in support of this Application?

1 A Yes, I have reviewed all of the drilling reports, drill stem tests, electric logs,
2 completion reports, and production reports in preparation for my testimony.

3 Q Have you prepared, or caused to be prepared under your supervision and direction,
4 exhibits prefiled in this docket?

5 A Yes, a number of Exhibits were prepared by me. These include a map showing the
6 ten tracts within the proposed Arnold Unit boundary as well as the spud dates of the
7 wells in the Arroyo NE Field area (Exhibit #1). Exhibit #2 is a type log showing the
8 Morrow through Chester intervals being unitized. Also included is a structure map of
9 the top of the Keyes (Exhibit #3). A porosity-thickness isopach map has been
10 included (Exhibit #4) for the Lower Keyes. Exhibit #5 is an oil decline curve for the
11 leases in the proposed Arnold Unit showing the total oil production performance of
12 the field from 1993 through January 2021. The curve also shows the estimated
13 remaining primary and anticipated secondary recovery from the project. The
14 proposed Arnold Unit injection pattern, waterflood facilities, and the planned pipeline
15 layout is shown in Exhibit #6.

16 Q Would you please explain Exhibit #1?

17 A Exhibit #1 is a plat that shows the area of the proposed Arnold Unit and the ten Tracts
18 we propose to put into this Unit, covering the following lands in Stanton County,
19 Kansas:

20 The South Half (S/2) of Section 1, the Southeast Quarter of the Southeast
21 Quarter (SE/4 SE/4) of Section 2, the Northeast Quarter (NE/4) of Section 11,
22 and the North Half (N/2) of Section 12 Township 29 South, Range 41 West as
23 well as the Southwest Quarter (SW/4) of Section 6 and West Half (W/2) of
24 Section 7 Township 29 South, Range 40 West, in Stanton County, Kansas.

1 Q Would you briefly explain the history of this area?

2 A In August of 1993 the Arnold 12-1 discovered Keyes pay in the NW NW Sec. 12-
3 29S-41W in Stanton County, Kansas (as shown in Exhibit 1). The field was further
4 developed over the next 30 years, and now 12 active or temporarily abandoned
5 wellbores exist within the Unit Area. The most recent well drilled in the Unit Area
6 was the Earl Arnold 7-3, spudded in May of 2016. From discovery through January
7 31, 2021 the Unit Area has produced a total of 985,780 STBO.

8 Q Please explain Exhibit #2.

9 A This is an electric log from the Arnold E Unit 1-1 well located in the SE SE of
10 Section 1, Township 29 South, Range 41 West, Stanton County, Kansas. The
11 proposed Unitized Formation is the subsurface portion of the Unit area described as
12 the stratigraphic equivalent of the top of the Morrow, of Pennsylvanian Age, through
13 the top of the Chester, of Mississippian age, as the same is encountered at depths
14 between 5,016 feet and 5,486 feet, inclusive, below the surface (KB) in this well.

15 Q Please explain Exhibit #3.

16 A Exhibit #3 contains a structure map of the top of the Keyes in the Arnold Unit area.
17 The highest areas indicate productive areas in the Keyes.

18 Q Please explain Exhibit #4.

19 A Exhibit #4 includes a porosity-thickness isopach map for the waterflood interval in
20 the Arnold Unit area (Lower Keyes). This isopach map was used to determine
21 reservoir volume on each tract. Isopach values were determined from log
22 calculations. An average water saturation of 38.9%, and a formation volume factor of
23 1.25 were used to determine the original oil in place. Pay was determined by using a
24 cutoff of 8% porosity.

1 Q Please explain the total Arnold Unit performance curve shown in Exhibit #5.

2 A This decline curve represents the total oil production performance from the producing
3 wells in the proposed Arnold Unit area. Production from these wells peaked at
4 16,974 BOPM in June 1994, and had declined down to roughly 1,500 BOPM at the
5 start of 2021. Total oil production was 985,780 STBO as of January 31, 2021.

6 Exhibit #5 also shows the total estimated remaining primary oil from the active wells
7 in red, which will add 93,054 STBO, making the ultimate primary oil production
8 1,078,834 STBO. In addition to the remaining primary performance of the proposed
9 Arnold Unit wells, Exhibit #5 also shows the projection of the estimated incremental
10 secondary oil in blue, which we believe will be recovered over approximately 15
11 years by the installation of this waterflood. It is estimated that installing the Arnold
12 Unit waterflood will increase the total recovery by about 539,417 STBO.

13 Q How was the estimate of secondary oil recovery determined?

14 A The secondary recovery was estimated to be 50% of ultimate primary recovery.

15 Q How did you arrive at 50%?

16 A 50% is consistent with conservative estimates of other analogous waterfloods in
17 southwest Kansas. This method is a well recognized and reasonable approach to
18 calculating secondary recovery.

19 Q What does Exhibit #6 show?

20 A Exhibit #6 shows the planned waterflood pattern, injection lines, and the location of
21 the consolidated tank battery. The pattern will involve the drilling of the Arnold Unit
22 2-12 and Arnold Unit 7-4 wells as infill injection wells. The P&P 2-1, Arnold 12-2,
23 and Troy 1 wells will be converted to water injection. The proposed injection wells

1 will have sufficient casing and cement to protect the useable water in this area. The
2 remaining wells in the Unit will be producers.

3 Q In the proposed operations, what injection rates and pressures do you recommend?

4 A Target rates for initial injection are roughly 200 BWIPD per well. The injection
5 rates may be later increased depending on performance. It is anticipated that the
6 injection pressure would be 1,200 psi or below at the wellheads. In no event would
7 the injection pressure exceed the fracture gradient of the opened intervals in this area.

8 Q What is the estimated investment required to install the proposed Arnold Unit
9 waterflood, and does the estimated incremental secondary oil justify this investment?

10 A It is estimated it will cost \$1,857,000 to install this project. Economic runs indicate
11 the waterflood project will result in a net BFIT income that totals over \$14,500,000.

12 Q Is it your further testimony that the proposed operations are economically feasible,
13 and are necessary to prevent waste and protect correlative rights?

14 A Yes.

15 Q Have you reviewed the Unit Agreement and Unit Operating Agreement which have
16 been filed with this Commission?

17 A Yes.

18 Q In your opinion, do these agreements provide fair, reasonable and equitable
19 provisions for the efficient unitized management and control of the further
20 development and operation of the proposed Arnold Unit area for the recovery of oil
21 from the common source of supply?

22 A Yes.

23 Q How was the tract participation determined?

1 A A two phase formula was used. The Phase 1 formula is based on 50% Current Oil
2 Production, produced between 9/1/2020 and 1/31/2021 and 50% Remaining Primary
3 Reserves as of 1/31/2021. The Phase 2 formula is based on 85% Estimated Ultimate
4 Primary Recovery, 10% Mapped Reservoir Volume of Lower Keyes in acre-ft, and
5 5% Usable Wellbores.

6 Q Is the participation formula consistent with participation formulas for other similar
7 waterfloods?

8 A Yes. The formula used for Arnold Unit is similar to formulas used for other similar
9 type waterfloods in Kansas.

10 Q Do you know what percentage of the interests have executed these agreements?

11 A It is my understanding that 100% of the working interest owners in Phase 2 and
12 97.7798612% of the royalty owners in Phase 2 (excluding overriding royalty) have
13 signed.

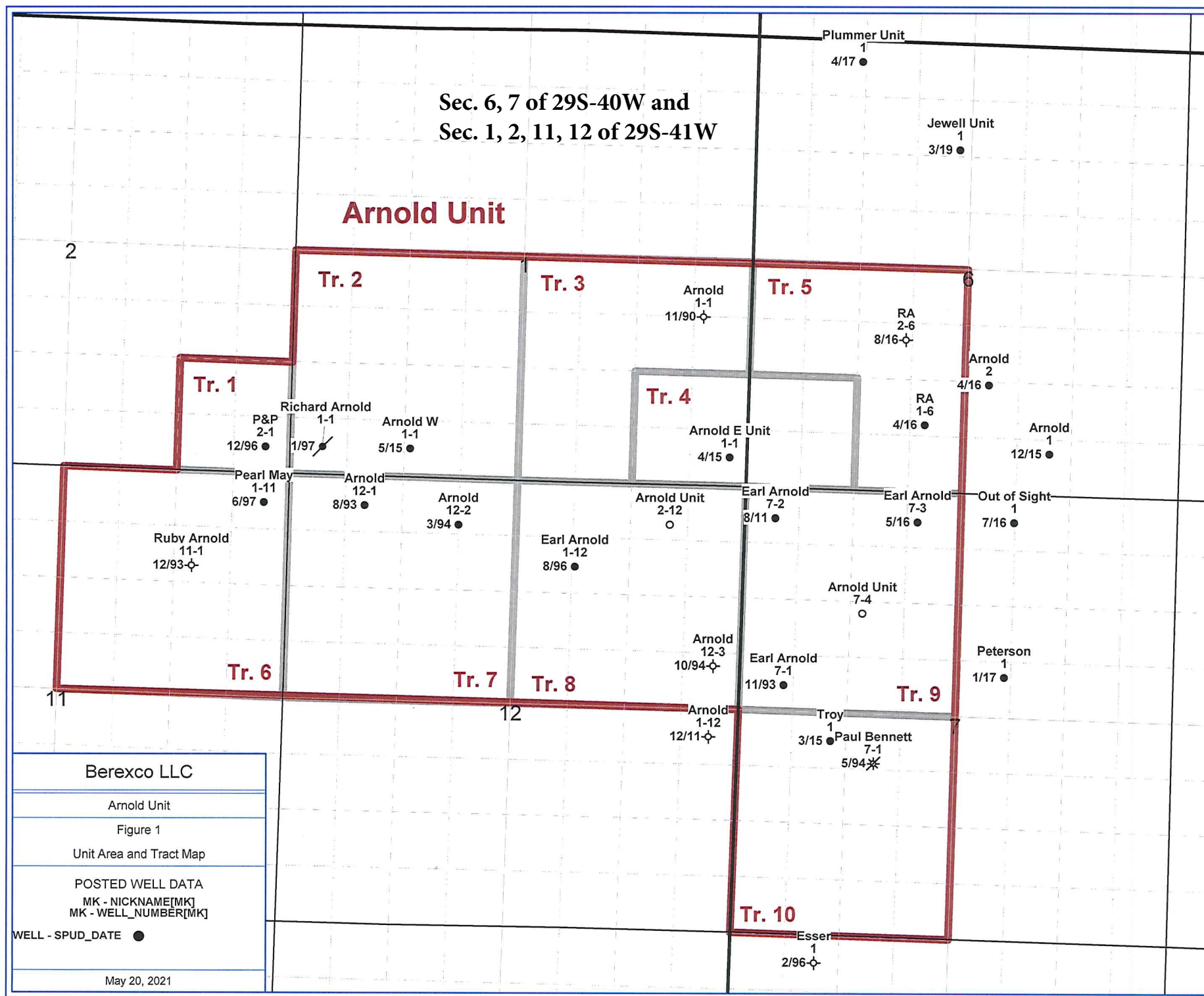
14 Q Is it your opinion that the provisions of these agreements are fair and equitable to all
15 working interest owners and royalty owners in the proposed Arnold Unit area?

16 A Yes.

17 Q Based on all of your studies, the exhibits you have provided, and your testimony here
18 today, are you recommending that the Commission grant this application?

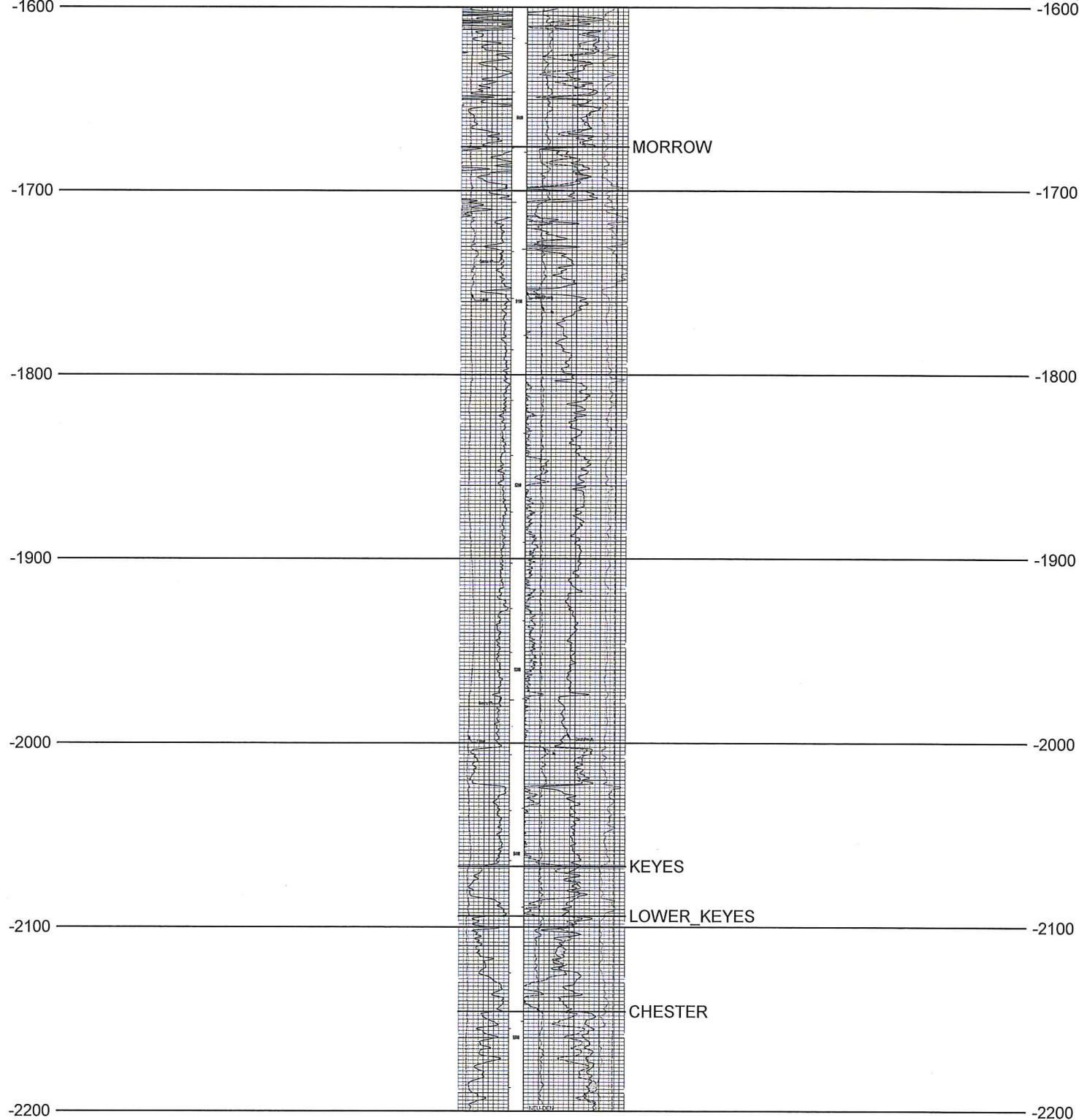
19 A Yes.

20 Q I have no further questions for Mr. Kay.

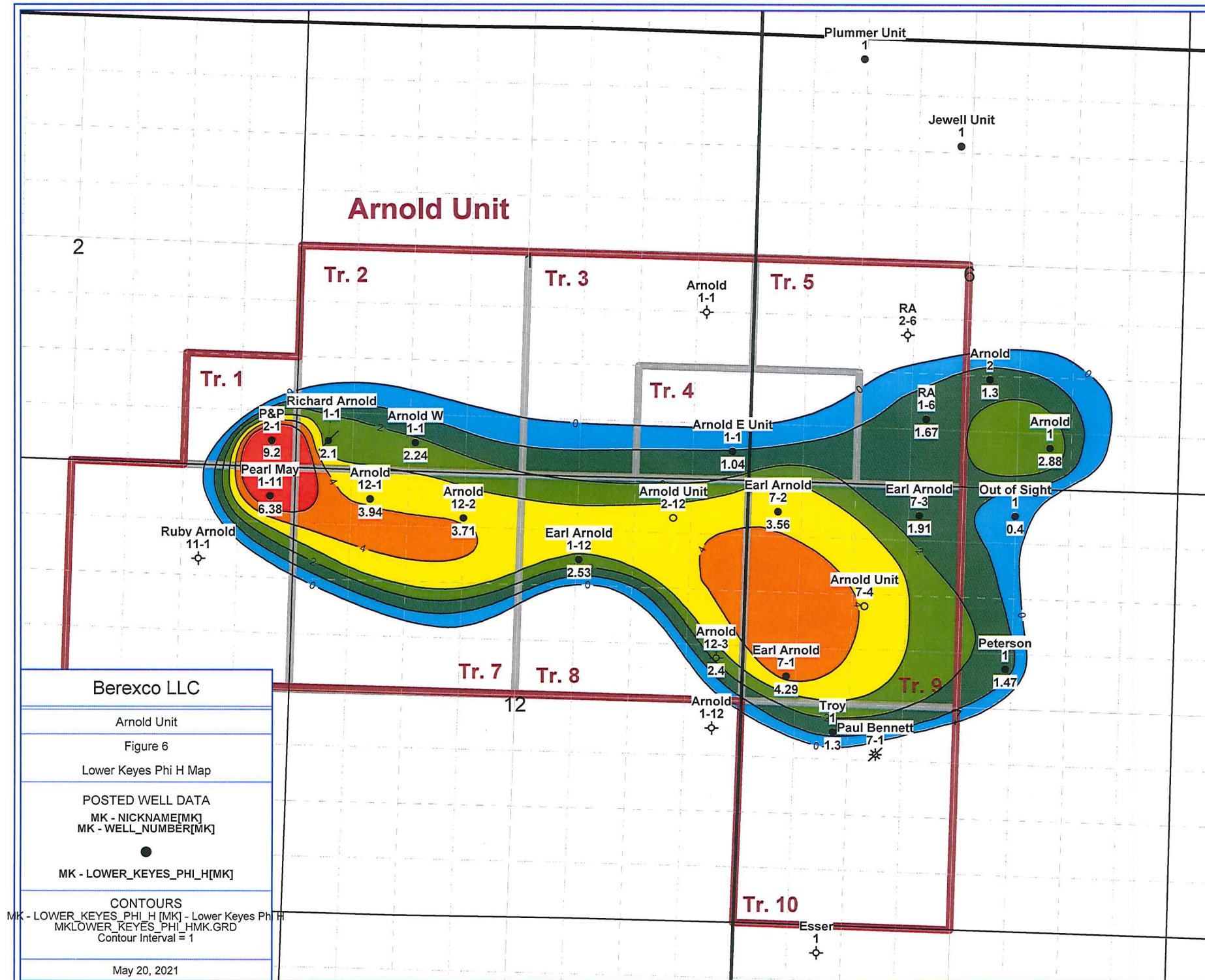


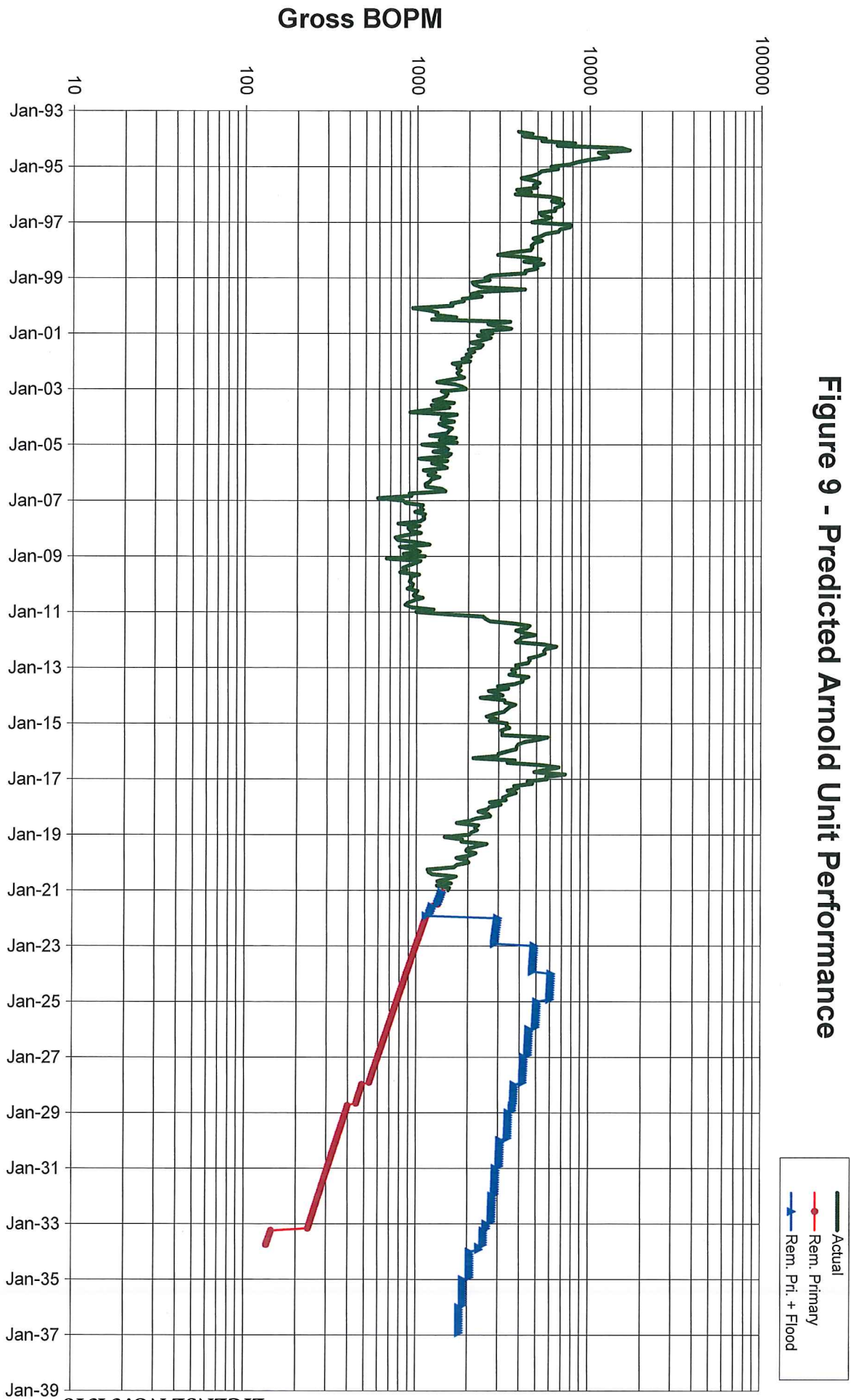
Subsea
Depth(ft)
-1600 -

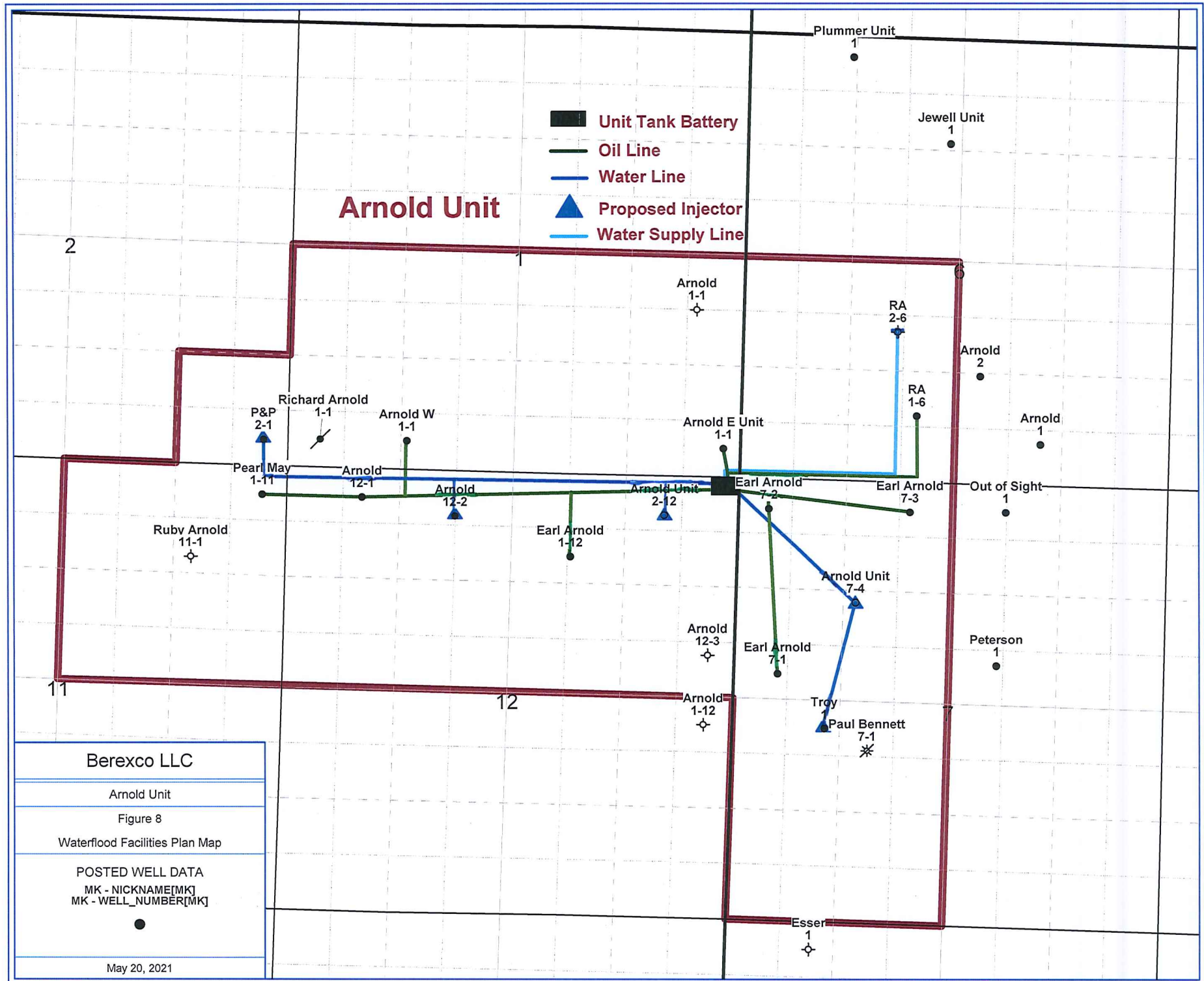
Subsea
Depth(ft)
- -1600



Berexco LLC
Arroyo NE
Figure 2
Arnold Unit Type Log
May 17, 2021 10:32 AM







BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

BEFORE COMMISSIONERS: SUSAN K. DUFFY, CHAIR
DWIGHT D. KEEN, COMMISSIONER
ANDREW J. FRENCH, COMMISSIONER

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PREFILED TESTIMONY

OF

CHARLES B. SPRADLIN, JR., PETROLEUM LANDMAN
ON BEHALF OF
BEREXCO LLC
FEBRUARY 8, 2023

1 Q Would you please state your name, current employment, title, and business address?

2 A My name is Charles B. Spradlin, Jr. I am employed by Berexco LLC and my title is

3 Executive Vice President and Land Manager. Our offices are located at 2020 North

4 Bramblewood, Wichita, Kansas 67206.

5 Q How long have you practiced your profession?

6 A Since 1980.

7 Q Have you previously testified before this commission and at that time were your

8 credentials as a Petroleum Landman accepted?

9 A Yes.

10 Q Are you familiar with the application filed by Berexco LLC for the Unitization and

11 Unit Operation of the Arnold Unit in Stanton County, Kansas?

12 A Yes.

13 Q As a Landman working for Berexco LLC, is Stanton County part of your area of

14 responsibility?

15 A Yes.

16 Q Does Berexco LLC own leasehold rights to drill and produce oil and gas in the area

17 subject to this application?

18 A Berexco LLC operates wells on leasehold within the lands subject to this application

19 on behalf of its affiliates – Manuel Corporation, Adam Investments, Inc. and Seaoil

20 Corporation – which own leasehold rights to drill and produce oil and gas in the area,

21 and Berexco LLC is making application at their direction and on their behalf.

1 Q What records have you reviewed in order to determine ownership in the proposed unit
2 area and ownership in the area within a one-half mile radius of the acreage being
3 proposed for unitization?

4 A I have reviewed, or caused to be reviewed, records in the Stanton County Courthouse
5 pertaining to mineral ownership, leasehold and surface ownership, and mortgages
6 against oil and gas interests of record. I have also reviewed, or caused to be
7 reviewed, Berexco LLC's internal records consisting of Oil and Gas Lease Files and
8 Division Order Files.

9 Q Will you please identify and explain Exhibit C that is attached to the Application.

10 A Exhibit C is a list showing the names and addresses of all oil and gas lessors, lessees,
11 mineral owners, mortgagees, and other persons owning oil and gas interests of record
12 in and to the Arnold Unit, and each operator or lessee of record and owner of record
13 of the minerals in the Unitized Formation in unleased acreage within a one-half (1/2)
14 mile radius of the subject acreage.

15 Q Do you have any corrections to Exhibit C?

16 A Yes. Due to an oversight in title examination, SFHR Properties – A, Inc., a Delaware
17 Corp. was removed from Exhibit C and replaced by Black Stone Minerals Company,
18 L.P., 1001 Fannin, Suite 2020, Houston, TX 77002.

19 In addition, there were several address changes, with the corrections as follows:

20 Edwin Winger, c/o Wheatridge Grain, PO Box 914, Johnson City, KS 67855

21 Farm Credit of Southwest Kansas, FLCA, 1606 E. Kansas, Garden City, KS 67846

22 Molly Jo Carr, Address Unknown

23 Marilyn Joy Blake & R. Kenneth Blake, 18112 SE 19th St., Vancouver, WA 98683

1 Thomas J. Kendrick & Yancy Kendrick, 31256 Beal Rd., Stover, MO 65078

2 White Exploration, Inc., PO Box 780425, Wichita, KS 67278

3 Teresa Lusk & Trex Lusk, 167 Dakapolis Dr., Gravois Mills, MO 65037

4 Timothy A. Kendrick & Gayle Kendrick, 24812 Red Robin Dr., Wittman, AZ 85361

5 Also, it has been determined that Rosalee McNelly & Wayne McKnelly are deceased,
6 address unknown.

7 Q Was notice of Application in Kansas Corporation Commission Docket No. 23-
8 CONS-3175-CUNI filed by Berexco LLC for an order authorizing the unitization and
9 unit operation of the Arnold Unit in Stanton County, Kansas mailed to each of those
10 parties identified in Exhibit C?

11 A Yes.

12 Q Mr. Spradlin, I refer you to Exhibits A and B that are attachments to the subject
13 Application. Were you responsible for preparing, or overseeing the preparation of,
14 these two documents?

15 A Yes, I was.

16 Q Will you please identify and explain Exhibit A.

17 A Exhibit A is a copy of the Unit Agreement and Plan of Unitization for the Arnold
18 Unit that has been provided to the working and royalty interest owners in the
19 proposed unit area. The Unit Agreement contains the legal description of the surface
20 area of the unit and the individual tracts therein, a description of the geologic
21 horizons that are being unitized, the method and factors used to calculate tract
22 participation by which unit production is to be allocated, and a tabulation showing the
23 percentage of unit expenses to be borne by each working interest owner, along with

1 the percentage of net unit revenue attributable to each party owning an interest in the
2 unit. In addition, the Unit Agreement contains terms relating to the supervision and
3 conduct of unit operations and provisions setting out the unit's commencement date
4 and unit termination procedures.

5 Q In your opinion, is the Unit Agreement and Plan of Unitization fair, reasonable and
6 equitable to all parties in the unit.

7 A Yes.

8 Q Will you please identify and explain Exhibit B.

9 A Exhibit B is a copy of the Unit Operating Agreement that has been provided to all
10 working interest owners in the proposed unit. The Unit Operating Agreement
11 designates the Unit Operator and governs the physical operation of the unit area. It
12 sets out the relationship, authority and duties of the Unit Operator and the non-
13 operating working interest owners with respect to unit operations.

14 Q In your opinion, does the proposed Unit Operating Agreement make a fair and
15 equitable adjustment among the owners within the unit area for their respective
16 investment in wells, tanks, pumps, machinery, materials and equipment which are
17 contributed to unit operations?

18 A Yes, it does.

19 Q Does the proposed Unit Operating Agreement provide a fair and equitable
20 determination of the costs of operation including capital investment and establish a
21 fair and equitable method for allocating such costs to the separately owned tracts and
22 for payment of such costs by the owners of such tracts, either directly or out of such
23 owner's respective share of unit production?

1 A Yes, it does.

2 Q Does the proposed Unit Operating Agreement establish a fair and equitable method, if
3 necessary, of carrying or otherwise financing any owner who elects to be carried, or
4 otherwise financed, or who does not meet the owner's financial obligations with the
5 unit, allowing a reasonable interest charge and a penalty on all unpaid expenses,
6 payable out of such owner's share of the unit production?

7 A Yes, it does.

8 Q Does the proposed Unit Operating Agreement provide that each owner shall have a
9 voice in the supervision and conduct of unit operations corresponding to the
10 percentage of costs of the unit operations chargeable against the interest of such
11 owner?

12 A Yes, it does.

13 Q Have written approvals to the proposed Unit Agreement and Plan of Unitization for
14 the Arnold Unit been obtained from the owners of at least seventy-five percent (75%)
15 of the unit production or the proceeds thereof that will be credited to royalties,
16 excluding overriding royalties or other like interests carved out of the leasehold
17 estate?

18 A Yes.

19 Q What is the percentage obtained?

20 A Approval has been obtained from 99.28261% of the royalty owners in unit production
21 for Phase I and 97.7798612% of the royalty owners in unit production for Phase II.

1 Q Have written approvals to the proposed Unit Operating Agreement for the Arnold
2 Unit been obtained from those persons who will be required to pay at least sixty-three
3 percent (63%) of the costs of unit operation?

4 A Yes.

5 Q What is the percentage obtained?

6 A Approval has been obtained from 100% of the working interest ownership of the unit
7 operation.

8 Q Are these actual consents in your possession and available for inspection by the
9 Commission if they so desire?

10 A Yes, they are.

11 Q I have no further questions for Mr. Spradlin.