

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

In the Matter of the Application of Nacogdoches)	Docket No. 22-CONS-3407-CMSC
Oil & Gas, LLC (Operator) for an Operator's)	
License Renewal.)	CONSERVATION DIVISION
)	
_____)	License No. 32042

**COMBINED
PRE-FILED DIRECT AND REBUTTAL TESTIMONY OF
BRENT IVY
NACOGDOCHES OIL & GAS, LLC**

1 **Q. Please state your name and business address for the record.**

2 A. Brent Barnes Ivy. 412 North Street, Suite G, Nacogdoches, Texas 75961.

3
4 **Q. Who is your employer, and what is your job title and scope of your duties?**

5 A. I am the general counsel and vice president of operations for all entities and businesses
6 owned by the Finley family—including Nacogdoches Oil and Gas, LLC (“NOG”). I serve
7 as legal and business counsel for all Finley operations—which includes oil and gas, mining,
8 commercial real estate, and other investments. I also serve as the point of contact for
9 operational and field personnel who work on Finley projects, such as the oil and gas wells
10 at issue.

11
12 **Q. Please summarize your educational background and work experience.**

13 A. I graduated from Texas A&M University in 2006 with a Bachelor of Arts in business
14 management. I graduated from Baylor Law School with a juris doctorate in 2009 and began
15 a practice in commercial litigation as a trial attorney. In 2014, I joined NOG as in-house
16 counsel. In 2016 I became general counsel and vice president of operations for all Finley
17 enterprises. I continue to serve in this role as of the date of this testimony.

18
19 In 2018, I started a pipeline inspection company with some friends and manage the business
20 operations of the company. We provide third party inspection services for oil and gas
21 pipelines, gathering lines, and processing plants to make sure our customers remain in
22 compliance with all federal, state, and local regulations—as well as make sure construction
23 contractors follow our customers’ construction specifications. We provide inspection
24 services for companies such as Energy Transfer Partners, Howard Energy Partners,
25 Headington Energy Partners, and Kinder Morgan.

26
27 In 2022, I opened my own law firm, focusing on commercial/business advising. I still
28 perform duties for the Finley family and my inspection company in the same capacity.

1 **Q. Are you familiar with the Order Denying Application for License entered in this**
2 **docket (“Denial Order”)?**

3 A. Yes.
4

5 **Q. Are you familiar with the Order Approving Compliance Agreement and the**
6 **associated Compliance Agreement entered in Docket Number 20-CONS-3288-CMSC**
7 **(“Compliance Agreement”)?**

8 A. Yes. I signed the Compliance Agreement for NOG, a copy of which is attached for
9 reference as Exhibit N-2.
10

11 **Q. Is the subject matter of the Denial Order and the Compliance Agreement within your**
12 **area of responsibility as general counsel and vice president of operations of NOG?**

13 A. Yes.
14

15 **Q. Can you describe the relationship between the Denial Order and the Order**
16 **Approving the Compliance Agreement?**

17 A. Yes. The Order Approving the Compliance Agreement was issued by the Commission on
18 June 11, 2020. It required NOG to bring a minimum of three wells into compliance each
19 quarter of a calendar year until all wells listed on the Compliance Agreement were either
20 producing or plugged. The rationale denying NOG’s license renewal application, as set
21 forth in the Denial Order, was that NOG was in breach of the Compliance Agreement,
22 which was approved by Commission Order, and therefore NOG was not eligible to have
23 its license renewed because it was not in compliance with all Commission rules and orders.
24 It is Commission Staff’s view that NOG did not timely bring the requisite number of wells
25 into compliance under the Compliance Agreement.
26

27 **Q. Are you aware of any other reason why NOG’s operator’s renewal license application**
28 **was denied?**

29 A. No. And no other reason has been provided.
30

1 **Q. Did NOG encounter any unusual circumstances that inhibited its ability to achieve**
2 **the quarterly compliance objectives set forth in the Compliance Agreement?**

3 A. Yes. NOG faced numerous unusual circumstances and obstacles. First, the coronavirus
4 pandemic and related fallout, such as the crash in oil prices, labor shortages, and supply
5 chain disruptions, made it extremely difficult to remain in compliance—or even turn a
6 profit as an oil and gas operator. It was difficult to find pulling units to plug the wells or
7 work on wells to return them to production. We even had equipment and materials stolen
8 from our lease, which further hindered compliance and operational continuity, particularly
9 because replacement equipment was expensive and difficult to find. Even though NOG
10 persevered through the pandemic and theft on its lease, NOG believed it had timely
11 achieved the quarterly compliance objectives. Various miscommunications with staff and
12 staff turnover ultimately led to the suspension of NOG’s license.

13
14 **Q. Can you elaborate on the miscommunications with staff that led to NOG’s license**
15 **being suspended?**

16 In the first year of the agreement—during the pandemic, NOG brought three wells into
17 compliance each quarter by working over and producing the wells. This would include the
18 third and fourth quarter of 2020, and the first and second quarter of 2021. However, the
19 KCC suspended NOG’s operating license on July 21, 2021 without prior notice, saying
20 NOG was not in compliance with the Compliance Agreement as of the end of second
21 quarter of 2021. The July 21, 2021 suspension notice letter specifically stated that it was
22 **illegal for NOG to conduct oil and gas operations in Kansas until the license was**
23 **reinstated**. NOG received the notice on July 27, 2021, and a copy is attached as Exhibit
24 N-1. Even though NOG was able to bring itself back into compliance under the
25 Compliance Agreement in the third quarter of 2021, its license remained suspended at all
26 times for no explanation.

27
28 **Q. What did you do after NOG received the July 21, 2021 license suspension letter?**

29 I immediately tried to contact John Almond, compliance officer for District 3, inquiring as
30 to why NOG’s license was suspended. I also called the field inspector Alan Dunning, and

1 he said I would have to get the reason from John Almond but that a motor was missing on
2 one of the wells, the EOSI-1, and it needed to be connected to a permanent power source
3 to bring into compliance. When I was unable to reach John Almond, I called the number
4 on the suspension letter and spoke with KCC legal assistant, Paula Murray, at the central
5 office in Wichita. Paula informed me that Commission records showed that NOG had only
6 brought 11 of 12 wells into compliance as of the end of the second quarter 2021 and that
7 we needed to bring one well online by July 31 to avoid a penalty and to remain in
8 compliance.

9
10 She was unable to confirm if the allegedly non-compliant well was the EOSI-1. The next
11 day, I sent John Almond and Alan Dunning, who are all District 3 staff, an email inquiring
12 as to which well had a compliance issue so we could remedy it—and that I was sending
13 Lew Foreman, our field supervisor to the lease to repair said well. In that email, I also
14 explained that some three phase motors and electrical wiring had been stolen from our
15 wells and supply chain issues resulted in us being unable to find affordable replacements
16 in a timely fashion. As such, to remain in compliance and pump wells, we had to move
17 motors around the wells and power them via portable generator.

18
19 On July 28, 2021, John Almond sent an email, generally stating NOG's license was
20 suspended because we had not brought 12 wells into compliance per the agreement, but
21 provided no other information. At this point, the only information we had about a non-
22 compliant well was what Alan Dunning had told me about the EOSI-1, which I had thought
23 was already deemed compliant. The July 28 emails are attached as Exhibit N-16.

24
25 I sent Lew Foreman, NOG production super, out to the lease to run the well and take a
26 video of it operating. On the morning of July 29, 2021 I emailed John Almond, Alan
27 Dunning, and Troy Russel, stating that NOG had still not received any written notification
28 as to what Commission regulation NOG violated to result in a breach of the Compliance
29 Agreement because we had 12 operating wells per the Compliance Agreement. I informed
30 staff of the reasoning Alan Dunning gave me, and that I could not find any KCC regulation

1 that required wells to be connected to a permanent power source to be considered
2 compliant. I also informed staff of the confusion with various well names and numbers—
3 and that the well called the EOSI-1 is what our well files referred to as the Spradling 47.
4 Additionally, I included a video of that well operating, and explained that we had to turn
5 off the well because the suspension order prohibited us from producing the well. We asked
6 staff to send an inspector to the well so we could get NOG's license reinstated and produce
7 the wells. To my knowledge, staff did not inspect the lease at that time and NOG's license
8 remained suspended. A copy of my July 29 email and the video are attached as Exhibit N-
9 3 and Exhibit N-4, respectively.

10
11 John Almond responded to my email on the same day, again stating in a circuitous manner
12 that the reason our license was suspended because we did not bring 12 wells into
13 compliance by the end of second quarter 2021, per the Compliance Agreement. The
14 following day, July 30, I again spoke with Paula Murray, and forwarded her my chain of
15 emails with John Almond, including the video of the allegedly non-compliant well, fully
16 operational. She responded that she would forward it to the staff attorney and they would
17 be in touch with me regarding the license suspension. The July 30 email from Paula and
18 the July 29 email from John Almond are attached as Ex N-5. Nobody from legal ever got
19 in touch with me.

20
21 On August 2, 2021, Troy Russell, District 3 supervisor, sent me an email, copied to John
22 Almond and Tristan Kimbrall, stating that if NOG's intent was to move equipment from
23 well to well and utilize a generator as a power source then we would need to schedule an
24 inspection once every 90 days to maintain compliance. He then cited section 9 of the
25 compliance agreement, which stated that the Commission can open negotiations regarding
26 the Compliance Agreement after it had been in effect two years. Then Mr. Russell stated
27 that District 3 did not have the resources to witness operations every 90 days and threatened
28 to terminate the Compliance Agreement after the second anniversary as recourse. Mr.
29 Russell also claimed that NOG had not sold oil from the Spradling lease in at least four

1 years, and insinuated that we misrepresented our intent to bring wells into compliance. Mr.
2 Russell's email is attached as Ex. N-6.

3
4 I responded to Mr. Russell on the same day, August 2, attaching a run statement from
5 BlackRock Midstream in November 2019. I also informed Mr. Russell of NOG's desire to
6 institute our waterflood development plan, and renewed my request to meet any time, any
7 place, with District 3 staff to discuss implementation of same. I also asked what NOG
8 needed to do to have its license reinstated. Mr. Russell never responded to my email and
9 NOG's license remained suspended. A copy my email to Mr. Russell is attached as Exhibit
10 N-7.

11
12 **Q. What happened after that?**

13 A. In August 2021, I personally visited Kansas to take an equipment inventory and meet with
14 John Almond concerning NOG's license suspension and development plan. While there,
15 Mr. Almond told me he was unable to meet in person but that NOG could only plug wells
16 to get back into compliance, notwithstanding that the Compliance Agreement allows wells
17 to be returned to production or TA'd to achieve compliance. He also told me he was retiring
18 at the end of the year. While in Kansas, I met with Mike Wimsett of W&W Production to
19 discuss plugging wells that NOG did not intend to use in its waterflood development plan.
20 In September 2021, W&W plugged three wells to meet NOG's third quarter compliance
21 objectives, which is what Mr. Almond told me was all NOG could do while its license was
22 suspended. Alan Dunning inspected and signed off on plugging the wells.

23
24 On November 9, 2021, John Almond sent me an email indicating that NOG had brought
25 15 wells into compliance and another three wells were needed to bring into compliance by
26 December 31, 2021. That email is attached as Ex. N-8.

27
28 Fifteen wells would mean that NOG had brought into compliance the 12 required wells for
29 the second quarter 2021, and the fifteen required wells for the end of the third quarter 2021.
30 Based on this, NOG assumed its license would be reinstated, but it apparently never was.

1 At that time we began meeting with contractors and suppliers to implement our waterflood
2 development plan. Part of the plan was to use a workover rig to convert some injectors to
3 producers and vice versa. We had difficulty finding a workover rig that could make it to
4 the Spradling lease before the end of December, 2021. As such, to remain in compliance,
5 NOG submitted three historical plugging records for wells on the Compliance Agreement
6 that Alan Dunning had previously told me to save for a rainy day in case we were not able
7 to reach a quarterly compliance objective. Since John Almond and Alan Dunning had
8 retired by this time, I sent the email and reports to Troy Russell and Ryan Duling. That
9 email and the referenced plugging records are attached as Ex. N-9.

10
11 Notably, in my email I indicated the waterflood development plan would put 12 wells into
12 production as producers and 15 into production as injectors. This would have brought 27
13 total wells into compliance under the Compliance Agreement in addition to the wells that
14 were plugged. Twenty-seven happens to be the exact number of wells required to be
15 brought into compliance at the end of the current calendar quarter under the Compliance
16 Agreement.

17
18 In January and February of 2022, NOG finalized its waterflood development plan and
19 continued to meet with contractors and suppliers to obtain estimates for cost and timeline
20 to implement the development plan. On February 22, 2022, NOG attempted to renew its
21 operator license and received a response that the renewal was on hold due to an
22 inactive/suspended license.

23
24 On March 2, 2022, I received an email from Ryan Duling, stating that in the fourth quarter
25 of 2021, NOG had been one well short of compliance. This had previously been mentioned
26 by staff. This email was received 61 days after I sent the email with the three well plugging
27 records, which email was never responded to by staff. Mr. Duling's email is attached as
28 Ex. N-10. Again, NOG had been operating under the assumption that it had met all
29 quarterly compliance objectives under the Compliance, only to have the rug belated pulled
30 out from beneath it by staff.

1
2 On March 3, 2022, I responded to Ryan Duling by email, which was copied to Troy Russell
3 and Kelcey Marsh, asking for an explanation as to why staff did not accept the three
4 historical plugging reports for the fourth quarter of 2021. I also inquired as to why NOG's
5 license remained suspended after meeting compliance in the third quarter of 2021. I also
6 again requested to discuss NOG's development plan so we could begin implementation in
7 2022. Troy Russell responded to my email on March 3, 2022, stating that NOG had been
8 "one well shy" of quarterly objectives in 2021, because one of the historical plugging
9 reports conflicted with a well by the same name that NOG had reported as being
10 compliantly in production. Mr. Russell also stated that he expected we would be having
11 detailed discussions soon regarding the Compliance Agreement. Those two emails are
12 attached as Ex. N-11.
13

14 **Q. Did you ever meet with staff regarding the Compliance Agreement?**

15 A. No. Instead of scheduling a meeting, NOG received a notice of violation dated March 7,
16 2022 for having unplugged wells on an expired license. NOG received the letter on March
17 14, 2022, and it is attached as Ex N-12. I called Nancy Borst because her contact
18 information was provided in the NOV letter. On March 15, 2022, NOG received an email
19 that its license was expired or suspended. The notice email stated "[y]ou must
20 **immediately cease all oil and gas operations.**" In response, I sent an email to numerous
21 KCC personnel, including Kelcey March, concerning NOG's opposition to the NOV and
22 license suspension, and its frustration with the lack of communication coming from KCC
23 staff. Those emails are attached as Ex N-13. Nobody from KCC staff ever responded to
24 my emails. Shortly thereafter, NOG retained Jon Schlatter as outside counsel licensed in
25 Kansas to address NOG's appeal of the suspension and NOV.
26

27 **Q. Can you please elaborate on the Enhanced Oil Recovery ("EOR") operation NOG**
28 **would like to implement?**

29 A. In the fall of 2019, NOG retained Aeon Petroleum Consultants to conduct an updated oil
30 reserve study on the Spradling leases in Labette County, Kansas, which is the lease nearly

every one of the wells subject to the Compliance Agreement is situated upon. The reserve analysis indicated a waterflood method, using [REDACTED], was the best way to maximize oil recovery on the Spradling Lease. The pandemic significantly slowed progress but by the end of 2021, Aeon delivered a reserve report and development to implement on the Spradling.

There are four oil zones beneath the Spradling lease: Upper Bartlesville, Lower Bartlesville, Dennis Sand, and the Cattlemen Sand. The initial stage of the development plan is to utilize 29 existing wells on the Spradling—14 as producers and 15 as injectors to produce the Upper and Lower Bartlesville. At the lease's current configuration, this will result in conversion of 8 wells from producers to injectors, or vice versa.

The implementation of the development plan required an electrical upgrade to handle the power required by a new injection pump and water well pump to generate the water volumes necessary to control the water flood. It will also require reworking or conversion of the well bores needed to implement the plan. Due to the configuration of wells, all new flow and injection lines will need to be installed. A copy of the CONFIDENTIAL development plan is attached as Exhibit N-14.

Q. What type of capital commitment does the EOR operation entail?

A. NOG estimates the capital expenditure to fully implement the plan will run from [REDACTED]. However, we are hesitant to buy equipment until we know our license will be reinstated. And given inflation and supply chain issues, quotes are only good for thirty days. NOG has already expended funds to complete the reserve study and development plan, as well as purchase a workover rig to expedite implementation of the plan instead of trying to locate a rig crew in southeast Kansas, which has been a challenge over the last couple of years. NOG also had the electric service upgraded.

Q. What is the approximate time table to implement the EOR operation?

1 A. If all equipment was available with a reasonable time and there were no bad weather days,
2 NOG estimates the project would take approximately six months. More specifically, thirty-
3 six weeks, working 5.5 days per week—or a total of 198 working days. Unfortunately,
4 supply chain issues are still a problem when it comes to equipment. And, the Spradling
5 lease is in a creek valley—so weather becomes a challenge in winter and the spring thaw.
6 NOG’s oil and gas lease contains restrictions that prevent operations that could destroy or
7 rut up roads in wet weather. Furthermore, NOG is also bound by ingress and egress
8 constraints during deer hunting season, so NOG has much fewer work days in the winter.
9 NOG’s hope was to begin the project in May 2022 and be completed in September 2022 if
10 conditions remained dry. However, that time has passed and we are now approaching
11 winter and hunting season.

12
13 To account for inevitable weather delays and uncertainty with supply chain issues, NOG
14 safely believes it could implement the development plan within 12 to 18 months after its
15 license were reinstated. We would take the winter to secure equipment and do what work
16 could be done on wells. Then as soon as weather allowed, we would rework the wells, run
17 lines, and further implement the development plan.

18
19 **Q. Do you believe the EOR operation will prevent waste and protect correlative rights?**

20 A. Yes. As the wells currently stand, the Spradling is a stripper lease with respect to the upper
21 and lower Bartlesville, which have been produced for decades. The Dennis and the
22 Cattlemen have not been produced in the past. With respect to the Upper and Lower
23 Bartlesville, each well produces anywhere from .25 to 1.5 barrels of oil per day—which is
24 marginally economic. According to the reserve study, instituting of the waterflood
25 development plan will yield nearly [REDACTED] more barrels of oil production over the course
26 of fifteen years. This will tremendously benefit our investors, the royalty owners, and the
27 state and local taxing authorities.

28
29 **Q. Would the proposed EOR operation bring all of the wells subject to the Compliance**
30 **Agreement into compliance?**

1 A. Not every well listed on the compliance agreement. The EOR plan will utilize 29 wells,
2 which is nearly 10 quarters' worth of wells under the Compliance Agreement. Once the
3 waterflood into the upper and lower Bartlesville is underway, NOG plans to evaluate the
4 other wells on the lease to see if they are viable for production of the Cattlemen or Dennis
5 Sands—or whether they may be suited for other production. If the well is not suitable,
6 NOG will plug and abandon the well.

7
8 **Q. Would the Compliance Agreement need to be amended to allow for the EOR**
9 **operation to be implemented?**

10 A. Yes. Given that all of the injection wells need to come online together to pressure up the
11 field, and subsequently, the production wells need to come online together, it does not
12 make sense to bring a small number of wells into compliance in short increments just to
13 satisfy the agreement. Further, staff's position has been that the only way to bring the wells
14 into compliance is to plug them out, which is directly contrary to our development plan
15 and would waste proven and probable oil reserves. Much work needs to be done before
16 bringing the wells online, so NOG would like to adjust the timing of when wells need to
17 be compliant, essentially amending the current requirement of 3 wells per quarter to a
18 deadline that reflects bringing all 29 wells into compliance on the projected development
19 plan timeline.

20
21 **Q. Would NOG be willing to commit to amending the Compliance Agreement in a**
22 **fashion that allows the waterflood development plan to be implemented within the**
23 **time periods described above?**

24 A. Yes. Had NOG been able to implement the development plan in 2022 it would have easily
25 been able to meet the compliance objectives in the original timeline (e.g., all wells brought
26 into compliance by June 30, 2025). However, NOG's license has been suspended for over
27 a year, and according to the letter from the KCC it was illegal to conduct any operations
28 during that time. Unfortunately, during that time period the compliance agreement clock
29 continued to tick, which resulted in NOG getting behind on the compliance schedule.

1 When its license renewal application was denied in March of 2022, NOG did nothing
2 further on the lease, because it believed it could not do so without breaking the law.

3
4 NOG suggests that the final compliance date be extended one year, until June 30, 2026, to
5 allow time to implement the waterflood development plan, evaluate the other wells for use
6 in the operation, and to plug wells not viable for production or injection.

7
8 **Q. In the emails you furnished before, you mentioned the waterflood development plan**
9 **numerous times along with a desire to meet with Commission Staff to discuss the plan,**
10 **did staff ever respond to your emails?**

11 A. No. In addition to the emails, I also mentioned the proposed waterflood plan during phone
12 calls with John Almond, and Alan Dunning. I would have mentioned it on the phone to
13 Troy Russell and Ryan Duling, but they've never returned any of my calls. I requested a
14 meeting to discuss our development plan no fewer than six times throughout 2020 to 2022.
15 Staff did not respond to my requests. Rather, staff ignored my emails on that subject
16 altogether.

17
18 **Q. Earlier you testified that theft and the availability of certain equipment and tools**
19 **inhibited NOG's ability to achieve the compliance deadlines outlined in the**
20 **Compliance Agreement, can you please elaborate on that testimony?**

21 A. In late 2020, we began to experience theft of copper wire and three-phase electrical motors
22 that were needed to operate pump jacks on wells. The supply chain issues resulting from
23 the pandemic made it difficult to obtain three-phase motors and related electrical supplies.
24 To make matters worse, the cost of all these items rose significantly, which drove up the
25 demand for used parts. As such, we were going months without materials to repair wells.
26 At that time, we started moving motors from well to well and using portable generators
27 during daylight hours to pump wells. Then we would remove equipment in an effort to
28 prevent theft. Staff told NOG that this method was a violation of the Compliance
29 Agreement and suspended NOG's operating license in July, 2021; however, no such
30 restriction is contained in the Compliance Agreement. Then, beginning October, 2021,

1 NOG was unable to find a contractor with a workover rig to bring any wells into
2 compliance. This resulted in NOG turning in three historical plugging reports per KCC's
3 Alan Dunning instructions dating back to 2020. The KCC claimed one of those plugging
4 reports was for a well that NOG previously claimed was compliant in production.

5
6 **Q. You earlier testified to confusion regarding well numbering issues, can you please**
7 **elaborate on that issue?**

8 A. John Almond and NOG had disagreements over the initial list of wells the KCC wanted to
9 place on the compliance agreement. NOG's well files were inherited from Bach
10 Corporation more than 20 years ago and are incomplete at best. The KCC created a Google
11 earth overly map, renaming over 70 wells as "Spradling 1 through Spradling 77". These
12 names did not correspond to NOG's records or the well files and API numbers of the wells.
13 On numerous occasions, I asked John Almond and other staff for the .kmz file of the map
14 so we could create our own overlay with the well file names. Staff only gave us a .pdf copy,
15 which you could neither edit or zoom in to pinpoint alleged well locations.

16
17 This well identification problem was exacerbated in the 3rd quarter of 2021 when NOG was
18 trying to plug wells. We filed plugging applications for wells we thought we knew the
19 name and API of—only to be corrected by Alan Dunning. As such, we had to refile
20 plugging applications and reports. Knowing this information on the front end would have
21 saved everyone time and money.

22
23 According to Troy Russell's March 2, 2022, email, one of the historical plugging reports
24 NOG filed had the same well name, the Ord 18-B, is another well that NOG had previously
25 claimed was producing. Needless to say, I was confused. In using the WellFinder app for
26 iPhones, I discovered that there are in fact two wells on the Spradling lease called the Ord
27 18-B with different API numbers. Screenshots from the WellFinder app demonstrating the
28 different API numbers are attached as Ex. N-17. One of them is listed as active and the
29 other is plugged. This is data presumably sourced from the Commission and KGS
30 databases. Since NOG did not have access to the staff's .kmz file, this cell phone app is the

1 closest thing we have to an accurate picture of the incomplete well files we obtained from
2 Bach.

3
4 As noted above, staff is using a completely different well identification system for the wells
5 from was used in the Compliance Agreement. Couple that with the high density of the
6 wells, and the fact the locations used in the old files are seemingly ballpark estimates from
7 section corners, it is a confusing mess on the ground.

8
9 Exacerbating all of this is the fact that Staff has refused to provide meaningful guidance on
10 how to remedy the situation after NOG was ordered to “immediately cease all oil and gas
11 operations” on July 21, 2021, and then again in March of 2022 after NOG license renewal
12 was denied. The only reason NOG plugged wells in September, 2021 is because John
13 Almond told us that’s all NOG was allowed to do until the suspension was lifted.

14
15 **Q. Have you reviewed the Pre-filed Direct Testimony of Nancy Borst filed on behalf of**
16 **Commission Staff in this docket?**

17 A. Yes.

18
19 **Q. Is there anything Ms. Borst testified to that you would like to address?**

20 A. Ms. Borst confirmed my belief that the only reason NOG’s license was not renewed was
21 because of its alleged non-compliance with the Compliance Agreement.

22
23 **Q. Have you reviewed the Pre-filed Direct Testimony of Ryan Duling filed on behalf of**
24 **Commission Staff in this docket?**

25 A. Yes.

26
27 **Q. Is there anything Mr. Duling testified about that you would like to address?**

28 A. Yes. Mr. Duling states that NOG has only brought 13 wells into compliance as of the end
29 of the second quarter in 2022. However, Mr. Duling’s email dated March 3, 2022, indicated
30 NOG had brought 17 of 18 wells into compliance as of December 31, 2021. As of the date

1 of Mr. Duling's testimony, NOG's license had moved from suspended to revoked/expired,
2 and NOG was prohibited from conducting any oil and gas operations whatsoever. It is
3 inherently unfair to tell an operator it is illegal to conduct operations, while simultaneously
4 running the clock on the Compliance Agreement that requires operations be conducted.

5
6 As you can see in Exhibit N-15, wells previously deemed compliant were removed as being
7 in compliance beginning in the first quarter of 2022. Mr. Duling's testimony also
8 demonstrates the well naming and numbering confusion on the Spradling lease.

9
10 **Q. Please direct your attention to NOG's information requests #11 and #12 to**
11 **Commission Staff copied below, along with Commission Staff's response to those**
12 **requests. Did anyone from Commission Staff ever advise NOG of its position**
13 **regarding the activities an operator is allowed to take while its license is suspended as**
14 **explained in response to Information Request #11?**

15 No. And it seems to be that the response to Information Request #12 is incongruent with
16 the response to Information #11. One says it is illegal to conduct oil operations, and the
17 other says you can.

18
19 11. Specify what actions an oil and gas operator who has entered into a Commission
20 approved compliance agreement is permitted to take when its license is suspended for alleged non-
21 compliance with the Commission approved Compliance Agreement.

22 A: Generally speaking, an operator is allowed to submit regulatory forms. An operator
23 is also able to take measures which maintain environmental compliance, such as having a
licensed contractor/operator plug wells or perform casing and/or mechanical integrity tests.

12. Specify what actions an oil and gas operator who has entered into a Commission
approved compliance agreement is not permitted to take when its license is suspended for alleged
non-compliance with the Commission approved Compliance Agreement?

A: All operators who have their license suspended are sent a letter giving notice of
their license suspension. That letter states that until the license is reinstated, it is illegal for
the operator to conduct oil and gas operations in Kansas.

18
19 **Q. Do you have anything else you would like to bring to the Commission's attention?**

20 A. There are many oil and gas operators that did not survive 2020 and 2021. During that time,
21 NOG actively spent money on a reserve study and development plan to implement when
22 oil prices improved—even if that meant doing something counterproductive to the ultimate
23 plan, just to meet the objectives in the Compliance Agreement. After NOG's suspension in

1 July, 2021, we continually sought guidance from District 3 and were met with evasiveness
2 or outright hostility. We were a company caught between a rock and a hard place in the
3 economic turmoil associated with the pandemic. We tried to work with the staff as NOG
4 has done for the previous 20 years, but were met with opposition. NOG just wants its
5 license back and a chance to implement the development plan, which is good for the land
6 owners, local businesses, and the state of Kansas for the revenue it will generate.

7
8 **Q. Does this conclude your testimony?**

9 **A. Yes.**

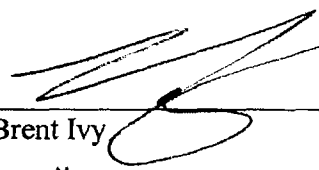
VERIFICATION

STATE OF TEXAS)

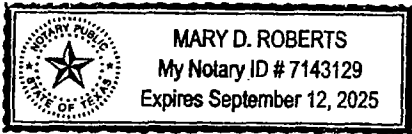
ss:

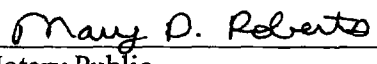
COUNTY OF NACOGDOCHES)

Brent Ivy, being first duly sworn, deposes and says that he is the Brent Ivy referred to in the foregoing "COMBINED PRE-FILED DIRECT AND REBUTTAL TESTIMONY OF BRENT IVY" to be filed before the State Corporation Commission of the State of Kansas in Docket No. 22-CONS-3407-CMSC, and that the contents thereof are true and correct to the best of his information, knowledge, and belief.


Brent Ivy

SIGNED AND SWORN to before me on this 8TH day of September, 2022.




Notary Public

My Commission expires:

SEPTEMBER 12, 2025

CERTIFICATE OF SERVICE

I, Jonathan A. Schlatter, hereby certify that on this 9th day of September, 2022, I caused the original of the foregoing COMBINED PRE-FILED DIRECT AND REBUTTAL TESTIMONY OF BRENT IVY, KCC Docket No. 22-CONS-3407-CMSC to be electronically filed with the Conservation Division of the State Corporation Commission of the State of Kansas, and emailed true and correct copies of the same to the following individuals:

NANCY BORST
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
WICHITA, KS 67202-1513
n.borst@kcc.ks.gov

JONATHAN R. MYERS, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
266 N. Main St., Ste. 220
WICHITA, KS 67202-1513
j.myers@kcc.ks.gov

RYAN DULING
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
r.duling@kcc.ks.gov

KELCEY MARSH, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
CENTRAL OFFICE
266 N. MAIN ST, STE 220
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k.marsh@kcc.ks.gov

TROY RUSSELL
KANSAS CORPORATION COMMISSION
DISTRICT OFFICE NO. 3
137 E. 21ST STREET
CHANUTE, KS 66720
t.russell@kcc.ks.gov


Jonathan A. Schlatter

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Susan K. Duffy, Commissioner

Laura Kelly, Governor

July 21, 2021

Brent Ivy
Nacogdoches Oil & Gas, LLC
816 North Street
Nacogdoches, TX 75961-4480

NOTICE OF LICENSE SUSPENSION
License No. 32042
Docket No. 20-CONS-3288-CMSC

Operator:

Our records indicate that you are in violation of the Compliance Agreement executed in the Commission Order in the above Docket.

Your license is hereby suspended.

Until your license is reinstated, it is illegal for you to conduct oil and gas operations in Kansas.

If, after 10 days from the date of this letter (July 31, 2021), Commission Staff discovers you performing oil and gas operations, Staff will recommend a Shut-In Order, including an additional \$5,000 penalty. If you are already shut-in, you must remain shut-in.

Any outstanding monetary penalty may be sent to collections.

You may review the Commission Order and Compliance Agreement, which were mailed to you, at the Commission's website. If you have questions, you may contact us at the phone number listed at the top of this page.

Sincerely,

Legal Department Staff

EXHIBIT N-1

COMPLIANCE AGREEMENT

This Agreement is between Nacogdoches Oil & Gas, LLC. (“Operator”) (License #32042) and the Kansas Corporation Commission Staff (“Staff”). If the Kansas Corporation Commission (“Commission”) does not approve this Agreement as evidenced by a signed order of the Commission, this Agreement shall not be binding on either party.

A. Background

1. Operator is responsible for the 60 wells (“the subject wells”) on the attached list. All of the subject wells are out of compliance with K.A.R. 82-3-111. Operator has asked for an agreement to avoid penalties while Operator works to plug the subject wells, return them to service, or repair and obtain TA status for such subject wells if eligible. Obtaining TA status shall include application for, and Commission approval of, an exception to the 10-year limit on TA status if applicable. Staff is supportive of an agreement to this effect with the Operator.

B. Terms of Compliance Agreement

2. By September 30, 2020, Operator shall plug, return to service, or repair and obtain temporary abandonment status for 3 of the subject wells. Operator shall plug, return to service, or repair and obtain temporary abandonment status for an additional 3 subject wells within each three calendar months thereafter, resulting in all subject wells being returned to compliance by June 30, 2025. Staff may prioritize the order in which the subject wells are addressed pursuant to this Agreement by indicating priority on the attached list and may adjust the prioritization at any time during this Agreement should a subject well or wells become known to Staff to be a pollution or public safety threat. Operator shall notify Staff in writing of all subject wells returned to service during each three calendar month period throughout the term of this Agreement.

3. Upon good cause shown, the Operator may receive an extension of the time to achieve compliance for up to 30 days from an applicable deadline pursuant to this Agreement so that the Operator may plug, return to service, or repair and TA the well or wells that was or were the subject of the applicable deadline. If the Operator seeks a time extension for any deadline under this Agreement, the Operator shall request such an extension at least seven days prior to the applicable deadline. Staff will file a status update in the docket created for this matter containing the District Supervisor’s recommendation to approve or deny the extension and place an order requesting Commission approval of the terms of the status update on the next available Consent Agenda for Commission consideration and possible approval. If Operator is denied a requested extension by the Commission or otherwise remains out of compliance with this Agreement for any

other reason, Staff shall immediately send a Notice of Non-Compliance and License Suspension to Operator, which shall suspend the Operator's license and become effective 10 days from the date of the Notice of Non-Compliance and License Suspension. The Operator's license shall remain suspended until well plugging or repair is resumed in accordance with the compliance schedule contained in the Status Update. If Staff finds that the Operator is conducting oil and gas operations after 10 days from the date of a Notice of Non-Compliance and License Suspension, and Operator's license remains suspended, Staff is authorized to seal all of Operator's oil and gas operations.

4. This Agreement, in its entirety, may be transferable between operators only by an Order of the Commission approving the transfer. Staff will file a status update in the docket created for this matter containing a recommendation regarding any proposed transfer between operators and will place an order regarding the transfer on the next available Consent Agenda for Commission consideration and possible approval. If the Operator intends to transfer any of the subject wells to another Operator, but does not intend to transfer this Agreement in its entirety, such subject wells must be returned to compliance pursuant to Commission, rules, regulations, or orders before Staff will process the transfer.

5. Except as provided by and under this Agreement, Staff will not pursue Operator for any violation of K.A.R. 82-3-111 for the subject wells that occurred or occurs prior to June 30, 2025, except for wells brought into compliance after Commission approval of this Agreement that subsequently fall out of compliance and remain the Operator's responsibility under the Operator's license.

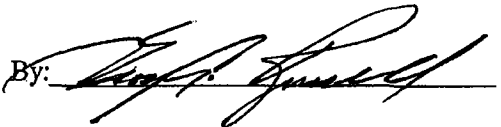
6. This Agreement may be amended to add additional wells with the written consent of the District Supervisor. If this Agreement is amended, then Staff shall file a status update in the Commission docket created for this matter, also indicating that Operator is not opposed to the addition of the wells. The addition of wells may not change the number of wells to be brought into compliance each calendar quarter, but may extend the final compliance deadline. Any changes to a previously approved timeline will be included in the status update. Staff will place an order approving the addition of wells and extending the final compliance deadline on the next available Consent Agenda for Commission consideration and possible approval.

7. Operator may bring more than 3 wells into compliance during any three calendar month term. The excess number of wells brought into compliance will be attributed to a future three-month compliance period.

8. None of the subject wells to be brought into compliance hereunder are currently authorized for injection. Upon Commission approval of this Agreement, Staff shall revoke the Operator's injection authorization for such subject wells that are to be plugged. These subject wells are highlighted in yellow on the attached list, and have an "x" marked in the far right column.

9. After this Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staff's intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for its consideration and possible approval within 90 days of Staff's written notice, then this Agreement shall be terminated upon Staff's filing a statement to that effect in the Commission docket for this matter.

Commission Staff

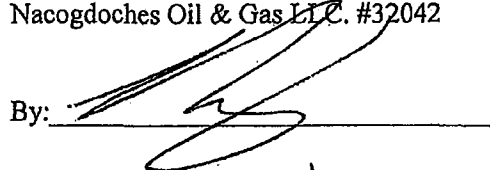
By: 

Printed Name: Tony A Russell

Title: District #3 Supervisor

Date: 6/1/2020

Nacogdoches Oil & Gas LLC. #32042

By: 

Printed Name: Brent Ivy

Title: Vice President

Date: 5/28/2020

Nacogdoches KLN 32042

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING 51		15-099-21975-00-00	NWNENW	26	32	17	OIL			0
C H SPRADLING 58		15-099-21982-00-00	SWSWNW	26	32	17	OIL			0
C H SPRADLING 59		15-099-21983-00-00	SESWNW	26	32	17	OIL			0
C H SPRADLING 60		15-099-21984-00-00	NWNENE	26	32	17	OIL			0
C H SPRADLING 63		15-099-21987-00-00	NWNWSW	26	32	17	OIL			0
C H SPRADLING 64		15-099-21988-00-00	SWNESW	26	32	17	OIL			0
C H SPRADLING 65		15-099-21989-00-00	SENWSW	26	32	17	OIL			0
C H SPRADLING 69		15-099-21993-00-00	NESWSW	26	32	17	OIL			0
C H SPRADLING 70		15-099-21994-00-00	NESWSW	26	32	17	OIL			0
C L SPRADLING 50		15-099-21974-00-00	SWNWSE	26	32	17	OIL			0
HUGH G COPLIN 1		15-099-19216-00-00	SENENW	35	32	17	OIL			0
JOHN ORD 27-B		15-099-19233-00-00	SWNENW	26	32	17	OIL			0
JOHN ORD 28-B		15-099-19234-00-00	SWNWSW	26	32	17	OIL			0
JOHN ORD 29-B		15-099-19229-00-00	NENENW	26	32	17	OIL			0
JOHN ORD 30		15-099-19228-00-00	NESWNW	26	32	17	OIL			0
JOHN ORD 33		15-099-19227-00-00	NESENW	26	32	17	OIL			0

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Attachment A Wells Due Per Quarter
JOHN ORD	34	15-099-19215-00-00	NWSWSW	26	32	17	OIL			0
JOHN ORD	34	15-099-19213-00-00	SWNENW	26	32	17	OIL			0
JOHN ORD	35	15-099-19214-00-00	NWSWSW	26	32	17	OIL			0
JOHN ORD	47	15-099-19263-00-00	SWSWSW	26	32	17	OIL			0
JOHN ORD	9 WB	15-099-19220-00-00	NWNESW	26	32	17	OIL			0
ORD	13-B	15-099-19236-00-00	SWNWSW	26	32	17	OIL			0
ORD	14-B	15-099-19238-00-00	SWSWSW	26	32	17	OIL			0
ORD	14-B	15-099-19237-00-00	NESWNW	26	32	17	OIL			0
ORD	15-B	15-099-19239-00-00	NWSENW	26	32	17	OIL			0
ORD	15-B	15-099-19240-00-00	SWSWNW	26	32	17	OIL			0
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL			0
ORD	17-B	15-099-19242-00-00	NESWSW	26	32	17	OIL			0
ORD	18-B	15-099-19243-00-00	SESWNW	26	32	17	OIL			0
ORD	19-B	15-099-19221-00-00	SENWSW	26	32	17	OIL			0
ORD	20-B	15-099-19222-00-00	NWSENW	26	32	17	OIL			0
ORD	21-B	15-099-19223-00-00	SWNESW	26	32	17	OIL			0
ORD	22-B	15-099-19224-00-00	NWSESW	26	32	17	OIL			0
ORD	23-B	15-099-19225-00-00	NWNWSW	26	32	17	OIL			0

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	Attachment A	
								DATE OF COMPLIANCE	Wells Due Per Quarter
ORD	24-B	15-099-19226-00-00	SENWSW	26	32	17	OIL		0
ORD	25-B	15-099-19231-00-00	SESWNW	26	32	17	OIL		0
ORD	26-B	15-099-19232-00-00	NESWNW	26	32	17	OIL		0
ORD	5-2B	15-099-19230-00-00	SESWNW	26	32	17	OIL		0
ORD	6 WB	15-099-19217-00-00	SWSWNW	26	32	17	OIL		0
ORD	7 WB	15-099-19218-00-00	SWNENW	35	32	17	OIL		0
ORD	8 WB	15-099-19219-00-00	SENWSW	26	32	17	OIL		0
ORD (SPRADLING)	4-WB	15-099-19952-00-00	SWSENW	26	32	17	OIL		0
SPRADLING	11 B	15-099-19883-00-01	SESWSW	26	32	17	OIL		0
SPRADLING	15 B	15-099-19884-00-01	NESWNW	26	32	17	OIL		0
SPRADLING	26 B	15-099-19885-00-01	SWSWNW	26	32	17	OIL		0
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL		0
SPRADLING	33 B	15-099-19888-00-01	SENWSW	26	32	17	OIL		0
SPRADLING	48	15-099-19244-00-00	NENWSW	26	32	17	OIL		0
SPRADLING	49	15-099-19245-00-00	SESWSW	26	32	17	OIL		0
SPRADLING	6	15-099-21673-00-00	SESWNW	26	32	17	OIL		0
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL		0
SPRADLING	JB 3	15-099-21033-00-00	SENENW	26	32	17	OIL		0

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Attachment A Wells Due Per Quarter
SPRADLING	JB-1	15-099-21031-00-00	SWNENW	26	32	17	OIL			0
SPRADLING	JB-2	15-099-21032-00-00	SENENW	26	32	17	OIL			0
SPRADLING	WS 2	15-099-23377-00-00	SWNWNW	26	32	17	WSW			0
SPRADLING EAST	EOS-1	15-099-23817-00-00	SEWNNE	26	32	17	OIL			0
SPRADLING EAST	EOS-2	15-099-23818-00-00	SWNENE	26	32	17	OIL			0
SPRADLING EAST	EOSI-1	15-099-23816-00-00	NWNENE	26	32	17	OIL			0
TERWILLEGER	1	15-099-19246-00-00	SEWNNE	26	32	17	OIL			0
TERWILLEGER	2	15-099-19249-00-00	NWSENW	35	32	17	OIL			0
Total Wells To Be Brought Into Compliance				60						

Compliance Agreement Schedule for Nacogdoches Oil & Gas, LLC. #32042

Wells to be brought into compliance per Quarter, per year ending June 30, 2025.

Q1 Jan	2020	2021	2022	2023	2024	2025
Feb						
Mar	0	3	3	3	3	3
Q2 Apr						
May						
Jun	0	3	3	3	3	3
Q3 Jul						
Aug						
Sep	3	3	3	3	3	0
Q4 Oct						
Nov						
Dec	3	3	3	3	3	0
Year Ending	6	12	12	12	12	6
Totals						

Total Wells Brought into Compliance ending June 30, 2025: 60

Carol Hannon

From: Brent Ivy
Sent: Thursday, July 29, 2021 10:37 AM
To: John Almond
Cc: Alan Dunning; Troy Russell; 'lewbltrenching@gmail.com'
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC
Attachments: IMG_2681.mp4

John:

NOG still has not received any written notification as to what KCC regulation NOG violated to result in the alleged breach of the Compliance Agreement and suspension of our operating license. We would like to understand how this came about but we have a pressing matter to resolve in the time deadlines contained in the suspension letter we received. As I'm sure you are aware, I spoke with Alan yesterday afternoon and he told me he did not pass the well that the KCC calls EOSI-1 in Q2 2021. The well files NOG obtained decades ago when it took over Spradling show this as the Spradling 47, but since the Compliance Agreement last year, we are conforming the numbers in the original well files to what the KCC calls them to avoid confusion in the field. Alan said the reason he did not pass it was because it was not connected to a permanent power line. I scoured the KCC regulations and could not find one that said wells had to be connected to a permanent power line to meet operational compliance requirements. We operate wells in many states and often run wells off generator power due to unavailability of permanent power supplies, especially on remote stripper leases where you cannot pump wells every day – so I don't see how Kansas would be any different. For future reference, can you please point me to the regulation cited for why the EOSI-1 did not pass inspection?

Alan also indicated that he went back to some wells we previously brought into compliance and saw that motors had been removed and we needed to remedy that. In talking with Lew, three phase motors and electrical supplies are scarce due to the manufacturing and supply chain shortages that are hitting every industry from poultry to automotive. We've also had some issues with theft of motors, etc. at the Spradling and are trying to source new ones. As such, we have been moving motors around to pump all 12 compliant wells throughout the month, until supplies become readily available.

I've attached a video taken this morning showing the EOSI-1 being tested. Per the suspension order, we are not permitted to produce any wells, so it was turned off after testing. Lew and I have been trying to reach Alan all morning to schedule inspection of the EOSI-1 so NOG's license can be reinstated. Lew needs to get over to another property in Tulsa so if Alan is not available today, please let us know who to contact to set up an inspection. Also, please let me know what else we need to do to lift the suspension and begin producing again. I am in the field today and tomorrow but you can reach me via cell (979-571-6545) if you would like to discuss this further. Service is spotty where I'll be but leave a message and I will get back as soon as possible.

Regards,

Brent Ivy
Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

EXHIBIT N-3

From: Brent Ivy
Sent: Wednesday, July 28, 2021 8:03 AM
To: John Almond <j.almond@kcc.ks.gov>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Good morning, John. When I couldn't reach you yesterday, I called the number on the suspension notice we received and spoke to the KCC's legal compliance office. As far as I knew from talking with our local field operations, we met the deadline by June 30. The suspension notice we received on July 26 was the first time NOG heard anything indicating we were not in compliance with our agreement. However, Paula told me that District Three only noted eleven (11) wells in compliance, not twelve (12) – which means one of the three (3) wells Lew worked on did not meet compliance. She did not know which of the most recent three (3) wells we worked on from 2Q did not meet compliance and said I needed to get those wells from District 3, which I assume is you or Alan. When I spoke to Alan yesterday, he deferred to you. Please let me know which of the three (3) new wells Alan inspected did not meet compliance so we can remedy the issue as soon as possible.

Paula also told me that we only needed to get one well into compliance to reinstate our license, and didn't have to be a specific well – just any one on the compliance agreement before July 31. Lew is headed to Spradling today in anticipation I would get ahold of you to figure out what the issue is that stopped us from meeting compliance in 2Q. He will be calling Alan to inspect once he figures out which well he's working on and when so District Three can witness it. If Alan won't be available this week, please let me know who we should contact. It might not be today but it will certainly be before the end of the week when Lew will be ready for an inspection.

Also, I'd be happy to explain our development plan for Spradling so you guys understand what we're trying to do out there. Our geologist's overall plan includes a lot of wells working together in conducting a water flood. This takes some major electrical improvements. As I'm sure you know, electrical materials and motors are extremely hard to come by and three phase electrical (which is what Spradling runs on) is very expensive. For example, on one of our places in Texas, we've been waiting on a particular pump that's been on back order since April. We've had to move things around to meet lease obligations, etc. With respect to Spradling, we are looking at changes to our electrical setup to make it easier but until we are able to source everything, we have to limp along to stay compliant with our KCC agreement. We want to make sure NOG and the KCC are on the same page, so please don't hesitate to call me if you have any questions or issues. Per my email yesterday, it's easier to catch me on my cell (979-571-6545).

Again, please let me know which of the 2Q wells did not meet compliance so we can work toward remedying it. Lew or myself will be in touch when we are ready for inspection this week.

Regards,

Brent Ivy
Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

From: John Almond <j.almond@kcc.ks.gov>
Sent: Wednesday, July 28, 2021 7:28 AM
To: Brent Ivy <Brent.Ivy@nogtx.com>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Brent,

The reason your license #32042 for Nacogdoches Oil & Gas is suspended is because you are in default on your compliance agreement in Docket No.20-CONS-3288-CMSC. You signed the compliance agreement that required you to bring (3) wells per quarter of each year into compliance by either putting (3) wells per quarter into production or plugging (3) wells per quarter. The 2nd quarter of 2021 that ended on June 30, 2021 required that you have twelve (12) wells in compliance. Staff verified that you do not have twelve (12) wells in compliance. Your license will be suspended until such time that you are prepared to show staff twelve (12) wells that are in compliance to meet your quarterly objective ending June 30, 2021. Contact the District #3 office to schedule a time when staff can verify the twelve (12) wells are in compliance. Thank you.



John Almond

District #3 Compliance Officer
Kansas Corporation Commission
Conservation Division, District III
137 E. 21st Street , Chanute Ks 66720
Office: 620-902-6453
Cell: 620-432-6502

Carol Hannon

From: Paula Murray <p.murray@kcc.ks.gov>
Sent: Friday, July 30, 2021 9:44 AM
To: Brent Ivy
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Thanks, I've received your email and forwarded it on to the attorney. We will be in contact with you after reviewing and talking with the district office.

Paula Murray
Legal Assistant



Conservation Division
Kansas Corporation Commission
266 N Main, Suite 220 | Wichita, KS | 67202-1513
Phone (316) 337-6208 | Fax (316) 337-6211 | <http://kcc.ks.gov/>

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From: Brent Ivy <Brent.Ivy@nogtx.com>
Sent: Friday, July 30, 2021 8:47 AM
To: Paula Murray <p.murray@kcc.ks.gov>
Subject: FW: Compliance Agreement Docket No. 20-CONS-3288-CMSC

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Paula:

Thanks for taking the time to talk with me this morning. Below is the chain of emails I've had with John Almond at District 3. The field inspector (Alan Dunning) conducted inspections in 2Q and the suspension notice we received on July 26 was the first notice that something was out of compliance. I've spent all week trying to reach Mr. Almond and Mr. Dunning. On Wednesday afternoon I finally reached Mr. Dunning and got a well number from him that he said was the one 2Q well that did not meet compliance; but said I would need to take up the compliance issue with Mr. Almond. The attached video is taken of our field team testing that well (EOSI-1) yesterday morning. I sent this video to District 3 yesterday morning, requesting an inspection and an explanation as to why the well did not pass the first time. Please feel free to call me once the attorney has read these and gotten some guidance from District 3. We are doing everything in our power to do what's necessary to get the license suspension lifted but not knowing why it was suspended in the first place makes that difficult to do. I look forward to hearing from you.

Regards,

Brent Ivy
Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

From: John Almond <j.almond@kcc.ks.gov>
Sent: Thursday, July 29, 2021 9:18 PM
To: Brent Ivy <Brent.Ivy@nogtx.com>
Subject: Re: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Brent,

If you will read the compliance agreement that you signed, it states that if you do not meet the deadlines in the agreement your operator license will be suspended until you are in compliance with the agreement. As I stated in the previous email, you were required to have (12) wells in compliance by the end of the 2nd quarter of 2021 ending June 30, 2021. You have failed to meet your schedule of objectives in the agreement. As I also stated in my previous email, when you have (12) wells ready to be in compliance, staff will inspect the (12) wells and witness all (12) of the wells in production. The operator license will not be reinstated until compliance is achieved. Thank you.

Sent from my iPhone

On Jul 29, 2021, at 10:40 AM, Brent Ivy <Brent.Ivy@nogtx.com> wrote:

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

John:

NOG still has not received any written notification as to what KCC regulation NOG violated to result in the alleged breach of the Compliance Agreement and suspension of our operating license. We would like to understand how this came about but we have a pressing matter to resolve in the time deadlines contained in the suspension letter we received. As I'm sure you are aware, I spoke with Alan yesterday afternoon and he told me he did not pass the well that the KCC calls ESOI-1 in Q2 2021. The well files NOG obtained decades ago when it took over Spradling show this as the Spradling 47, but since the Compliance Agreement last year, we are conforming the numbers in the original well files to what the KCC calls them to avoid confusion in the field. Alan said the reason he did not pass it was because it was not connected to a permanent power line. I scoured the KCC regulations and could not find one that said wells had to be connected to a permanent power line to meet operational compliance requirements. We operate wells in many states and often run wells off generator power due to unavailability of permanent power supplies, especially on remote stripper leases where you cannot pump wells every day—so I don't see how Kansas would be any different. For future reference, can you please point me to the regulation cited for why the EOSI-1 did not pass inspection?

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Spradling and are trying to source new ones. As such, we have been moving motors around to pump all 12 compliant wells throughout the month, until supplies become readily available.

I've attached a video taken this morning showing the EOSI-1 being tested. Per the suspension order, we are not permitted to produce any wells, so it was turned off after testing. Lew and I have been trying to reach Alan all morning to schedule inspection of the EOSI-1 so NOG's license can be reinstated. Lew needs to get over to another property in Tulsa so if Alan is not available today, please let us know who to contact to set up an inspection. Also, please let me know what else we need to do to lift the suspension and begin producing again. I am in the field today and tomorrow but you can reach me via cell (979-571-6545) if you would like to discuss this further. Service is spotty where I'll be but leave a message and I will get back as soon as possible.

Regards,

Brent Ivy
Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

From: Brent Ivy
Sent: Wednesday, July 28, 2021 8:03 AM
To: John Almond <j.almond@kcc.ks.gov>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

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Also, I'd be happy to explain our development plan for Spradling so you guys understand what we're trying to do out there. Our geologist's overall plan includes a lot of wells working together in conducting a water flood. This takes some major electrical improvements. As I'm sure you know, electrical materials and motors are extremely hard to come by and three phase electrical (which is what Spradling runs on) is very expensive. For example, on one of our places in Texas, we've been waiting on a particular pump that's been on back order since April. We've had to move things around to meet lease obligations, etc. With respect to Spradling, we are looking at changes to our electrical setup to make it easier but until we are able to source everything, we have to limp along to stay compliant with our KCC agreement. We want to make sure NOG and the KCC are on the same page, so please don't hesitate to call me if you have any questions or issues. Per my email yesterday, it's easier to catch me on my cell (979-571-6545).

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From: John Almond <j.almond@kcc.ks.gov>
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To: Brent Ivy <Brent.Ivy@nogtx.com>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Brent,

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<image001.png>

John Almond

District #3 Compliance Officer
Kansas Corporation Commission
Conservation Division, District III
137 E. 21st Street, Chanute Ks 66720

Office: 620-902-6453

Cell: 620-432-6502

<IMG_2681.mp4>

Carol Hannon

From: Troy Russell <t.russell@kcc.ks.gov>
Sent: Monday, August 2, 2021 10:40 AM
To: Brent Ivy
Cc: Tristan Kimbrell; John Almond
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Follow Up Flag: Follow up
Flag Status: Flagged

Brent,

If Nacogdoches's intent is to move equipment from well to well and utilize a generator as a power source they will need to place each and every well claimed to have been returned to service since the inception of the compliance agreement on 6/11/2020, back into service once every 90 days. You will need to schedule these operations with the District Office (620-902-6450). That being said, production records indicate that no oil has been sold from the lease in 26-T32S-R17E since **2010** and that no oil has been sold from the lease located within 35-T32S-R17E since **2017**. This would appear to directly contradict your claims of returning wells to service. I would also like you to refer to paragraph 9 of the subject compliance agreement:

"9. After this Agreement has been in effect for two years, Staff may reopen negotiation with Operator about the terms of this Agreement at any time, upon giving Operator written notice of Staffs intent to do so. If Staff and Operator are unable to agree to new terms, and to submit those terms to the Commission for its consideration and possible approval within 90 days of Staffs written notice, then this Agreement shall be terminated upon Staffs filing a statement to that effect in the Commission docket for this matter.

District #3 does not have the resources to accommodate scheduling witnessing activities of this nature if this is indeed how Nacogdoches intends to comply with the ordered agreement. I will initiate the conditions specified in paragraph 9 on the specified date and terminate the agreement. This will then require Nacogdoches to abide by the terms and specified time frames of all applicable regulations and statutes of the Kansas Corporation Commission.

Below is the regulation you requested:

82-3-111. TEMPORARILY ABANDONED WELLS; PENALTY; PLUGGING.

(a) Temporary abandonment approval or plugging required. Within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service, or production of oil, gas, or other minerals, the operator of that well shall perform either of the following:

(1) Plug the well; or

(2) file an application with the conservation division requesting temporary abandonment authority, on a form prescribed by the conservation division.

(b) Approval of temporary abandonment. No well shall be temporarily abandoned as described in subsection (a) unless first approved by the conservation division. If the operations on any temporarily abandoned well or other inactive well are not resumed within one year after the application has been approved, the well shall be deemed a permanently abandoned well, and the operator of the well shall comply with regulations of the commission relating to the plugging of wells. Upon application to the conservation division before the expiration of the

one-year period, and for good cause shown, the period may be extended by the conservation division for one year. Additional one-year extensions may be granted by the conservation division. A well shall not be eligible for temporary abandonment status if the well has been shut in for 10 years or more without an application for an exception pursuant to K.A.R. 82-3-100 and approval by the commission. The failure to file a notice of temporary abandonment shall be punishable by a \$100 penalty.

(c) Right of denial. After an application for temporary abandonment has been filed, the well shall be subject to inspection by the conservation division to determine whether its temporary abandonment could cause pollution of fresh and usable water resources. If necessary to prevent the pollution of fresh and usable water, temporary abandonment may be denied by the conservation division, and the well may be required to be plugged or repaired according to the direction of the conservation division and in accordance with its regulations.

(d) Plugging of temporarily abandoned wells. At the expiration of any approved temporary abandonment period, each well temporarily abandoned shall be plugged, repaired, or returned to operation in accordance with applicable regulations.

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(1) The well is fully equipped for production of oil or gas or for injection.

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(4) The cessation period for the well is less than 365 consecutive days.

(5) The well is otherwise in full compliance with all of the commission's regulations.

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(Authorized by K.S.A. 55-152; implementing K.S.A. 55-152 and 55-164; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended May 1, 1985; amended April 23, 1990; amended Jan. 25, 2002; amended Oct. 24, 2008.)

Please feel free to contact John Almond or Myself if you have any questions.

Sincerely,



Troy A. Russell

District #3 Supervisor, P.G.

Kansas Corporation Commission

Conservation Division, District III

137 E. 21st Street, Chanute Ks 66720

Office: 620-902-6451

Cell: 620-432-6509

From: Brent Ivy <Brent.Ivy@nogtx.com>

Sent: Thursday, July 29, 2021 10:37 AM

To: John Almond <j.almond@kcc.ks.gov>

Cc: Alan Dunning <a.dunning@kcc.ks.gov>; Troy Russell <t.russell@kcc.ks.gov>; 'lewbltrenching@gmail.com' <lewbltrenching@gmail.com>

Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

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Brent Ivy
Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

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Sent: Wednesday, July 28, 2021 8:03 AM

To: John Almond <j.almond@kcc.ks.gov>

Cc: Alan Dunning <a.dunning@kcc.ks.gov>

Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

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Sent: Wednesday, July 28, 2021 7:28 AM

To: Brent Ivy <Brent.Ivy@nogtx.com>

Cc: Alan Dunning <a.dunning@kcc.ks.gov>

Subject: Compliance Agreement Docket No. 20-CONS-3288-CMSC

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John Almond

District #3 Compliance Officer

Kansas Corporation Commission

Conservation Division, District III

137 E. 21st Street , Chanute Ks 66720

Office: 620-902-6453

Cell: 620-432-6502

Carol Hannon

From: Brent Ivy
Sent: Monday, August 2, 2021 3:49 PM
To: Troy Russell
Cc: Tristan Kimbrell; John Almond
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC
Attachments: NOG LLC Blackrock Wire, Run Stmt 11-20-19.pdf

Troy:

Thanks for the reply. I am familiar with K.A.R 82-3-111 but was more trying to find out how NOG violated it that resulted in the current suspension order. My understanding is that we met the compliance objectives by bringing another three wells online by the end of 2Q 2021. It was not until July 26 that we received the suspension and it wasn't until Tuesday or Wednesday last week that Alan told me the reason he did not pass one of the wells was because we ran it via generator instead of permanent power. In looking at your email below it appears that, while not ideal, there is no prohibition against pumping a well via generator—which is why we are looking for some clarification on the license suspension. As you'll see below, NOG does not intend to operate in such a manner over the long term but we have not had much choice the last few months due to supply chain and economic constraints.

Your comment about oil not being sold since 2017 made me scratch my head because NOG's Spradling records show the last load of oil was picked up by BlackRock Midstream on June 29, 2019. Attached is the run statement from BlackRock, showing the date of the pickup from Spradling (East) and the date NOG was paid. Upon receiving your email this morning, I dug into the KGS and Kansas DOR records and have been trying to get to the bottom of why BlackRock did not report our production. In 2017 our previous oil purchaser (PACER Energy) went belly up and had misappropriated severance tax and royalties in (other) states that we were never able to get back. We even ended up having to double pay royalties and taxes because PACER had not reported or paid per our purchase agreement. I have not heard back from BlackRock but want to confirm so that we don't fall into a similar situation of having to pay twice. I do know our royalty owners were paid on the last load but KDOR and KGS do not have record of the production or taxes being reported. I spoke with KDOR and they said at the very least, we could self-report and update this information if need be. I am working with KDOR and this issue will be resolved as soon as possible.

With respect to operating Spradling on generator power, it is certainly not NOG's intent to run that way. In fact, my field team tells me nine (9) of the twelve (12) wells we brought into compliance are on permanent power and only three (3) were pumped via generator or gas powered motor, which was a last resort to stay in compliance. As I explained to John and Alan, we've had issues with theft and supply chain availability of motor and electrical supplies in 2021. NOG is doing its best to stay in compliance and pump all of the compliant wells each month, with our field team pumping each well every month, if not at least once per quarter. Two of the wells without permanent power are fairly easy to electrify but our field team says not the materials are not all readily available. The third well is the one with the gas motor on it that was in the video I sent last week. That well is the EOSI-1, which is what Alan told me resulted in NOG's license suspension. **Please let me know what we need to do to get a letter from the KCC reinstating NOG's license so we can begin producing again.** Oil is over \$70 and we'd like to take advantage of that before this new wave of covid could shut the economy down again.

On a final note, I'm sure you are aware that oil prices have been extremely low since we started working on the Compliance Agreement—even dropping to negative numbers at one point last year. Just because we haven't sold oil since 2019 does not mean we haven't produced any since then. Like many other operators and

businesses around the world, NOG has spent the last year just trying to survive. It costs money to produce oil and selling it at such low prices isn't a recipe for success. As I told John and Alan, our plan is to institute a water flood and utilize many, if not all of the wells on the compliance agreement. Our geologist completed a development plan and conversion chart (producer to injector and vice versa) in early 2020, weeks before the world started shutting down. The oil and gas industry suffered greatly but so did the private equity sector. As such, it's been hard to raise funds to fully implement our plan—especially when prices have spent most of the last year below lifting prices.

NOG is not throwing in the towel and intends to institute our waterflood development plan as soon as we are able. Again, I'm available any time someone from District 3 wants to discuss Spradling. I know the KCC has probably had to deal with a lot of operators going out of business in the last year but we are trying to stick around and want to have a good working relationship with the folks at District 3. I'll be in touch as soon as I get to the bottom of the oil production/sales issue with BlackRock. In the meantime, please let us know what the KCC needs to lift the license suspension and feel free to contact me if you have any other questions or concerns. My cell is 979-571-6545.

Regards,

Brent Ivy

Shiprock Helium LP
Nacogdoches Oil and Gas
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From: Troy Russell <t.russell@kcc.ks.gov>
Sent: Monday, August 2, 2021 10:40 AM
To: Brent Ivy <Brent.Ivy@nogtx.com>
Cc: Tristan Kimbrell <t.kimbrell@kcc.ks.gov>; John Almond <j.almond@kcc.ks.gov>
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(Authorized by K.S.A. 55-152; implementing K.S.A. 55-152 and 55-164; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended May 1, 1985; amended April 23, 1990; amended Jan. 25, 2002; amended Oct. 24, 2008.)

Please feel free to contact John Almond or Myself if you have any questions.

Sincerely,



Troy A. Russell

District #3 Supervisor, P.G.

Kansas Corporation Commission

Conservation Division, District III

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This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

John:

NOG still has not received any written notification as to what KCC regulation NOG violated to result in the alleged breach of the Compliance Agreement and suspension of our operating license. We would like to understand how this came about but we have a pressing matter to resolve in the time deadlines contained in the suspension letter we received. As I'm sure you are aware, I spoke with Alan yesterday afternoon and he told me he did not pass the well that the KCC calls ESOI-1 in Q2 2021. The well files NOG obtained decades ago when it took over Spradling show this as the Spradling 47, but since the Compliance Agreement last year, we are conforming the numbers in the original well files to what the KCC calls them to avoid confusion in the field. Alan said the reason he did not pass it was because it was not connected to a permanent power line. I scoured the KCC regulations and could not find one that said wells had to be connected to a permanent power line to meet operational compliance requirements. We operate wells in many states and often run wells off generator power due to unavailability of permanent power supplies, especially on remote stripper leases where you cannot pump wells every day – so I don't see how Kansas would be any different. For future reference, can you please point me to the regulation cited for why the EOSI-1 did not pass inspection?

Alan also indicated that he went back to some wells we previously brought into compliance and saw that motors had been removed and we needed to remedy that. In talking with Lew, three phase motors and electrical supplies are scarce due to the manufacturing and supply chain shortages that are hitting every industry from poultry to automotive. We've also had some issues with theft of motors, etc. at the Spradling and are trying to source new ones. As such, we have been moving motors around to pump all 12 compliant wells throughout the month, until supplies become readily available.

I've attached a video taken this morning showing the EOSI-1 being tested. Per the suspension order, we are not permitted to produce any wells, so it was turned off after testing. Lew and I have been trying to reach Alan all morning to schedule inspection of the EOSI-1 so NOG's license can be reinstated. Lew needs to get over to another property in Tulsa so if Alan is not available today, please let us know who to contact to set up an inspection. Also, please let me know what else we need to do to lift the suspension and begin producing again. I am in the field today and tomorrow but you can reach me via cell (979-571-6545) if you would like to discuss this further. Service is spotty where I'll be but leave a message and I will get back as soon as possible.

Regards,

Brent Ivy

Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

From: Brent Ivy
Sent: Wednesday, July 28, 2021 8:03 AM
To: John Almond <j.almond@kcc.ks.gov>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Good morning, John. When I couldn't reach you yesterday, I called the number on the suspension notice we received and spoke to the KCC's legal compliance office. As far as I knew from talking with our local field operations, we met the deadline by June 30. The suspension notice we received on July 26 was the first time NOG heard anything indicating we were not in compliance with our agreement. However, Paula told me that District Three only noted eleven (11) wells in compliance, not twelve (12)—which means one of the three (3) wells Lew worked on did not meet compliance. She did not know which of the most recent three (3) wells we worked on from 2Q did not meet compliance and said I needed to get those wells from District 3, which I assume is you or Alan. When I spoke to Alan yesterday, he deferred to you. Please let me know which of the three (3) new wells Alan inspected did not meet compliance so we can remedy the issue as soon as possible.

Paula also told me that we only needed to get one well into compliance to reinstate our license, and didn't have to be a specific well—just any one on the compliance agreement before July 31. Lew is headed to Spradling today in anticipation I would get ahold of you to figure out what the issue is that stopped us from meeting compliance in 2Q. He will be calling Alan to inspect once he figures out which well he's working on and when so District Three can witness it. If Alan won't be available this week, please let me know who we should contact. It might not be today but it will certainly be before the end of the week when Lew will be ready for an inspection.

Also, I'd be happy to explain our development plan for Spradling so you guys understand what we're trying to do out there. Our geologist's overall plan includes a lot of wells working together in conducting a water flood. This takes some major electrical improvements. As I'm sure you know, electrical materials and motors are extremely hard to come by and three phase electrical (which is what Spradling runs on) is very expensive. For example, on one of our places in Texas, we've been waiting on a particular pump that's been on back order since April. We've had to move things around to meet lease obligations, etc. With respect to Spradling, we are

looking at changes to our electrical setup to make it easier but until we are able to source everything, we have to limp along to stay compliant with our KCC agreement. We want to make sure NOG and the KCC are on the same page, so please don't hesitate to call me if you have any questions or issues. Per my email yesterday, it's easier to catch me on my cell (979-571-6545).

Again, please let me know which of the 2Q wells did not meet compliance so we can work toward remedying it. Lew or myself will be in touch when we are ready for inspection this week.

Regards,

Brent Ivy

Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

From: John Almond <j.almond@kcc.ks.gov>
Sent: Wednesday, July 28, 2021 7:28 AM
To: Brent Ivy <Brent.Ivy@nogtx.com>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Brent,

The reason your license #32042 for Nacogdoches Oil & Gas is suspended is because you are in default on your compliance agreement in Docket No.20-CONS-3288-CMSC. You signed the compliance agreement that required you to bring (3) wells per quarter of each year into compliance by either putting (3) wells per quarter into production or plugging (3) wells per quarter. The 2nd quarter of 2021 that ended on June 30, 2021 required that you have twelve (12) wells in compliance. Staff verified that you do not have twelve (12) wells in compliance. Your license will be suspended until such time that you are prepared to show staff twelve (12) wells that are in compliance to meet your quarterly objective ending June 30, 2021. Contact the District #3 office to schedule a time when staff can verify the twelve (12) wells are in compliance. Thank you.



John Almond

District #3 Compliance Officer
Kansas Corporation Commission
Conservation Division, District III
137 E. 21st Street , Chanute Ks 66720
Office: 620-902-6453
Cell: 620-432-6502

Carol Hannon

From: John Almond <j.almond@kcc.ks.gov>
Sent: Tuesday, November 9, 2021 9:24 AM
To: Brent Ivy; Mary Roberts
Cc: Troy Russell; Ryan Duling
Subject: Nacogdoches_KCC_20-CONS-3288-CMSC NOVEMBER 9, 2021
Attachments: Nacogdoches_KCC_20-CONS-3288-CMSC NOVEMBER 9, 2021.pdf

Mr. Ivy,

This is a courtesy e-mail reminding you that you will be required to bring (3) additional wells into compliance by December 31, 2021 to meet your 4th quarter objective for 2021 ending December 31, 2021 for your compliance agreement in Docket No 20-CONS-3288-CMSC. Thank you in advance for your cooperation and commitment to meet your objectives in your compliance agreement. After 24-1/2 years with the Kansas Corporation Commission, I will be retiring effective December 31, 2021. Ryan Duling is the new District #3 Compliance Officer and I am confident that Ryan will do a great job as the Compliance Officer for District #3 and he is looking forward to working with you and the other operators in the district. Thank you.



John Almond

District #3 Compliance Officer

Kansas Corporation Commission

Conservation Division, District III

137 E. 21st Street, Chanute Ks 66720

Office: 620-902-6453

Cell: 620-432-6502

EXHIBIT N-8

Carol Hannon

From: Brent Ivy
Sent: Friday, December 31, 2021 9:13 AM
To: Troy Russell; Ryan Duling
Subject: NOG/Spradling: 2021 Q4 Compliance and Development Plan
Attachments: 1957-01-22 John Ord 18 B Plugging Record.pdf; 1957-11-12 John Ord Well 23 B Plugging Record.pdf; 1965-10-08 Spradling Well 48 Plugging Form.pdf

Troy and Ryan:

I called yesterday to talk about the Spradling lease compliance agreement wells for 4Q 2021 and NOG's development plan but Julie told me you were in meetings. She said to email you the information if I didn't hear from you yesterday.

Beginning in 2022 we will be instituting a water flood to produce the Bartlesville, utilizing 15 injection wells and 12 producing wells. According to our design engineer, we have to convert eight wells from either producers to injectors or vice versa. According to the schedule I discussed with John Almond, we were going to begin this in October after plugging the three wells in 3Q. Unfortunately, we had a difficult time locating a contractor with a pulling unit that could reach us this year. Our plugging contractor was backed up for several months and we've got the same answer from other companies in the area. We finally found a company that could get started in time but they were located just across the border in Oklahoma and did not have their Kansas license. The contractor told me he hoped to have everything in order in early December but has been unable to get it processed as of yesterday. As such, we obviously will not be able to bring three wells online or plug three new wells by the end of today. However, earlier this year, we discovered three well plugging records of wells that are on our compliance agreement that Alan Dunning told me we could get credit for and to save for a rainy day if we weren't able to get to wells in time. Since we couldn't get to the wells in time, we are going to cash in these three wells to get credit for 2021 4Q. The three wells are as follows:

- Ord 18-B (API 15-099-19243-00-00)
 - Plugged by Buffalo Oil Co. on January 22, 1957 per attached record.
- Ord 23-B (API No. 15-099-19225-00-00)
 - Plugged November 12, 1957 by Buffalo Oil Co. per attached record.
- Spradling 48 (API-15-099-19244-00-00)
 - Plugged by "Setan Drilling Co." on October 8, 1965 per attached record.
 - I think it says Setan but the copy is faded and written in cursive. The notes for how the well was plugged is at the bottom of the form.

It appears some of these are KCC records but my understanding is that record keeping between operators and the KCC was not as good in the 50s and 60s as it is today. If the KCC does not have these records, I've attached what we found in the old well files we inherited from Bach Corporation.

As far as what we've been doing to prepare for the water flood, we've been working on an electrical upgrade of our service to accommodate the power needed to run the pumps, water supply well, and injection pumps pursuant to our development plan. The electrical provider (Twin Valleys) is changing our service from three phase to single phase to help lower our electrical costs. The conversion is almost finished but we are waiting on power consumption numbers from the engineer to properly size the service, which we should have in January. I had conveyed some of this information to Alan and John but wanted to make sure you were in the loop since they retired, and we do not yet know who will be taking Alan's place in the field.

As we institute this plan next year, we'll be in Kansas a lot more frequently and I would like our team to meet with yours next quarter to discuss our plan in more detail and meet whoever takes over Alan's duties.

I hope that 2022 brings prosperity and good health to you and your families! I've been out on vacation with family but will be back in the office next week if you have any questions. Have a happy New Year!

Cheers,

Brent Ivy

Shiprock Helium LP

Nacogdoches Oil and Gas

816 North Street

Nacogdoches, Texas 75961

T: (936) 560-4747

F: (936) 560-5088

Carol Hannon

From: Ryan Duling <r.duling@kcc.ks.gov>
Sent: Wednesday, March 2, 2022 3:00 PM
To: Brent Ivy
Cc: Troy Russell
Subject: Compliance Agreement
Attachments: Nacogdoches_KCC_20-CONS-3288-CMSC.pdf

Dear Operator,

Attached you will find a report of your Compliance Agreement showing the wells you have brought back into compliance and your total compliance objective for the quarter ending in 3/31/2022. You are required to bring 3 wells into compliance by the end of the first quarter. Our records indicate you were 1 well short of fulfilling your objective for 4th quarter ending in 12/31/2021. You will be required to bring 4 wells into compliance to fulfill your objective for 1st quarter of 2022. If you have returned wells to service, you are required to report the wells that were returned to service to the District #3 office at (620) 902-6450 before 3/31/2022. Any extension requests must be made in writing to the District Supervisor by 3/24/2022 to be considered. If you have any questions, please don't hesitate to contact me.

Thanks,



Ryan Duling
District #3 Compliance Officer
Environmental Compliance and Regulatory Specialist
Kansas Corporation Commission
Conservation Division, District III
137 E. 21st Street, Chanute Ks 66720
Office: 620-902-6453
Cell: 620-432-6511

EXHIBIT N-10

Carol Hannon

From: Troy Russell <t.russell@kcc.ks.gov>
Sent: Thursday, March 3, 2022 9:36 AM
To: Brent Ivy
Cc: Ryan Duling; Kelcey Marsh
Subject: RE: Compliance Agreement

Brent,

I anticipate we will be having detailed discussions soon concerning NOG's compliance agreement. The primary issue with the last quarterly objectives for 2021 was that one of the wells you provided historic documentation as being plugged and claimed as part of completing your Q4 of 2021 objectives had been claimed in Q1 of 2021 as being returned to production by NOG. It cannot be counted twice as meeting the required quarterly objectives. That is why NOG was still one well shy of meeting the quarterly objectives for 2021. NOG license will likely remain suspended until it has fully met the objectives for 2021 and meets its Q1 of 2022 objectives.



Troy A. Russell

District #3 Supervisor, P.G.

Kansas Corporation Commission

Conservation Division, District III

137 E. 21st Street, Chanute Ks 66720

Office: 620-902-6451

Cell: 620-432-6509

From: Brent Ivy <Brent.Ivy@nogtx.com>
Sent: Thursday, March 3, 2022 9:04 AM
To: Ryan Duling <r.duling@kcc.ks.gov>
Cc: Troy Russell <t.russell@kcc.ks.gov>; Mike Finley <mike.finley@nogtx.com>
Subject: Re: Compliance Agreement

This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.

Ryan:

I hope all is well. I noticed the report said we missed a well last quarter but we turned in three historical plugging records that Alan Dunning and I discussed last year. If I'm missing something I'd be happy to discuss.

Also, NOG's owner was going to reach out to Troy regarding the KCC's suspension of our license because our renewal last month was put on hold. I've copied Mike on this email.

We would also like to discuss our development plan that we are instituting this year. Since last quarter we have had a hard time finding an available pulling unit to work over the wells we plan to bring online. We may need to request an extension but if you guys have any recommendations for reliable contractors, please send us their contact info and I'll give them a call. The person we had lined up was only licensed in OK and said he was waiting on his KS license but he still does not fever it. We are looking forward to getting this project off the ground so any suggestions are welcome.

Regards,

Brent Ivy
Nacogdoches Oil and Gas
Shiprock Helium LP

Sent from my iPhone

On Mar 2, 2022, at 3:00 PM, Ryan Duling <r.duling@kcc.ks.gov> wrote:

Dear Operator,

Attached you will find a report of your Compliance Agreement showing the wells you have brought back into compliance and your total compliance objective for the quarter ending in 3/31/2022. You are required to bring 3 wells into compliance by the end of the first quarter. Our records indicate you were 1 well short of fulfilling your objective for 4th quarter ending in 12/31/2021. You will be required to bring 4 wells into compliance to fulfill your objective for 1st quarter of 2022. If you have returned wells to service, you are required to report the wells that were returned to service to the District #3 office at (620) 902-6450 before 3/31/2022. Any extension requests must be made in writing to the District Supervisor by 3/24/2022 to be considered. If you have any questions, please don't hesitate to contact me.

Thanks,

<image001.jpg>

Ryan Duling

District #3 Compliance Officer

Environmental Compliance and Regulatory Specialist

Kansas Corporation Commission

Conservation Division, District III

137 E. 21st Street, Chanute Ks 66720

Office: 620-902-6453

• Cell: 620-432-6511

<Nacogdoches_KCC_20-CONS-3288-CMSC.pdf>

Conservation Division
266 N. Main St., Ste. 220
Wichita, KS 67202-1513



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Dwight D. Keen, Chair
Susan K. Duffy, Commissioner
Andrew J. French, Commissioner

Laura Kelly, Governor

NOTICE OF VIOLATION

March 7, 2022

Brent Ivy
Nacogdoches Oil & Gas, LLC
816 NORTH STREET
NACOGDOCHES, TX 75961-4480

Re: Unplugged Well(s) on Expired License #32042

Operator:

Unplugged well(s) are on your expired license, **which violates K.A.R. 82-3-120**. Attached is a list of the unplugged well(s). Please do one of the following:

- Renew your license, or obtain a new license and transfer the well(s) to that license,
- Transfer the well(s) to another operator by filing T-1 forms with the Commission, or
- File Well Plugging Application (CP-1) form(s) and plug the well(s).

Your deadline is March 21, 2022.

If you do not correct this violation, I will recommend a Commission Order with a \$500 penalty. The Order would also require you to plug the well(s) within 60 days. Failure to comply with the Order would automatically result in the Commission levying additional penalties against you, directing Staff to plug the wells, and assessing plugging costs to you.

You must immediately shut-in all wells and cease oil and gas operations until compliance is achieved.

For help renewing or obtaining a license, contact Nancy Borst at 316-337-6194.

For help transferring wells, contact Deanna Garrison at 316-337-6209.

For help with CP-1 forms, contact Rick Hestermann at 316-337-6193.

If you have further questions, you may contact me by calling our main number at the top of this letter.

Sincerely,

Nancy Borst
Administrative Specialist

EXHIBIT N-12

Exhibit A

Nacogdoches Oil & Gas, LLC License: 32042

<u>Unplugged Wells on Operator's License</u>				
API Well #	Lease Name / Well #		Well Location	County
15-099-19213-00-00	JOHN ORD	34	26-32S-17E, SWNENW	LABETTE
15-099-19214-00-00	JOHN ORD	35	26-32S-17E, NWSWSW	LABETTE
15-099-19215-00-00	JOHN ORD	34	26-32S-17E, NWSWSW	LABETTE
15-099-19216-00-00	HUGH G COPLIN	1	35-32S-17E, SENENW	LABETTE
15-099-19217-00-00	ORD	6 WB	26-32S-17E, SWSWNW	LABETTE
15-099-19218-00-00	ORD	7 WB	35-32S-17E, SWNENW	LABETTE
15-099-19219-00-00	ORD	8 WB	26-32S-17E, SENWSW	LABETTE
15-099-19220-00-00	JOHN ORD	9 WB	26-32S-17E, NWNESW	LABETTE
15-099-19221-00-00	ORD	19-B	26-32S-17E, SENWSW	LABETTE
15-099-19222-00-00	ORD	20-B	26-32S-17E, NWSENW	LABETTE
15-099-19223-00-00	ORD	21-B	26-32S-17E, SWNESW	LABETTE
15-099-19224-00-00	ORD	22-B	26-32S-17E, NWSSEW	LABETTE
15-099-19225-00-00	ORD	23-B	26-32S-17E, NWNWSW	LABETTE
15-099-19226-00-00	ORD	24-B	26-32S-17E, SENWSW	LABETTE
15-099-19227-00-00	JOHN ORD	33	26-32S-17E, NESENW	LABETTE
15-099-19228-00-00	JOHN ORD	30	26-32S-17E, NESWNW	LABETTE
15-099-19229-00-00	JOHN ORD	29-B	26-32S-17E, NENENW	LABETTE
15-099-19230-00-00	ORD	5-2B	26-32S-17E, SESWNW	LABETTE
15-099-19231-00-00	ORD	25-B	26-32S-17E, SESWNW	LABETTE
15-099-19232-00-00	ORD	26-B	26-32S-17E, NESWNW	LABETTE
15-099-19233-00-00	JOHN ORD	27-B	26-32S-17E, SWNENW	LABETTE
15-099-19234-00-00	JOHN ORD	28-B	26-32S-17E, SWNWSW	LABETTE
15-099-19236-00-00	ORD	13-B	26-32S-17E, SWNWSW	LABETTE
15-099-19237-00-00	ORD	14-B	26-32S-17E, NESWNW	LABETTE
15-099-19238-00-00	ORD	14-B	26-32S-17E, SWSWSW	LABETTE
15-099-19239-00-00	ORD	15-B	26-32S-17E, NWSENW	LABETTE
15-099-19240-00-00	ORD	15-B	26-32S-17E, SWSWNW	LABETTE

15-099-19241-00-00	ORD	16-B	26-32S-17E, NENENW	LABETTE
15-099-19242-00-00	ORD	17-B	26-32S-17E, NESWSW	LABETTE
15-099-19243-00-00	ORD	18-B	26-32S-17E, SESWNW	LABETTE
15-099-19244-00-00	SPRADLING	48	26-32S-17E, NENWSW	LABETTE
15-099-19245-00-00	SPRADLING	49	26-32S-17E, SESWSW	LABETTE
15-099-19249-00-00	TERWILLEGER	2	35-32S-17E, NWSENW	LABETTE
15-099-19263-00-00	JOHN ORD	47	26-32S-17E, SWSWSW	LABETTE
15-099-19883-00-01	SPRADLING	11 B	26-32S-17E, SESWSW	LABETTE
15-099-19884-00-01	SPRADLING	15 B	26-32S-17E, NESWNW	LABETTE
15-099-19885-00-01	SPRADLING	26 B	26-32S-17E, SWSWNW	LABETTE
15-099-19886-00-02	SPRADLING	31 B	26-32S-17E, NESWSW	LABETTE
15-099-19887-00-01	SPRADLING	32 B	26-32S-17E, SENWNW	LABETTE
15-099-19888-00-01	SPRADLING	33 B	26-32S-17E, SENWSW	LABETTE
15-099-19952-00-00	ORD (SPRADLING)	4-WB	26-32S-17E, SWSENW	LABETTE
15-099-21031-00-00	SPRADLING	JB-1	26-32S-17E, SWNENW	LABETTE
15-099-21032-00-00	SPRADLING	JB-2	26-32S-17E, SENENW	LABETTE
15-099-21033-00-00	SPRADLING	JB 3	26-32S-17E, SENENW	LABETTE
15-099-21672-00-00	SPRADLING	7	26-32S-17E, NWNWNE	LABETTE
15-099-21673-00-00	SPRADLING	6	26-32S-17E, SESWNW	LABETTE
15-099-21974-00-00	C L SPRADLING	50	26-32S-17E, SWNWSE	LABETTE
15-099-21975-00-00	C H SPRADLING	51	26-32S-17E, NWNENW	LABETTE
15-099-21976-00-01	SPRADLING	52	26-32S-17E, NWNENW	LABETTE
15-099-21978-00-00	SPRADLING	54	26-32S-17E, SWNENW	LABETTE
15-099-21979-00-01	SPRADLING	55	26-32S-17E, NESWNW	LABETTE
15-099-21981-00-00	SPRADLING	57	26-32S-17E, NWSENW	LABETTE
15-099-21982-00-00	C H SPRADLING	58	26-32S-17E, SWSWNW	LABETTE
15-099-21983-00-00	C H SPRADLING	59	26-32S-17E, SESWNW	LABETTE
15-099-21984-00-00	C H SPRADLING	60	26-32S-17E, NWNENE	LABETTE
15-099-21985-00-01	SPRADLING	61	26-32S-17E, NWNWSW	LABETTE
15-099-21987-00-00	C H SPRADLING	63	26-32S-17E, NWNWSW	LABETTE
15-099-21988-00-00	C H SPRADLING	64	26-32S-17E, SWNESW	LABETTE
15-099-21989-00-00	C H SPRADLING	65	26-32S-17E, SENWSW	LABETTE
15-099-21992-00-00	SPRADLING	68	26-32S-17E, SWNESW	LABETTE
15-099-21993-00-00	C H SPRADLING	69	26-32S-17E, NESWSW	LABETTE
15-099-21994-00-00	C H SPRADLING	70	26-32S-17E, NESWSW	LABETTE
15-099-21996-00-00	SPRADLING	72	26-32S-17E, SESWSW	LABETTE
15-099-21997-00-00	SPRADLING	73	26-32S-17E, SESWSW	LABETTE
15-099-23377-00-00	SPRADLING	WS 2	26-32S-17E, SWNWNW	LABETTE
15-099-23816-00-00	SPRADLING EAST	EOSI-1	26-32S-17E, NWNWNE	LABETTE
15-099-23817-00-00	SPRADLING EAST	EOS-1	26-32S-17E, NESENWNE	LABETTE



Carol Hannon

From: Brent Ivy
Sent: Tuesday, March 15, 2022 11:52 AM
To: kgs_exadata_prd_sa@ku.edu
Cc: p.murray@kcc.ks.gov; look@ku.edu; d.klug@kcc.ks.gov; Mike Finley; k.marsh@kcc.ks.gov
Subject: RE: KOLAR: KCC License Expired Notice - Nacogdoches Oil & Gas, LLC, KCC License # 32042

Hello:

In response to the email below, we have been working with KCC for some time regarding this issue and were under the impression that the suspension was being lifted after multiple discussions with the then District 3 compliance manager (John Almond) and inspector (Alan Dunning). Both of them retired at the end of 2021 and after (timely) trying to renew our license last month, we received the notification that it could not renew because it was still suspended. This is very different from the cooperative attitude I had with John and Alan toward the end of 2021.

Yesterday we received a violation letter from Nancy Borst, whom I just spoke with on the phone. Nacogdoches Oil and Gas' position is that we have met compliance agreement objectives since entering into the agreement. We have always worked with District 3 to remedy any issues; and not getting notified of the reason for a suspension and leading us to believe that the KCC was working with us the last few months is a violation of due process. Perhaps there was a disconnect when John and Alan retired but in December 2021 I let Troy Russell and Ryan Duling in District know that we have spent tens of thousands of dollars in the last two years on engineering for a water flood development plan that we are trying to institute. We've also begun plugging wells that we do not intend to use, so I'm confused as to how we are not in compliance with exactly what the KCC compliance agreement requires us to do. We are currently upgrading the wiring with Twin Valley Electric Coop to be able to hook up the new water treatment and injection system.

Concerning our fourth quarter compliance wells for 2021, we timely submitted historical plugging reports (from the KCC) for three wells that we found in the old well files we acquired from Bach Corporation. Alan Dunning previously told me to save the as a rainy day to get credit on the compliance agreement if we weren't able to get wells up and running or plugged for whatever reason. More than two months later (March 2-3) I received emails from Ryan Duling and Troy Russell stating that NOG was out of compliance because one of the plugging records we turned in was allegedly for a well that was listed as compliant in 2021. I am not sure how that can happen since District 3 is supposed to have a person inspect the wells and sign off on compliance, which I assume was Alan Dunning. I do not know how a well that was plugged more than 50 years ago could have been inspected as passed as producing last year. Obviously there is some sort of mix up on API numbers or well locations that would be easy to remedy if someone would just pick up the phone and call us. If we need to request a hearing regarding this matter to get our license reinstated, please let us know the "formal" process because the way we've always worked with District 3 does not appear to be working. Not hearing anything and then receiving notices after the fact is not helpful to an operator who is actively spending money to get a lease online. I look forward to hearing from you.

Regards,

Brent Ivy
Shiprock Helium LP

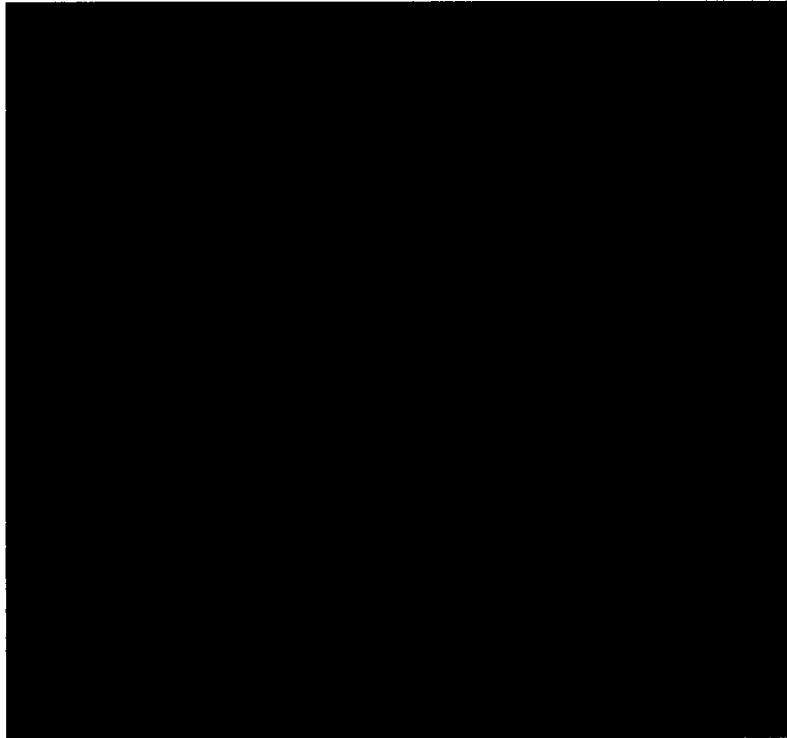


EXHIBIT N-14 REDACTED

EXHIBIT N-14

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
Wells To Be Brought Into Compliance			3	Cumulative Compliance Objective For End of Current Quarter						3

Current Quarter End Date **9/30/2020**

EXHIBIT N-15

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
Total Wells Brought Into Compliance			6	Cumulative Compliance Objective For End of Current Quarter						6
Current Quarter End Date										12/31/2020

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING 58		15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING 59		15-099-21983-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
C H SPRADLING 63		15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD 27-B		15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
ORD 16-B		15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
ORD 18-B		15-099-19243-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD 25-B		15-099-19231-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
SPRADLING 32 B		15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING 7		15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
Total Wells Brought Into Compliance			9	Cumulative Compliance Objective For End of Current Quarter						9

Current Quarter End Date 3/31/2021

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	51	15-099-21975-00-00	NWNENW	26	32	17	OIL	7/6/2021	PR	3
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	59	15-099-21983-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
ORD	18-B	15-099-19243-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	25-B	15-099-19231-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	26-B	15-099-19232-00-00	NESWNW	26	32	17	OIL	7/6/2021	PR	3
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
Total Wells Brought Into Compliance			11	Total Compliance Objective to Date					12	
Current Quarter End Date										6/30/2021

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	51	15-099-21975-00-00	NWNENW	26	32	17	OIL	7/6/2021	PR	3
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	59	15-099-21983-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	47	15-099-19263-00-00	SWSWSW	26	32	17	OIL	7/6/2021	PR	3
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
ORD	18-B	15-099-19243-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	25-B	15-099-19231-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	26-B	15-099-19232-00-00	NESWNW	26	32	17	OIL	7/6/2021	PR	3
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
SPRADLING EAST	EOS-1	15-099-23817-00-00	SENWNE	26	32	17	OIL	9/28/2021	PA	3
SPRADLING EAST	EOS-2	15-099-23818-00-00	SWNENE	26	32	17	OIL	9/29/2021	PA	3
SPRADLING EAST	EOSI-1	15-099-23816-00-00	NWNENE	26	32	17	OIL	9/28/2021	PA	3

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
Total Wells Brought Into Compliance			15	Total Compliance Objective to Date						15
Current Quarter End Date										9/30/2021

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	51	15-099-21975-00-00	NWNENW	26	32	17	OIL	7/6/2021	PR	3
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	59	15-099-21983-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
ORD	18-B	15-099-19243-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	25-B	15-099-19231-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	26-B	15-099-19232-00-00	NESWNW	26	32	17	OIL	7/6/2021	PR	3
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
SPRADLING EAST	EOS-2	15-099-23818-00-00	SWNENE	26	32	17	OIL	9/28/2021	PA	3
TERWILLEGGER	1	15-099-19246-00-00	SENWNE	26	32	17	OIL	9/28/2021	PA	3
Total Wells Brought Into Compliance			13	Cumulative Compliance Objective For End of Current Quarter						21

Current Quarter End Date **3/31/2022**

Nacogdoches_KCC_20-CONS-3288-CMSC

Count	Well Name	API#	Spot	Sec	Twp	Rng	Type	DATE OF COMPLIANCE	COMPLIANCE	Wells Due Per Quarter
LABETTE										
C H SPRADLING	51	15-099-21975-00-00	NWNENW	26	32	17	OIL	7/6/2021	PR	3
C H SPRADLING	58	15-099-21982-00-00	SWSWNW	26	32	17	OIL	9/30/2020	PR	3
C H SPRADLING	59	15-099-21983-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
C H SPRADLING	63	15-099-21987-00-00	NWNWSW	26	32	17	OIL	9/30/2020	PR	3
JOHN ORD	27-B	15-099-19233-00-00	SWNENW	26	32	17	OIL	9/30/2020	PR	3
ORD	16-B	15-099-19241-00-00	NENENW	26	32	17	OIL	1/7/2021	PR	3
ORD	18-B	15-099-19243-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	25-B	15-099-19231-00-00	SESWNW	26	32	17	OIL	3/31/2021	PR	3
ORD	26-B	15-099-19232-00-00	NESWNW	26	32	17	OIL	7/6/2021	PR	3
SPRADLING	32 B	15-099-19887-00-01	SENWNW	26	32	17	OIL	1/7/2021	PR	3
SPRADLING	7	15-099-21672-00-00	NWNWNE	26	32	17	OIL	1/7/2021	PR	3
SPRADLING EAST	EOS-2	15-099-23818-00-00	SWNENE	26	32	17	OIL	9/28/2021	PA	3
TERWILLEGGER	1	15-099-19246-00-00	SENWNE	26	32	17	OIL	9/28/2021	PA	3
Total Wells Brought Into Compliance			13	Cumulative Compliance Objective For End of Current Quarter						24

Current Quarter End Date **6/30/2022**

Carol Hannon

From: Brent Ivy
Sent: Wednesday, July 28, 2021 8:03 AM
To: John Almond
Cc: Alan Dunning
Subject: RE: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Good morning, John. When I couldn't reach you yesterday, I called the number on the suspension notice we received and spoke to the KCC's legal compliance office. As far as I knew from talking with our local field operations, we met the deadline by June 30. The suspension notice we received on July 26 was the first time NOG heard anything indicating we were not in compliance with our agreement. However, Paula told me that District Three only noted eleven (11) wells in compliance, not twelve (12) – which means one of the three (3) wells Lew worked on did not meet compliance. She did not know which of the most recent three (3) wells we worked on from 2Q did not meet compliance and said I needed to get those wells from District 3, which I assume is you or Alan. When I spoke to Alan yesterday, he deferred to you. Please let me know which of the three (3) new wells Alan inspected did not meet compliance so we can remedy the issue as soon as possible.

Paula also told me that we only needed to get one well into compliance to reinstate our license, and didn't have to be a specific well – just any one on the compliance agreement before July 31. Lew is headed to Spradling today in anticipation I would get ahold of you to figure out what the issue is that stopped us from meeting compliance in 2Q. He will be calling Alan to inspect once he figures out which well he's working on and when so District Three can witness it. If Alan won't be available this week, please let me know who we should contact. It might not be today but it will certainly be before the end of the week when Lew will be ready for an inspection.

Also, I'd be happy to explain our development plan for Spradling so you guys understand what we're trying to do out there. Our geologist's overall plan includes a lot of wells working together in conducting a water flood. This takes some major electrical improvements. As I'm sure you know, electrical materials and motors are extremely hard to come by and three phase electrical (which is what Spradling runs on) is very expensive. For example, on one of our places in Texas, we've been waiting on a particular pump that's been on back order since April. We've had to move things around to meet lease obligations, etc. With respect to Spradling, we are looking at changes to our electrical setup to make it easier but until we are able to source everything, we have to limp along to stay compliant with our KCC agreement. We want to make sure NOG and the KCC are on the same page, so please don't hesitate to call me if you have any questions or issues. Per my email yesterday, it's easier to catch me on my cell (979-571-6545).

Again, please let me know which of the 2Q wells did not meet compliance so we can work toward remedying it. Lew or myself will be in touch when we are ready for inspection this week.

Regards,

Brent Ivy
Shiprock Helium LP
Nacogdoches Oil and Gas
816 North Street
Nacogdoches, Texas 75961
T: (936) 560-4747
F: (936) 560-5088

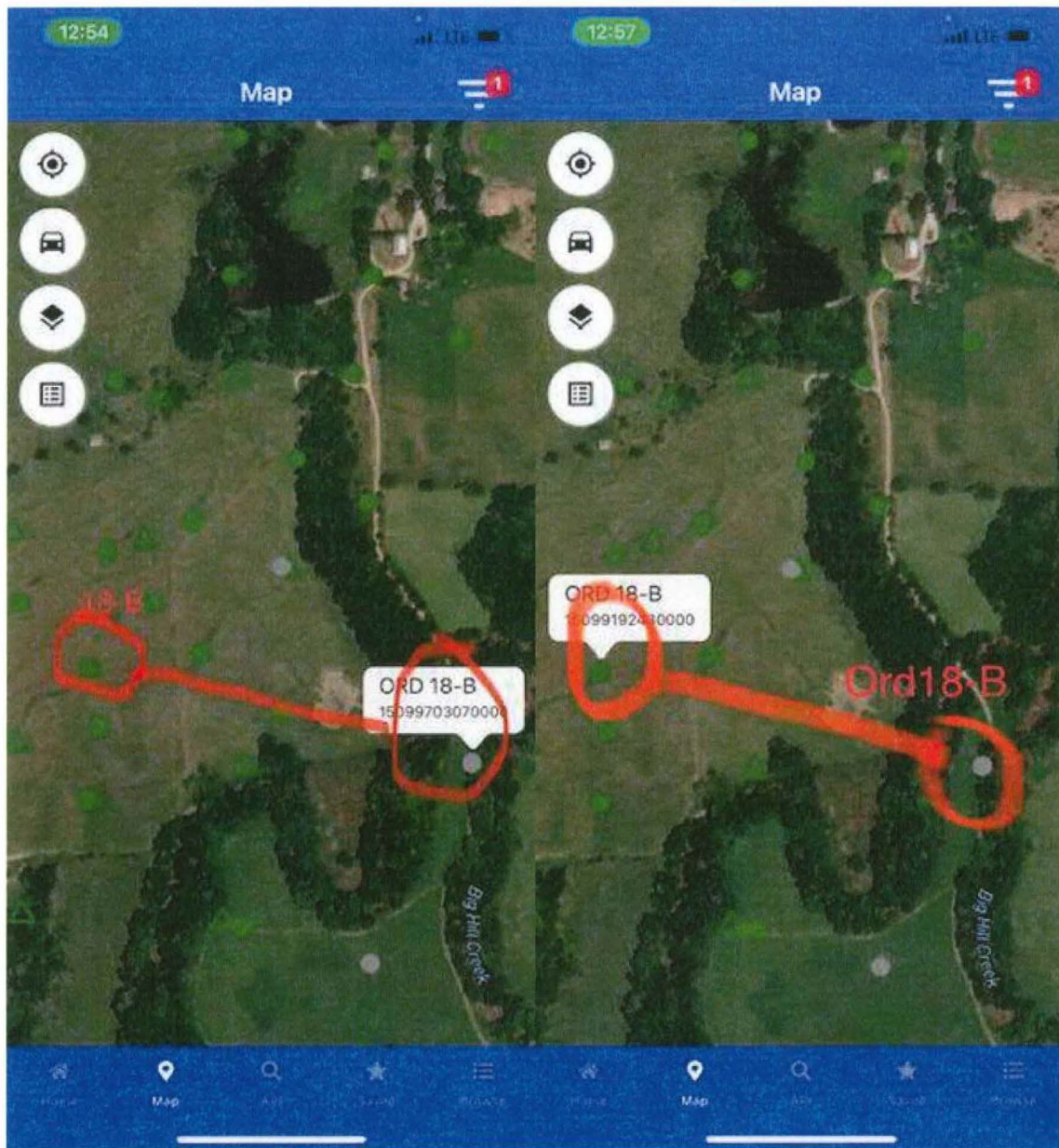
From: John Almond <j.almond@kcc.ks.gov>
Sent: Wednesday, July 28, 2021 7:28 AM
To: Brent Ivy <Brent.Ivy@nogtx.com>
Cc: Alan Dunning <a.dunning@kcc.ks.gov>
Subject: Compliance Agreement Docket No. 20-CONS-3288-CMSC

Brent,

The reason your license #32042 for Nacogdoches Oil & Gas is suspended is because you are in default on your compliance agreement in Docket No.20-CONS-3288-CMSC. You signed the compliance agreement that required you to bring (3) wells per quarter of each year into compliance by either putting (3) wells per quarter into production or plugging (3) wells per quarter. The 2nd quarter of 2021 that ended on June 30, 2021 required that you have twelve (12) wells in compliance. Staff verified that you do not have twelve (12) wells in compliance. Your license will be suspended until such time that you are prepared to show staff twelve (12) wells that are in compliance to meet your quarterly objective ending June 30, 2021. Contact the District #3 office to schedule a time when staff can verify the twelve (12) wells are in compliance. Thank you.



John Almond
District #3 Compliance Officer
Kansas Corporation Commission
Conservation Division, District III
137 E. 21st Street, Chanute Ks 66720
Office: 620-902-6453
Cell: 620-432-6502



EXHHIBIT N-17

12:54



< Back

Well Detail



ORD 18-B



Save

API: 15099192430000

Company: Nacogdoches Oil & Gas, LLC

Well Type: OIL

Well Status: Inactive

State: KS

County: Labette

Section: 26

Township: 32S

Range: 17E

Field:

Latitude: 37.231332

Longitude: -95.514922

Zoom to Map

Get Directions

More Detail

12:47

LTE

< Back

Well Detail



ORD 18-B



Save

API: 15099703070000

Company: Not Confirmed

Well Type: OTHER

Well Status: Plugged

State: KS

County: Labette

Section: 26

Township: 32S

Range: 17E

Field:

Latitude: 37.230438

Longitude: -95.510422

Zoom to Map

Get Directions

More Detail