

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

In the matter of the application of Bee Gee)	Docket No.: 17-CONS-3506-CBSO
Exploration Company for an order establishing)	(178,910-C) (C-26,425)
160 acre spacing for the Mississippian Chert)	
Formation underlying lands in Stafford and Reno)	CONSERVATION DIVISION
Counties, Kansas.)	
)	License Nos.: N/A
In the matter of the application of Raymond Oil)	
Company, Inc. for an order to extend field limits)	
for the Mississippian Chert Formation underlying)	
<u>lands in Stafford and Reno Counties, Kansas.</u>)	

PRE-FILED DIRECT TESTIMONY OF JIM HEMMEN

KANSAS CORPORATION COMMISSION

APRIL 26, 2018

1 **Q. What is your name and business address?**

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

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

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

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

7 A. Since July 1982.

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

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

15 **Q. Have you previously testified before this Commission?**

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

17 **Q. Are you familiar with this docket, 17-CONS-3506-CBSO?**

18 A. Yes.

19 **Q. How are you familiar with this docket?**

20 A. I monitor all special proration and spacing orders that govern productive fields in Kansas.

21 **Q. Would you please provide the Commission with some background information**
22 **regarding special proration and spacing orders?**

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

5 **Q. Under what circumstances were the March 14 and September 22, 1994, spacing**
6 **orders in this docket issued?**

7 A. In 1992, Bee-Gee Exploration Company found natural gas in the Mississippian Chert
8 underlying certain tracts in Reno County. A second operator, Deutsch Oil Company, was
9 also developing the play on their own acreage. Bee-Gee Exploration became concerned
10 that application of the Commission's standard spacing rules would result in over-drilling,
11 resulting in economic waste. Thus, Bee-Gee Exploration applied for a spacing order,
12 which was granted in March 1994 and then extended to additional sections by
13 Commission order in September 1994. The orders require 160-acre spacing for the area
14 and formation in question, rather than allowing 10-acre spacing under the Commission's
15 general rules and regulations at K.A.R. 82-3-108, K.A.R. 82-3-207, and K.A.R. 82-3-312.

16 **Q. Is there any current production within the area and formation controlled by the 1994**
17 **spacing orders?**

18 A. Yes. There are five active wells. They are all marginal in terms of daily production rate.

19 **Q. If the 1994 spacing orders are cancelled, will the Commission's general rules and**
20 **regulations at K.A.R. 82-3-108, K.A.R. 82-3-207, and K.A.R. 82-3-312 then control**
21 **this field?**

22 A. Yes.

1 **Q. Would cancellation of the 1994 spacing orders have any other effect on rules**
2 **governing the area and formation in question?**

3 A. No.

4 **Q. Do you believe the 1994 spacing orders remain necessary?**

5 A. No.

6 **Q. Why do you believe the 1994 spacing orders are no longer necessary?**

7 A. They no longer serve any useful purpose. The most recent drilling within the covered area
8 happened almost twenty years ago. Staff has contacted both of the remaining operators in
9 the field about concerns they might have pertinent to the cancellation of the 1994 orders,
10 and they have indicated that they have no objection to such cancellation.

11 **Q. Have there been any protests against the cancellation of the 1994 spacing orders in**
12 **this docket?**

13 A. No.

14 **Q. Would the cancellation of the 1994 spacing orders cause waste or lead to violations**
15 **of correlative rights?**

16 A. No. Further drilling within the covered area is not very likely while natural gas prices
17 remain as low as they have been. Cancellation of the 1994 orders will leave the two
18 remaining operators unaffected. They will continue to deplete the reservoir over time as
19 they produce their wells, leaving little incentive for anybody else to drill new wells.

1 **Q. What is Staff's recommendation?**

2 A. Staff's recommendation is that the March 14 and September 22, 1994 orders be cancelled.

3 **Q. Does this conclude your testimony as of this date, April 26, 2018?**

4 A. Yes.

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CERTIFICATE OF SERVICE

I, Paula Murray, certify that on April 26, 2018, I did cause a true and correct copy of the Pre-Filed Testimony of Jim Hemmen to be served by United States mail, first class, postage prepaid to the following:

Kent A. Deutsch
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And by email to:

Michael J. Duenes, Assistant General Counsel
KCC Topeka Office

/s/ Paula Murray
Paula Murray
Legal Assistant
Kansas Corporation Commission