

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

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

In the matter of the application of D & Z)	Docket No. 17-CONS-3620-CWLE
Exploration, Inc. for a Well Location Exception)	
for SRF #53 upon the Sugar Ridge Farms lease)	CONSERVATION DIVISION
located in Section 29, Township 14 South,)	
<u>Range 22 East, Johnson County, Kansas.</u>)	License No. 34339

ORDER GRANTING APPLICATION

The above captioned matter comes before the State Corporation Commission of the State of Kansas for consideration and determination. Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings:

I. JURISDICTION

1. K.S.A. 74-623 provides that the Commission has the exclusive jurisdiction and authority to regulate oil and gas activities.
2. K.A.R. 82-3-108(a) provides that the setback requirement for oil and gas wells shall be 330 feet from any lease or unit boundary line, except as provided in subsection (b) or (c).
3. K.A.R. 82-3-108(b) provides that an oil well drilled to a total depth of less than 2,000 feet in any of the following counties in eastern Kansas shall be subject to a setback of 165 feet from any lease or unit boundary: Allen, Anderson, Atchison, Bourbon, Brown Cherokee, Coffey, Crawford, Douglas, Elk, Franklin, Greenwood, Jackson, Jefferson, Johnson, Labette, Leavenworth, Linn, Lyon, Miami, Montgomery, Neosho, Osage, Shawnee, Wilson, Woodson, and Wyandotte. Further, wells drilled to a total depth of less than 2,500 feet in Chautauqua County are subject to the 165-foot setback.

4. K.A.R. 82-3-108(c) provides that the Commission may grant an exception to the well setback requirements if necessary either to prevent waste or protect correlative rights.

5. K.A.R. 82-3-207 states that a standard oil well drilling unit shall be 10 acres, except that the standard drilling unit for counties and well depths listed in K.A.R. 82-3-108(b) shall be 2.5 acres.

II. FINDINGS OF FACT

6. D & Z Exploration, Inc., (“Operator”) is currently licensed to conduct oil and gas activities in Kansas under K.S.A. 55-155.

7. On April 24, 2017, Operator filed an application requesting a well location exception and an allowable of eleven barrels of oil per day for its proposed Sugar Ridge Farms #53 (“the subject well”), API #15-091-24464, to be completed into the Bartlesville Formation and to be located 1,980 feet from the south line and 1,320 feet from the east line in Section 29, Township 14 South, Range 22 East, Johnson County.¹

8. On June 5, 2017, Operator verified that notice was properly served and published under K.A.R. 82-3-108(f) and K.A.R. 82-3-135a.

9. On July 11, 2017, Operator filed a technical amendment to its application, substantially similar to its original application except attaching its notice of intent to drill.²

10. Operator seeks a well location exception for the subject well because it is to be located less than the required 165 feet from the nearest unit boundary line.

¹ See Amended Application, Intent to Drill (July 11, 2017).

² The Commission notes that Operator’s application remains technically deficient because the included plat does not show all adjacent properties and wells as required by K.A.R. 82-3-108(e)(3). The Commission elects proceed despite this deficiency for two reasons. First, the requested exception involves a unit boundary line wholly within Operator’s own lease. Since the plat provided already shows all wells located upon Operator’s lease, requiring further amendment to the application would be of limited utility. Second, Operator’s application in KCC Docket 15-CONS-340-CWLE, which involved a similar exception for another well on Operator’s same lease, did provide such a plat, to which the Commission can refer. However, the Commission requests that Operator fully comply with the technical requirements of K.A.R. 82-3-108(e)(3) in all future applications.

11. Specifically, as indicated in Operator's application, the subject well is to be drilled 220 feet from the nearest producing wells in the same formation, in other words 55 feet from the nearest unit boundary lines.³ Operator states that oil wells on its lease need to be drilled on a denser spacing pattern to efficiently produce the oil reserves, citing the nature and characteristics of the producing formation, and the viscosity and API gravity of the oil within the formation.⁴ In KCC Docket 15-CONS-340-CWLE, the Commission approved a similar exception for another well on the same lease. Operator states the well drilled pursuant to Docket 15-CONS-340-CWLE has been an economic success, allowing the recovery of previously unrecoverable resources.⁵

12. Commission Staff recommends that Operator's application should be granted to prevent waste. Staff has identified no correlative rights issues.

III. CONCLUSIONS OF LAW

13. The Commission has jurisdiction over Operator and this matter.

14. The application was filed in accordance with the rules and regulations of the Commission and in accordance with Kansas statutes.

15. Notice was properly served and published. No protest has been received by the Commission.

16. Based on the available facts, the Commission concludes that the application should be granted to prevent waste.

THEREFORE, THE COMMISSION ORDERS:

A. Operator's application under K.A.R. 82-3-108 for a well location exception and the assignment of an allowable of 11 barrels of oil per day for the subject well is granted.

³ See Application (April 24, 2017), ¶3.

⁴ *Id.*, at ¶4.

⁵ *Id.*, at ¶5.

B. This Order is a summary proceeding pursuant to K.S.A. 77-537, which provides in paragraph (b)(4) that summary proceedings are not effective until the time for requesting a hearing has expired. K.S.A. 77-542 provides that a request for hearing shall be filed within 15 days of any agency notice resulting in a right to request a hearing. If service of this Order is by mail, three days are added to the deadline.

C. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). The petition shall be filed within 15 days after service of this Order. If service of this Order is by mail, three days are added to the deadline. The petition shall be addressed to the Commission and sent to 266 N. Main, Suite 220, Wichita, Kansas 67202. Pursuant to K.S.A. 55-606, K.S.A. 66-118b, and K.S.A. 77-529(a), reconsideration is prerequisite for judicial review of this Order. Any party taking an action permitted by this summary proceeding before the deadline for a petition for reconsideration does so at their own risk of further proceedings.

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: **AUG 17 2017**

 
Lynn M. Retz
Secretary to the Commission

Mailed Date: August 17, 2017

JRM

CERTIFICATE OF SERVICE

I certify that on August 17, 2017, I caused a complete and accurate copy of this Order to be served via United States mail, with the postage prepaid and properly addressed to the following:

Nina Flowers
D & Z Exploration, Inc.
900 N. Elm Street
P.O. Box 159
St. Elmo, Illinois 62458

And delivered by email to:

Troy Russell, KCC District #3

/s/ Cynthia K. Maine
Cynthia K. Maine
Administrative Assistant
Kansas Corporation Commission