

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

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Dwight D. Keen

In the Matter of the Application of E&B) Docket No.: 18-CONS-3321-CUNI
Natural Resources Management Corporation)
for an order providing for the unitization and) CONSERVATION DIVISION
unit operation of a part of the Bemis-Shutts)
oil and gas field as the Marshall "A" and) License No.: 34405
Marshall "B" unit in Ellis County, Kansas.)

ORDER GRANTING APPLICATION

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds and concludes as follows:

I. LEGAL STANDARD

1. K.S.A. 55-1301 through K.S.A. 55-1317 provides processes for unitizing acreage. K.S.A. 55-1301 provides that the Commission shall exercise its powers under such statutes to prevent waste and protect correlative rights.

2. K.S.A. 55-1303 provides detailed requirements for a unit application including a statement of the type of operations, the proposed plans for unitization, the proposed operating plan covering supervision and costs, and an allegation of the facts required to be found by the Commission under K.S.A. 55-1304.

3. K.S.A. 55-1304 provides that the Commission must find all three of the following conditions are present before unitizing acreage:

- a. Under K.S.A. 55-1304(a)(1), the primary production from a pool or a part thereof sought to be unitized has reached a low economic level and,

without introduction of artificial energy, abandonment of oil or gas wells is imminent; or under K.S.A. 55-1304(a)(2) the unitized management, operation, and further development of the pool or the part thereof sought to be unitized is economically feasible and reasonably necessary to prevent waste within the reservoir and substantially increase the ultimate recovery of oil or gas;

- b. the value of the estimated additional recovery of oil or gas substantially exceeds the estimated additional cost incident to conducting such operations; and
- c. the proposed operation is fair and equitable to all interest owners.

4. K.S.A. 55-1305 provides that the order providing for unitization and unit operation shall be upon terms and conditions that are just and reasonable and shall prescribe a plan for unit operations which include various details listed in K.S.A. 55-1305(a) through K.S.A. 55-1305(l).

5. K.S.A. 55-1305(l) provides that no order of the Commission providing for unitization pursuant to K.S.A. 55-1304(a)(1) shall become effective unless and until the plan for unit operations prescribed by the Commission has been approved in writing by those persons who, under the Commission's order, will be required to pay at least 63% of the costs of the unit operation, and also by the owners of at least 63% of the production or proceeds thereof that will be credited to royalties, and the Commission has made a finding, either in the Order providing for unit operations or in a supplemental order, that the plan for unit operations has been so approved.

II. FINDINGS OF FACT

6. On February 12, 2018, E&B Natural Resources Management Corporation (Operator) filed an application for unitization under K.S.A. 55-1301 *et seq.*, specifically under K.S.A. 55-1304(a)(2).¹ On May 10, 2018, the Operator filed a supplement to its application, including an affidavit in support, which shall be considered part of the application.

7. The proposed unit contains the stratigraphic equivalent of the Lansing “B”, Lansing “F”, Lansing “G”, Lansing “I”, and Lansing “J” formations, as the same is encountered between 3,354 feet to 3,520, inclusive, below the surface of the Marshall A #32 (API #15-051-26071), it being intended that the covered depths include all the stratigraphic equivalent of the above formations, insofar as said formations underlie the lands and leases to be unitized, specifically the following areas in Ellis County, Kansas:

- a. The southeast quarter of Section 25, Township 11 South, Range 18 West;
- b. The east half of Section 36, Township 11 South, Range 18 West; and
- c. The west half of Section 31, Township 11 South, Range 17 West.²

8. The Operator’s application, including the Unit Agreement and Unit Operating Agreement, complies with K.S.A. 55-1303 by listing what a unitization application must contain.

9. The Operator is applying for unitization under in K.S.A. 55-1304(a)(2). The Operator’s application lists all of the conditions necessary to grant the application under K.S.A. 55-1304 and states that such conditions are present.

¹ Application, ¶ 2.

² *Id.*, ¶ 3. 5.

10. The Operator has obtained approval from those responsible for 100% of the costs of unit operations,³ and more than 84.375% of the royalty interests have approved the plan for unit operations.⁴ This exceeds the statutory requirements.

11. The Operator has verified that notice was properly served and published at least 15 days before the issuance of this Order.

12. The Commission finds that the conditions required by K.S.A. 55-1304 for unitization are present, specifically:

- a. The unitized management, operation and further development of the pool or the part thereof sought to be unitized is economically feasible and reasonably necessary to prevent waste within the reservoir and thereby increase substantially the ultimate recovery of oil or gas;
- b. the value of the estimated additional recovery of oil or gas substantially exceeds the estimated additional cost incident to conducting such operations; and
- c. the proposed unit operation is fair and equitable to all interest owners.

13. The Commission finds that incorporation of the Operator's application, supplement to the application, and all exhibits including the affidavit in support, Unit Agreement, and Unit Operating Agreement, into this Order will satisfy the requirements of K.S.A. 55-1305.

³ *Id.*, ¶4.

⁴ Supplement to Application, Affidavit in Support, ¶13.

III. CONCLUSIONS OF LAW

14. The Commission finds that the Operator's application was filed in accordance with the rules and regulations of the Commission and Kansas statutes and should be granted to prevent waste and protect correlative rights.

THEREFORE, THE COMMISSION ORDERS:

A. The Operator's application to create the Marshall "A" and Marshall "B" Unit pursuant to K.S.A. 55-1301 through 55-1317 is granted.

B. The Unit shall be governed by the terms found in the application and the exhibits, including the Unit Agreement and Unit Operating Agreement, which are hereby incorporated by reference.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁵

D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 07/19/2018



Lynn M. Retz
Secretary to the Commission

Mailed Date: 07/20/2018

JRM/mjd

⁵ K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

CERTIFICATE OF SERVICE

18-CONS-3321-CUNI

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of electronic service on 07/19/2018.

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