

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE)	
APPLICATION OF C12 KANSAS)	DOCKET NO. 15-CONS-009-CUNI
OIL, LLC, FOR AN ORDER FOR)	
THE UNITIZATION AND)	OPERATOR NO. 34912
OPERATION OF THE POST ROCK)	
UNIT IN RUSSELL COUNTY,)	CONSERVATION DIVISION
KANSAS.)	

PROTEST OF
MAI OIL OPERATIONS, INC.

COMES NOW Mai Oil Operations, Inc. (Mai), and enters its protest against the above-captioned Application (the "Application") for statutory unitization of approximately seven square miles of land in Russell County, Kansas, and multiple producing formations thereunder. In support of its protest, Mai states the following:

1. Mai is a Kansas oil and gas exploration and production company that holds Operator's license number 5259 issued by the Commission.
2. Mai owns and operates producing oil and gas properties abutting the proposed unit boundary.
3. Said Mai leases and operations are in Sections 27, 34, 35, and 36, Township 14 South, Range 14 West, Russell County, Kansas. Mai is joined by and brings this Protest on behalf of all working interest owners in the leases Mai operates in these Sections.
4. The Kansas Unitization Act at K.S.A. 55-1304 specifies the findings the Commission must make before a unit application can be granted:

“The commission may make an order providing for the unitization and unit operation of such pool or part thereof sought to be unitized, if, upon application of any working interest owner and after notice and hearing in accordance with the provisions of the Kansas administrative procedure act, the commission finds all of the following conditions exist:

(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 (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 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 operation is fair and equitable to all interest owners.” K.S.A. 55-1304.

The Applicant in this case has sought unitization authority only under subsection (a)(1) above. Applicant also has the burden of meeting the requirements of subsection (b) and (c).

5. Mai disputes the assertions in paragraphs 6 and 7 of the unit Application, and to the contrary, states that:

a. Production in and around the unit area has not reached uneconomic levels.

The area would not only *not* benefit at this time from the proposed enhanced recovery operation, but would likely be irreparably harmed by the proposed operation, causing waste.

- b. Abandonment of the field is not imminent. Mai's production from its leases in the sections listed in Paragraph 3 above, is and has remained steady and profitable over the past several years. One or more 3D seismic surveys has recently been conducted in the area. There continues to be exploration and drilling in and around the proposed unit.
 - c. The resulting production will not justify the projected cost of the unit operation. The monetary cost of the project is excessive for a Kansas enhanced recovery operation, and to that must be added the cost of permanent damage to currently producing properties. Consequently, the Applicant cannot meet its burden to prove that the value of the estimated additional recovery of oil or gas substantially exceeds the estimated additional cost incident to conducting such operations.
- 6. The proposed Unit does not meet the statutory requirements for unit formation. Specifically:
 - a. Applicant has requested unit approval for multiple formations, but only under K.S.A. 55-1304(a)(1), which provides for unitization of qualifying units for enhanced recovery purposes. To form a unit with multiple formations under this authority, there must be "an underground accumulation of oil and gas in one or more natural reservoirs in communication so as to constitute a single pressure system so that production from one part of the pool affects the pressure throughout its

extent.¹” There is no such single pressure system among the formations sought to be unitized in this case.

- b. “Tract 27” of the proposed unit appears to have been sculpted to specifically exclude Mai’s operations in Section 27, Township 14 South, Range 14 West. That one tract is carved up in detail, as opposed to the other tracts, which follow straight section and quarter-section lines. Production from the formation under Mai’s leases is in communication with the formation under “Tract 27” (as well as the other tracts along the south boundary of the proposed unit), which makes it apparent that the unit boundary was sculpted not based on geology, but to prevent Mai’s non-consenting interest from disqualifying the unit from approval under K.S.A. 55-1305(l). With Mai’s leases in the unit, the Applicant would not have the statutorily-required 63% consent from cost-bearing interest holders, that the statute requires.

The entire proposed Unit and the reasons for its formation are suspect.

7. Because the unit operations will impact the pool and formation from which Mai produces, Mai’s correlative rights, and the rights of the associated working interest and mineral owners, will be substantially and irreparably harmed if the

¹See the unitization act’s definition of “pool”, K.S.A. 55-1302(b):

“(b) “Pool” means an underground accumulation of oil and gas in one or more natural reservoirs in communication so as to constitute a single pressure system so that production from one part of the pool affects the pressure throughout its extent.”

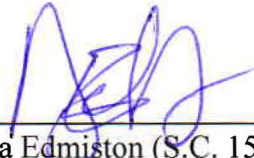
Application is granted and the described Unit formed. The proposed unit is not fair and equitable to all affected interest holders.

8. The proposed Unit operations will cause waste within the unitized formations, in violation of K.S.A. 55-601.
9. Granting the Application would unduly violate Mai's property rights, in violation of the Kansas and United States Constitutions.
10. Accordingly, the above-captioned unit Application must be denied.

BASED ON THE FOREGOING, Mai Oil Operations, Inc., requests that the Commission summarily dismiss the above-captioned Application of C12 Kansas, LLC, and if not dismissed, that this matter be set for evidentiary hearing before the Commission, and for such other and further relief as the Commission may deem just and proper.

Respectfully submitted,

GLAVES, IRBY AND RHOADS

By: 
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VERIFICATION

STATE OF KANSAS)
) SS:
COUNTY OF SEDGWICK)

Diana Edmiston, of lawful age and being first duly sworn upon his oath, deposes and states:

That she is the Attorney for the Protestant in the above-captioned action; that she has read the above and foregoing Protest, knows and understands the contents thereof, and states that the statements and allegations therein contained are true and correct according to her knowledge, information, and belief.

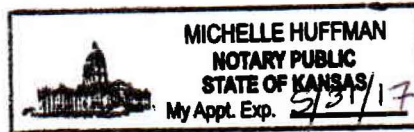


Diana Edmiston

SUBSCRIBED AND SWORN TO before me, the undersigned authority, this 25th day of July, 2014.

My commission expires:

5/31/17



Name Michelle Huffman
Notary Public

CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this **25th** day of **July, 2014**, she caused the above and foregoing **Protest** to be filed with the Kansas Corporation Commission, Conservation Division, in accordance with the Commission's e-filing rules, and that she caused a true and correct copy of the same to be served via US Mail, postage prepaid, to the following persons at the addresses shown:

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Diana Edmiston