#### KOLAR Document ID: 1640145

For KCC Use:

Effective Date
District #

DISTRICT #		
SGA?	Yes	No

Form

### KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form C-1 March 2010 Form must be Typed Form must be Signed All blanks must be Filled

# NOTICE OF INTENT TO DRILL

Must be approved by KCC five (5) days prior to commencing well

KSONA-1, Certification of Com	oliance with	the Kansas	Surface (	Owner Notification Act,	MUST be submitted with this form.

Expected Spud Date:	Spot Description:
month     day     year       OPERATOR:     License#	
Address 1:	Is SECTION: Regular Irregular?
Address 2:	(Note: Locate well on the Section Plat on reverse side) County: Lease Name: Well #:
Phone:	Field Name:
CONTRACTOR: License# Name:	Is this a Prorated / Spaced Field? Yes No Target Formation(s):
Well Drilled For:       Well Class:       Type Equipment:         Oil       Enh Rec       Infield       Mud Rotary         Gas       Storage       Pool Ext.       Air Rotary         Disposal       Wildcat       Cable         Seismic ;       # of Holes       Other         Other:	Nearest Lease or unit boundary line (in footage):
Directional, Deviated or Horizontal wellbore?	Well Farm Pond Other:
If Yes, true vertical depth:	DWR Permit #:
Bottom Hole Location:	( <b>Note:</b> Apply for Permit with DWR)
KCC DKT #:	Will Cores be taken?   Yes   No
	If Yes, proposed zone:

#### AFFIDAVIT

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.

It is agreed that the following minimum requirements will be met:

- 1. Notify the appropriate district office *prior* to spudding of well;
- 2. A copy of the approved notice of intent to drill shall be posted on each drilling rig;
- 3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe **shall be set** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
- 4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary prior to plugging;
- 5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
- 6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within 120 DAYS of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. In all cases, NOTIFY district office prior to any cementing.

## Submitted Electronically

For KCC Use ONLY	
API # 15	
Conductor pipe required	feet
Minimum surface pipe required	_ feet per ALT.
Approved by:	
This authorization expires:	
Spud date: Agent:	

#### Remember to:

- File Certification of Compliance with the Kansas Surface Owner Notification Act (KSONA-1) with Intent to Drill;
- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If well will not be drilled or permit has expired (See: authorized expiration date) please check the box below and return to the address below.

ш

\_ Well will not be drilled or Permit Expired Date: \_ Signature of Operator or Agent: For KCC Use ONLY

API # 15 -\_\_\_

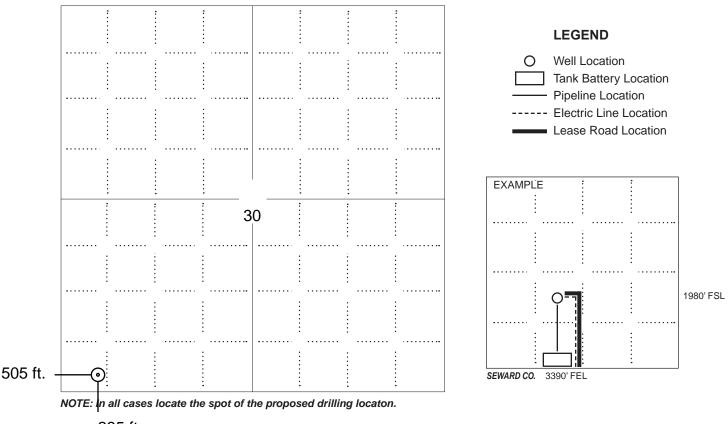
#### IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW

In all cases, please fully complete this side of the form. Include items 1 through 5 at the bottom of this page.

Operator:	Location of Well: County:
Lease:	feet from N / S Line of Section
Well Number:	feet from E / W Line of Section
Field:	Sec Twp S. R E 📃 W
Number of Acres attributable to well:	Is Section: Regular or Irregular
	If Section is Irregular, locate well from nearest corner boundary.
	Section corner used: NE NW SE SW

PLAT

Show location of the well. Show footage to the nearest lease or unit boundary line. Show the predicted locations of lease roads, tank batteries, pipelines and electrical lines, as required by the Kansas Surface Owner Notice Act (House Bill 2032). You may attach a separate plat if desired.



# 235 ft.

#### In plotting the proposed location of the well, you must show:

- 1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
- 2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
- 3. The distance to the nearest lease or unit boundary line (in footage).
- 4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).
- 5. The predicted locations of lease roads, tank batteries, pipelines, and electrical lines.

Side Two

#### KOLAR Document ID: 1640145

# KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

Form CDP-1 May 2010 Form must be Typed

# **APPLICATION FOR SURFACE PIT**

Submit in Duplicate			
Operator Name:	Operator Name:		License Number:
Operator Address:			
Contact Person:		Phone Number:	
Lease Name & Well No.:			Pit Location (QQQQ):
Type of Pit:	Pit is:		·•••
Emergency Pit Burn Pit	Proposed Existing		SecTwpR East West
Settling Pit Drilling Pit	If Existing, date constructed:		Feet from North / South Line of Section
Workover Pit Haul-Off Pit (If WP Supply API No. or Year Drilled)	Pit capacity:		Feet from East / West Line of Section
		(bbls)	County
Is the pit located in a Sensitive Ground Water A	vrea? Yes	No	Chloride concentration: mg/l (For Emergency Pits and Settling Pits only)
Is the bottom below ground level?	Artificial Liner?		How is the pit lined if a plastic liner is not used?
	Yes 1	No	
Pit dimensions (all but working pits):			Width (feet)N/A: Steel Pits
Depth fro	om ground level to dee	epest point:	(feet) No Pit
material, thickness and installation procedure.			
Distance to nearest water well within one-mile of pit: Depth to shallo Source of infor		west fresh water feet. nation:	
feet Depth of water well	feet	measured	well owner electric log KDWR
Emergency, Settling and Burn Pits ONLY: Drilling, Work		Drilling, Worko	ver and Haul-Off Pits ONLY:
Producing Formation:		Type of materia	l utilized in drilling/workover:
Number of producing wells on lease:		Number of wor	king pits to be utilized:
Barrels of fluid produced daily: Abandonment		Abandonment	procedure:
Does the slope from the tank battery allow all spilled fluids to         flow into the pit?       Yes       No		e closed within 365 days of spud date.	
Submitted Electronically			
KCC OFFICE USE ONLY         Liner       Steel Pit       RFAC			
Date Received: Permit Num	ber:	Permi	t Date: Lease Inspection: Yes No

# KOLAR Document ID: 1640145

# KANSAS CORPORATION COMMISSION OIL & GAS CONSERVATION DIVISION

# CERTIFICATION OF COMPLIANCE WITH THE KANSAS SURFACE OWNER NOTIFICATION ACT

Form KSONA-
July 202
Form Must Be Typed
Form must be Signed
All blanks must be Filled

This form must be submitted with all Forms C-1 (Notice of Intent to Drill); CB-1 (Cathodic Protection Borehole Intent); T-1 (Request for Change of Operator Transfer of Injection or Surface Pit Permit); and CP-1 (Well Plugging Application). Any such form submitted without an accompanying Form KSONA-1 will be returned.

Select the corresponding form being filed: C-1 (Intent) CB-1 (Cathodic Protection Borehole Intent) T-1 (Transfer) CP-1 (Plugging Application)

OPERATOR: License #	Well Location:		
Name:			
Address 1:	County:		
Address 2:	Lease Name: Well #:		
City: State: Zip:+	If filing a Form T-1 for multiple wells on a lease, enter the legal description of		
Contact Person:	the lease below:		
Phone: ( ) Fax: ( )			
Email Address:			
Surface Owner Information:			
Name:	When filing a Form T-1 involving multiple surface owners, attach an additional		
Address 1:			
Address 2:			
City: State: Zip:+			

If this form is being submitted with a Form C-1 (Intent) or CB-1 (Cathodic Protection Borehole Intent), you must supply the surface owners and the KCC with a plat showing the predicted locations of lease roads, tank batteries, pipelines, and electrical lines. The locations shown on the plat are preliminary non-binding estimates. The locations may be entered on the Form C-1 plat, Form CB-1 plat, or a separate plat may be submitted.

#### Select one of the following:

□ I certify that, pursuant to the Kansas Surface Owner Notice Act (see Chapter 55 of the Kansas Statutes Annotated), I have provided the following to the surface owner(s) of the land upon which the subject well is or will be located: 1) a copy of the Form C-1, Form CB-1, Form T-1, or Form CP-1 that I am filing in connection with this form; 2) if the form being filed is a Form C-1 or Form CB-1, the plat(s) required by this form; and 3) my operator name, address, phone number, fax, and email address.

□ I have not provided this information to the surface owner(s). I acknowledge that, because I have not provided this information, the KCC will be required to send this information to the surface owner(s). To mitigate the additional cost of the KCC performing this task, I acknowledge that I must provide the name and address of the surface owner by filling out the top section of this form and that I am being charged a \$30.00 handling fee, payable to the KCC, which is enclosed with this form.

If choosing the second option, submit payment of the \$30.00 handling fee with this form. If the fee is not received with this form, the KSONA-1 form and the associated Form C-1, Form CB-1, Form T-1, or Form CP-1 will be returned.

#### Submitted Electronically

2015.01.15 16:29:58 Kansas Corporation Commission /S/ Newsa Thomas

### THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

Before Commissioners:

Shari Feist Albrecht, Chair Jay Scott Emler Pat Apple

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In the matter of the application of Linn Operating, Inc. for an order providing for the unitization and unit operation of a part of the Hugoton and Panoma Council Grove Gas Fields in the Alternate Tract Unit described as Section 30-30S-38W (SW/4), Section 31-30S-38W (NW/4) in Grant County, Kansas, Section 25-30S-39W (SE/4), Section 36-30S-39W (NE/4) in Stanton County, Kansas (ATU 114) Docket No. 15-CONS-307-CUNI

CONSERVATION DIVISION

License No. 33999

# **ORDER GRANTING APPLICATION**

The Commission grants the application of Linn Operating, Inc. ("the Operator"), creating this Alternate Tract Unit ("ATU") for the following reasons:

# I. JURISDICTION

1. Commission records indicate the Operator is currently licensed to conduct oil and

gas activities in Kansas under K.S.A. 55-155.

2. The Operator filed an application on October 10, 2014, requesting unitization of

an ATU pursuant to the Basic Integrated Proration Order for the Hugoton Gas Field and the

Panoma Council Grove Gas Field, Dockets C-164 and 60,024-C (C-7,058) (the "BIPO"), and

pursuant to the Kansas unitization statutes found in K.S.A. 55-1301 through K.S.A. 55-1317.

3. The Commission thus has jurisdiction over the Operator and this matter.

# II. LEGAL STANDARD

4. Paragraph I.1 of the BIPO provides that it shall be lawful for diverse owners of land or minerals, including the Operator or owner of a well, to create production units incorporating the diverse holdings and apportion the production by agreement. 5. The BIPO, Paragraph I.2, authorizes the creation of ATU's, referencing the unitization proceedings under K.S.A. 55-1301 et seq. ATU's shall consist of approximately 640 acres consisting of either: (a) two half-sections in two governmental sections or production units directly adjacent and contiguous, forming a "stand-up" north-south oriented rectangle or a "lay-down" east-west oriented rectangle; or (b) four quarter-sections in four governmental sections or production units directly adjacent and contiguous, forming an approximate square. The non-contiguous unit-exception provisions of Paragraph G of the BIPO shall not apply to ATU's.

6. The BIPO, Paragraph I.2, further provides that ATU wells shall be located as near to the geographic center of the ATU as practicable, but in no case less than 1,250 feet from any ATU boundary. ATU wells shall not be drilled outside of these designated tolerances, and the location-exception provisions of Paragraph H of the BIPO shall not apply to ATU wells.

7. The BIPO, Paragraph I.2, further provides that not more than one ATU well may be drilled on each ATU, and the increased density provisions of Paragraph F of the BIPO shall not apply to ATU's. Acreage attributed to one ATU cannot be included in another ATU.

8. The BIPO, Paragraph I.3, provides that Chase Group and Council Grove Group production may be commingled in an ATU well.

9. The BIPO, Paragraph I.4, provides that all ATU's, in vertical alignment for the drilling and completion of both the Chase Group and the Council Grove Group, shall be comprised of equal acreage situated on the same geographic position. Such vertically aligned units that differ in either acreage size or geographic position, or both, shall be permitted only by an Order of the Commission obtained after notice and hearing.

10. The BIPO, Paragraph I.5, provides that before drilling an ATU well, the unit Operator shall file with the Conservation Division an affidavit describing the acreage comprising the ATU, and a plat showing the acreage comprising the ATU and each Chase and Council Grove well

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within the ATU which is producing or has produced. The Commission Staff shall have 30 days to object that the drilling of an ATU well fails to prevent waste, and upon such objection, shall set the matter for hearing and provide notice in accordance with K.A.R. 82-3-135a. If no objection is filed within 30 days, the ATU and the drilling of the well are automatically approved.

11. K.S.A. 55-1301 through K.S.A. 55-1317 provide processes for unitizing acreage in Kansas. K.S.A. 55-1301 provides that the Commission shall exercise such powers to prevent waste and protect correlative rights.

12. 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 in K.S.A. 55-1304.

13. 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.

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14. K.S.A. 55-1305 provides that the order creating the unit shall be upon terms and conditions that are just and reasonable, and it lists detailed requirements that must be included in the order. In addition, K.S.A. 55-1305(l) provides that, for unitization pursuant to K.S.A. 55-1304(a)(2), the plan for unit operations must be approved by the persons who will pay at least 63% of the costs of the unit operation and the owners of at least 75% of the royalty interests. If the required percentages are not obtained at the time the order is issued, the required percentages must be obtained within six months after the order is issued.

#### **III. FINDINGS OF FACT**

15. The proposed ATU description in the application, including the SE/4 of Section 25 and the NE/4 of Section 36, Township 30 South, Range 39 West, both in Stanton County; the SW/4 of Section 30 and the NW/4 of Section 31, Township 30 South, Range 38 West, both in Grant County, will comprise approximately 640 acres and will form an approximate square, conforming with the ATU size and shape requirements. The proposed location of the well also complies with the BIPO setback requirements.

16. The application states that the ATU and well are needed for the effective management, development, and production in the area covered by the BIPO to substantially increase and maximize ultimate gas recovery.

17. The application states that the value of the estimated additional recovery of the hydrocarbons from these formations substantially exceeds the estimated additional cost incident to conducting such operations. It further states the proposed operations outlined in the unit agreement and unit operating agreement are fair and equitable to all interest owners.

18. The application includes the unit agreement and unit operating agreement.

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19. The Operator is applying for unitization under in K.S.A. 55-1304(a)(2); thus the required percentages are 63% of the working interest and 75% of the royalty interest. The application states that 100% of the working interest is owned by the Operator, and Exhibit B-1 to the Unit Agreement indicates greater than 84% of the royalty interest has consented to the formation of the ATU. This exceeds the statutory requirements for unitization.

20. The Operator has verified that notice was properly served and published at least15 days before the issuance of this Order. No protests to the grant of the application were filed.

21. 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 substantially increase the ultimate recovery of oil or gas;
- 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.

22. Incorporation of the application and exhibits, including the Unit Agreement and the Unit Operating Agreement, into this Order will satisfy the requirements of K.S.A. 55-1305.

#### **IV. CONCLUSIONS OF LAW**

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

24. The application should be granted to prevent waste and protect correlative rights.

#### THEREFORE, THE COMMISSION ORDERS:

A. The application to form an ATU pursuant to the BIPO and K.S.A. 55-1301 through 55-1317 is granted.

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

C. <u>Pursuant to K.S.A. 77-537 and K.S.A. 77-542, any party may request a</u> <u>hearing on the above issues by submitting a written request, setting forth the specific</u> <u>grounds upon which relief is sought, to the Commission, at 266 N. Main, Suite 220,</u> <u>Wichita, Kansas 67202, within 15 days from the date of service of this Order</u>. If service is by mail, three days will be added to the Mailed Date listed at the end of this Order. Hearings will be scheduled only upon written request. <u>Failure to timely request a hearing will result in a</u> <u>waiver of the right to a hearing, and this Order will become a Final Order</u>.

D. Attorneys for all parties shall enter their appearances in Commission proceedings by giving their names and addresses for the record. A corporation or similar entity shall not be permitted to enter an appearance except by its attorney.

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

#### BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Date: JAN 1 5 2015

Jerra homos

Date Mailed: 1/16/2015

JM

I CERTIFY THE ORIGINAL COPY IS ON FILE WITH The State Corporation Commission

AN 15 2015

Neysa Thomas Acting Secretary

### **CERTIFICATE OF SERVICE**

I hereby certify that on  $\frac{1/16/2015}{1000}$ , I caused a true and correct copy of the foregoing "Order" to be served by placing the same in the United States mail, postage prepaid, to the following parties:

Stanford J. Smith Jr. Martin, Pringle, Oliver, Wallace, & Bauer, L.L.P. 100 N. Broadway, Ste 500 Wichita, KS 67202 *Attorney for Linn Operating, Inc.* 

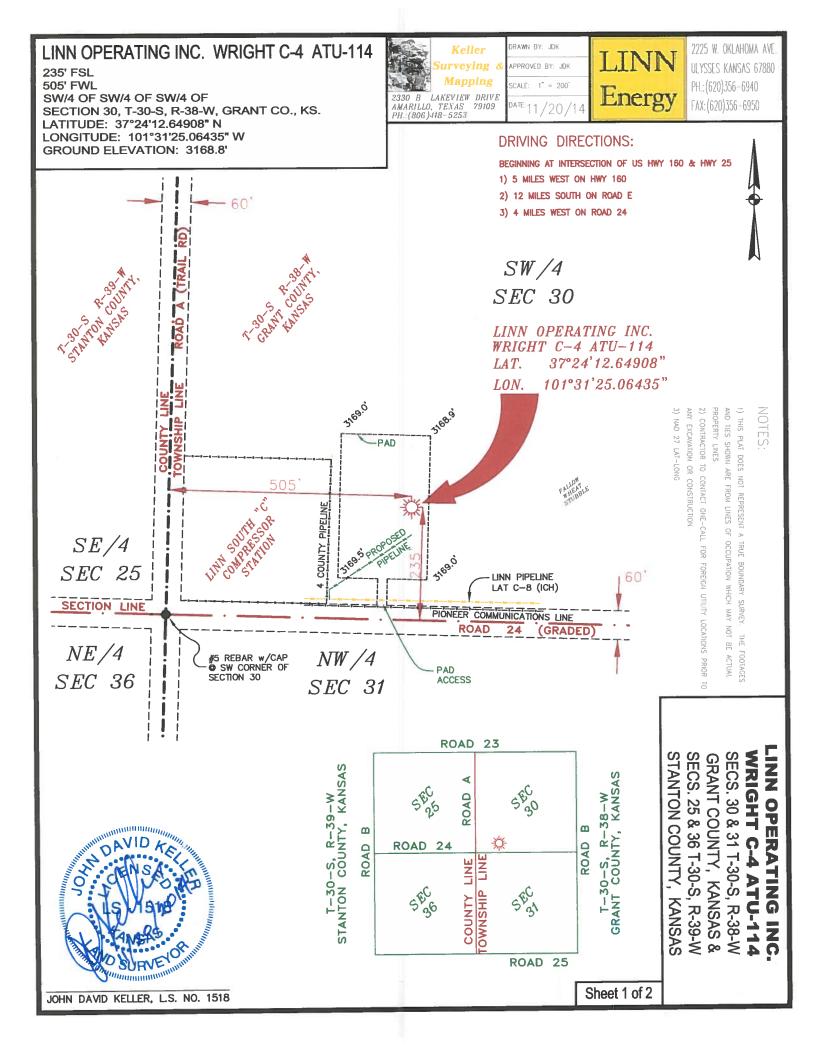
KCC District #1 210 E Frontview Suite A Dodge City, Kansas 67801

and hand delivered to the following:

Jim Hemmen KCC Central Office

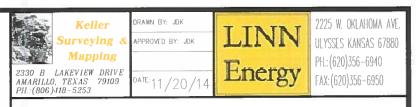
John McCannon

Litigation Counsel Kansas Corporation Commission



# LINN OPERATING INC. WRIGHT C-4 ATU-114

235' FSL. 505' FWL SW/4 OF SW/4 OF SW/4 OF SECTION 30, T-30-S, R-38-W, GRANT CO., KS. LATITUDE: 37°24'12.64908" N LONGITUDE: 101°31'25.06435" W GROUND ELEVATION: 3168.8'

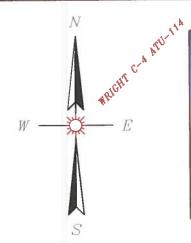


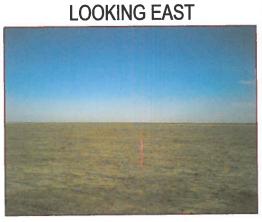
# LOOKING NORTH

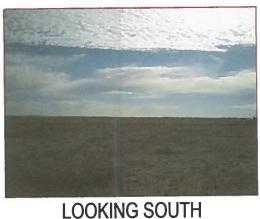


# LOOKING WEST









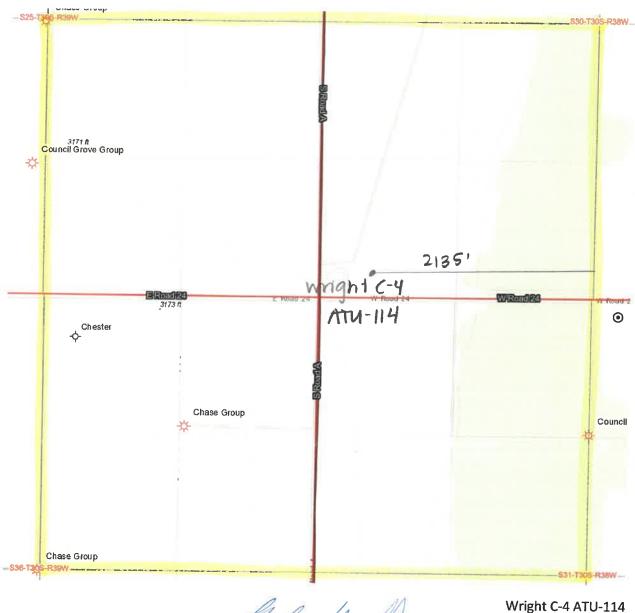
LINN OPERATING INC. WRIGHT C-4 ATU-114

Sheet 2 of 2

# PLAT & CERTIFICATION OF ACREAGE ATTRIBUTABLE TO A GAS WELL

API Number:	Location of well: County Grant
Operator: Scout Energy Management LLC	235feet from V South / North line of section
Lease: Wright	505 feet from East / West line of section
Well Number: C-4 ATU-114	30 Sec. 30 Twp. 38 R East ✔ West
Field: Hugoton-Panoma	is section: V Regular I Irregular
Number of acres contained in unit: <u>640</u>	If section is Irregular, locate well from the nearest corner boundry:
Q/Q/Q/Q of Acreage: SE _ SW _ SW _ SW	Section corner used: NE NW SE SW
(Show the location of the well and shade attributable acreage for prorated or sp and show footage to the nearest common source supply well.)	paced wells.) (Show the footage to the nearest lease or unit boundary line;
2135' wright 2-4 ATU-114	EXAMPLE 1980 10 10 1980 3390' 
	SEWARD CO.
The undersigned hereby certifies as Senior Regulatory Analyst Scout Energy Management LLC is true and correct to the best of my knowledge and belief, that all acreage claime	
well and does hereby make application for an allowable to be assigned to the well	Il upon filing of this form and the State test, whichever is received last.
Signature	

Mail to: KCC - Conservation Division, 266 N Main St, Ste 220, Wichita, KS 67202-1513



Puelis Hamil

THALIA HARNETT My Notary ID # 132166298 Expires September 10, 2023 Wright C-4 ATU-114 640 acres attributed to well 2135' to nearest unit boundary line 2320' to nearest Chase well 2520' to nearest Council Grove well