



15-023-20088-00-01

Kansas Corporation Commission

Bill Graves, Governor Timothy E. McKee, Chair Susan M. Seltsam, Commissioner John Wine, Commissioner
Judith McConnell, Executive Director David J. Heinemann, General Counsel

August 1, 1997

Scott Steinke
Samedan Oil Corporation
1050 Seventeenth Street Suite 1100
Denver, CO. 80265

RE: Future Testing Of
Lampe #1-33 Gas Well;
Section 33-3S-41W,
Cheyenne County, Kansas.

Dear Mr. Steinke:

The recent open flow test report filed by you on behalf of the Lampe gas well looks fine and all of the calculations look to be correct.

The bottom line of this endeavor is that the current wellhead open flow of the Lampe #1-33 is above the KCC's testing threshold value of 65 Mcf/Day which means that Samedan is going to have to repeat the one-point open flow test in 1998.

As I tried to explain on the telephone, the other day, the purpose of testing gas wells in Kansas is to establish a sound parameter (namely, wellhead open flow potential) that is independent of prevailing pipeline pressures (which vary considerably from one gas-gatherer to the next) upon which gas production allowables can and will be predicated.

As it turns out, because the open flow potential of your Lampe well is significantly below 260 Mcf/Day, the allowable won't be limited by the results of the most recent one-point open flow test. It (the well) will be permitted to produce at whatever rate Samedan feels is prudent.

However, the well will need to be scheduled for open flow testing at about the same time next year as it was tested in 1997. No open flow test in any subsequent year translates into no allowable and any continued sales of natural gas from the untested gas well constitutes unlawful and prohibited production.

In closing, the KCC is currently in the process of promulgating new statewide rules and regulations pertaining to operation of gas-gathering systems and, more specifically, the transportation tariffs and open access policies of gathering systems which are held out "for hire" by the owners.

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Our definition of a gathering line is any relatively small diameter line that is utilized to move natural gas from an oil well or a gas well to some point off of the lease on which the producing well is situated for subsequent transfer of custody or for consumption.

This definition is and must be applied to any natural gas pipeline, whether the subject line was installed by a gas producer (the same one as the operator of the well) or by a gas-gathering company that realizes its livelihood strictly from that service.

If our definition of a gas-gathering line fits the line picking up gas from the Lampe well and said pipeline is currently owned and operated by Samedan, then Samedan Oil Corporation is viewed by the KCC as a gas-gatherer who is and will be subject to these new regulations.

Please contact me as soon as possible to learn the consequences of being under these new regulations in terms of required paperwork and/or fees and sundry financial charges.

My phone number is (316) 337-6224.

I trust that Samedan is insuring that the amount of Mineral Severance Tax due (if any) is being remitted on a monthly basis to the State of Kansas.

Thank you for your cooperation and diligence in getting the Lampe #1-33 well tested.

Sincerely,



Jim Hemmen
Research Analyst

cc: Herb Deines
District 4 Supervisor
Hays, KS.

jlp