

MAY 30 2017

LEGAL SECTION

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

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

|   |   |                              |
|---|---|------------------------------|
| In the Matter of the Failure of MEM Partnership | ) | Docket No. 17-CONS-3398-CPEN |
| LP, a General Partnership (Operator) to Comply  | ) |                              |
| with K.A.R. 82-3-111 at the Cooley #1 in Graham | ) | CONSERVATION DIVISION        |
| County, Kansas.                                 | ) |                              |
| _____   | ) | License No. 3809             |

PRE-FILED TESTIMONY

OF

WILLIAM STORY

**Please notify William Story if an error appears in this testimony or this mailing.**

**Certified:** that this document was sent by email to Kansas Corporation Commission on May 25, 2017 and a copy was mailed to the commission on this same date. Mailed to the Commission at 266 N. Main, Suite 220, Wichita, Kansas 67202.

1. Q. What is your name and business address?
2. A. William Story, PO Box 130832, Spring Texas 77393.
3. Q. What is your business capacity?
4. A. I am the owner of MEM Partnership, LP
5. Q. How long have you been with MEM?
6. A. Since about 1990.
7. Q. MEM is a partnership, why are you the owner?
8. A. Because my partner died years ago.
9. Q. What is your capacity at MEM?
10. A. I run the business.
11. Q. Have you previously testified before this Commission?
12. A. Yes.
13. Q. Are you familiar with this KCC Docket 17-CONS-3398-CPEN?
14. A. Yes.
15. Q. How are you familiar with this docket?
16. A. Because I replied in written form to all of the questions, answers and major facts of this particular case Docket.
17. Q. Are you an attorney?
18. A. No
19. Q. When did MEM begin the operations of the East Cooley Lease in Graham County, Kansas?
20. A. To the best of my knowledge in 1989.
21. Q. You say to the best of your knowledge, why not an exact date?
22. A. Because from storage these numerous files are almost 30 years old.
23. Q. Are the files complete?
24. A. I cannot testify to the completeness one-way or the other.
25. Q. What was MEM operational function on the above East Cooley Lease?
26. A. MEM was contracted to operate 2 wells on the Cooley Lease the oil producing Cooley #1 and the Cooley #2 SWD, but not the subject of this Docket called the Cooley SWD.
27. Q. Was MEM paid to operate any other wells on the lease, specifically the Docket Cooley SWD that is the subject of this case Docket.
28. A. No, only the producing Cooley #1 and the Cooley #2 SWD.

29. Q. When MEM began the operation of the Cooley Lease, what did you find?
30. A. To the best of my knowledge after 25 or 30 years, the Cooley #1 was down for repairs and MEM had permission from the owner to fix the producing well.
31. Q. What about this subject Cooley Salt Water Disposal (SWD) later called the Cooley #1 SWD by the KCC staff (not the oil producing well...right)?
32. A. Yes, right and we tested this Docket Cooley SWD and discovered that the SWD was a shallow Cedar Hill zone well and would not dispose of the volume of water being generated by the Cooley #1.
33. Q. How did the previous operator of the Cooley Lease dispose of the salt water on the lease?
34. A. To the best of MEM's knowledge, the previous operator had a knock-out and water line stationed on the West side of the Cooley #1, along with a relay, because of the incline, and disposing water into the adjacent West Cooley #3 SWD.
35. Q. Did MEM ever use the Cooley SWD, the subject of this Docket.
36. A. To the best of my knowledge...NO.
37. Q. Was the subject Cooley SWD tested with an KCC MIT inspection?
38. A. Yes. In 1990 and 1995 both of which "Passed" the MIT inspection.
39. Q. How could the SWD pass the MIT when MEM could not use the well?
39. A. I have no ideal, but maybe the well could be pressured-up and process a small amount of water, but not a large volume.
40. Q. What happened to MEM operations thereafter?
41. A. The oil producing well Cooley #1 went down with a tubing leak and maybe other problems, sometime in the late 1990's. The owner of the lease did not want to fix the well at that time due to the low oil prices.
42. Q. What happen after that?
43. A. Some time in the early year 2000's, MEM received a call from a local residence in Bogue, Kansas, and said that the Trustee of the land has leased the Cooley Lease to another person or company.
44. Q. What did MEM do with that information?
44. A. MEM did not want to lose the Cooley Lease with all of our equipment in place. So we traveled to Hill City and met with one of the Cooley landowners and entered into a new one-year lease.
45. Q. Were you able to repair the Cooley #1 and start production?
46. A. No, as MEM was making arrangement with an oil service company for repairs, one of the pumpers in the area called and said, "did you know that some company is drilling a well on the East Cooley Lease!"
47. Q. What happened after that?

48. A. MEM contacted the Trustee on the Cooley Lease and the Trustee was surprised that MEM had a one-year lease from another one of the owner of the land.
49. Q. What happened after that?
50. A. MEM filed the one-year lease with the County Recorder in Graham County. But since the lease owner did not want to be involved to some type of long and expensive legal proceeding, MEM did not go any further.
51. Q. What did MEM do after that?
52. A. MEM did not want to be responsible for the operation of some company drilling on the lease, so MEM filed a KCC Form T1 and indicated "Unknown" in the space for the "New Operator" and mailed the form to the KCC. Later MEM learned that the KCC did not record the Form T1, because it was incomplete.
53. Q. What happened after that?
54. A. After that, MEM discovered that Blake Exploration, LLC had entered into a new lease with the Trustee for the entire 160 acres Cooley Lease and was the new owner and/or operator. MEM filed a new KCC Form T1, and for some reason Blake would not sign the Form T1. But that Form T1 was sent to the KCC office in Wichita.
55. Q. Why did MEM not force Blake to sign the KCC Form T1?
56. A. MEM had no leverage or power over Blake Exploration to force a signature. The Cooley Lease was a pure take-over, seizure, confiscation, stolen, or whatever you want to call it, with no notification whatsoever to MEM or the owner of the Cooley Lease.
57. Q. Do you have proof to back-up your testimony with copies of the Blake Exploration lease that was filed with Graham County and copies of the Form T1's forms that was mailed to the KCC office in Wichita.
58. A. Yes, we have copies of all forms.
59. Q. To clarify a previous question, you indicated to the best of your knowledge that MEM did not operate or use the subject Cooley SWD. However you stated in one of the forms to the Commission that MEM was not the first operator of the Cooley SWD or the last operator and not the operator to try and fix this subject Cooley SWD after a "Failed" MIT.
60. A. At the offset, MEM did not delve into the almost 30 year old files or did not even know if they could be found, so it was a misspoken statement without our full knowledge.
61. Q. That brings up another question, what other company had done or did any operational or repair activity on this Docket case subject Cooley SWD?

62. A. MEM has a copy of a KCC MIT inspection in the early 2000's, which "Failed," showing Blake Exploration, LLC as the operator of the Cooley SWD. And MEM understands that Blake had a local oil service company on the lease in an attempt to fix the SWD after the MIT failure.
63. Q. Was this subject Docket Cooley SWD as shown above, an authorized SWD approved by the Commission?
64. A. Not to my knowledge, the Commission did not approve that particular well as a SWD. There was an unknown and unused Cooley #2 SWD on the Cooley Lease at a totally different location.
65. Q. When did you first learn that the KCC staff records still showed MEM as the operator of the unauthorized Cooley SWD?
66. A. About 4 years latter, MEM received a notice from KCC staff regarding the subject Cooley SWD and MEM sent a "Certified Mail" letter to the KCC indicating this Cooley SWD is the property of Blake Exploration, LLC.
67. Q. Did the KCC acknowledged your "Certified Letter" and after that when was MEM notified about this operatorship of the subject Cooley SWD.
67. A. KCC did not acknowledge the "Certified Letter" and MEM received a letter from the KCC Legal Department in about the year 2012 or 2013.
68. Q. It appears from your statement that the KCC was not concerned about the Stature of Limitations in their attempt to resolve this problem?
68. A. MEM cannot answer legal questions.
68. Q. Was it a burden or easy to find documents in the old MEM files?
68. A. There are thousands of items in these files from storage. And MEM has spent 100's of hours combing through as many as possible.
69. Q. What have you found in your old file search that may be important to this investigation and what else may be needed?
70. A. Hopefully the KCC staff will inform MEM as to what additional information is needed to prove our case and revolve this problem.
71. Q. What about well inventory certification detail type of communications?
72. A. KCC staff began to assign all wells to a particular company around the year 2012, and numerous KCC inventory reports were mailed out. Some of these reports had MEM as the operator of the subject Cooley SWD and some did not. But every document that had MEM as the operator was corrected and sent back to the KCC office.
73. Q. Could there be mistakes in some of these Certification Reports that were hard to recognize and then approved in error by someone not even authorized to sign inventory reports?

74. A. Absolutely, there are three (3) wells named Cooley #1 within about one-half mile of one-another on a Cooley Lease and common errors could and did occur with major consequences that could cost thousands of dollars to some companies. KCC respectfully must require these forms to be notarized with an authorized signature and not appearing to be just another unimportant mailing.
74. Q. Why has MEM approved certain Certification Reports on this new KOLAR reporting systems?
75. A. Because MEM was forced to do so by the KCC staff in order to keep our 28 year old Kansas Operators License current for the company's survival.
76. Q. How does that make you feel having to approve something under duress?
77. A. Having to approve a document that is not true is gut wrenching.
78. Q. Has MEM follows the activity on the subject Cooley Lease.
79. A. No
80. Q. Why do you think the KCC staff has pursued MEM as the operator on the Cooley Lease when there are other operators on this very active lease that has been producing oil continually, since the year 2005?
81. A. I have no earthly idea.
82. Q. You mentioned the possible of not surviving this major downturn in oil prices, how many leases in Kansas does MEM operate?
83. A. Only three (3) small leases remaining and MEM does not have the resources to plug a well that it does not own or operate.
84. Q. Can MEM provides copies of all of the items listed in this testimony if requested by the KCC staff.
85. A. Absolutely, willing and able.
86. Q. Does this conclude your testimony as of this date May 25, 2017 and were the above questions answered to the best of your knowledge and memory from many years ago?
87. A. Yes.