

**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 summary denial of)	Docket No.: 17-CONS-3701-CMSC
the application of AX&P, Inc. ("Operator"))	
for renewal of oil and gas well operator's)	CONSERVATION DIVISION
license.)	
<hr/>		License No.: 3830

PRE-FILED TESTIMONY
OF JURGEN J. HANKE, PH.D.

1 **Q. Please state your name, address and telephone number for the commission?**

2 A. Jurgen J. Hanke, 20147 200 Rd., Neodesha, KS 66757, 620-920-0078.

3

4 **Q. What is your occupation?**

5 A. I am 81 years old and principally now retired, but I remain the President of AX&P,
6 Inc. and provide occasional petroleum and process engineering consulting
7 services to others.

8

9 **Q. What is your educational background?**

10 A. B.S. Mining Engineering, University of Science & Technology, Claustal, Germany
11 (1962); Diplom Ingeniur (M.S. equivalent), Petroleum Engineering, Ecole Nationale
12 Superieure Du Petrole Et Des Moteurs A Combusion Interne, Rueil-Malmaison,
13 France (1963); Ph.D. Petroleum Engineering, University of Texas (1967); and
14 M.B.A., Pepperdine University (1976).

15

16 **Q. What is your work and professional history?**

1 A. Atlantic Ritchfield Company, Senior Research Engineer, Research & Development,
2 Plano, TX (1967-1968) awarded two patents for novel drilling technique; Atlantic
3 Richfield Company, Senior Production Engineer, Anchorage, Alaska (1968-1969);
4 Engineering Manager, Sinclair Venezuelan Oil Company, Caracas, Venezuela
5 (1970-1971); Director of Planning & Evaluation, Atlantic Richfield Company
6 (1972-1977), Los Angeles, CA; Vice President, International Coal Operations,
7 Atlantic Richfield Company (1978-1982); Divisional Vice President, Anaconda
8 Minerals, Denver, CO (1981-1982); V.P. Production, Gary Energy Company,
9 Denver, CO (1983-1984); Engineering Consultant, Kelt Energy, Inc. (1985-1987);
10 Independent Consultant (1987-present); and President, AX&P, Inc. (1988-
11 present).

12
13 **Q. Have you ever given testimony in an administrative or judicial proceeding?**

14 A. Yes, I have testified before the KCC in matters relating to the certification of
15 natural gas storage fields and the quantities of stored and native gas in those
16 fields. I have testified in various judicial proceedings as an expert engineering
17 witness regarding oil and gas lease values, standards of prudent operation and
18 development covenants.

19
20 **Q. What is the business of AX&P, Inc.?**

21 A. AX&P, Inc. was formed in 1988 to acquire the Neodesha Field Unit #1, an old
22 waterflood project, from its previous owners, Bailey Oil Company, the Fred E.
23 Wood Trust, and the Amoco Production Company. The field included the site of
24 the historic Norman No. 1 well, the first commercial well west of the Mississippi
25 River, which was drilled in 1893. Subsequently, primary development was
26 intensely conducted by Standard Oil Company of Indiana, which built a refinery
27 in Neodesha, but by the late 1940's virgin pressures were depleted. In the 1950's,
28 Bailey and other implemented secondary water flood operations in the area, but

1 by the 1980's productivity had again declined and the Standard Oil (Amoco)
2 refinery had closed. Following acquisition in 1988, AX&P reinvigorated the area
3 by well workovers and infill drilling, successfully capturing quantities of light,
4 sweet crude remaining in the shallow and fragmented sandstone in the field.
5 Limited repressurization was conducted, but was challenging due to
6 fragmentation and the effects of prior flooding. In the course of redevelopment,
7 AX&P plugged all of the old injection wells as well as many ancient producing
8 wells drilled by Amoco and its predecessors. In September, 2015, AX&P sold
9 the Field, and the 100 plus wells it contained, to KSMS Oil, LLC and they have
10 since produced the Field.

11
12 **Q. Does AX&P, Inc. currently operate any oil and gas wells?**

13 A. No.

14 **Q. Does AX&P, Inc. hold an oil and gas operator's license?**

15 A. Yes, it has held a license since 1988. However, on June 5, 2017, I submitted an
16 application for renewal but the application was denied by the KCC because it is
17 alleged our officers and directors are, or were, associated with non-compliant
18 operators.

19
20 **Q. Is AX&P in compliance with all of the rules and regulations of the KCC and**
21 **all of its orders and enforcement agreements?**

22 A. Yes, however we now lack an operator's license due to the allegations in this
23 docket.

24 **Q. Were you surprised by the denial of the renewal application?**

25 A. I was completely shocked, because AX&P is fully in compliance, it has no business
26 relationship with any non-compliant entities.

1 **Q. Why does AX&P, Inc. seek license renewal since it operates no wells?**

2 A. First, and foremost, while we believe our buyer is appropriately operating the wells
3 once owned by AX&P, Inc., we want to be in a position to address regulatory
4 obligations, if any, as might remain after nearly 30 years of operation, and by
5 maintaining a license we are in a position to immediately address such problems
6 should they arise, Secondly, AX&P may choose to resume active operations if
7 attractive opportunities should arise.

8
9 **Q. Who are the officers, directors and stockholders of AX&P, Inc.?**

10 A. Jeff Goodrich of London, England, Jon R. Viets of Independence, Kansas, and
11 myself.

12
13 **Q. Are you, Goodrich and Viets personally in compliance with all the rules and
14 regulations of the KCC and all of its orders and compliance agreements?**

15 A. Yes.

16
17 **Q. Are you familiar with Kelly Oil Company and, if so, how?**

18 A. No, I have no knowledge of Kelly Oil Company.

19
20
21 **Q. Are you familiar with Kelt Energy, Inc. and, if so, how?**

22 A. Yes. In 1985, I was contacted by Dr. Charles A. Kolhaas, Chairman of the
23 Department of Petroleum Engineering at the Colorado School of Mines and was
24 offered a contract engagement to consult for Hubert Perrodo, a
25 Frenchman, in connection with his development of a new oil and gas exploration
26 and development company, Kelt Energy, Inc.

27
28 **Q. What consulting services did you provide to Kelt Energy, Inc.?**

1 A. Together with Dr. Kolhaas, I identified and hired Jeff Goodrich, B.S., M.S.
2 Engineering, Colorado School of Mines, as an engineer for the operating affiliate,
3 Kelt Oil & Gas, and, thereafter, Goodrich identified a group of engineers for the
4 initial technical staff. I searched for potential acquisitions in Colorado, Kansas,
5 the Illinois Basin, and the Appalachian Basin. I also briefly served as Vice
6 President. After identifying attractive prospects in Kansas, I coordinated
7 acquisition and consulted with respect to initial development. My engagement
8 was terminated by Perrodo, in 1987, over conflict in the course of preferred
9 development. However, in 1990 I was briefly engaged again under contract with
10 Kelt to evaluate potential coal seam acquisitions in the Appalachian Basin.
11

12 **Q. Are you now, or were you ever, a stockholder, partner, member, or engaged**
13 **in common business enterprise with Kelt Energy, Inc., Hubert Perrodo,**
14 **or any of their affiliates?**

15 A. No, my role was as an independent contractor providing acquisition and
16 engineering advice.
17

18 **Q What was Jeff Goodrich's role with Kelt Energy, Inc.?**

19 A. Goodrich was employed by Kelt Oil & Gas, Inc., the operating affiliate of Kelt
20 Energy, Inc. Goodrich was an engineer and became Vice President of Kelt Oil
21 & Gas, Inc. In 1991, Goodrich and his family moved to London and he became
22 employed by Perenco, which was Hubert Perrodo's international operating
23 company, and thereafter Goodrich was an engineer with respect to Perenco's
24 operations in Europe, the Near East, South America and elsewhere.
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26 **Q. Who is the current owner of Perenco?**

27 A. To my understanding, Perenco is now owned by Hubert's children and
28 his widow, Carrie Perrodo.

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Q. Is Goodrich still employed by Perenco?

A. No, his employment was terminated by the Perrodo family in May, 2016.

Q. Is or was Goodrich ever a stockholder, partner, member, or engaged in common business enterprises with Kelt Energy, Inc., Kelt Oil & Gas, Inc., Perenco, Hubert Perrodo, or his family members?

A. No, he was an employee.

Q. What is Goodrich's current occupation?

A. He was until very recently, Chief Executive Officer of OneLNG, a joint venture between Schlumberger, Limited and GOLAR LNG, formed to develop floating LNG facilities off the coast of Equatorial Guinea, West Africa. He is currently evaluating whether to retire and return to the U.S. or seek a new position internationally.

Q. Are you familiar with Consolidated Gas & Energy Corporation and, if so, how how?

A. Yes. I was engaged as an independent contractor to Consolidated Gas & Energy Corporation by its owner, Allan L. Levine of Encino, CA in 1997. I occasionally provided acquisition and development advice to Levine and Consolidated for a number of years and served as Vice President for a brief period of time. In 2003, Mr. Jim Franklin of San Diego, CA acquired ownership of Consolidated, In late 2005, Franklin defaulted on the debt due and Levine financed Franklin in the purchase of the shares of Consolidated. Consolidated later failed and its assets were liquidated to pay debts. During this time, the District Court in Sedan, KS appointed me as receiver until the properties were liquidated by Sheriff's Sale to Mariah Petroleum, and the caption of that lawsuit was Allen L. Levine vs

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3 **Q. Are you now, or were you ever, a stockholder, partner, member or otherwise**
4 **engaged in common business enterprises with Consolidated Gas & Energy,**
5 **Inc., Allan Levine or Jim Franklin?**

6 A. No, my job was as an independent contractor providing development and
7 engineering advice, and finally as court appointed receiver of the corporation,
8 which time I appointed myself as resident agent.

9
10 **Q. Does AX&P, Inc., now, or did it ever, own any stock or participate as a**
11 **partner, member or in common business enterprise with Kelly Oil Company,**
12 **Kelt Energy, Inc., or Consolidated Gas & Energy, Inc., or any of their**
13 **affiliates or stockholders.**

14 A. No.

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16 **Q. Does Kelly Oil Company, Kelt Energy, Inc. or Consolidated Gas & Energy,**
17 **Inc., its stockholders and affiliates, now, or did any of them ever, own any**
18 **stock, participate as a partner, member or in common business enterprise,**
19 **with AX&P, Inc.?**

20 A. No.

21
22 **Q. What problems were created for AX&P by the denial of license renewal**
23 **by KCC Staff?**

24 A. It has blocked us from pursuing any new opportunities. If we attempted to
25 operate, we would be in violation of criminal and civil statutes, we don't have
26 electronic access to KOLAR, we could not obtain severance tax exemption
27 certificates, we could not obtain operator's liability insurance or financing, or
28 acquire leases and, of course, our reputation in the industry has been damaged.

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Q. What relief do you seek from the Commission?

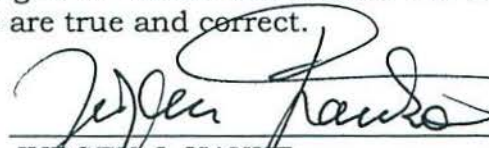
A. I ask that AX&P, Inc.'s license be issued. I also ask that it be determined that Goodrich, Viets and myself are not "associated substantially" with any non-compliant operators so that AX&P, Inc. may avail itself of the option for financial assurance afforded by K.S.A. 55-155(d)(3).


JURGEN J. HANKE

VERIFICATION

STATE OF KANSAS)
) SS:
MONTGOMERY COUNTY)

The undersigned, after first being duly sworn upon his oath, states that he has read the foregoing Pre-Filed Testimony of Jurgen J. Hanke and knows the contents thereof, and that the statements therein made are true and correct.


JURGEN J. HANKE

Subscribed and sworn to before me by Jurgen J. Hanke this 18th day of December, 2017.




NOTARY PUBLIC

My Appointment Expires:
9-2-2020

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

BEFORE COMMISSIONERS: Pat Apple, Chair
 Jay Scott Emler, Commissioner
 Shari Feist Albrecht, Commissioner

In the Matter of the Application AX&P, Inc. for an Operator's License Renewal.)	Docket No. 17-CONS-3701-CMSC
)	
)	CONSERVATION DIVISION
)	
)	License No. 3830

CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of December, 2017 a true and correct copy of the Pre-Filed Testimony of Jurgen J. Hanke, Ph.D. was served electronically on:

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