

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

Before Commissioners: Mark Sievers, Chairman
 Ward Loyd
 Thomas E. Wright

In the Matter of an Order to Show Cause on) Docket No. 11-CONS-252-CSHO
the Commission's own Motion issued to Mark)
L. Haas and Petrol Oil & Gas, Inc., with)
regard to responsibility under K.S.A. 55-179) CONSERVATION DIVISION
for plugging the Wernli lease in the)
Southwest Quarter of Section 25, Township)
22 South, Range 12 East, Greenwood County,) License No. 5935 (Expired)
Kansas.) License No. 33247 (Expired)
_____)
)

ORDER TO SHOW CAUSE

Now, the above captioned matter comes on for consideration and determination before the State Corporation Commission of Kansas ("Commission" or "KCC") on its own motion. Being duly advised in the premises and familiar with its files and records, the Commission finds and concludes as follows:

I. JURISDICTION

1. The Commission has jurisdiction to regulate the production of oil and gas in the State of Kansas under the provision of Chapter 55 of the Kansas Statutes Annotated and the General Rules and Regulations for the Conservation of Crude Oil and Natural Gas, K.A.R. 82-3-100 *et seq.* Pursuant to K.S.A. 55-162 the Commission has jurisdiction to institute proceedings to enforce the laws of Kansas and Commission rules, regulations and Orders. Under K.S.A. 55-179 the Commission has jurisdiction to determine the person or persons legally responsible for the proper care and control of oil and gas wells, including plugging responsibility for such wells.

2. Under K.S.A. 55-179(c), upon the finding that a particular person is responsible for the proper care and control of a well and that such well is abandoned, in fact, and is causing or likely to cause pollution or loss of any usable water, the Commission has the authority to make any order or orders prescribed by K.S.A. 55-162 to take any appropriate action necessary to prevent pollution and protect water quality. Such action may include, but is not limited to:

- a. Ordering the person to take action to remedy the violation;
- b. Ordering the well or the lease to be shut down until the violation is corrected;
- c. Ordering the person to pay any costs and reasonable attorney fees incurred by the Commission in any action pursuant to this section or enforcement of a Commission order, and to pay interest on any portion which remains unpaid more than 30 days;
- d. Ordering any combination of such orders listed in the subsections above; or
- e. If the Commission finds that a person has not complied with an order issued under one of the subsections above, the Commission may order the suspension or revocation of any license issued pursuant to this act to such person.

3. Under K.S.A. 55-162(b), if it appears to the Commission that damage may result if immediate action is not taken, the Commission, on the basis of emergency adjudicative proceedings, shall make such order as authorized in K.S.A. 55-162(a), or may authorize its agents to enter the land upon which an abandoned well is located and take such remedial action necessary, pending the giving of notice and hearing in accordance with the Kansas administrative procedure act.

II. OTHER APPLICABLE STATUTES AND REGULATIONS

4. K.S.A. 55-179(b) provides that a person who is legally responsible for the proper care and control of an abandoned well shall include, but is not limited to, one or more of the following: any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water; the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well; the original operator who plugged or abandoned such well; and any person who without authorization tampers with or removes surface equipment or downhole equipment from an abandoned well.

5. K.S.A. 55-150(e) defines "Operator" as a person who is responsible for the physical operation and control of a well, gas gathering system, or underground natural gas storage facility.

6. K.A.R. 82-3-136(a) provides that if operator responsibility is transferred, the past operator shall report this transfer to the conservation division within 30 days of the change upon a form prescribed by the commission.

7. K.A.R. 82-3-136(c) provides that transfers shall not be made to any individual, partnership, corporation, or municipality not currently licensed as an operator, gas gatherer, or gas storage operator.

III. STAFF ASSERTIONS

8. Mark L. Haas is an individual who operated under KCC oil and gas operator's license number 5935 from June 30, 1985 until June 30, 2005. KCC records indicate that Mr. Haas was the party responsible for the physical care and control of the wells on the Wernli lease

located in the Southwest Quarter of Section 25, Township 22 South, Range 12 East, Greenwood County, Kansas. A listing of the wells is attached as Exhibit "A".

9. On April 22, 2011, KCC Central Office ("Central Office") Staff received a Request for Change of Operator/Transfer of Injection or Surface Pit Permit ("T-1") form purporting to transfer operator responsibility from Mark L. Haas to Petrol Oil & Gas, Inc. ("Petrol"). The T-1 form listed the effective date of the transfer as September 28, 2004 but was not signed by anyone from Petrol. Included with the T-1 form, Mr. Haas filed a copy of a lease assignment with an effective date of September 7, 2004 from Haas Oil Group to Petrol. The assignment covered lands described as the Lamont "A" and Wernli. The assignment stated that Haas Oil Group assigned 100% of its working interest to Petrol and reserved any royalty interest owned by Haas Oil Group. KCC records indicate that Petrol's KCC oil and gas operator's license had expired on May 30, 2010.

10. On April 27, 2011, KCC Legal ("Legal") Staff wrote Mr. Haas to inform him of the requirements of K.A.R. 82-3-136 and that the T-1 form would not be processed; therefore, Mark L. Haas was still the party responsible for the wells on the Wernli lease. Legal Staff further informed Mr. Haas that as the responsible party, he was required to plug the wells using a licensed contractor or transfer the wells to a licensed operator. Legal Staff requested that Mr. Haas provide a written plugging plan or submit the T-1 form to a licensed contractor within twenty (20) days. The letter warned that failing to submit the written plugging plan or T-1 form would result in Legal Staff requesting the Commission issue a Show Cause Order to determine plugging responsibility for the wells. Mr. Haas timely responded to Legal Staff's request and affirmed his belief that he was not responsible for the wells on the Wernli lease.

11. At issue in this proceeding is the determination of the party legally responsible for plugging the wells listed in Exhibit "A" located on the Wernli lease in the Southwest Quarter of Section 25, Township 22 South, Range 12 East, Greenwood County, Kansas.

IV. STAFF RECOMMENDATIONS

12. Staff recommends the Commission require Mark L. Haas and Petrol to come before it at an evidentiary hearing to determine the plugging responsibility for the Wernli lease.

13. Staff further recommends that sufficient evidence is present in the record to sustain a finding of operator responsibility for both Mr. Haas and Petrol.

V. CONCLUSIONS

14. The Commission finds and concludes that pursuant to K.S.A. 55-179, a hearing in regard to the issues as stated above, is necessary and appropriate to determine the party responsible for plugging the subject well.

15. Mark L. Haas and Petrol, should appear before the Commission to show cause, if any exists, as to why they are not the party responsible for the proper care and control of Wernli lease under K.S.A. 55-179. Furthermore, Mark L. Haas and Petrol should appear before the Commission to show cause, if any exists, as to why the Commission's costs in investigating and hearing this matter should not be assessed against them under K.S.A. 55-162 and 55-164, if they are found to be the responsible party for the proper care and control of the Wernli lease.

IT IS, THEREFORE, BY THE COMMISSION ORDERED:

A. Mark L. Haas and Petrol Oil & Gas, Inc. are hereby directed to appear before this Commission at 10:00 a.m. on July 21, 2011, in the Commission Hearing Room, Kansas Corporation Commission, 130 S. Market, Room 2078, Wichita, Kansas 67202, to show cause, if any exists, why they should not be determined to be the party responsible for the proper care and

control of the wells listed on Exhibit "A", and why the costs incurred by the Commission in investigating and hearing this proceeding should not be assessed against them.

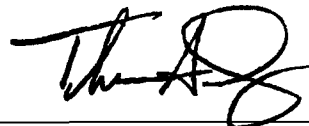
B. Any party affected by this Order may file with the Commission a petition for reconsideration pursuant to K.S.A. 77-529(a). Such a petition must be filed within fifteen (15) days after service of this Order and must state the specific grounds upon which relief is requested. The petition for reconsideration shall be filed with the Executive Director of the Kansas Corporation Commission, 130 S. Market, Room 2078, Wichita, Kansas 67202.

C. The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further Order or Orders as from time-to-time it may deem proper.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chr.; Loyd, Com.; Wright, Com.

Dated: JUN 01 2011



Thomas A. Day
Acting Executive Director

Date Mailed: 6/3/11

RAH

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

JUN 01 2011

CERTIFICATE OF SERVICE

I hereby certify that on 6/3/11, I caused a true and correct copy of the foregoing "Order to Show Cause" to be served by placing the same in the United States mail, postage prepaid, and properly addressed to the following:

Mark L. Haas
800 W. 47th, Suite #716
Kansas City, Missouri 64112

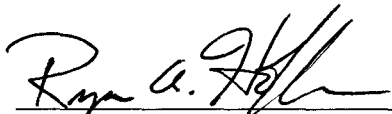
Patrick Everett
Petrol Oil & Gas, Inc.
11020 King St., Ste. 108
Overland Park, Kansas 66210

The Corporation Company, Inc.
Resident Agent for Petrol Oil & Gas, Inc.
112 SW 7th St., Ste. 3C
Topeka, Kansas 66603

John Almond
KCC District #3 Office
1500 W. Seventh
Chanute, Kansas 66720

And by hand delivery to the following:

Robert Jenkins
Well Plugging Coordinator
Kansas Corporation Commission
130 S. Market, Suite 2078
Wichita, Kansas 67202-3802



Ryan A. Hoffman
Litigation Counsel
Kansas Corporation Commission