

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION)	DOCKET NO. 17-CONS-3532-CUNI
OF BEREXCO LLC FOR AN ORDER)	
AUTHORIZING UNITIZATION AND UNIT)	CONSERVATION DIVISION
OPERATION OF THE KANE UNIT IN KIOWA)	
COUNTY, KANSAS.)	LICENSE NO. 34318

SUBMISSION OF PREFILED TESTIMONY

COMES NOW the Applicant, BEREXCO LLC, and submits to the Commission herewith the prefiled testimony of Jesse Fendorf, Landman, and Dana G. Wreath, Vice President of BEREXCO LLC in support of its Application in this docket.

WHEREFORE, Applicant requests that the Commission admit the accompanying testimony into evidence and that the same be included in the record of this proceeding.

Respectfully submitted,




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VERIFICATION

STATE OF KANSAS)
) SS:
COUNTY OF SEDGWICK)

Thomas M. Rhoads, of lawful age and being first duly sworn upon his oath, deposes and states: That he is the Attorney for the Applicant in the above-captioned action; that he has read the above and foregoing Submission of Prefiled Testimony, knows and understands the contents thereof, and states that the statements and allegations therein contained are true and correct according to his knowledge, information, and belief.



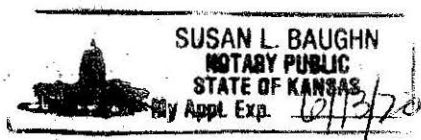
Thomas M. Rhoads

SUBSCRIBED AND SWORN TO before me, the undersigned authority, this 14th day of September, 2017.

My commission expires:



Notary Public



BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

BEFORE COMMISSIONERS: PAT APPLE, CHAIRMAN
 SHARI FEIST ALBRECHT, COMMISSIONER
 JAY SCOTT EMLER, COMMISSIONER

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PRE-FILED TESTIMONY

OF

JESSE FENDORF
PETROLEUM LANDMAN
ON BEHALF OF
BEREXCO LLC
MAY 18, 2017

1 Q Would you please state your name, current employment, title, and business address?

2 A My name is Jesse Fendorf. I am employed by Berexco LLC and my title is Landman.

3 Our business address is 2020 N. Bramblewood, Wichita, Kansas 67206.

4 Q How long have you practiced your profession?

5 A Since 2012.

6 Q Please state your educational background and briefly describe your work experience.

7 A I received my B.S.B.A. in Energy Management and Finance from the University of

8 Tulsa, graduating in May 2012. Since my graduation I have worked for Berexco LLC

9 as a Landman working on a variety of land related work within the oil and gas

10 industry including land ownership review, contracts, and acquisitions.

11 Q Have you previously testified before this commission and at that time were your

12 credentials as an expert on land management accepted?

13 A No, but I believe that my educational background and experience, together with my

14 familiarity with this project, allow me to testify as an expert in these proceedings.

15 Q Are you familiar with the application filed by Berexco LLC for the Unitization and

16 Unit Operation of the Kane Unit in Kiowa County, Kansas?

17 A Yes.

18 Q In your work for Berexco, is Kiowa County part of your area of responsibility?

19 A Yes.

20 Q Does Berexco own leasehold rights to drill and produce oil and gas in the area subject

21 to this application?

22 A Berexco operates the wells on the leasehold within the lands subject to this

23 application.

1 Q What records have you reviewed in order to determine ownership in the proposed unit
2 area and ownership in the area within a one-half mile radius of the acreage being
3 proposed for unitization?

4 A I have reviewed, or caused to be reviewed, records in the Kiowa County Courthouse
5 pertaining to mineral ownership, leasehold and surface ownership, and mortgages of
6 record. I have also reviewed Berexco's internal records consisting of Oil and Gas
7 Lease files and Division Order files.

8 Q Will you please identify and explain Exhibit C that is attached to the Application.

9 A Exhibit C is a is a list showing the names and addresses of all oil and gas lessors,
10 lessees, mineral owners, mortgagees, and other persons owning oil and gas interests
11 of record in the Kane Unit, and each operator or lessee of record and owner of record
12 of the minerals in unleased acreage within a one-half (1/2) mile radius of the Kane
13 Unit boundary.

14 Q Do you have any corrections to Exhibit C?

15 A Yes, the address for Walter Don Thompson was changed to 2579 RD 12, Coldwater,
16 KS 67029.

17 Q Was notice of this hearing mailed to each of those parties identified in Exhibit C?

18 A Yes, including to Mr. Thompson's correct address.

19 Q Mr. Fendorf, I refer you to Exhibits A and B that are attachments to the subject
20 Application. Were you responsible for preparing, or overseeing the preparation of,
21 these two documents?

22 A Yes, I was.

23 Q Will you please identify and describe Exhibit A.

1 A Exhibit A is a copy of the Unit Agreement and Plan of Unitization for the Kane Unit
2 that has been provided to the working and royalty interest owners in the proposed unit
3 area. The Unit Agreement contains the legal description of the surface area of the
4 unit and the individual tracts therein, a description of the geologic horizons that are
5 being unitized, the method and factors used to calculate tract participation by which
6 unit production is to be allocated, and a tabulation showing the percentage of unit
7 expenses to be borne by each working interest owner, along with the percentage of
8 net unit revenue attributable to each party owning an interest in the unit. In addition,
9 the Unit Agreement contains terms relating to the supervision and conduct of unit
10 operations and provisions setting out the unit's commencement date and unit
11 termination procedures.

12 Q In your opinion, is the Unit Agreement and Plan of Unitization fair, reasonable and
13 equitable to all parties in the unit.

14 A Yes.

15 Q Will you please identify and describe Exhibit B.

16 A Exhibit B is a copy of the Unit Operating Agreement that has been provided to all
17 working interest owners in the proposed unit. The Unit Operating Agreement
18 designates the Unit Operator and governs the physical operation of the unit area. It
19 sets out the relationship, authority and duties of the Unit Operator and the non-
20 operating working interest owners with respect to unit operations.

21 Q In your opinion, does the proposed Unit Operating Agreement make a fair and
22 equitable adjustment among the owners within the unit area for their respective

1 investment in wells, tanks, pumps, machinery, materials and equipment which are
2 contributed to unit operations?

3 A Yes, it does.

4 Q Does the proposed Unit Operating Agreement provide a fair and equitable
5 determination of the costs of operation, including capital investment, and establish a
6 fair and equitable method for allocating such costs to the separately owned tracts and
7 for payment of such costs by the owners of such tracts, either directly or out of such
8 owner's respective share of unit production?

9 A Yes, it does.

10 Q Does the proposed Unit Operating Agreement establish a fair and equitable method, if
11 necessary, of carrying or otherwise financing any owner who elects to be carried, or
12 otherwise financed, or who does not meet the owner's financial obligations with the
13 unit, allowing a reasonable interest charge and a penalty on all unpaid expenses,
14 payable out of such owner's share of the unit production?

15 A Yes, it does.

16 Q Does the proposed Unit Operating Agreement provide that each owner shall have a
17 voice in the supervision and conduct of unit operations corresponding to the
18 percentage of costs of the unit operations chargeable against the interest of such
19 owner?

20 A Yes, it does.

21 Q Have written approvals to the proposed Unit Agreement and Plan of Unitization for
22 the Kane Unit been obtained from the owners of at least sixty-three percent (63%) of

1 the unit production or the proceeds thereof that will be credited to royalties, excluding
2 overriding royalties or other like interests carved out of the leasehold estate?

3 A Yes.

4 Q What is the percentage obtained?

5 A Approval has been obtained from seventy-nine and four hundredths percent (79.04%)
6 of the royalty owners in unit production for Phase 1 and seventy-six and seventy-nine
7 hundredths percent (76.79%) for Phase 2.

8 Q Have written approvals to the proposed Unit Operating Agreement for the Kane Unit
9 been obtained from those persons who will be required to pay at least sixty-three
10 percent (63%) of the costs of unit operation?

11 A Yes.

12 Q What is the percentage obtained?

13 A Approval has been obtained from one hundred percent (100%) of the working interest
14 ownership for Phase 1 and Phase 2.

15 Q Are these actual consents in your possession and available for inspection by the
16 Commission if they so desire?

17 A Yes.

18 Q I have no further questions for Mr. Fendorf.