

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

JUL 31 2012

by
State Corporation Commission
of Kansas

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

MEDIATION REPORT

On July 23, 2012, the above captioned matter was set for mediation to be held in the Topeka offices of the State Corporation Commission of the State of Kansas. Present for the Respondent was Mr. Mark L. Haas, President of Haas Petroleum, LLC, and Kansas State Senator Robert Olson. For the Conservation Division, ("CD") present in person was Ryan Hoffman, Esq., and via video conference present were Doug Louis, Director, John McCannon, Esq., Lane Palmateer, Esq., and John Meyers. I, Robert A. Fox, was appointed Mediator in late March 2012, and I also was present in person.

As a preliminary matter, the parties agreed that only four (4) wells are at issue and that the cost of plugging a well is between \$4,000 and \$5,000.

A brief recap of the party's current positions was discussed. Mr. Haas offered that there were numerous operators following termination of his lease. CD offered that one of the subsequent leaseholders was never licensed as an operator and CD could only verify one of the subsequent leaseholders sold production from the leased premises. Mr. Olson then stated that CD should be ashamed of themselves for pursuing this matter. I politely interrupted him and the

parties were informed that the purpose of the mediation was not to resolve the party's legal positions but to attempt to reach a resolution short of litigation.

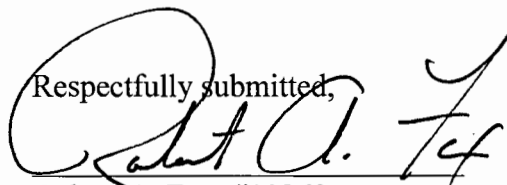
Mr. Haas was asked by me if there were any number of wells he would be willing to plug without a finding of wrongdoing or rule violation. He and Mr. Olson left the room to discuss the question. Upon their return Mr. Haas offered to plug one well with no finding of wrongdoing or rule violation.

CD requested private time to discuss the offer. Mr. Haas, Mr. Olson and I left the room. After several minutes, we reentered the room and were informed that the Haas offer was not acceptable. As a counter offer, CD suggested Mr. Haas plug two (2) wells and admit violation but no penalty would be assessed. Mr. Haas declined the offer.

I asked Mr. Haas if he would be willing to plug two wells with no admission of wrongdoing? He offered \$6,000. I suggested that given the agreed amounts of \$4,000 to \$5,000 to plug a well, an offer of \$6,000 didn't address the question of plugging two wells.

Mr. Haas became a bit agitated and collected his papers, stood up and announced that he would litigate the matter fully. He and Mr. Olson left the room and the mediation was terminated without any resolution.

Respectfully submitted,



Robert A. Fox #10260
Senior Litigation Counsel
1500 SW Arrowhead Road
Topeka, Kansas 66604-4027
(785) 271-3118
(785) 271-3167 Fax
b.fox@kcc.ks.gov
mediator for the parties

CERTIFICATE OF SERVICE

11-CONS-252-CSHO

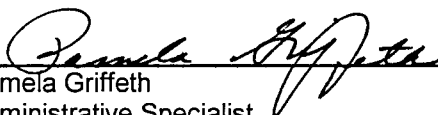
I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Mediation Report was placed in the United States mail, postage prepaid, or hand-delivered this 31st day of July, 2012, to the following:

MARK L. HAAS
H P HAAS PETROLEUM L.L.C.
800 W 47TH
STE 409
KANSAS CITY, MO 64112

ROBERT A. FOX, SENIOR LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
b.fox@kcc.ks.gov
Hand Delivered

RYAN HOFFMAN
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
r.hoffman@kcc.ks.gov
Hand Delivered

SENATOR ROBERT OLSON
19050 WEST 161ST ST
OLATHE, KS 66062



Pamela Griffeth
Administrative Specialist