

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION)	DOCKET NO. 19-CONS-3269-CUNI
OF BEREXCO LLC FOR AN ORDER)	
AUTHORIZING UNITIZATION AND UNIT)	CONSERVATION DIVISION
OPERATION OF THE ARROYO UNIT IN)	
STANTON COUNTY, KANSAS)	LICENSE NO. 34318

PREFILED TESTIMONY

OF

JESSE FENDORF
PETROLEUM LANDMAN
ON BEHALF OF
BEREXCO LLC
April 18, 2019

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 I have previously submitted and had accepted Pre-Filed Testimony before the

14 Commission, and have testified and been accepted as an expert on land management

15 by the Nebraska Oil and Gas Conservation Commission. I also believe that my

16 educational background and experience, together with my familiarity with this

17 project, allow me to testify as an expert in these proceedings.

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

19 Unit Operation of the Arroyo Unit in Stanton County, Kansas?

20 A Yes.

21 Q In your work for Berexco, is Stanton County part of your area of responsibility?

22 A Yes.

1 Q Does Berexco own leasehold rights to drill and produce oil and gas in the area subject
2 to this application?

3 A Berexco operates the wells on the leasehold within the lands subject to this
4 application.

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

8 A I have reviewed, or caused to be reviewed, records in the Stanton County Courthouse
9 pertaining to mineral ownership, leasehold and surface ownership, and mortgages of
10 record. I have also reviewed Berexco's internal records consisting of Oil and Gas
11 Lease files and Division Order files.

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

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

18 Q Do you have any corrections to Exhibit C?

19 A Yes, the address for Western Operating Company was changed to 1165 Delaware
20 Street, Ste. 200, Denver, CO 80204, and the address for Carolyn M. Courtney was
21 changed to 2606 Rambling Rd., Edmond, OK 73025.

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

23 A Yes, including Western Operating Company's and Ms. Courtney's correct addresses.

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

4 A Yes, I was.

5 Q Will you please identify and describe Exhibit A.

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

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

19 A Yes.

20 Q Will you please identify and describe Exhibit B.

21 A Exhibit B is a copy of the Unit Operating Agreement that has been provided to all
22 working interest owners in the proposed unit. The Unit Operating Agreement
23 designates the Unit Operator and governs the physical operation of the unit area. It

1 sets out the relationship, authority and duties of the Unit Operator and the non-
2 operating working interest owners with respect to unit operations.

3 Q In your opinion, does the proposed Unit Operating Agreement make a fair and
4 equitable adjustment among the owners within the unit area for their respective
5 investment in wells, tanks, pumps, machinery, materials and equipment which are
6 contributed to unit operations?

7 A Yes, it does.

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

13 A Yes, it does.

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

19 A Yes, it does.

20 Q Does the proposed Unit Operating Agreement provide that each owner shall have a
21 voice in the supervision and conduct of unit operations corresponding to the
22 percentage of costs of the unit operations chargeable against the interest of such
23 owner?

1 A Yes, it does.

2 Q Have written approvals to the proposed Unit Agreement and Plan of Unitization for
3 the Arroyo Unit been obtained from the owners of at least seventy-five percent (75%)
4 of the unit production or the proceeds thereof that will be credited to royalties,
5 excluding overriding royalties or other like interests carved out of the leasehold
6 estate?

7 A Yes.

8 Q What is the percentage obtained?

9 A Approval has been obtained from ninety-nine and twenty hundredths percent
10 (99.20%) of the royalty owners in unit production for Phase 1 and ninety-seven and
11 eighty-five hundredths percent (97.85%) for Phase 2.

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

15 A Yes.

16 Q What is the percentage obtained?

17 A Approval has been obtained from ninety-seven and forty-five hundredths percent
18 (97.45%) of the working interest ownership for Phase 1 and ninety-six and four
19 hundredths percent (96.04%) for Phase 2.

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

22 A Yes.

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