

1 Q. Please state your name and address for the record.
2 A. Mike Heffern, 1500 W. Seventh, Chanute, Kansas 66720.
3 Q. By whom are you employed and in what capacity?
4 A. I am employed by the Kansas Corporation Commission ("KCC"), Conservation Division,
5 Chanute District #3 as a Petroleum Industry Regulatory Technician II ("P.I.R.T. II").
6 Q. How long have you worked for the Corporation Commission's Conservation Division?
7 A. Since January 1992.
8 Q. What are some of your duties as a P.I.R.T. II in District #3?
9 A. As a P.I.R.T. II, I am responsible for the witnessing and monitoring of oil and gas related
10 activities in Greenwood, Lyon, Osage, and Coffey Counties and the west half of Woodson
11 County, Kansas. My job involves inspections, documentation, investigation and
12 consultation with lease operators, landowners and Commission Staff on compliance issues
13 related to oil and gas production in Kansas. I witness and monitor the drilling and
14 completion of oil, gas, injection and disposal wells. I also investigate spills and
15 complaints, witness mechanical integrity tests, witness the plugging of wells, and the
16 completion of wells. In addition, I conduct GPS surveys on new and abandoned wells.
17 Q. Have you previously testified before the Kansas Corporation Commission?
18 A. Yes, I have.
19 Q. Are you acquainted with the matter before the Commission in Docket No. 11-CONS-252-
20 CSHO?
21 A. Yes.
22 Q. How did you become acquainted with this matter?
23 A. I have been on the Wernli lease located in the Southwest Quarter of Section 25, Township
24 22 South, Range 12 East, Greenwood County, Kansas approximately 2 times to check on
25 the status of wells for our Underground Injection Control ("UIC") Officer. I am aware that
26 Mark Haas sold the Wernli lease to Petrol Oil & Gas, Inc. ("Petrol") in 2004.
27 Q. Do you know who last operated the Wernli lease?
28 A. Yes, it was Petrol when I was on the lease.
29 Q. Do you know how many wells are located on the Wernli lease?
30 A. Yes I do. I conducted a GPS survey on the lease in 2007 and I located 13 wells. ("Heffern
31 Exhibit #1")

1 Q. Did you see the Wernli lease in operation after Mr. Haas assigned the lease to Petrol in
2 2004?

3 A. Yes, I did.

4 Q. Did you ever document how many wells were in production on the Wernli lease when you
5 saw Petrol operating it?

6 A. Please refer to my GPS readings in Heffern Exhibit #1 and you will see that of the 13 wells,
7 11 were listed as abandoned and 2 were listed as active. I would also like to add that the
8 tank battery had Petrol listed as the operator on the lease identification sign.

9 Q. Were you aware of the fact that Petrol allowed their operator's license to expire?

10 A. Yes, I believe it expired in May 2010.

11 Q. Were you aware of the fact that Mark Haas did not file a transfer of operator ("T-1") form,
12 transferring the Wernli lease to Petrol until several years after he had sold the lease and
13 sometime after Petrol allowed their operator's license #33247 to expire?

14 A. I knew that Mark Haas did not file the T-1 form as required by the Kansas Corporation
15 Commission.

16 Q. Did you ever request Mark Haas file the required T-1 form, transferring the operator
17 responsibility from Mark Haas to Petrol?

18 A. Yes, I spoke with Mark Haas several times on the phone while discussing other compliance
19 issues and I told him that he would have to file the T-1 form to transfer operator
20 responsibility to Petrol for the Wernli lease.

21 Q. Do you know if Mark Haas filed a lease assignment at the Greenwood County courthouse
22 transferring ownership of the Wernli lease to Petrol?

23 A. Yes, I have seen the copy of the assignment submitted with the T-1 to Petrol and it appears
24 that it was recorded in Greenwood County on September 28, 2004. ("Heffern Exhibit #2")

25 Q. Does filing a lease assignment put the KCC on notice that an operator has transferred
26 operation of the lease to another operator?

27 A. No. The past operator is still responsible for filing the T-1 form according to K.A.R. 82-3-
28 136.

29 Q. Did you ever witness Mark Haas operating the Wernli lease?

30 A. No. I cannot say that I ever specifically saw or documented Mr. Haas operating the Wernli
31 lease.

- 1 Q. Are there any recommendations you would make to the Commission?
- 2 A. Yes. According to KCC regulations, I believe that Mark Haas has failed to comply with the
3 provisions of K.A.R. 82-3-136 because he failed to file the T-1 form transferring operator
4 responsibility for the Wernli lease within 30 days.
- 5 Q. If you had knowledge of the occurring violation, did you ever recommend the matter for
6 formal enforcement action, namely a penalty order?
- 7 A. No. We generally try to work with operators to resolve compliance issues prior to
8 recommending penalties. In this case specifically, I discussed the issues regarding Petrol's
9 operation of the Wernli lease with the UIC Officer for our District and we decided to leave
10 the decision on how to proceed up to Legal Staff.
- 11 Q. Are you aware of any steps taken by Legal Staff?
- 12 A. I have seen a letter written to Petrol by Legal Staff dated March 4, 2011 regarding the
13 expiration of their license and their need to contact the District #3 UIC Officer to resolve
14 compliance issues. ("Heffern Exhibit #3")
- 15 Q. Does this complete your testimony to the Commission?
- 16 A. Yes.

Wernli

COUNTY	LEASE	Well #	ATTRIBUTE	DESCRIPTION	Q3	Q2	Q1	SEC	TWP	RGE	FEL	FSL	OPERATOR
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GW

Total In Project

14

Wernli	WER00	TNK-BTRY	2TNKIGNB	NE SE SW	25	22	12	-2687	968	Petrol Oil & Gas
Wernli	WER01	OIL-AB-SP1J	4.5C	NE SE SW	25	22	12	-2942	1017	Petrol Oil & Gas
Wernli	WER02	OIL-AB-SP1	4.5C	NW SE SW	25	22	12	-3302	804	Petrol Oil & Gas
Wernli	WER03	INJ-AB-SP1	4.5C	SW NE SW	25	22	12	-3399	1374	Petrol Oil & Gas
Wernli	WER05	OIL-AB-SP1	4.5C	SE NW SW	25	22	12	-3939	1399	Petrol Oil & Gas
Wernli	WER06	OIL-AB-SP1	4.5C	NE SW SW	25	22	12	-4262	1053	Petrol Oil & Gas
Wernli	WER07	OIL-AB-SP1	4.5C	NE SW SW	25	22	12	-4020	804	Petrol Oil & Gas
Wernli	WER08	OIL-AB-SP1	4.5C	NE NE SW	25	22	12	-3015	2078	Petrol Oil & Gas
Wernli	WER09	OIL-AB-SP1	4.5C	SE NE SW	25	22	12	-2942	1672	Petrol Oil & Gas
Wernli	WER10	INJ-AC-SP1	4.5C	SW NW SW	25	22	12	-4914	1666	Petrol Oil & Gas
Wernli	WER11	INJ-AC-SP1	4.5C	SE NW SW	25	22	12	-4424	1799	Petrol Oil & Gas
Wernli	WER12	OIL-AB-SP1	4.5C	NE NW SW	25	22	12	-4290	2152	Petrol Oil & Gas
Wernli	WER13	OIL-AB-SP1	4.5C	NW NW SW	25	22	12	-4914	2316	Petrol Oil & Gas
Wernli	WER25	DIS-AB	8C	SW NE SW	25	22	12	-3566	1500	Petrol Oil & Gas

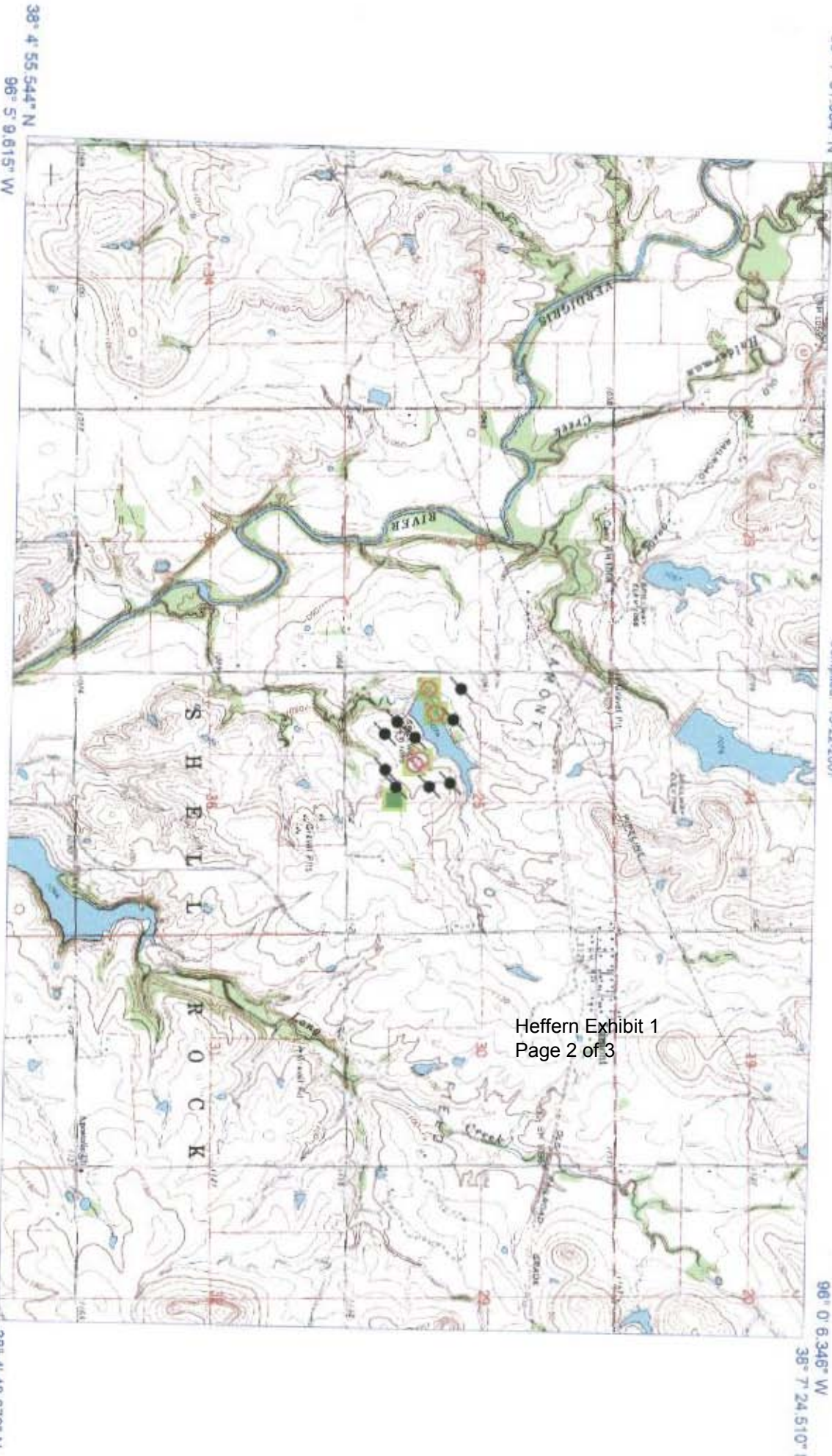
TOTAL WELLS

14

96° 5' 3.394" W
38° 7' 31.994" N

Wernli Lease: GW CO S25 - T22S - R12E
Operator: Percol Oil & Gas
Compiled: 10-22-2007

Wernli Lease GW CO
96° 0' 6.346" W
38° 7' 24.510" N



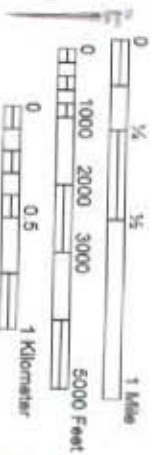
Heffern Exhibit 1
Page 2 of 3

38° 4' 55.544" N
96° 5' 9.615" W

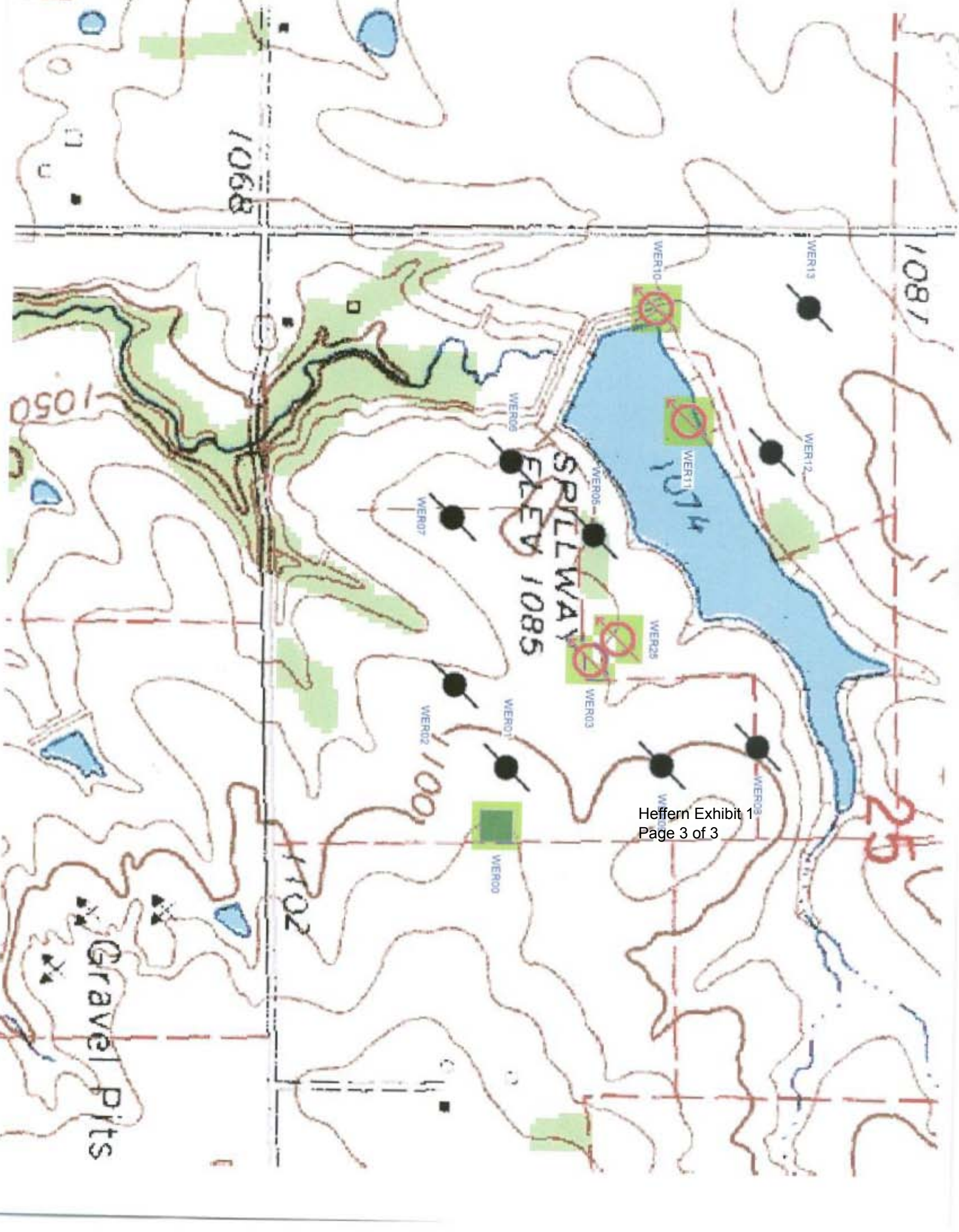
38° 4' 48.072" N
96° 0' 12.742" W

927 North American Datum, UTM grid zone 14
Generated by BigTopo7 (www.igage.com)
Map compiled from USGS Quads: Madison NE, KS Lamont, KS

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Map data © 2007 National Geographic



BigTopo Map



Heffern Exhibit 1
Page 3 of 3

I ✓ X ✓



STATE OF KANSAS FEE \$16.00
GREENWOOD CO. SS
This instrument was filed on this 28th
day of September 2004 at 12:40
o'clock P.M. and duly entered in book
71 of Assign page 177
Marsha E. Ramsey Register
By Kim Burton Deputy

ASSIGNMENT OF OIL AND GAS LEASE

State: Kansas

County: Greenwood

Assignor: John and/or Mark Haas (Haas Oil Group)
12980 Foster Street
Overland Park, Kansas 66213

Assignee: Petrol Oil and Gas, Inc.
3161 East Warm springs Road
Las Vegas, Nevada 89120

Effective Date: 09/07/2004

On 09/17/, 2004, John and/or Mark Haas (Haas Oil Group) as assignor, executed and delivered to Assignee, Petrol Oil and Gas, an Oil and Gas Lease, recorded in Volume 69, page 118, of the Greenwood County Register of Deeds. The Lease is on the following lands in that county:

Lamont "A"
Sect. 25 & 26, Township 24, Range 12, containing 320 acres more or less.

Werlie
Section 25, Township 24, Range 12, containing 160 acres more or less.

MORE FULLY DESCRIBED IN EXHIBIT "A" ATTACHED HERETO

For adequate consideration, Assignor assigns, sells, and conveys to Assignee, named above, 100% working interest of Assignor's rights, title and interests in the Lease, without warranty of title, express or implied. The assignor will reserve for there self any royalty interest owned by Haas Oil Group.

RECEIVED
APR 22 2011
KCC WICHITA

This Assignment is executed by Assignor as of the date of acknowledgment of Assignor's signature below, but is effective for all purposes as of the Effective Date stated above.

Assignor: [Signature]
John Haas
Haas Oil Group

State of Kansas, County of Johnson, SS:

This instrument was acknowledged before me on this 24, day of September, 2004 by John Haas - [Signature], Haas Oil Group.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

MY COMMISSION EXPIRES: August 2, 2008

Donna M. Zimmerman
Notary public



RECEIVED
APR 22 2011
KCC WICHITA

EXHIBIT "A"

1. An oil and gas lease dated April 6, 1977, from Roy V. Wernil and Betty Wernil, his wife, as Lessors, to George E. Sauder, as Lessee, recorded in Book 34 at Page 209 in the office of the Register of Deeds of Greenwood County, Kansas, insofar as said lease covers the following described real estate, to-wit:

The Southwest Quarter (SW/4) of Section 25, Township 22, Range 12 East, Greenwood County, Kansas, containing 160 acres, more or less;

2. An oil and gas lease dated February 9, 1926, from John W. Ott and Clara Ott, his wife, as Lessors to John W. Davisson, as Lessee, recorded in Book 13 of Leases at Page 334 in the office of the Register of Deeds of Greenwood County, Kansas, insofar as said lease covers the following described real estate, to-wit:

The North Half of the Northwest Quarter (N/2 NW/4), less Missouri Pacific right of way, in Section 25, Township 22, Range 12 East of the Sixth Principal Meridian, Greenwood County, Kansas;

3. An oil and gas lease dated August 18, 1926, from School District Number Thirty-One, as Lessor, to Empire Gas and Fuel Company, as Lessee, recorded in Book FF of Miscellaneous at Page 156 in the office of the Register of Deeds of Greenwood County, Kansas, insofar as said lease covers the following described real estate, to-wit:

One (1) acre in approximately a square form in the Northeast Corner of the Northeast Quarter (NE/4) of Section 26, Township 22 South, Range 12 East of the Sixth Principal Meridian, Greenwood County, Kansas;

4. An oil and gas lease dated February 9, 1926, from John W. Ott and Clara Ott, his wife, as Lessors, to John W. Davisson, as Lessee, recorded in Book 13 of Leases at Page 333 in the office of the Register of Deeds of Greenwood County, Kansas, insofar as said lease covers the following described real estate, to-wit:

The Northeast Quarter (NE/4), less one (1) acre in the Northeast corner of said Northeast Quarter (NE/4), used for school purposes, in Section Twenty-six (26), Township Twenty-two (22) South, Range Twelve (12) East of the Sixth Principal Meridian, Greenwood County, Kansas;

5. An oil and gas lease dated March 5, 1926, from John W. Ott and Clara Ott, his wife, as Lessors, to John W. Davisson, as Lessee, recorded in Book 13 of Leases at Page 418 in the office of the Register of Deeds of Greenwood County, Kansas, insofar as said lease covers the following described real estate, to-wit:

The South Half of the Northwest Quarter (S/2 NW/4) of Section Twenty-five (25), Township Twenty-two (22) South, Range Twelve (12) East of the Sixth Principal Meridian, Greenwood County, Kansas

RECEIVED

APR 22 2011

NOTICE OF VIOLATIONS

March 4, 2011

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

RE: Your Operator's License # 33247

Dear Mr. Everett:

I am writing you to bring your attention to a few very serious matters. Your KCC oil and gas operator's license expired on May 30, 2010. To date, our records indicate you have made no attempt to renew it. Any and all actions since that time have been in violation of K.A.R. 82-3-120. The monetary penalty for violating K.A.R. 82-3-120 is \$500 per violation; however, K.S.A. 55-164 provides that in the case of a continuing violation, each day of a continuing violation shall constitute a separate violation. You must renew your license within twenty (20) days, March 24, 2011, to avoid official administrative enforcement.

In the meantime, you must immediately cease all operations within the state of Kansas. Our District #3 Staff will conduct inspections of your operations to verify that you have complied with my request by March 11, 2011. If you have not, I will request the Commission issue a formal Order shutting in and sealing all of your operations within the state of Kansas. Furthermore, any applications or intents currently pending or filed while your license is expired will not be processed or approved.

Furthermore, it has been brought to my attention that you currently have several injection wells that are past due for compliance. Please contact Larry Marchant with our District #3 Office at (620) 432-2300 immediately to resolve these issues. Failure to resolve these issues may result in further enforcement actions.

Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan A. Hoffman". The signature is fluid and cursive.

Ryan A. Hoffman
Litigation Counsel
Kansas Corporation Commission

cc: Alan Snider, UIC Supervisor
Jonelle Rains, EPR Supervisor
Steve Bond, Production Supervisor
Judy Streeter, Licensing
Steve Korf, District #3 Supervisor
John Almond, District #3 Compliance Officer
Larry Marchant, District #3 Staff

VERIFICATION OF MIKE HEFFERN

STATE OF KANSAS)
) ss:
COUNTY OF NEOSHO)

Mike Heffern, being first duly sworn, deposes and says that he is the Mike Heffern referred to in the foregoing document entitled "Prefiled Testimony of "Mike Heffern" in Docket No.: 11-CONS-252-CSHO before the State Corporation Commission of the State of Kansas and the statements and attached exhibits therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.

Mike Heffern

MIKE HEFFERN

SUBSCRIBED AND SWORN to before me on this 30th day of June, 2011.

Pamela K. Chase

Notary Public

My Commission expires:

4-3-2014

