

1 Q: What is your response to question and response from Mr. Klock concerning the 2 separate
2 applications for licensure?

3 A: It's true I filed for 2 separate licenses, because I was originally requested by KCC (year 2000) to
4 separate the "operations side of my business " from the equipment side of my business". Since
5 the KCC has repeatedly shut my operations side of the business it adversely affected the
6 equipment side of my business. The completion unit and drilling rig/ these 2 pieces of
7 equipment have never had any fines or wrong doings or circumstances which would adversely
8 affect their operation per KCC. They should be a separate entity away from the serendipity of
9 oil/gas production.

10 I had an informal meeting with Mr. Klock and Mr. Hoffman last year in preparation for these
11 applications wherein they had initially agreed that if I would comply with the outstanding issues
12 in Doc 11-CONS-153-CPEN they would allow new Operator's License for my companies.
13 However they thought there should be a bond above and beyond what is required when
14 applying for a license now.

15 Based upon this meeting I paid the outstanding fines and agreed to comply with the above-
16 mentioned Doc 11 within 60 days of licensure. Cover letters accompanied both applications and
17 made an exhibit by Mr. Klock. Since licensure of my equipment was denied which would save
18 tens of thousands of dollars in cost of compliance I waited to see what would happen at this
19 hearing. I am requesting that the Commission allow the licensure to continue so I could come
20 back into compliance as efficiently as possible.

21 Q: What is your response to Mr. Klock's information and subjective view point of repeated
22 violations.

23 A: Yes I have operated oil/gas wells since 1985, during some of the most volatile times in the
24 oil/gas industry where the industry has seen both the most depressed and most successful
25 periods of time. All of violations have occurred during the most depressed periods of time in
26 this industry and that multiple violations were given on the same well or lease on the same day.
27 Thereby the majority of the violations were from the assumed liability when purchased or after
28 signing a new lease. Prior to the Quest rulings, wherein an operator was not to be responsible
29 for old wells on new oil/gas leases.

30 I was shut-in for not complying with the plugging of the Walin wells of which I never claimed on
31 any license application nor had I had anything to do with the same wells prior to my taking the
32 lease. Nor was I given the option place these wells back into production..". I was given 30 day's,

1 or else.” I was “railroaded and pushed into plugging wells that I did not claim any responsibility.
2 These wells had been abandoned but posed no threat to the environment for at least 20 years
3 prior to my taking the lease for the purpose of drilling a new well, offsetting the Atkins lease
4 which I had purchased in 1985.

5 This was another example of my purchasing a lease from an operator that was in trouble and
6 had many spills into a dike area from SWDW trucks unloading and causing the tanks to spill. As
7 soon as I purchased the lease and took over operations I was immediately cited for the dike
8 which had been there for at least 6-7 years previously.

9 For a period of time all spills that were reported and found by KCC staff it seems they beat me to
10 every spill before pumper even got there. Most spills unreported were less than ½ bbl of fluid
11 and were within wellhead and pumper’s truck tracks, caused by stuffing box seepage. No
12 damage to crops and the spills were immediately remediated within an hour or so.

13 Q: Mr. Klock reported that you had only ever operated 29 wells per KCC records which only went
14 back as far as 1995.

15 A: Cara Ventures during the period 1985-94 had operated close to 65 wells on 24 leases at once,
16 mostly in Barber County ,Kansas.

17 Q: How do you respond concerning the infractions explained by Mr. Klock?

18 A: The majority of infractions from the period in question were for operator license lapses and
19 signs not displayed. License renewals were almost always paid and applied for within the 30 day
20 grace period for licensure which was admitted by KCC personnel.

21 It seemed like I was getting signs stolen all the time for awhile. And the fact that the infraction I
22 was fined for was immediately after a lease inspection upon KCC knowledge that I just recently
23 purchased a lease from a defunct operator which didn’t have any signs during its operations.

24 This also led to a fine from the KCC for an emergency pit which was next to a disposal well for at
25 least 10 years prior to my purchase of this well and I had to fill it in.

26 Why I ask wasn’t the previous operator under similar scrutiny? Why didn’t the KCC have these
27 issues resolved prior to my purchasing of the leases?

28 The TA’d well requirements were an issue with Mr. Dave Wertz. In a formal hearing in the 2004
29 in Topeka wherein under oath he was only familiar with my wells in an area that had at least 20-
30 30 inactive wells for many years within a 2 mile radius; when questioned why those wells were
31 not under as close scrutiny, he said he did not know why. I had also again recently purchased 6
32 wells from a well known operator which was not required by KCC staff to TA. These wells were

1 not and had not produced one drop of oil/gas for at least 10-20 years prior to my purchase of
2 them. I basically was singled out because I wasn't a high profile operator. And they knew they
3 could get things done when I was forced too even though the same problems were inherited
4 from previous operators.

5 Many times Mr. Dave Wertz(KCC Dist 2) would exclaim that I was spread too thin and
6 performing to many tasks because of lack of personnel during the "down times". I worked
7 harder than anyone he knew. I think he and Mr. Van Geeson were pumping my wells for me
8 since they always got there before I did.

9 Q: What is your response concerning your license suspension 3 times for lack of fulfilling payment
10 plans?

11 A: Since 2008 stock market and drilling rig crash and also price of oil decline from \$120bbl to
12 \$35bbl I was under financial distress and was without much needed cash because of obligations
13 and non payment by investors. Similarly, the same circumstances in the rise and fall of oil prices
14 in previous bust/boom periods consequently caused me not keep all payments timely. However
15 all obligations concerning the license requirements were previously met, leaving only past due
16 fines. I might add that all fines are paid in full .However, Mr. Klock also mentions a fine
17 accessed by KCC transportation that has not been paid. Contrary to his statement the fine was
18 "written off." The fines have not been written off and are still in collection through Harris and
19 Harris Law Firm.

20 Lack of money should be another reason the KCC should have let the wells produce oil/gas so I
21 could receive income to pay the fines. Don't you think that is a better way to collect funds past
22 due?

23 Q: What is your response to the total amount of fines?

24 A: Mr. Klock is trying to tie up all periods of time with my license. Then why doesn't he spread the
25 entire balance of fines over the full 27 years of being in business?

26 Total fines for all licenses for a period of 27 years including a one time fine for \$10,000.00; the
27 total amount of fines is less than 1,000.00/year.

28 Let me explain the one time fine in detail: The day Mr. Dave Wertz went and shut in my wells
29 and gauged the tanks he forgot about the Eastham well. He was allowed to turn off the wells
30 since I was on the East coast for a family funeral and could not personally be present. He was in
31 continual phone contact with me and said he shut-in all wells in Harper County. He did in fact
32 shut in the well 40acres north of the Eastham but forgot to shut-in the Eastham well. I was

1 under the assurance he had everything gauged and shut-in and never thought any different.
2 Then when he checked a few days later he fined me for a well he forgot to shut-in and when he
3 told me he did.

4 Q: What is your response to the reason Mr. Klock said you were shut-in again and suspended by
5 KCC in Doc 09-CONS-140-CPEN?

6 A: I was not shut-in for nonpayment of fines per Mr. Klock's allegations regarding Doc 09-CONS-
7 140-CPEN. There was an understanding and final agreement between parties that I would allow
8 my license to become inactive for the remainder of the year and it would be automatically
9 reinstated and given credits for payments already made based upon the pretrial agreement
10 between the parties. All other requirements had been met to the satisfaction of KCC staff. This
11 is also made of record by Mr. Klock's exhibit in a letter dated November 17,2009 by Mr. John
12 McCannon and final order in the same docket.

13 Q: What is your response to Mr. Klock's remarks concerning the monetary, time and expenditure
14 concerning your operations?

15 A: Mr. Klock is still failing to admit that many of the problems I fixed, remediated or plugged were
16 problems that existed on leases I purchased and not directly caused by my operations. For
17 example I was fined for and required to remediate a spill area from a dike in Sumner County,
18 Kansas that had occurred by many years of operations. I further was required to keep the dike
19 free from rain run off. I did this. The KCC representative agreed that the remediation was
20 mainly from many years of overlooked dike seepage from previous operators, but I was
21 scrutinized and had to clean up other's messes. Since I have not operated this lease and others
22 in the area for at least three years, no operator was made or inspected for or cited for not
23 emptying dike of rain water and my signs are still bearing my name and operator # and we are
24 going on the third operator of these same wells. Why weren't they cited for lease signs, dike
25 evacuation?

26 Second, across the county road from the Cully lease in Sumner County, there are dikes with
27 saltwater and oil covering the ground and contaminating soil for many years and are standing
28 full of fluids and no one has ever been sited. I wrote the KCC concerning a well that had a casing
29 leak in 2007 operated by Cyclone petroleum and had been abandoned by them that same year.
30 It took KCC 4 years to get them to plug the well without shutting down their operations and
31 have since overlooked the spilled fluids accumulating in the pits surrounding the Tank batteries.
32 WHY?

1 Q: Why is the Kansas Securities Commission involved with your business activities?

2 A: This was a result of filing with them by a person that didn't even own an interest in my wells and
3 was trying everything he could do to ruin my business. He even tried to take my operations (Mr.
4 Hoffman can verify) with a top lease on my wells but it didn't work.

5 At this point there is no formal problem with the Commission and I have never had a problem
6 with them in the past.

7 Q: What is the concern from your leasehold working interest owners' claims?

8 A: Mr. Klock should tell them to take me to court because he has no jurisdiction on these matters
9 and that would free up much of his time to do more important things. As a matter of fact, in our
10 informal meeting with Mr. Klock and Mr. Hoffman last year Mr. Klock joked around about how
11 much he enjoyed listening to everyone that became his friends and was on a one to one
12 relationship with all of them.

13 At no time did Mr. Klock ask, write or call me concerning these matters and I feel he has had a
14 closed opinion of me for many years that was brought on prior to his employment at KCC.

15 Q: What is the issue with the Butler County case?

16 A: This case was because the landowner wanted to take responsibility for producing or plugging
17 these wells. Since I couldn't place these wells back into production at the time he filed a lawsuit
18 and was awarded judgment for future plugging costs. I knew that I would be responsible
19 ultimately and that a judgment was meaningless.

20 I am in contact with the landowner and his counsel and they are prepared to give me a new
21 lease in order to satisfy the current Docket #12-CONS-198-CSHO.

22 Q: What is the status with Young Petroleum?

23 A: Young Petroleum is an operator hired by the same persons I have sued in Reno County district
24 court. (Klock's Exhibit 11). The KCC recently gave young Petroleum a change of operator on my
25 Woodruff well without contacting me. After speaking with several people that hired Mr. Young
26 they said they did everything under the direct supervision of Mr. Klock and that he was "calling
27 the shots for the KCC" and on their behalf because he didn't like me. He was taking everything
28 to a personal level.

29 The KCC has no authority over civil matters between a lessee and his working interest owners
30 regarding their contractual relationships. I recently sued Young Petroleum for conversion of
31 lease equipment in Reno County in excess of \$75,000.00. I feel the KCC should not have given
32 the transfer of operations of this lease since I did not have any knowledge they did it until

1 recently and that they had no jurisdiction concerning civil matters that should have been dealt
2 with in the civil courts.

3 Q: Do you have a final summation for the commission?

4 A: Yes I do. It is my opinion that I have been a target of persons representing the KCC in oil/gas
5 matters for many years and evidenced by similar violations occurred and still occur on my old
6 leases and surrounding leases and the KCC looks over these violations.

7 I feel that the commission should grant AA Drilling the equipment license so I can get back to
8 work and work for others in an industry that is in the midst of very prosperous times and has
9 lots of benefit to me and my family, the KCC and landowners on the Warner lease. With this
10 license I can take care of Docket #12-CONS-239-CMSC.

11 Once I'm back into compliance with all requirements set under by KCC staff SEED Group should
12 be granted the operator's license.

13 There should not be set an additional bond above and beyond required bonds. I have always
14 complied with KCC requirements. The KCC has never cleaned up or done anything on my behalf
15 and had to invoice me or collect from me in oil/gas matters.

16 Many operators have had and currently have negative operations that go overlooked by KCC
17 staff.