

2011-09-06 16:34:51

Kansas Corporation Commission

/S/ Patrice Petersen-Klein

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of an Order to Show Cause on the )  
Commission's Own Motion Issued TSCH, LLC, Gary )  
and Kayla Bridwell, d/b/a Black Rain Energy, and )  
John M. Denman Oil Co., Inc., with Regard to )  
Responsibility under K.S.A. 55-179 for Plugging the )  
M. A. Alexander Lease in the East Half of the )  
Northwest Quarter and the West Half of the )  
Northeast Quarter of Section 31, Township 34 South, )  
Range 12 East, Chautauqua County, Kansas )

Docket No. 11-CONS-253-CSHO

Conservation Division

License No. 34407

License No. 30916

License No. 5729

**RECEIVED**  
KANSAS CORPORATION COMMISSION

SEP 06 2011

**PRE-FILED TESTIMONY**

**LEGAL SECTION**

**OF GARY BRIDWELL**

	Page
I. BACKGROUND INFORMATION AND QUALIFICATIONS .....	1
II. GARY AND KAYLA BRIDWELL'S OWNERSHIP OF THE ALEXANDER LEASE .....	1
III. PLUGGING AND RETURN TO PRODUCTION PLAN APPROVED BY THE KCC STAFF .....	3
IV. RETENTION OF THE EXISTING WELLS UPON THE ALEXANDER LEASE TO PREVENT WASTE .....	5
V. CIMMARON RESOURCES' INTEREST IN PURCHASING THE ALEXANDER LEASE .....	9
VI. SUMMARY OF TESTIMONY AND FACTS ILLUSTRATING THAT GARY AND KAYLA BRIDWELL ARE NOT LEGALLY RESPONSIBLE FOR THE PROPER CARE AND CONTROL OF THE WELLS LOCATED UPON THE ALEXANDER LEASE .....	13

**I. BACKGROUND INFORMATION AND QUALIFICATIONS**

1 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A: Gary Bridwell, P.O. Box 1404 Independence, KS 67301.

3 **Q: WHAT IS YOUR OCCUPATION?**

4 A: I am self employed. I operate doing business as Black Rain Energy Services, performing  
5 contract operating, pumping and consulting services.

6 **Q: HOW LONG HAVE YOU BEEN SELF EMPLOYED, DOING BUSINESS AS BLACK**  
7 **RAIN ENERGY SERVICES?**

8 A: Since January 2007.

9 **Q: WHAT WAS THE NATURE OF YOU EMPLOYMENT PRIOR TO THAT TIME?**

10 A: After I was honorably discharged from the U.S. Army, 101<sup>st</sup> Air Born Division in 1971, I  
11 became a Serviceman for Northern Natural Gas Company, and subsequently I have been  
12 employed by Mesa Petroleum Company, Baren Corporation, Kimbark Oil and Gas, Stroud Oil  
13 Production, Tyco, CB Gas, Meritage and Petrol Oil and Gas Inc., until 2003 when I began  
14 independently offering consulting and operating services doing business as Black Rain Energy  
15 Services.

16 **II. GARY AND KAYLA BRIDWELL'S OWNERSHIP OF THE ALEXANDER LEASE**

17 **Q: HAVE YOU EVER HAD ANY OWNERSHIP INTEREST IN THE ALEXANDER**  
18 **LEASE WHICH IS LOCATED IN SECTION 31, TOWNSHIP 34 SOUTH, RANGE 12**  
19 **EAST, CHAUTAUQUA COUNTY, KANSAS?**

20 A: Yes, I obtained an ownership interest in the Alexander Lease by virtue of an Assignment of  
21 Oil and Gas Lease dated July 1, 2008 from John M. Denman Oil Co., Inc., ("Denman") as  
22 assignor. (Exhibit GB-1).

1 **Q: WHAT OPERATIONS DID YOU CONDUCT UPON THE ALEXANDER LEASE**  
2 **ONCE YOU OBTAINED THE SAME FROM DENMAN?**

3 A: The Alexander Lease was purchased with the expectation and based upon representations that  
4 Partners West Drilling and Management, LLC, 8000 E. Prentice Ave., Ste C-5, Greenwood  
5 Village, CO 80111 ("Partners West"), would provide all of the capital to reinstate production  
6 from the Alexander Lease. Partners West did supply sufficient capital to equip and reinstate  
7 production from three oil wells upon the Alexander Lease. Shortly after reinstating production  
8 from the three oil wells Partners West abandoned their interest in the Alexander Lease.

9 **Q: WHAT ACTIONS DID YOU TAKE AFTER PARTNERS WEST ABANDONED**  
10 **THEIR INTEREST IN THE ALEXANDER LEASE?**

11 A: I discontinued all operations upon and production from the Alexander Lease, and on April 1,  
12 2010 both Kayla Bridwell and myself assigned all of the working interest in the Alexander  
13 Lease to TSCH, LLC ("TSCH"). (Exhibit GB-2).

14 **Q: WAS THERE EVER ANY OIL OR GAS PRODUCED AND SOLD FROM THE**  
15 **ALEXANDER LEASE WHILE YOU WERE THE OWNER THEREOF?**

16 A: The Alexander Lease produced approximately 20 barrels of oil from the three oil wells  
17 referenced above during the brief time period that they were producing, however no oil was  
18 sold and to my knowledge said 20 barrels of oil remains in the tanks located upon the  
19 Alexander Lease.

20 **Q: WAS THERE EVER ANY EQUIPMENT OR SALVAGEABLE MATERIAL**  
21 **REMOVED FROM THE ALEXANDER LEASE WHILE YOU WERE THE OWNER**  
22 **THEREOF?**

23 A: No. To the best of my knowledge there are still five pumping units, a tank battery and five

1 wells containing salvageable tubing and rod located upon the Alexander Lease, which would  
2 likely have cumulative salvage value of \$20,000.00 to \$40,000.00.

3 **Q: WERE YOU EVER LISTED AS THE OPERATOR OF RECORD WITH THE**  
4 **KANSAS CORPORATION COMMISSION ("KCC" OR "COMMISSION") FOR ANY**  
5 **OF THE WELLS LOCATED UPON THE ALEXANDER LEASE WHILE YOU WERE**  
6 **THE OWNER THEREOF?**

7 A: I was listed as the operator of record with the KCC for 32 oil wells located upon the Alexander  
8 Lease by virtue of a Transfer of Operator Form T-1 requesting that the operator of record upon  
9 said 32 wells be changed from Denman to Gary Bridwell and Kayla Bridwell, License No.  
10 30916. (Exhibit GB-3)

11 **Q: ARE YOU CURRENTLY LISTED AS THE OPERATOR OF RECORD WITH THE**  
12 **KCC FOR ANY OF THE WELLS LOCATED UPON THE ALEXANDER LEASE?**

13 A: No, on June 18, 2010, the operator of record for all 32 wells mentioned in my previous answer  
14 was changed to TSCH, LLC, License No. 34407 by Form T-1 requesting that the operator of  
15 record upon said 32 wells be changed from Gary Bridwell and Kayla Bridwell to TSCH.  
16 (Exhibit GB-4)

17 **Q: DO EITHER YOU OR KAYLA BRIDWELL HAVE ANY RIGHT TITLE OR**  
18 **INTEREST IN TSCH, LLC?**

19 A: No we do not.

20 **III. PLUGGING AND RETURN TO PRODUCTION PLAN APPROVED**  
21 **BY THE KCC STAFF**

22 **Q: WHILE YOU WERE THE OWNER OF THE ALEXANDER LEASE DID YOU**  
23 **AGREE TO A PLAN FOR RETURNING THE WELLS LOCATED UPON THE**  
24 **ALEXANDER LEASE TO PRODUCTION AND FOR PLUGGING THOSE WELLS**

**WHICH WERE DETERMINED NOT TO BE COMMERCIALY PRODUCTIVE?**

A: While I was the owner of the Alexander Lease I received a letter dated January 14, 2009, from John McCannon, Litigation Counsel for the KCC, which proposed a plan whereby I was required to plug or return to service one well per month, with one additional well every three months either plugged or returned to service until all of the 32 wells which I was named as the operator of record for were either returned to service or plugged. I agreed to the plan set forth in said letter by signing the same on January 23, 2009. (Exhibit GB-5)

**Q: DID YOU PERFORM THE PLAN SET FORTH IN MR. MCCANNON'S LETTER?**

A: Regretfully, I was unable to perform the plan as set forth in Mr. McCannon's letter. When I agreed to said plan I had reached an agreement with Partners West to provide \$180,000.00 to be used to re-commence production from wells upon the Alexander Lease. After Partners West failed to provide the capital agreed upon and abandoned their interest in the Alexander Lease I was financially unable to perform the plan set forth in Mr. McCannon's letter.

**Q: WHAT IS THE CURRENT STATUS OF THE PLAN SET FORTH IN MR. MCCANNON'S LETTER?**

A: It has been voided and made of no effect by the KCC staff. In reviewing the pre-filed testimony of John Almond it appears as though TSCH entered into negotiations with KCC staff once TSCH purchased the Alexander Lease in an attempt to reach an agreement whereby the wells located upon the Alexander Lease would be either placed into production or plugged by TSCH. Almond Exhibit 9, p.2 contains a letter from a member of TSCH confirming an agreement reached during a phone conversation on March 29, 2010 between Ken Alcini and John Almond, whereby it was agreed that "Black Rain's plugging commitment would be voided and made of no effect upon TSCH's assumption and continuation of the development

1 and redevelopment program to re-establish production from the universe of existing wells on  
2 the Alexander Lease."

3 **IV. RETENTION OF THE EXISTING WELLS UPON THE ALEXANDER**  
4 **LEASE TO PREVENT WASTE**

5 **Q: DO EITHER YOU OR KAYLA BRIDWELL CURRENTLY HAVE ANY RIGHT TO**  
6 **OPERATE OR CONTROL THE ALEXANDER LEASE OR THE EXISTING WELLS**  
7 **LOCATED THEREON?**

8 A: No we do not, we assigned all of our right to operate or control the Alexander Lease and any  
9 of the existing wells located thereon to TSCH. Although we no longer have any right to  
10 operate or control the Alexander Lease or any of the existing wells located thereon, I hate to  
11 see the waste occur which will result from the plugging of those wells.

12 **Q: WHAT "WASTE" WILL RESULT FROM THE PLUGGING OF THE WELLS UPON**  
13 **THE ALEXANDER LEASE?**

14 A: It is my understanding that the "proven" production potential upon the Alexander Lease is in  
15 the Peru Sand. Based upon historical production from the Alexander Lease and the sharp  
16 decline in production reported upon said lease after 1980 by Kansas Geological Survey, I  
17 believe that only "marginal" production is reasonably expected to be obtained from the  
18 Alexander Lease. "Marginal" production refers to production that is on the lower edge of  
19 profitability, either as a result of high costs, low yields or a combination of the two. This term  
20 has traditionally been assigned to oil production that is ten barrels of oil per day or less and  
21 gas production that is 60 Mcf per day or less. Because this production is on the lower edge of  
22 profitability it is uneconomical to incur the significant capital costs to drill a new well in order  
23 to recover the resources. However, because the capital costs required to rework existing wells  
24 is significantly less than the capital cost required to drill new wells, marginal oil reserves can

1 often times be economically produced using existing wells, yet be economically unrecoverable  
2 if a new well must be drilled to produce the resources.

3 **Q: BASED UPON YOUR KNOWLEDGE AND EXPERIENCE DO YOU BELIEVE THAT**  
4 **THE OIL BENEATH THE ALEXANDER LEASE IS ECONOMICALLY**  
5 **RECOVERABLE IF THE EXISTING WELLS ARE UTILIZED?**

6 A: Yes, if the necessary capital investment is made in order to reinstate production from the  
7 existing wells located upon the Alexander Lease, I believe that the production realized would  
8 be sufficient to cover operating expenses, recover the initial capital investment and to yield a  
9 profit to the operator.

10 **Q: IF THE EXISTING WELLS LOCATED UPON THE ALEXANDER LEASE ARE**  
11 **PLUGGED DO YOU THINK THE OIL BENEATH SAID PROPERTY WILL BE**  
12 **RECOVERED?**

13 A: No, if the existing wells upon the Alexander Lease are plugged the oil beneath said property  
14 would in all likelihood become economically unrecoverable, and would be lost forever. While  
15 said oil could physically be produced from new wells drilled upon the Alexander Lease, the  
16 extremely high capital investment required to drill the new wells would render it uneconomical  
17 to produce said oil.

18 **Q: WHEN YOU USED THE TERM "WASTE" EARLIER, DOES THAT TERM HAVE**  
19 **SPECIAL SIGNIFICANCE IN THE OIL AND GAS INDUSTRY?**

20 A: Yes, I have read the definition of "waste" contained in K.S.A. 55-602. It provides "[t]he term  
21 'waste' as used herein, in addition to its ordinary meaning, shall include economic waste,  
22 underground waste, surface waste, waste of reservoir energy, and the production of crude oil  
23 or petroleum in excess of transportation or marketing facilities or reasonable market demands."

1 While I am not an attorney, based upon my experience in the oil and gas business. The type  
2 of waste that I was referring to above would generally fall into the category of underground  
3 waste, which occurs primarily as a result of ill-advised development and/or production  
4 operations which inefficiently deplete reservoir pressure and cause the resource to become  
5 trapped in the reservoir, however underground waste can also occur through the plugging of  
6 marginal wells. In certain circumstances when marginal wells are plugged the resource  
7 becomes economically unrecoverable and thus lost forever.

8 **Q: DO YOU HAVE SPECIFIC KNOWLEDGE OR INFORMATION THAT SOME OF**  
9 **THE WELLS LOCATED UPON THE ALEXANDER LEASE WILL BE ABLE TO**  
10 **ECONOMICALLY PRODUCE OIL IF THEY ARE REWORKED?**

11 A: Yes, after I assigned the Alexander Lease and all of the wells located thereon to TSCH they  
12 swab tested six of the existing wells located upon the Alexander Lease. Of the six wells tested,  
13 three were determined to be economically productive wells.

14 **Q: WHAT WAS DONE WITH THE THREE WELLS FOUND TO BE ECONOMICALLY**  
15 **PRODUCTIVE WELLS?**

16 A: TSCH ran pipe into said three wells and installed electric and flow lines to said wells.

17 **Q: AFTER THE SWAB TESTING PROGRAM INITIATED BY TSCH PRODUCED**  
18 **PROMISING RESULTS, WHY DIDN'T TSCH FOLLOW THROUGH WITH ITS**  
19 **PLAN TO TEST ALL OF THE EXISTING WELLS LOCATED UPON THE**  
20 **ALEXANDER LEASE AND TO RESTORE PRODUCTION FROM THE WELLS**  
21 **FOUND TO BE ECONOMICALLY PRODUCTIVE AND TO PLUG THE**  
22 **REMAINING WELLS?**

23 A: It is my understanding that TSCH only invested approximately \$32,000 into the Alexander



1 Lease to conduct the testing and reworking operations upon the lease, which is simply not  
2 enough money to follow through with the plan set forth by TSCH upon the Alexander Lease.

3 **Q: WHAT MECHANISMS ARE IN PLACE TO PREVENT WASTE OF OIL AND GAS**  
4 **RESOURCES IN KANSAS?**

5 A: Based upon my understanding of K.S.A. 55-602 it says, "[t]he state corporation commission  
6 shall have the authority to make rules and regulations for the prevention of such waste and for  
7 the protection of all fresh-water strata, and oil- and gas-bearing strata encountered in any well  
8 drilled for, or producing, oil." It is my understanding that it is generally accepted that the KCC  
9 is charged with the responsibility of preventing waste.

10 **Q: WOULD THE COMMISSION BE FULFILLING ITS DUTIES TO PROTECT**  
11 **AGAINST WASTE BY ISSUING AN ORDER REQUIRING THAT ALL OF THE**  
12 **WELLS LOCATED UPON THE ALEXANDER LEASE BE PLUGGED?**

13 A: No, in fact they would be doing just the opposite. By ordering all of the wells located upon the  
14 Alexander Lease to be plugged the Commission would cause the recoverable oil within the  
15 Peru sands beneath the Alexander Lease to become economically unrecoverable, thus causing  
16 underground waste of those resources.

17 **Q: ARE YOU SAYING GENERICALLY THAT PLUGGING MARGINAL WELLS**  
18 **RESULTS IN UNDERGROUND WASTE AND THEREFORE THE COMMISSION**  
19 **SHOULD NOT ORDER THAT ANY MARGINAL WELLS BE PLUGGED?**

20 A: Absolutely not. I understand that the Commission is not only charged with preventing waste,  
21 it is also responsible for making, "rules and regulations . . . for the protection of all fresh-water  
22 strata, and oil- and gas-bearing strata encountered in any well drilled for, or producing, oil."  
23 I also understand the Commission is burdened with the cumbersome task of balancing its duty

1 to prevent waste with its duty to protect against pollution. As a result, in many, if not most  
2 instances plugging abandoned wells is the appropriate action. With that being said, there are  
3 two significant issues at play with the Alexander Lease that make this situation unique. First,  
4 I did not see anything in the Staff testimony which stated with any certainty that any of the  
5 wells located upon the Alexander Lease are ACTUALLY polluting or are likely to pollute any  
6 usable water strata or supply. The pre-filed testimony already before the Commission contains  
7 one or two allegations that the water level of some of the subject wells is high, which indicates  
8 that usable water is being polluted by downward drainage in said well bores. However, the  
9 presence of water in the wellbore does not necessarily indicate or even create a presumption  
10 that said water is 'usable water' (not more than 10,000 milligrams per liter, total dissolved  
11 solids). The second and the most significant factor at play with the Alexander Lease is that  
12 there is a ready, willing and able buyer for said lease who wishes to operate the Alexander  
13 Lease and place the existing wells located thereon back into production, and to plug those  
14 which are found not to be economically productive.

15 **V. CIMMARON RESOURCES, INTEREST IN PURCHASING**  
16 **THE ALEXANDER LEASE**

17 **Q: DO YOU HAVE SPECIFIC KNOWLEDGE THAT SOME THIRD PARTY IS**  
18 **WILLING TO ATTEMPT TO PLACE THE WELLS LOCATED UPON THE**  
19 **ALEXANDER LEASE BACK INTO PRODUCTION?**

20 **A:** Yes, Cimmaron Resources Inc., ("Cimmaron") contacted me in an effort to purchase the  
21 Alexander Lease and all equipment located thereon. Since I no longer own the Alexander  
22 Lease I was unable to convey to them any right to operate or control the Alexander Lease or  
23 any of the wells located thereon, however I have been trying to work with Cimmaron to help  
24 them acquire the Alexander Lease.

1     **Q: HAS CIMMARON BEEN ABLE TO ACQUIRE THE ALEXANDER LEASE?**

2     A: TSCH who is the current owner of all of the working interest in the Alexander Lease has  
3     agreed to convey said working interest and all of the wells and equipment thereon to  
4     Cimmaron, and I have agreed to attempt to obtain a ratification of the Alexander Lease  
5     agreement from the current mineral interest owners if Cimmaron will purchase the lease and  
6     accept all plugging liability thereon.

7     **Q: THEN WHY HASN'T CIMMARON PURCHASED THE ALEXANDER LEASE AND**  
8     **BEGUN TO PLACE EXISTING WELLS BACK INTO PRODUCTION AND TO PLUG**  
9     **THOSE WELLS WHICH ARE FOUND TO BE COMMERCIALY**  
10    **UNPRODUCTIVE?**

11    A: The KCC staff has indicated that all wells must either be plugged or restored to production  
12    within 90 days, and it is simply not feasible to accomplish the task at hand in that amount of  
13    time. Cimmaron believes as I do that only marginal production is reasonably expected from  
14    the Alexander Lease and that production of oil from the Alexander Lease can only be  
15    economically profitable if such production is done utilizing the existing wells upon said lease.  
16    It is my understanding that if all of the wells upon the Alexander Lease are plugged,  
17    Cimmaron will no longer be interested in purchasing the Alexander Lease.

18    **Q: DO YOU HAVE ANYTHING THAT CONFIRMS YOUR BELIEF THAT CIMMARON**  
19    **WOULD NOT BE INTERESTED IN PURCHASING THE ALEXANDER LEASE IF**  
20    **ALL OF THE EXISTING WELLS LOCATED THEREON ARE PLUGGED?**

21    A: Yes, my attorney received a letter from Cimmaron dated September 1, 2011, which outlined  
22    Cimmaron's intentions with respect to the Alexander Lease and confirmed by believe that  
23    Cimmaron would not be interested in purchasing the Alexander Lease if the existing wells are

1 plugged. Said letter specifically states, [o]bviously, we agree there is a sufficient enough  
2 amount of oil to be recovered to make [the Alexander Lease] a viable project for us. However,  
3 this is not the case if the wells are plugged and we have to drill new wells. At that point, the  
4 lease is not economical and we would not be interested in purchasing the lease if the wells are  
5 plugged." (Exhibit GB-6).

6 **Q: HOW CAN IT BE ECONOMICALLY FEASIBLE FOR CIMMARON TO ACCEPT**  
7 **THE PLUGGING LIABILITY FOR SO MANY WELLS UPON THE ALEXANDER**  
8 **LEASE IF IT IS NOT ECONOMICALLY FEASIBLE FOR THEM TO DRILL NEW**  
9 **WELLS UPON THE LEASE IN ORDER TO PRODUCE THE OIL THEREFROM?**

10 **A:** The total costs to plug a single well upon the Alexander Lease would probably be between  
11 \$850 and \$10,000. The total cost to drill, complete and equip a new producing well would  
12 probably be approximately \$130,000. Therefore, Cimmaron could in all likelihood plug all of  
13 the existing wells located upon the Alexander Lease for less money that it would cost to drill,  
14 complete and equip a single producing well. Cimmaron is presumably proceeding under the  
15 reasonable expectation that many of the existing wells upon the Alexander Lease can be placed  
16 back into production and that all of the wells will not need to be plugged at this time.

17 **Q: WHY DO YOU THINK THAT THE KCC STAFF IS UNWILLING TO GIVE**  
18 **CIMMARON THE OPPORTUNITY TO TAKE CONTROL OF AND**  
19 **RESPONSIBILITY FOR THE ALEXANDER LEASE AND THE WELLS LOCATED**  
20 **THEREON, AND TO ALLOW CIMMARON A REASONABLE TIME PERIOD IN**  
21 **WHICH TO BRING THE ALEXANDER LEASE AND THE EXISTING WELLS**  
22 **BACK INTO COMPLIANCE WITH KCC RULES AND REGULATIONS?**

23 **A:** It is undoubtably because this is not the first time that the KCC staff has been presented with

1 a proposal similar to the one being made by Cimmaron. The KCC staff allowed me a  
2 reasonable time to bring the Alexander Lease and the existing wells located thereon back into  
3 compliance when I purchased the lease from Denman, and they also allowed TSCH a  
4 reasonable time to do the same when it purchased the Lease from Kayla Bridwell and myself.  
5 Regrettably I was financially unable to make significant progress in such endeavor while I was  
6 the owner of the Alexander Lease and for whatever reason, TSCH also did not take any  
7 significant steps to either reinstate production from or plug the existing wells located upon the  
8 Alexander. In light of its past experiences it is completely understandable that the KCC staff  
9 is now taking the position that it is with Cimmaron.

10 **Q: IN LIGHT OF THE PAST EVENTS AND OPERATIONS UPON THE ALEXANDER**  
11 **LEASE WHY SHOULD CIMMARON BE ALLOWED A REASONABLE TIME TO**  
12 **RESTORE PRODUCTION FROM OR PLUG THE EXISTING WELLS LOCATED**  
13 **UPON THE ALEXANDER LEASE?**

14 **A:** Because both my inaction and TSCH's inaction is not a reliable indicator of how Cimmaron  
15 will perform under any agreed upon plan reached with KCC staff. In the case of the Alexander  
16 Lease there are multiple benefits to entering into a reasonable remediation plan with  
17 Cimmaron. First, and foremost by allowing production of the marginal oil reserves beneath  
18 the Alexander Lease the Commission would be fulfilling its obligation to prevent waste.  
19 Additionally, since there is no evidence of ACTUAL or threatened pollution to any usable  
20 water supply, there is no emergency situation which needs to be remedied through the  
21 immediate plugging of these wells. If there indeed are certain wells upon the Alexander Lease  
22 which are either polluting or endangering usable water, then any plugging order issued herein  
23 should be limited to those specific wells for which there is evidence of ACTUAL or threatened

1 pollution.

2 **VI. SUMMARY OF THE FACTS ILLUSTRATING THAT GARY AND KAYLA**  
3 **BRIDWELL ARE NOT LEGALLY RESPONSIBLE FOR THE PROPER CARE AND**  
4 **CONTROL OF THE WELLS LOCATED UPON THE ALEXANDER LEASE**

5 **Q: IF THE COMMISSION ISSUES AN ORDER REQUIRING THAT SOME OR ALL OF**  
6 **THE WELLS LOCATED UPON THE ALEXANDER LEASE BE IMMEDIATELY**  
7 **PLUGGED, ARE YOU AND KAYLA BRIDWELL LIKELY TO BE HELD**  
8 **RESPONSIBLE FOR PLUGGING ANY OF SAID WELLS?**

9 **A:** Based upon my reading of the statutes neither myself nor Kayla Bridwell should be held  
10 responsible for plugging any of the existing wells upon the Alexander Lease.

11 **Q: WHY?**

12 **A:** It is my understanding of the plugging statute that only a party who is determined to be "legally  
13 responsible for the proper care and control" of the subject wells can be ordered to plug the  
14 same. Neither myself nor Kayla Bridwell are legally responsible for the proper care and control  
15 of any of the wells located upon the Alexander Lease.

16 **Q: HOW DID YOU REACH THE CONCLUSION THAT NEITHER YOU NOR KAYLA**  
17 **BRIDWELL ARE LEGALLY RESPONSIBLE FOR THE PROPER CARE AND**  
18 **CONTROL OF ANY OF THE WELLS LOCATED UPON THE ALEXANDER**  
19 **LEASE?**

20 **A:** It appears to me the statute sets out four nonexclusive categories of persons legally responsible  
21 for the proper care and control of an abandoned well: 1) Any operator of a waterflood or  
22 pressure maintenance program deemed to be causing pollution or loss of usable water; 2) the  
23 current or last operator of the lease upon which such well is located, irrespective of whether  
24 such operator plugged or abandoned such well; 3) the original operator who plugged or

1 abandoned such well; and 4) any person who tampered with or removed surface or downhole  
2 equipment from an abandoned well without authorization. The only conceivable category  
3 under which Kayla Bridwell or I could be held responsible for the existing wells located upon  
4 the Alexander Lease is as the "current or last operator of the lease upon which such [wells are]  
5 located . . . ." However, Kayla Bridwell or I can't be held responsible for the existing wells  
6 located upon the Alexander Lease as a member of this category of person because we are not  
7 the current or the last operator. The current or last operator was TSCH.

8 **Q: IS THERE A CURRENT PRACTICE AT THE COMMISSION THAT SUPPORTS**  
9 **THE PRACTICE OF LOOKING TO THE CURRENT OPERATOR AUTHORIZED**  
10 **TO EXERCISE PHYSICAL CONTROL OVER A SPECIFIC WELL?**

11 A: Yes. Based upon my understanding of the Commission's rules, the Commission keeps track  
12 of who is responsible for the operation of a well using what is known as a "Form T-1," titled  
13 "Request for Change of Operator." The rule (K.A.R. 82-3-136(a)) provides, "[i]f operator  
14 responsibility is transferred, the past operator shall report this transfer to the conservation  
15 division within 30 days of the change upon a form prescribed by the commission." The rule  
16 also requires that, "[t]he past operator shall furnish a list of all active and inactive wellbores  
17 on the lease, unit, gas storage facility, or secondary recovery unit with the notice of transfer."

18 **Q: BASED UPON YOUR KNOWLEDGE OF THE COMMISSION'S RULES, DOES THE**  
19 **OPERATOR TO WHICH THE WELLS ARE BEING TRANSFERRED HAVE TO BE**  
20 **LICENSED?**

21 A: Yes. The licensing requirement completes the circle of operator responsibility because to  
22 obtain a license you must also satisfy the financial responsibility requirements imposed by the  
23 Commission to assure the operator's ability to plug the wellbores under its operatorship.

1 **Q: BASED UPON YOUR UNDERSTANDING OF THE COMMISSION RULES, WHAT**  
2 **IS THE OVERALL PURPOSE OF THE TRANSFER OF OPERATOR AND**  
3 **OPERATOR LICENSING REQUIREMENTS?**

4 A: Based upon my understanding, it is two fold, first it provides a mechanism whereby the  
5 Commission is able to keep an accurate record of the party who is responsible for the physical  
6 operation and control of all oil and gas wells, and second it provides a qualification  
7 mechanism to ensure that those who are permitted to accept responsibility for the physical  
8 operation and control of any oil and gas well meet certain financial responsibility criteria.

9 **Q: ARE EITHER YOU OR KAYLA BRIDWELL CURRENTLY RESPONSIBLE FOR**  
10 **THE PHYSICAL OPERATION OR CONTROL OF ANY OF THE WELLS LOCATED**  
11 **UPON THE ALEXANDER LEASE?**

12 A: No. Based upon my reading of the Staff testimony in this case there are 44 existing wells  
13 located upon the Alexander Lease. In 2008 I became responsible for the physical operation and  
14 control of 32 of those 44 wells when Denman transferred the wells to me by Form T-1. In  
15 2010, I transferred by Form T-1 the responsibility for said 32 wells to TSCH.

16 **Q: WERE EITHER YOU OR KAYLA BRIDWELL EVER RESPONSIBLE FOR THE**  
17 **PHYSICAL OPERATION OR CONTROL OF THE REMAINING 12 WELLS**  
18 **LOCATED UPON THE ALEXANDER LEASE?**

19 A: No we were not.

20 **Q: DO EITHER YOU OR KAYLA BRIDWELL CURRENTLY HAVE ANY RIGHT TO**  
21 **CONTROL OR OPERATE ANY OF THE WELLS LOCATED UPON THE**  
22 **ALEXANDER LEASE?**

23 A: No we do not. We assigned all of the working interest in and to the Alexander Lease and all



1 personal property located thereon to TSCH in 2010 and all of the rights and responsibilities  
2 to operate and control any of the existing wells located upon the Alexander Lease were also  
3 transferred to TSCH in 2010 by filing a Form T-1 requesting such change of operator.

4 **Q: IS THERE ANY OTHER REASON WHY YOU BELIEVE THAT YOU ARE NOT A**  
5 **PERSON LEGALLY RESPONSIBLE FOR THE PROPER CARE AND CONTROL OF**  
6 **ANY OF THE WELLS LOCATED UPON THE ALEXANDER LEASE.**

7 A: Yes. When Kayla Bridwell and I assigned all of the working interest in the Alexander Lease  
8 and all personal property and equipment located thereon to TSCH, said assignment contained  
9 the following language, "[b]y acceptance of this Assignment and Bill of Sale, ASSIGNEE  
10 hereby assumes and agrees to indemnify and hold ASSIGNOR harmless of and from  
11 liability for plugging of any and all wells located on the leased premises." (Exhibit GB-2  
12 (emphasis added)).

13 **Q: ARE YOU AWARE OF ANY PERSON WHO HAS AT ANY TIME TAMPERED**  
14 **WITH OR REMOVED SURFACE OR DOWNHOLE EQUIPMENT FROM ANY OF**  
15 **THE EXISTING WELLS LOCATED UPON THE ALEXANDER LEASE AFTER**  
16 **SAID WELLS WERE REMOVED FROM PRODUCTION?**

17 A: Yes, L.A. and Janet Pacheco removed approximately three large semi trailer loads of surface  
18 equipment from the existing wells located upon the Alexander Lease while Denman was the  
19 owner of said lease.


20 **Q: DOES THIS COMPLETE YOUR TESTIMONY TO THE COMMISSION?**

21 A: Yes.

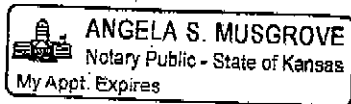
**VERIFICATION OF GARY BRIDWELL**

STATE OF KANSAS       )  
                                  ) ss:  
COUNTY OF Montgomery )

Gary Bridwell, being duly sworn, upon his oath states that he has read the document title "Pre-filed Testimony of Gary Bridwell" to which this Verification is attached, that he is aware of its contents, and declares that the statements contained in said document are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
GARY BRIDWELL

SUBSCRIBED AND SWORN to before me on this 2 day of Sept, 2011.



  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission expires: 1-21-2015

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 6<sup>th</sup> day of September, 2011, addressed to:

Ryan A. Hoffman  
Litigation Counsel  
Kansas Corporation Commission  
Finney State Office Building, Room 2078  
130 S. Market  
Wichita, Kansas 67202

Charles L. Hoffman, Jr.  
TSCH, LLC  
480 Mars Way  
Juno Beach, Florida 33408-1909

Wayne Bright  
John M. Denman Oil Co., Inc.  
202 S. Chautauqua  
P O Box 36  
Sedan, Kansas 67361-1605

Steve Korf, John Almond  
KCC District #3 Office  
1500 W. Seventh  
Chanute, Kansas 66720

Thomas M. Rhoads  
Glaves, Irby, & Rhoads  
155 N. Market, Suite 1050  
Wichita, Kansas 67202  
Attorneys for John M. Denman Oil Co., Inc.



Keith A. Brock

# ASSIGNMENT OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned,

JOHN M. DENMAN OIL CO., INC.

hereinafter called Assignor (whether one or more), for and in consideration of One Dollar (\$1.00) the receipt whereof is hereby acknowledged, does hereby sell, assign, transfer and set over unto GARY BRIDWELL AND KAYLA BRIDWELL

(hereinafter called Assignee), ALL THREE WORKING

dated FEBRUARY 26th

1903

from H. J. ALEXANDER AND M. A. ALEXANDER

HIS WIFE

to D. W. LONGWELL

recorded in book 7 OF MISCELLANEOUS, page 90

CHARTERED County, State of KANSAS

W 1/2 NE 1/4 and the E 1/2 NW 1/4

ASSIGNOR HEREBY RESERVES TO ITSELF A 3% OVER-RIDING ROYALTY INTEREST ON THE INTEREST BEING TRANSFERRED BY THIS ASSIGNMENT.

THIS ASSIGNMENT IS MADE WITHOUT WARRANTY AS TO TITLE.

of Section 31 Township 36S Range 12E and containing 160 acres, more or less together with the rights incident thereto and the personal property thereon, appurtenant thereto, or used or obtained in connection therewith.

And for the same consideration the Assignor covenants with the Assignee, its or his heirs, successors or assigns: That the Assignor is the lawful owner of and has good title to the interest above assigned in and to said lease, estate, rights and property, free and clear from all liens, encumbrances or adverse claims; That said lease is a valid and subsisting lease on the land above described, and all rentals and royalties due thereunder have been paid and all conditions necessary to keep the lease in full force have been duly performed.

EXECUTED, This 1st day of JULY

1903

JOHN M. DENMAN OIL CO., INC.

JOHN T. DAVIS PRESIDENT

STATE OF MISSOURI } ss.  
COUNTY OF FRANKLIN

ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Chk. and Colo.)

Before me, the undersigned, a Notary Public, within and for said County and State, on this

day of 1st, 1903, personally appeared

and

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

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

My commission expires

Notary Public

STATE OF MISSOURI } ss.  
COUNTY OF FRANKLIN

ACKNOWLEDGMENT FOR CORPORATION

Be it remembered that on this 1 day of July, 2008, before me, the undersigned, a

Notary Public, duly commissioned, in and for the county and state aforesaid, came John T. Davis

president of John M. Denman Oil Co., Inc.

a corporation of the State of KANSAS, personally known to me to be such officer, and to be the same person who executed as such officer the foregoing instrument and writing in behalf of said corporation, and he duly acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

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

My commission expires Aug. 8, 2009

Hannah Zelch

HANNAH ZELCH  
Notary Public - Notary Seal  
State of Missouri  
Washington County  
My Commission Expires Aug. 8, 2009  
Commission # 05749160

EXHIBIT

GB-1

STATE OF KANSAS }  
Chautauqua County } ss \$16.00 ✓  
This instrument was filed for  
record this 2 day of April,  
2010 at 9:50 o'clock AM and  
duly recorded in book 147  
of records on page 549

*Rana C. Nelson*  
REGISTER OF DEEDS

**ASSIGNMENT OF OIL AND GAS LEASES**  
**(KANSAS FORM - OVERRIDING ROYALTY INTEREST)**

KNOW ALL MEN BY THESE PRESENTS:

That Kayla Bridwell and Gary Bridwell, d/b/a Black Rain Energy, hereinafter called Assignor, for and in consideration of the sum of One Dollar (\$1.00) the receipt of which is hereby acknowledged, does hereby assign, transfer, sell and convey unto TSCH, LLC, hereinafter called Assignee, the Oil and Gas Leases, lands and interest therein, as set out in Exhibit "A" hereof, attached hereto, and reference to which is hereby made, said lands being located in Chautauqua County, State of Kansas, together with the rights incident thereto, the personal property thereon, appurtenant thereto, or used or obtained in connection with said Oil and Gas Leases.

The Assignor herein reserves unto itself, its heirs, successors or assigns, and excepts from this assignment an overriding royalty interest of an undivided 2.5% of 8/8ths of all oil, gas or other hydrocarbons produced, saved and sold from the lands described in Exhibit "A" hereof under the terms of the Oil and Gas Leases, if, as and when produced, saved and sold, but not otherwise. Such overriding royalty interest shall be free of all development, production, marketing and operating expenses and charges of any other nature; however, said interest shall bear and pay currently its share of gross production and/or pipe line taxes. It is agreed that the reservation and exception herein made imposes upon Assignee herein, its heirs, successors and assigns, no duty or obligation to develop or operate the leased premises for oil, gas or other hydrocarbons not imposed by the provisions of the Leases. The interest hereby assigned to Assignee, net of the overriding royalty interest hereby reserved to Assignor is the entire (100%) working interest, bearing Net Revenue Interest (NRI) of .820000.

This Assignment and Bill of Sale is made without warranty of title, either express or implied, except that Assignor agrees to warrant and forever defend title to the interests as to those claiming or to claim the same by, through or under Assignor, but not otherwise. Except to the extent set forth in the preceding sentence of this paragraph, this Assignment and Bill of Sale is made without warranty of title, express, implied or statutory. Any covenants implied by statute or law by the use of the word "Grant" or other similar words in this Assignment and Bill of Sale are hereby expressly restrained, disclaimed, waived and negated.

EXCEPT AS MAY BE EXPRESSLY SET FORTH HEREIN THE LEASE AND RELATED PROPERTY ARE CONVEYED AND ACCEPTED WITHOUT WARRANTY OF TITLE EITHER EXPRESS OR IMPLIED. ASSIGNEE ACKNOWLEDGES THAT IT HAS INSPECTED THE SUBJECT PROPERTY AND THE PROPERTY IS CONVEYED HEREIN BY ASSIGNOR "AS IS, WHERE IS" AND IN THEIR PRESENT CONDITION WITH ALL FAULTS. WITHOUT LIMITATION OF THE GENERALITY OF THE PRECEDING SENTENCE, ASSIGNOR HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AS TO THOSE PORTIONS OF THE SUBJECT PROPERTY CONSTITUTING PERSONAL

**EXHIBIT**

GB-2

PROPERTY, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE, OR OTHERWISE RELATING TO THE CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS).

By acceptance of this Assignment and Bill of Sale, ASSIGNEE hereby assumes and agrees to indemnify and hold ASSIGNOR harmless of and from liability for plugging of any and all wells located on the leased premises.

This Assignment and Bill of Sale shall be effective as of April 1, 2010, at 7:50 a.m., Central Standard Time (the "Effective Date" and "Effective Time").

The terms, covenant and conditions hereof shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, this Assignment and Bill of Sale has been executed this 31 day of March, 2010, but shall be effective as of the Effective Time, for all purposes.

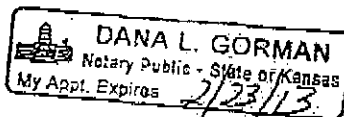
Kayla M. Bridwell  
Kayla Bridwell

Gary Bridwell  
Gary Bridwell

STATE OF KANSAS )  
 ) SS:  
COUNTY OF MONTGOMERY )

BE IT REMEMBERED that on this 31 day of March, 2010, before me, a Notary Public in and for the County and State aforesaid, came Kayla Bridwell and Gary Bridwell, d/b/a Black Rain Energy, who are personally known to me to be the same persons who executed the within instrument of writing and such persons duly acknowledged the execution of the same to be their free act and deed.

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



My Appointment Expires:  
\_\_\_\_\_

[Signature]  
Notary Public

**EXHIBIT "A"**

1. LESSOR: Mark Lee Bartholomew and Linda Susan Varela,  
f/k/a Linda Susan Bartholomew  
✓ LESSEE: Gary Bridwell and Kayla Bridwell  
DATE: February 23, 2009  
RECORDED: Book 147, Page 534  
PROPERTY: W/2 NE/4 and E/2 NW/4, Section 31, T34S, R12E,  
Chautauqua County, Kansas

2. LESSOR: Corine Hartley, f/k/a Corine West  
LESSEE: Gary Bridwell and Kayla Bridwell  
✓ DATE: February 12, 2009  
RECORDED: Book 147, Page 529  
PROPERTY: W/2 NE/4 and E/2 NW/4, Section 31, T34S, R12E,  
Chautauqua County, Kansas

JUN/30/2008/MON 01:37 PM FNB of SEDAN, KS

Fax: FAX No. 620 725 5515

Sep 6 2011 03:36pm P026/033

RECEIVED  
KANSAS CORPORATION COMMISSION

JUL 03 2008

CONSERVATION DIVISION  
WICHITA, KSKANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISIONREQUEST FOR CHANGE OF OPERATOR  
TRANSFER OF INJECTION OR SURFACE PIT PERMITForm T-1  
April 2004  
Form must be Typed  
Form must be Signed  
All blanks must be FilledRECEIVED  
KANSAS CORPORATION COMMISSION

## Check Applicable Boxes:

- ☒ Oil Lease: No. of Oil Wells 32
- ☐ Gas Lease: No. of Gas Wells \_\_\_\_\_
- ☐ Gas Gathering System: \_\_\_\_\_
- ☐ Saltwater Disposal Well - Permit No.: none
- Spot Location: \_\_\_\_\_ feet from ☐ N / ☐ S Line  
\_\_\_\_\_ feet from ☐ E / ☐ W Line
- ☐ Enhanced Recovery Project Permit No.: none
- Entire Project: ☐ Yes ☐ No
- Number of Injection Wells \_\_\_\_\_

Field Name: \_\_\_\_\_

Side Two Must Be Completed.

Surface Pit Permit No.: none  
(API No. if Drill Pit, WD or Haul)Type of Pit: ☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☐ DrillingPast Operator's License No. 5723Past Operator's Name & Address: John M. Denman Oil CO. Inc.  
P.O. Box 36 Sedan, Ka 67351Title: PRESIDENTNew Operator's License No. 30916New Operator's Name & Address: GARY BRIDWEL AND KAYLA BRIDWELL  
871 N. CR 3325 INDEPENDENCE, KANSAS 67301Title: OWNERSEffective Date of Transfer: 7/1/08

JUL 30 2008

KS Dept of Revenue Lease No.: n/a CONSERVATION DIVISION  
WICHITA, KSLease Name: M.A. AlexanderSec. 31 Twp. 34S R. 12 ☒ E ☐ WLegal Description of Lease: E 1/2 NW 1/4 and W 1/2 NE 1/4County: CHAUTAUQUAProduction Zone(s): PeruInjection Zone(s): n/a\_\_\_\_\_ feet from ☐ N / ☐ S Line of Section\_\_\_\_\_ feet from ☐ E / ☐ W Line of SectionContact Person: John T. DavisPhone: 573-488-1268Date: 7-1-08Signature: [Signature]Contact Person: GARY BRIDWELLPhone: 620-331-0184Oil / Gas Purchaser: COFFEYVILLE RESOURCESDate: 7-1-08Signature: [Signature]

**Acknowledgment of Transfer:** The above request for transfer of injection authorization, surface pit permit # none has been noted, approved and duly recorded in the records of the Kansas Corporation Commission. This acknowledgment of transfer pertains to Kansas Corporation Commission records only and does not convey any ownership interest in the above injection well(s) or pit permit.

\_\_\_\_\_ is acknowledged as the  
new operator and may continue to inject fluids as authorized by  
Permit No.: \_\_\_\_\_ Recommended action: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signature

\_\_\_\_\_ is acknowledged as the  
new operator of the above named lease containing the surface pit  
permitted by No.: \_\_\_\_\_

Date: \_\_\_\_\_

Authorized Signature

DISTRICT \_\_\_\_\_ EPR 8-1-08 PRODUCTION AUG 01 2008 UIC 8-1-08  
Mail to: Past Operator \_\_\_\_\_ New Operator \_\_\_\_\_ District \_\_\_\_\_

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

EXHIBIT

GB-3



RECEIVED  
KANSAS CORPORATION COMMISSION

Side Two

JUL 30 2008

Must Be Filed For All Wells

CONSERVATION DIVISION  
WICHITA, KS

KDOR Lease No.: n/a

\* Lease Name: M.A. Alexander

\* Location: W 1/2 NE 1/4 &amp; E 1/2 NW 1/4 31-34S-12E CQ.CO.KS

Well No.	API No. (YR DRD/PRE '87)	Footage from Section Line (i.e. FSL = Feet from South Line)	Type of Well (Oil/Gas/INJ/AWSW)	Well Status (PROD/TA'D/Abandoned)
#1	15-019-19513	3750 <sup>Circle</sup> FSL/FNL 2492 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
2	15-019-19514	4436 <sup>Circle</sup> FSL/FNL 2421 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
4	15-019-19515	3914 <sup>Circle</sup> FSL/FNL 2182 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
5	15-019-19516	3708 <sup>Circle</sup> FSL/FNL 1924 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
6	15-019-19517	4375 <sup>Circle</sup> FSL/FNL 2080 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
7	15-019-19518	4085 <sup>Circle</sup> FSL/FNL 2421 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
8	15-019-19519	3240 <sup>Circle</sup> FSL/FNL 2454 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
9	15-019-19520	3174 <sup>Circle</sup> FSL/FNL 2089 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
10	15-019-19521	2864 <sup>Circle</sup> FSL/FNL 2073 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
11	15-019-19522	2810 <sup>Circle</sup> FSL/FNL 2314 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
12	15-019-19523	3453 <sup>Circle</sup> FSL/FNL 2064 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
13	15-019-19524	3186 <sup>Circle</sup> FSL/FNL 1788 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
14	15-019-19525	2882 <sup>Circle</sup> FSL/FNL 1603 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
15	15-019-19526	3174 <sup>Circle</sup> FSL/FNL 2755 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
16	15-019-19527	3296 <sup>Circle</sup> FSL/FNL 2964 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
17	15-019-19528	2919 <sup>Circle</sup> FSL/FNL 3349 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
18	15-019-19529	3161 <sup>Circle</sup> FSL/FNL 3271 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
19	15-019-19530	3076 <sup>Circle</sup> FSL/FNL 3957 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
20	15-019-19531	2882 <sup>Circle</sup> FSL/FNL 3850 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
21	15-019-19532	3053 <sup>Circle</sup> FSL/FNL 3583 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
22	15-019-19533	3793 <sup>Circle</sup> FSL/FNL 3801 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
24	15-019-19534	4036 <sup>Circle</sup> FSL/FNL 3986 <sup>Circle</sup> FEL/FWL	OIL	ABANDONED
23	15-019-19535	4090 <sup>Circle</sup> FSL/FNL 3719 <sup>Circle</sup> FEL/FWL	OIL / Gas	ABANDONED

A separate sheet may be attached if necessary

RECEIVED  
KANSAS CORPORATION COMMISSION

\* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

JUL 30 2008  
CONSERVATION DIVISION  
WICHITA, KS

**Must Be Filed For All Wells**

\* Location: W 1/2 NE 1/4 & E 1/2 NW 1/4 31-34S-12E CQ.CO.KS

CONSERVATION DIVISION  
WICHITA, KS  
RECEIVED  
KANSAS CORPORATION COMMISSION

CONSERVATION DIVISION  
WICHITA, KS

**KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION  
REQUEST FOR CHANGE OF OPERATOR  
TRANSFER OF INJECTION OR SURFACE PIT PERMIT**

Form Y-1  
April 2004  
Forms must be Typed  
Form must be Signed  
All blanks must be Filled

## Check Applicable Boxes:

- ☒ Oil Lease: No. of Oil Wells 32 --
- ☐ Gas Lease: No. of Gas Wells      --
- ☐ Gas Gathering System:
- ☐ Saltwater Disposal Well - Permit No.:
- Spot Location:      feet from ☐ N / ☐ S Line
- feet from ☐ E / ☐ W Line
- ☐ Enhanced Recovery Project Permit No.:
- Entire Project: ☐ Yes ☐ No
- Number of Injection Wells      --

Field Name:     **\*\* Side Two Must Be Completed.**

Effective Date of Transfer: June 18, 2010  
APRIL 1, 2010

KS Dept of Revenue Lease No.: N/A 11000 UBLease Name: M.A. AlexanderSec. 31 Twp. 34S R. 12E ☒ E ☐ WLegal Description of Lease: W/2NE/4 and E/2NW/4County: Chautauque County, KSProduction Zone(s): WaysideInjection Zone(s):     

JUN 21 2010  
CONSERVATION DIVISION  
WICHITA, KS

Surface Pit Permit No.:       
(API No. if Drill Pit, WO or Head)     feet from ☐ N / ☐ S Line of Section     feet from ☐ E / ☐ W Line of SectionType of Pit: ☐ Emergency ☐ Burn ☐ Settling ☐ Haul-Off ☐ Workover ☐ Drilling ORPast Operator's License No. 30916 Contact Person: Gary BridwellPast Operator's Name & Address: Gary & Kayla Bridwell Phone: 620-331-0194dba, Black Rain Energy P.O. Box 1404Independence, KS 67301 Operator for Black Rain Date: March 31, 2010Title:      Signature: Gary BridwellNew Operator's License No. 34407 Contact Person: Gary BridwellNew Operator's Name & Address: as Operator for Phone: 620-331-0194TSCH, LLC, a Florida Oil / Gas Purchaser: Pacerlimited liability co. Date: March 31, 2010Title:      Signature: Myra Thayer

**Acknowledgment of Transfer:** The above request for transfer of injection authorization, surface pit permit #      has been noted, approved and duly recorded in the records of the Kansas Corporation Commission. This acknowledgment of transfer pertains to Kansas Corporation Commission records only and does not convey any ownership interest in the above injection well(s) or pit permit.

     is acknowledged as the new operator and may continue to inject fluids as authorized by Permit No.     . Recommended action:     

Date:     

Authorized Signature

     is acknowledged as the new operator of the above named lease containing the surface pit permitted by No.     

Date:     

Authorized Signature

DISTRICT      EPR 7-28-10 PRODUCTION 7/29/10 UIC JUL 29 2010  
Mail to: Past Operator      New Operator      District     

Mail to: KCC - Conservation Division, 190 S. Market - Room 207B, Wichita, Kansas 67202

**EXHIBIT**GB-4

061810 M.A. Alexander  
KANSAS CORPORATION COMMISSION

Side Two

Must Be Filed For All Wells

KDOR Lease No.:

Lease Name:

M.A. Alexander

Location:

W/2NE/4 and E/2NW/4 31-34S 12E  
Chad. Co., KS

Well No.	API No. (YR DRILL/PRE '87)	Footage from Section Line (I.e. FSL = Feet from South Line)	Type of Well (Oil/Gas/INJWSW)	Well Status (PROD/TA/D/Abandoned)
ALE-1	15-019-19513	3750 (FSL/FNL) 2492 (FEL/FWL)	Oil	Inactive
ALE-2	15-019-19514	4436 (FSL/FNL) 2421 (FEL/FWL)	Oil	Inactive
ALE-4	15-019-19515	3914 (FSL/FNL) 2182 (FEL/FWL)	Oil	Producing
ALE-5	15-019-19516	3708 (FSL/FNL) 1924 (FEL/FWL)	Oil	Inactive
ALE-6	15-019-19517	4375 (FSL/FNL) 2080 (FEL/FWL)	Oil	Inactive
ALE-7	15-019-19518	4085 (FSL/FNL) 2421 (FEL/FWL)	Oil	Inactive
ALE-8	15-019-19519	3240 (FSL/FNL) 2454 (FEL/FWL)	Oil	Producing
ALE-9	15-019-19520	3174 (FSL/FNL) 2089 (FEL/FWL)	Oil	Producing
ALE-10	15-019-19521	2864 (FSL/FNL) 2073 (FEL/FWL)	Oil	Plugged (no plugging records found)
ALE-11	15-019-19522	2810 (FSL/FNL) 2314 (FEL/FWL)	Oil	Inactive
ALE-12	15-019-19523	3453 (FSL/FNL) 2064 (FEL/FWL)	Oil	Inactive
ALE-13	15-019-19524	3186 (FSL/FNL) 1788 (FEL/FWL)	Oil	Inactive
ALE-14	15-019-19525	2882 (FSL/FNL) 1603 (FEL/FWL)	Oil	Inactive
ALE-15	15-019-19526	3174 (FSL/FNL) 2755 (FEL/FWL)	Oil	Inactive
ALE-16	15-019-19527	3296 (FSL/FNL) 2964 (FEL/FWL)	Oil	Inactive
ALE-17	15-019-19528	2919 (FSL/FNL) 3349 (FEL/FWL)	Oil	Inactive
ALE-18	15-019-19529	3161 (FSL/FNL) 3271 (FEL/FWL)	Oil	Inactive
ALE-19	15-019-19530	3076 (FSL/FNL) 3957 (FEL/FWL)	Oil	Inactive
ALE-20	15-019-19531	2882 (FSL/FNL) 3850 (FEL/FWL)	Oil	Inactive
ALE-21	15-019-19532	3053 (FSL/FNL) 3583 (FEL/FWL)	Oil	Inactive
ALE-22	15-019-19533	3793 (FSL/FNL) 3801 (FEL/FWL)	Oil	Inactive
ALE-23	15-019-19535	4090 (FSL/FNL) 3719 (FEL/FWL)	Oil/Pass Gas	Inactive
ALE-24	15-019-19534	4036 (FSL/FNL) 3986 (FEL/FWL)	Oil	Inactive

A separate sheet may be attached if necessary

\* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

RECEIVED  
KANSAS CORPORATION COMMISSION

JUN 21 2010

CONSERVATION DIVISION  
WICHITA, KS

**Must Be Filed For All Wells**

Location: W/2NE/4 and E/2NW/4, 31-34S-12E  
Chautauq Co., KS

CONSERVATION DIVISION  
WICHITA, KS

\* When transferring a unit which consists of more than one lease please file a separate side two for each lease. If a lease covers more than one section please indicate which section each well is located.

# KANSAS

CORPORATION COMMISSION

Kathleen Sebelius, Governor  
Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner

January 14, 2009

Gary Bridwell dba Black Rain Energies  
PO Box ~~1404~~ *1404* *871 N 3525<sup>th</sup> St.*  
Independence, Kansas 67301

RECEIVED  
KANSAS CORPORATION COMMISSION  
JAN 27 2009  
CONSERVATION DIVISION  
WICHITA, KS

RE: Alexander Leases, Section 31, Township 34 South, Range 12 East

Dear Mr. Bridwell:

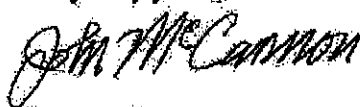
John Almond referred your January 6, 2009 plugging and return to production plan to me for review. We cannot accept your proposal. For this number of wells, we have required them to be returned to compliance within 24 months, your proposal would extend for 32 months.

We would agree to a plan where you plug or return to service one well a month with one additional well every three months either plugged or returned to service. This would allow all the wells to be either plugged or returned to service within 24 months. This plan would begin February 1, 2009. All well plugging must be in accordance with Commission regulations.

We expect strict compliance with the plan and any failure to follow the plan would make it null and void and any remaining out of compliance wells would be required to be plugged or returned to service immediately.

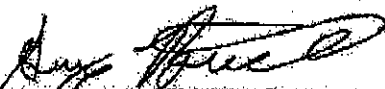
If you agree to the terms set out in this letter, please sign above your typed name and return the original letter to me within 10 days.

Very truly yours,



John McCannon  
Litigation Counsel

I agree to the terms set out in this letter:



Gary Bridwell d/b/a Black Rain Energies

*1-23-09*  
Date

cc: KCC District 3

CONSERVATION DIVISION

Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3807  
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>

EXHIBIT

*GB-5*



September 1, 2011

Keith Brock  
Anderson & Byrd, LLP  
216 S. Hickory, P.O. Box 17  
Ottawa, KS 66067

Mr. Brock,

Per our conversation the other day, we have decided to send this letter to address some of our concerns and issues that we have with regard to our desire to purchase the Alexander lease.

First, as we mentioned to you, we called the Kansas Corporation Commission and the communicated to us that their position is that the 42 (or however many there are) wells need to be plugged. This is a problem to us as we are not interested in purchasing a huge plugging liability but rather a lease with wells that can be put into production. So, that would be our first major hurdle is to get something from the Commission that provides for a sufficient amount of time to study the wells on the lease to determine which ones are viable for putting into production and which ones need to be plugged.

Obviously, we agree that there is a sufficient enough amount of oil to be recovered to make this a viable project for us. However, this is not the case if the wells are plugged and we have to drill new wells. At that point, the lease is not economical and we would not be interested in purchasing the lease if the wells are plugged.

With only the cursory knowledge of the lease and wells that we have at this point in time, our plan would be to systematically work our way through the wells to determine which ones are of interest from a production or water disposal standpoint. In most of these cases, we anticipate needing to log these wells with a modern suite of logs and then cleaning them out before we can begin the work of putting them into production. A rough estimate is that it would take us about 6-9 months to go through these wells and put the viable ones into production. However, there may be additional work (laying of flow lines, hooking up electric, etc.) that may be required that could add to this time frame.

With regard to the hearing on the 15<sup>th</sup> of this month with the Commission, the outcome of that hearing would be pivotal for us in determining if we would move forward. We have a closing on the sale of a large deal in Wyoming on the 15<sup>th</sup>, so we will not be able to attend the hearing. However, if you need any other information from us to share with the Commission in that hearing, just let us know.

Thank you for your assistance in this matter and hopefully we can move forward.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Frank Adams', is written over a horizontal line.

Frank Adams  
Vice President