

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

BEFORE COMMISSIONERS: Pat Apple, Chair  
Jay Scott Emler, Commissioner  
Shari Feist Albrecht, Commissioner

|                                       |   |                              |
|---------------------------------------|---|------------------------------|
| In the Matter of the Notice of Denial | ) | Docket No. 17-CONS-3673-CMSC |
| of License Renewal Application to     | ) |                              |
| Jones Gas Corporation.                | ) | CONSERVATION DIVISION        |
|                                       | ) |                              |
|                                       | ) | License No. 32564            |

**PREFILED DIRECT TESTIMONY**

**OF**

**GEORGE R. JONES**

1 Q. Please state your full name and occupation for the Commission.

2 A. My name is George R. Jones and I am a practicing geologist.

3 Q. Mr. Jones, please relate to the Commission your current business address.

4 A. Yes, it is 111 S. Whittier, Suite 110, Wichita, Kansas 67207.

5 Q. Mr. Jones, are you the George R. Jones that is President of Jones Gas Corporation?

6 A. Yes, that is correct and my wife, Cindy L. Jones is the Secretary/Treasurer and we both  
7 office at the Suite 110 location.

8 Q. Please relate your educational background and work experience to the Commission.

9 A. I graduated from Kansas State University with a Bachelor of Science degree in geology  
10 in 1948 although I began at K-State in 1941 and then in the spring of 1942, I entered the  
11 Army Air Force Cadet School and served from February 1943 to December 1945 as a  
12 pilot for the Army Air Force. I began working the oil and gas industry for Standard Oil  
13 Company New Jersey in 1948 upon my graduation from K-State and remained with  
14 Standard Oil and/or its subsidiaries in Venezuela and in Kansas until 1956 when I opened  
15 my own independent geological consulting business.

16 Q. Have you continued to act as an independent geologist either for your own benefit  
17 through one of your entities, or as a consultant since 1956?

18 A. Yes in Kansas, Oklahoma, and Colorado principally.

19 Q. Where you associated with Stroud Oil Properties, Inc. at any time in the past?

20 A. Yes, Mr. Robert Braden who was an attorney here in Wichita and I formed Stroud in 1986  
21 and operated its principal asset, a water flood operation in Oklahoma, and some Kansas  
22 properties until June of 2000 when all of my interest in Stroud was redeemed by the  
23 corporation and I separated from Stroud and formed Jones Gas Corporation.

1 Q. Mr. Jones, how many wells does Jones Gas Corporation own and operate in Kansas?

2 A. We currently own and/or operate approximately 40 wells, which are largely coalbed  
3 methane gas wells in southeast Kansas. All located in Montgomery County, Kansas.

4 Q. Mr. Jones, did Jones Gas Corporation ever own and/or operate the Gaier #1 well located in  
5 the North half of the Northeast Quarter of Section 19, Township 34 South, Range 18 East,  
6 Labette County, Kansas?

7 A. No. Jones Gas has never owned any interest in it or operated that well.

8 Q. Mr. Jones, do you know who drilled the well?

9 A. If you look at Ex. 1 it is an oil and gas lease dated October 19, 1989 from Ralph Gaier and  
10 Letty L. Gaier, husband and wife to Stroud Oil Properties, Inc. of the North half of the  
11 Northeast Quarter of Section 19 and the North half of the Southeast Quarter of Section 18,  
12 Township 34 South, Range 18 East. I believe Stroud Oil Properties, Inc. drilled the well  
13 in October of 1990 as a coalbed methane well which is revealed by Ex. 2 attached thereto  
14 to the AC-1 well history report filed with the Commission for the well.

15 Q. How long did Stroud operate the well if you know?

16 A. Again, if you look at Ex. 1 (the oil and gas lease), it contains a provision that the lessor had  
17 the right to take gas from the well free of any charge by making connections to the well at  
18 the lessor's own risk and expense and that the lessor, Mr. and Mrs. Gaier had the option to  
19 assume ownership and responsibility for any well drilled on the subject lands prior to the  
20 lessee's plugging of any well. And, if you will look at Ex. 3 you'll see that it is an  
21 Assignment that was recorded with the Register of Deeds in January of 1992 whereby  
22 Stroud Oil Properties, Inc. assigned all of its right, title and interest to Ralph Gaier and

1 Letty L. Gaier and the oil and gas lease "Ex. 1" and specifically the Gaier #1 well and the  
2 Gaier #2 wells.

3 Q. Did Mr. and Mrs. Gaier take responsibility of these wells and specifically for the Gaier #1?

4 A. Yes. Ex. 3 specifically states that the assignees (Mr. and Mrs. Gaier) "agree to comply  
5 with all laws, ordinances, rules and regulations, federal, state and municipal, with respect  
6 to the operations and abandonment of the above-described wells." (§3).

7 Q. Do you know if the assignees under Ex. 3, Mr. and Mrs. Gaier did in fact take responsibility  
8 of the Gaier #1 well?

9 A. I believe they did because as evidenced by Ex. 4 which is the KCC's T-1 or "transfer form"  
10 filed with the Commission staff on December 30, 1991. Ralph and Letty Gaier accepted  
11 the well as the new operator and landowner of Gaier #1 and Stroud Oil Properties, Inc.  
12 signed it as transferring that responsibility to Mr. and Mrs. Gaier.

13 Q. Mr. Jones, do you know what happened to the ownership of the land where the Gaier #1  
14 well is located?

15 A. A check of the Register of Deeds records in Labette County reveals Ex. 5 and 6 whereby  
16 on July 23, 2004 Ralph Gaier as Trustee of his revocable trust transferred ownership of the  
17 North half of the Northeast Quarter of Section 19 and the North half of the Southeast  
18 Quarter of Section 18, Township 34 South, Range 18 East to Steven M. Gaier and Diana  
19 Gaier-Hill. And thereafter Steven M. Gaier and Connie L. Gaier his wife, transferred title  
20 to that same tract of land to themselves under a payable on death deed dated April 6, 2012.

21 Q. Mr. Jones, where did Jones Gas Corporation office once it was formed and operational in  
22 June of 2000?

1 A. We had an office at 200 E. First Street, Wichita, Kansas until June of 2008 when Jones Gas  
2 Corporation moved to 151 S. Whittier, Suite 2000 and we were located at that office  
3 address until March of this year when we moved one building away to 111 S. Whittier,  
4 Suite 110 in Wichita.

5 Q. Did you receive the Motion for an Order to Show Cause in the Stroud Docket (16-CONS-  
6 420-CHSO) mailed August 25, 2016 to your attention at 200 E First Street, Wichita,  
7 Kansas?

8 A. No, I did not as my office with Jones Gas moved into 2008 to 151 S. Whittier, Wichita,  
9 \*and was not aware of this entire issue until our license for Jones Gas Corporation was not  
10 renewed May 24, 2017.

11 Q. Were you involved as a resident agent or an agent for Stroud Oil Properties, Inc. after the  
12 formation of Jones Gas Corporation in June of 2000?

13 A. No, although I did from time to time consult with them, I had no capacity, with Stroud, nor  
14 ownership interest and no officer position and I was not an employee of Stroud after June  
15 of 2000.

16 Q. Mr. Jones, to your knowledge what happened to Stroud Oil Properties, Inc.?

17 A. I believe that it moved to Fort Worth, Texas soon after 2000 and was later merged into  
18 some other oil and gas company.

19 Q. Mr. Jones, have you and other officers of your corporation, Jones Gas Corporation  
20 corresponded with the Commission staff after its formation in June of 2000?

21 A. Yes, on many occasions, for many matters such as intents to drill, applications to plug  
22 wells. Of course, the renewal of our operator's license every year since June of 2000.

1 Q. Mr. Jones, has Jones Gas Corporation ever been subject to a fine order issued by this  
2 Commission?

3 A. Absolutely not. I believe that we have a sterling record as an operator and have fully  
4 complied with the rules and regulations of this Commission for now over 17 years as Jones  
5 Gas Corporation.

6 Q. Mr. Jones, when were you notified that the Commission was not renewing your operator's  
7 license?

8 A. We received a letter dated May 24, 2017, which I believe is Ex. 7.

9 Q. Mr. Jones, if you will look at Ex. 7 you will notice that in the next to the last paragraph  
10 there is a reference to a company entitled Metro Energy Group, Inc. Do you have any idea  
11 how that relates to the denial of the renewal of your company's license?

12 A. No I do not. I have no idea of what that entity is or how it relates in any way.

13 Q. Mr. Jones, do you know whether the Commission staff has made any effort to inquire as to  
14 the corporate status of Stroud Oil Properties, Inc. relative to this matter on this docket?

15 A. I have no idea if they have or have not. Although I can tell you that I have inquired of the  
16 Kansas Secretary of State's office and determined that the Kansas Secretary of State's  
17 office shows Stroud Oil Properties, Inc's office at 210 W. 6<sup>th</sup> Street, Suite 1200, Fort  
18 Worth, Texas 67102 and that its current status in Kansas is that is forfeited for failure to  
19 file annual reports.

20 Q. Mr. Jones, do you know whether or not the Gaier #2 well is producing gas for the benefit  
21 of the residents on the property where the well is located?

22 A. I do not know about the well, and have not known anything about the well except what  
23 information was provided in the testimony of the Commission staff and their field

1 representative that apparently looked at the well. I believe his report is attached as Ex. 8  
2 and it indicates that there is no environmental issue with respect to the well. I do not know  
3 if Mr. Gaier and his successors use the well for home heating which was I believe their  
4 purpose in taking assignment of the well and executing the T-1 transfer form  
5 acknowledging their acceptance of the well.

6 Q. Mr. Jones, do you have anything further to add with respect to this matter?

7 A. Only that Jones Gas Corporation has had a very good relationship with the Commission  
8 staff particularly in their Chanute field office as well as here in the central office in Wichita  
9 for the 17 years that we've operated and we would hope to continue that relationship. I  
10 know that the staff knows who I am and where they can get ahold of me anytime. I only  
11 regret that they did not contact me directly with questions about this matter and the status  
12 of Stroud prior to spending all of this time, effort and money where I do not believe that  
13 Jones Gas Corporation has any responsibility for the plugging of the Gaier well. That the  
14 Commission dismiss this suspension order and reinstate and renew our operator's license.

**PREFILED DIRECT TESTIMONY OF GEORGE R. JONES**

**DOCKET NO. 17-CONS-3673-CMSC**

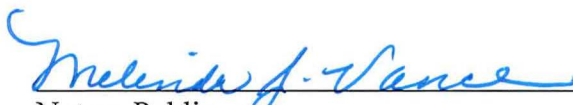
**VERIFICATION OF GEORGE R. JONES**

STATE OF KANSAS            )  
  ) ss:  
SEDGWICK COUNTY         )

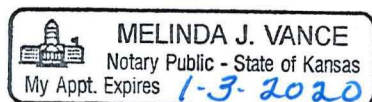
George R. Jones, being first duly sworn, deposes and says that he is the George R. Jones referred to in the foregoing document titled "Prefiled Direct Testimony of George R. Jones" before the State Corporation Commission of the State of Kansas, that he is an officer of Jones Gas Corporation, and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
George R. Jones

SUBSCRIBED and SWORN to before me this 26<sup>th</sup> day of September, 2017.

  
\_\_\_\_\_  
Notary Public

My Appointment Expires:



**CERTIFICATE OF SERVICE**

I hereby certify that on this 28th day of September, 2017, the above **Prefiled Direct Testimony of George R. Jones** was electronically served on:

Joshua D. Wright  
Litigation Counsel  
Kansas Corporation Commission  
130 S. Market, Room 2078  
Wichita, KS 67202  
[jwright@kcc.ks.gov](mailto:jwright@kcc.ks.gov)

Michael J. Duenes  
Assistant General Counsel  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604-4027  
[mduenes@kcc.ks.gov](mailto:mduenes@kcc.ks.gov)

/s/Timothy E. McKee  
Timothy E. McKee, #07135

# OIL AND GAS LEASE

AGREEMENT, Made and entered into the 19th day of October, 1989,  
by and between Ralph Gaier & Letty L. Gaier, husband & wife

whose mailing address is RR #2, Coffeyville, Kansas hereinafter called Lessor (whether one or more),  
and Stroud Oil Properties, Inc. of Wichita, Kansas

hereinafter called Lessee  
WITNESSETH: That the said Lessor, for and in consideration of Ten and other considerations DOLLARS,  
cash in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on part of Lessee to be paid, kept  
and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee for the sole and only purpose  
of exploring by geophysical and other methods, mining and operating for oil and gas; and of laying of pipe lines, and of building tanks, power stations and  
structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Labette  
State of Kansas Specifically including all gases from coal seam  
described as follows, to-wit:

The North Half of the Northeast Quarter, (N/2 NE/4), of Section 19  
and  
The North Half of the Southeast Quarter, (N/2 SE/4), of Section 18

of Section XXXXXXX, Township 34, Range 18, and containing 160 acres, more or less  
It is agreed that this lease shall remain in force for a term of two (2) years from this date, and as long thereafter as oil or gas or either of them  
is produced from said land by Lessee.

In consideration of the premises the said Lessee covenants and agrees:  
1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-eighth (1/8) part  
of all oil produced and saved from the leased premises.  
2nd. To pay Lessor for gas of whatever nature or kind produced and sold, or used off the premises, or used in the manufacture of any products  
therefrom, one-eighth (1/8), at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments  
to be made monthly. Where gas from a well producing gas only is not sold or used, Lessee may pay or tender as royalty One Dollar (1.00) per year per net  
mineral acre retained hereunder, and if such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding  
paragraph.

This lease may be maintained during the primary term hereof without further payment or drilling operations. If the Lessee shall commence to drill a  
well within the term of this lease or any extension thereof, the Lessee shall have the right to drill such well to completion with reasonable diligence and dis-  
patch and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been  
completed within the term of years first mentioned.

If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided  
for shall be paid the said Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessor's operation thereon, except water from the wells  
of Lessor.

When requested by Lessor, Lessee shall bury Lessee's pipe lines below plow depth.  
No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.  
Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.  
Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.  
If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall  
extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be  
binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease,  
including gas, part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described  
premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.  
All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease  
shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such  
failure is the result of, any such Law, Order, Rule or Regulation.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to re-  
deem for Lessor, by payment any mortgages, taxes or other liens on the above described lands, in the event of default or payment by Lessor, and be subrogated  
to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of  
dower and homestead in the premises described herein, in so far as said right of dower and homestead may in any way affect the purposes for which this lease  
is made, as recited herein.

Lessee shall pay to Lessor \$200.00 per location for surface damages for each  
well drilled on the previous described lands.

Lessor shall have the right to free gas from any well located on the above  
described lands for the principal dwelling located thereon, by making  
connections with the well at their own risk and expense.

Lessee shall not commence to drill any wells during wet ground conditions  
without Lessor's permission, if permission is not granted, Lessee shall have  
the right to extend this lease for that period of time its operations are  
delayed. Once drilling operations start, Lessee shall have the right to complet  
its operations regardless of conditions.

Lessee shall consult with Lessor as to access to each well site, and shall  
maintain any roads to said well(s).

Lessor shall have the option to assume ownership and responsibility for any  
well drilled on the above described lands prior to Lessee's plugging of said  
well.

*For Assignment of Oil & Gas Lease & Bill of Sale*  
*See Book 25 of Records Pg. 2*  
*Filed at 12:10 pm Jan. 2, 1992*  
*For Aff Non Production*  
*See Book 26 of Records Pg. 1*  
*Filed at 1:40 pm, Jan 18, 2000*  
IN WITNESS WHEREOF, the undersigned execute this instrument on the day and year first above written.  
Witness:  
Maybell Hanigaw  
Ralph Gaier  
Letty L. Gaier  
Letty L. Gaier  
*For Affidavit of Production*  
*See Book 24 of Records Pg. 298*  
*Filed at 1:00 pm Oct. 8, 1991*  
*Maybell Hanigaw Registered Deed*

EXHIBIT

tabbles

1

STATE OF KANSAS  
County of LABETTE

## ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)

Before me, the undersigned, a Notary Public, within and for said County and State, on this 19th day of October, 1988, personally appeared Ralph Gaier and Leola L. Gaier

One personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that they executed the same as their 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 11-16-1991 Jeffrey S. Parker Notary Public

STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

## ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)

Before me, the undersigned, a Notary Public, within and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_

One personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that they executed the same as their 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 \_\_\_\_\_  
County of \_\_\_\_\_

## (CORPORATION ACKNOWLEDGMENT)

On this \_\_\_\_\_ day of \_\_\_\_\_ A. D., 19\_\_\_\_, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared \_\_\_\_\_

One known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires \_\_\_\_\_ Notary Public

**Oil and Gas Lease**  
FROM Ralph Gaier et al  
TO Strand Oil Properties Inc  
Date 1988  
Section 19 Township 19 Range 19  
County Labette  
No. of Acres 3361  
Lot 3361 Block 1 Addition 1  
STATE OF Kansas  
County of Labette  
This instrument was filed for record on the 19th day of October, 1988 at 12:30 o'clock P. M., and duly recorded in book 237 of Labette page 201 of the records of the office.  
By Michael Hargrave County Clerk - Register of Deeds  
JAN 18 89  
RECORDED AND INDEXED  
By Strand Oil Properties Inc  
135 N. Main St. Suite 1210  
Wichita, Kan 67202

STATE OF ARKANSAS,  
County of \_\_\_\_\_

## (ARKANSAS ACKNOWLEDGMENT)

BE IT REMEMBERED, That on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned, \_\_\_\_\_ within and for the County of \_\_\_\_\_ in the State of Arkansas, duly commissioned and acting, appeared in person \_\_\_\_\_

\_\_\_\_\_ to me personally well known as the person whose name appears upon the within and foregoing instrument of writing as the party, and stated that \_\_\_\_\_ and executed the same for the considerations and purposes therein mentioned and set forth, and I do hereby so certify.

And I do further certify that on the same day voluntarily appeared before me, \_\_\_\_\_ of the said \_\_\_\_\_ to me well known to be the person whose name appears upon the within and foregoing instrument of writing, and, in the absence of her husband, stated and declared that she had of her own free will, executed said instrument of writing and had signed the relinquishment of dower and homestead therein expressed for the purpose and consideration therein contained and set forth, without compulsion or undue influence of said husband.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal of office as such \_\_\_\_\_ in the County and State aforesaid, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

My commission expires \_\_\_\_\_ Notary Public

# ORIGINAL

SIDE ONE

STATE CORPORATION COMMISSION OF KANSAS  
OIL & GAS CONSERVATION DIVISION  
WELL COMPLETION FORM  
ACO-1 WELL HISTORY  
DESCRIPTION OF WELL AND LEASE

Operator: License # 30084

Name: Stroud Oil Properties, Inc.

Address 200 E. First, Suite 100

City/State/Zip Wichita, Kansas 67202

Purchaser: \_\_\_\_\_

Operator Contact Persons: George R. Jones

Phone ( 316 ) 262-5503

Contractor: Name: R. R. Walker

License: 9341

Wellsite Geologist: W.T. Stoeckinger

Designate Type of Completion

☒ New Well ☐ Re-Entry ☐ Workover

☒ Oil ☐ SWD ☐ Temp. Abd.

☒ Gas ☐ Inj ☐ Delayed Comp.

☐ Dry ☐ Other (Core, Water Supply, etc.)

☒ coal seam gas

If OWD: old well info as follows:

Operator: \_\_\_\_\_

Well Name: \_\_\_\_\_

Comp. Date \_\_\_\_\_ Old Total Depth \_\_\_\_\_

Drilling Method:

☐ Mud Rotary ☒ Air Rotary ☐ Cable

10/24/90 10/25/90 12/4/90

Spud Date Date Reached TD Completion Date

API NO. 15- 099-22,863

County Labette

C NE NE Sec. 19 Twp. 34 Rge. 18 ☒ East ☐ West

4620 Ft. North from Southeast Corner of Section

660 Ft. West from Southeast Corner of Section  
(NOTE: Locate well in section plat below.)

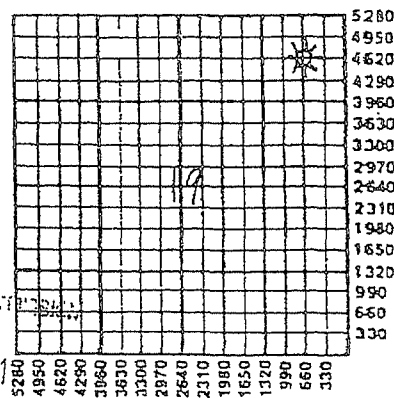
Lease Name Gaier Well # 2

Field Name Valeda

Producing Formation Weir Coal

Elevation: Ground 765 KB \_\_\_\_\_

Total Depth 855' PBD \_\_\_\_\_



Amount of Surface Pipe Set and Cemented at 23 Feet

Multiple Stage Cementing Collar Used? ☐ Yes ☒ No

If yes, show depth set \_\_\_\_\_ Feet

If Alternate II completion, cement circulated from 855 feet depth to surface w/ 152 sx cmt.

**INSTRUCTIONS:** This form shall be completed in triplicate and filed with the Kansas Corporation Commission, 200 Colorado Derby Building, Wichita, Kansas 67202, within 120 days of the spud date of any well. Rule 82-3-130, 82-3-107 and 82-3-106 apply. Information on side two of this form will be held confidential for a period of 12 months if requested in writing and submitted with the form. See rule 82-3-107 for confidentiality in excess of 12 months. One copy of all wireline logs and drillers time log shall be attached with this form. ALL CEMENTING TICKETS MUST BE ATTACHED. Submit CP-4 form with all plugged wells. Submit CP-111 form with all temporarily abandoned wells. Any recompletion, workover or conversion of a well requires filing of ACO-2 within 120 days from commencement date of such work.

All requirements of the statutes, rules and regulations promulgated to regulate the oil and gas industry have been fully complied with and the statements herein are complete and correct to the best of my knowledge.

Signature [Signature]

Title President Date 1/21/91

Subscribed and sworn to before me this 21 day of January, 19 91.

Notary Public [Signature]

Date Commission Expires 9-5-94

KAREN E. HOUSEBERG  
NOTARY PUBLIC  
STATE OF KANSAS  
MY APPT. EXPIRES 9-5-94

| K.C.C. OFFICE USE ONLY                  |   |  |
|---|---|--|
| F                                       | <input type="checkbox"/> Letter of Confidentiality Attached |  |
| C                                       | <input checked="" type="checkbox"/> Wireline Log Received   |  |
| C                                       | <input type="checkbox"/> Drillers Timelog Received          |  |
| Distribution                            |   |  |
| <input checked="" type="checkbox"/> KCC | <input type="checkbox"/> SWD/Rep                            | <input type="checkbox"/> NGPA            |
| <input type="checkbox"/> KGS            | <input type="checkbox"/> Plug                               | <input type="checkbox"/> Other (Specify) |

Form ACO-1 (7-89)

EXHIBIT

2

## SIDE TWO

Operator Name Stroud Oil Properties, Inc.Lease Name GaierWell # 2Sec. 19 Twp. 34 Rge. 18☒ East☐ WestCounty Labette

INSTRUCTIONS: Show important tops and base of formations penetrated. Detail all cores. Report all drill stem tests giving interval tested, time tool open and closed, flowing and shut-in pressures, whether shut-in pressure reached static level, hydrostatic pressures, bottom hole temperature, fluid recovery, and flow rates if gas to surface during test. Attach extra sheet if more space is needed. Attach copy of log.

Drill Stem Tests Taken  
(Attach Additional Sheets.)☐ Yes ☒ No

Samples Sent to Geological Survey

☐ Yes ☒ No

Cores Taken

☐ Yes ☒ NoElectric Log Run  
(Submit Copy.)☒ Yes ☒ No

## Formation Description

☐ Log ☒ Sample

| Name        | Top  | Bottom |
|-------------|------|--------|
| Fort Scott  | 235' |        |
| Mulky Coal  | 320' |        |
| Weir Coal   | 562' |        |
| Mississippi | 815' |        |

## CASING RECORD

☐ New ☒ Used

Report all strings set-conductor, surface, intermediate, production, etc.

| Purpose of String | Size Hole Drilled | Size Casing Set (In O.D.) | Weight Lbs./Ft. | Setting Depth | Type of Cement | # Sacks Used | Type and Percent Additives |
|-------------------|-------------------|---------------------------|-----------------|---------------|----------------|--------------|----------------------------|
| Production        | 8-3/4"            | 7"                        |                 | 23            | Portland       | 2sx          |                            |
| Surface           | 6-1/2"            | 4-1/2"                    |                 | 855           | PortlandA      | 152sx        | 5% salt, 5% gilsonite      |

| PERFORATION RECORD |   |  | Acid, Fracture, Shot, Cement Squeeze Record |         |
|--------------------|---|--|---|---------|
| Shots Per Foot     | Specify Footage of Each Interval Perforated |  | (Amount and Kind of Material Used)          | Depth   |
| 8/ft               | 557-562'                                    |  | Fracture (Stress)                           | 557-62' |
|                    |   |  |   |         |
|                    |   |  |   |         |
|                    |   |  |   |         |
|                    |   |  |   |         |
|                    |   |  |   |         |
|                    |   |  |   |         |

|                                   |  |       |        |           |           |       |               |   |
|-----------------------------------|--|-------|--------|-----------|-----------|-------|---------------|---|
| TUBING RECORD                     |  | Size  | Set At | Packer At | Liner Run |       |               | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
|                                   |  | 2-7/8 | 854'   |           |           |       |               |   |
| Date of First Production          | Producing Method <input type="checkbox"/> Flowing <input checked="" type="checkbox"/> Pumping <input type="checkbox"/> Gas Lift <input type="checkbox"/> Other (Explain) |       |        |           |           |       |               |   |
| Estimated Production Per 24 Hours | Oil  | Bbls. | Gas    | Mcf       | Water     | Bbls. | Gas-Oil Ratio | Gravity   |

Disposition of Gas:

☐ Vented ☒ Shut-in ☐ Used on Lease  
(If vented, submit ACO-18.)

## METHOD OF COMPLETION

☐ Open Hole ☒ Perforation ☐ Dually Completed ☐ Coningled  
☐ Other (Specify) \_\_\_\_\_

Production Interval

## ASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

THAT, the undersigned, STROUD OIL PROPERTIES, INC., hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable consideration, the receipt of which is hereby acknowledged, and subject to the conditions, covenants and exceptions set forth herein, does hereby assign, transfer and set over, without warranty of title either express or implied, unto RALPH GAIER & LETTY L. GAIER, husband and wife, hereinafter referred to as "Assignees", all of Assignors' right, title and interest in and to the following described oil and gas lease in Labette County, Kansas, to-wit:

Oil and Gas Lease dated October 19, 1989, by and between Ralph Gaier & Letty L. Gaier, husband and wife, as Lessors and Stroud Oil Properties, Inc., as Lessee, which lease is recorded in Book 23 of Leases, Page 201 in the office of the Register of Deeds of said county and state, on and covering the North Half of the Northeast Quarter, (N/2 NE/4), of Section 19 and the North Half of the Southeast Quarter, (N/2 SE/4), of Section 18, Township 34 South, Range 18 East, Labette County, Kansas.

This Assignment and Bill of Sale is made subject to the following:

1. Assignees agree that as part of the consideration for this assignment, they will assume and release Assignor from all obligations with regard to the drilling and operations in connection with the Gaier #1 and Gaier #2 wells as set out in the above described oil and gas lease.
2. Assignees agree that they will be solely responsible for any and all ad valorem taxes due and payable on the above described wells.
3. Assignees agree to comply with all laws, ordinances, rules and regulations, federal, state and municipal, with respect to the operations and abandonment of the above described wells.
4. All reservations, conditions and provisions contained in the lease assigned herein, the assignments thereof, agreements pertaining thereto or other instruments appearing in the chain of title to the lease assigned herein.
5. All existing easements and right-of-way agreements affecting the lease assigned herein.

This Assignment and Bill of Sale is made without warranty of title, either express or implied. Assignors represent the leasehold interest assigned herein is free and clear of all liens, encumbrances or adverse claims.

This Assignment and Bill of Sale and all rights and covenants in connection herewith shall be binding upon the parties hereto, their heirs, successors and assigns, and their successive assigns.

EXHIBIT

3

IN WITNESS WHEREOF, This Assignment and Bill of Sale, effective as of November 1, 1991, at 7:00 o'clock, A.M., local time, has been executed this 1st day of November 1991.

STROUD OIL PROPERTIES, INC.

By *George R. Jones*  
GEORGE R. JONES, President

ACCEPTED AND AGREED TO THIS  
1 DAY OF NOVEMBER, 1991

*Ralph Gaier*  
Ralph Gaier

*Letty L. Gaier*  
Letty L. Gaier

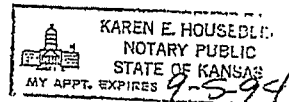
STATE OF KANSAS )  
                              )  
SEDEWICK COUNTY )

The foregoing Assignment and Bill of Sale was acknowledged before me this 1st day of November, 1991, by George R. Jones, President of Stroud Oil Properties, Inc.

*Karen E. Housberg*  
Notary Public

My appointment expires:

9-5-94



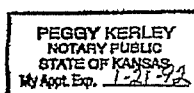
STATE OF KANSAS )  
                              )  
LABETTE COUNTY )

The foregoing Assignment and Bill of Sale was acknowledged before me this 30th day of December, 1991, by Ralph Gaier and Letty L. Gaier, husband and wife.

*Peggy Kerley*  
Notary Public

My appointment expires:

January 21, 1992



STATE OF KANSAS } 15  
LABETTE COUNTY }  
THIS INSTRUMENT WAS FILED FOR RE-  
CORD AND ONLY RECORDED IN BOOK  
25 OF 25

JAN 2 1992 12:40  
*Myrnell H. Hagan*  
REGISTER OF DEEDS  
Fee \$8.00

TO:

STATE CORPORATION COMMISSION  
CONSERVATION DIVISION  
200 COLORADO DERBY BUILDING  
WICHITA, KANSAS 67202-1286

NOTICE OF CHANGE OF OPERATOR  
OR  
REQUEST TO TRANSFER INJECTION  
AUTHORIZATION

Effective Date November 1, 1991  
Lease Name Gaier  
County Labette  
Producing Zone Weir Coal

19 SEC. T 34 S. R 18E W/E

☐ Oil Lease; No. of Wells \_\_\_\_\_  
☒ Gas Lease; No. of Wells 1  
☐ Saltwater Disposal Well  
☐ Enhanced Recovery Project

Docket # \_\_\_\_\_ (if SWD or ER)  
Lease Description N/2 NE Sec. 19-34S-18E  
Field Name Valeda N/2 SE Sec. 18-34-18E

Past Operator's License # 30084  
Past Operator's Name and Address

Stroind Oil Properties, Inc.  
200 E. First, Suite 100  
Wichita, KS 67202

Title President

Contact Person George R. Jones  
Phone 316-262-5503  
Oil/Gas Purchaser None  
Date 11/1/91  
Signature [Signature]

New Operator's License N/A Landowner

New Operator's Name and Address

Ralph Gaier and Letty L. Gaier  
R.R. #1, Box 79A  
Coffeyville, KS 67337

Contact Person Ralph Gaier  
Phone 316-922-7374  
Oil/Gas Purchaser For Own Use  
Date Dec. 30, 1991  
Signature Ralph Gaier, Letty Lane Gaier  
Title Landowners

FOR COMMISSION USE ONLY WITH INJECTION WELLS

It is acknowledged by the Kansas Corporation Commission that:

\_\_\_\_\_ is the new operator of the above named well and  
may: \_\_\_\_\_ continue to injection fluid as authorized by Docket # \_\_\_\_\_  
\_\_\_\_\_ not inject fluids until the following action is taken:

Administrative Action \_\_\_\_\_

Technical Review \_\_\_\_\_

Date \_\_\_\_\_

RECEIVED  
STATE CORPORATION COMMISSION  
Authorized Signature

CONSERVATION DIVISION  
WICHITA, KANSAS



U-2/OC-2  
1/88

035825  
STATE OF KANSAS  
LABETTE COUNTY  
THIS INSTRUMENT WAS FILED FOR RECORD  
AND DULY RECORDED IN BOOK  
OF 316 AT PAGE 189

DEC 17 2008 11:00

Donna Truckland  
REGISTER OF DEEDS  
FEES 12.00

#### TRUSTEE'S DEED

THIS indenture made this 12<sup>th</sup> day of December, 2008, by and between Ralph W. Gaier, Trustee of the Ralph W. Gaier Revocable Trust Dated July 23, 2004, as GRANTOR and Stephen M. Gaier and Diana Gaier Hill, as GRANTEES.

THE GRANTOR, by virtue of the terms and provisions of said trust agreement, in consideration of the sum of One Dollar and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby grant, sell and convey to Stephen M. Gaier and Diana Gaier Hill, the following described real estate in Labette County, Kansas, to-wit:

North Half of Northeast Quarter of Section 19, Township 34, Range 18, except right-of-way, Labette County, Kansas.

THIS DEED IS A GIFT.

\*\*Pursuant to K.S.A. 79-1437 a real estate sales validation questionnaire is not required due to exception no. 3.

Except and subject to: easements and restrictions of record.

THE GRANTOR covenants that the trust remains in full force and effect at this time, that the Trustee has authorization without limitation to sell and convey all of the above described real estate.

Ralph W. Gaier Revocable Trust  
Dated July 23, 2004

Ralph W. Gaier  
Ralph W. Gaier, Trustee

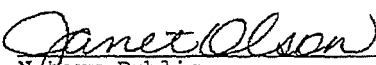
EXHIBIT

5

STATE OF KANSAS,  
COUNTY OF LABETTE, SS:

The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of December, 2008, by Ralph W. Gaier, Trustee of the Ralph W. Gaier Revocable Trust Dated July 23, 2004, on behalf of the Trust.

My Commission Expires:

  
Notary Public



048104

STATE OF KANSAS, LABETTE COUNTY  
THIS INSTRUMENT WAS FILED FOR RECORD  
AND DULY RECORDED IN BOOK  
395 OF dead AT PAGE 296

MAY 08 2012 10:15

REGISTER OF DEEDS

FEES 12.00Entered in Transfer Records  
in my office.  
this 8th day of May, 2012  
By Randa Schaeffer Co. Clerk  
By [Signature] DeputyTRANSFER-ON-DEATH DEED

Stephen M. Gaier, as owner and Connie L. Gaier, his wife,  
transfer on the death of Stephen M. Gaier to Connie L. Gaier, as  
Grantee Beneficiary the following described real estate located in  
Labette County, Kansas:

An Undivided One-Half Interest In:

North Half of Northeast Quarter of Section 19, Township  
34, Range 18, except right-of-way, Labette County,  
Kansas.

\*\*Pursuant to K.S.A. 79-1437 a real estate validation questionnaire  
is not required due to Exception No. 9\*\*

EXCEPT AND SUBJECT TO: Easements and restrictions of record.

THIS TRANSFER-ON-DEATH DEED IS REVOCABLE. IT DOES NOT TRANSFER ANY  
OWNERSHIP UNTIL THE DEATH OF STEPHEN M. GAIER. IT REVOKES ALL  
PRIOR BENEFICIARY DESIGNATIONS BY THIS OWNER FOR THIS INTEREST IN  
REAL ESTATE.

This transfer on death deed is made pursuant to K.S.A. 59-3501  
et seq.

Dated this 6 day of April, 2012.[Signature]  
Stephen M. Gaier, Grantor[Signature]  
Connie L. Gaier, Grantor

EXHIBIT


6

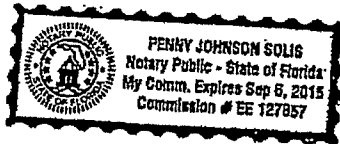
STATE OF FLORIDA, COUNTY OF LAKE, SS:

THIS TRANSFER-ON-DEATH DEED was acknowledged before me on this  
6 day of April, 2012, by Stephen M. Gaier and Connie L.  
Gaier, husband and wife.

My Commission Expires:

9-6-2015

  
\_\_\_\_\_  
Notary Public



Conservation Division  
266 N. Main St., Ste. 220  
Wichita, KS 67202-1513



2017.05.26 14:32:00  
Kansas Corporation Commission  
/S/ Lynn Retz Phone: 316 337 6200  
Fax: 316-337-6211  
<http://kcc.ks.gov/>

Pat Apple, Chairman  
Shari Feist Albrecht, Commissioner  
Jay Scott Emker, Commissioner

Sam Brownback, Governor

## NOTICE OF DENIAL of LICENSE RENEWAL APPLICATION

May 24, 2017

Jones Gas Corporation  
Attn: George R. Jones  
151 Whitter, Suite 2000  
P.O. Box 780600  
Wichita, KS 67278

License #32654

17-CONS-3673-CMSC

Operator:

Commission Staff is in receipt of your May 22, 2017, license application. Your application is being denied pursuant to K.S.A. 55-155(c)(4) because you appear to be associated with entities that are not in compliance with Commission statutes, regulations, and orders.


Specifically, Staff believes you are associated with Stroud Oil Properties, License #30084, which has unplugged wells on its expired license and has not complied with the Commission's default order in Docket # 16-CONS-420-CSHO.

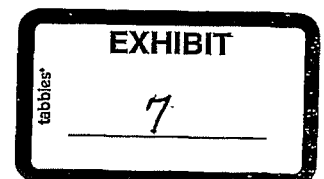
This Notice of Denial constitutes a summary order pursuant to K.S.A. 77-537. You may request a hearing on this Notice of Denial by filing a written request for a hearing with the Commission, at 266 N. Main, Suite 220, Wichita, Kansas 67202, within 15 days of service of this Notice.

If you do not believe there is any association with Metro Energy Group, Inc., it may be relatively easy to resolve matters short of requesting a hearing, if you contact me directly at 316-337-6217. Note, however, that any such contact does not alter your deadline to request a hearing.

If no hearing is requested, then this summary order shall become final, effective upon the expiration of the time for requesting a hearing.

Sincerely,

  
Joshua D. Wright  
Litigation Counsel  
Kansas Corporation Commission



# KCC OIL/GAS REGULATORY OFFICES

Inspection Date 07/05/2017 District: 3 Incident Number: 5847

☒ New Situation ☐ Lease Inspection  
☒ Response to Request ☐ Complaint  
☐ Follow-up ☒ Field Report

Operator License No: 30084 API: 15-099-22863 Q3 NE Q2: NE Q1: NE  
Operator Name: Stroud Oil Properties, Inc SEC 19 TWP 34 RGE 18 RGEDIR E  
Address: 200 E First Ste 100 FSL: 4353  
City: Wichita FEL: 610  
State ks Zip Code: 67202 Lease: Gaier Well No.: 2  
Phone contact: 316-262-5503 County: Lb

## Reason for Investigation:

Wichita request

## Problem:

Abandoned well / Expired license

## Persons contacted:

## Findings:

I located the Gaier #2 well and completed a GPS survey and collected photos. The well appears to have been completed Alt. II. The appearance of the site and the well would date it to the 12/04/1990 completion date. At this time there are no environmental issues at the surface. The GPS footages (4353 fsl 610 fel) are 267' fsl and 50 fel different than the intent footages (4620fsl 660fel). I did not locate a well at the footages listed on the original intent. I was unable to locate any other wells on this property so I believe that this is the well in question. Stroud Oil Properties KCC license expired 4/30/2001. I located a Transfer (T-1) dated in 1992 for one (1) gas well on Eastern Kansas Documents from Stroud Oil Properties to Ralph and Letty Gaier / landowners. Ralph and Letty Gaier are deceased and did not have a license. See attached documents.

GPS Lat/Longs for the well are: 37.07483344 -95.46975961  
4353 fsl 610 fel NENENE 19-34-18e Lb Co

## Actions / Recommendation

## Follow-up Required L.I

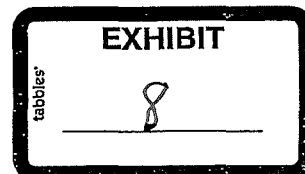
## Deadline Date:

I will refer this report to John Almond, Compliance Officer and Troy Russell, District Supervisor for referral to Wichita legal staff.

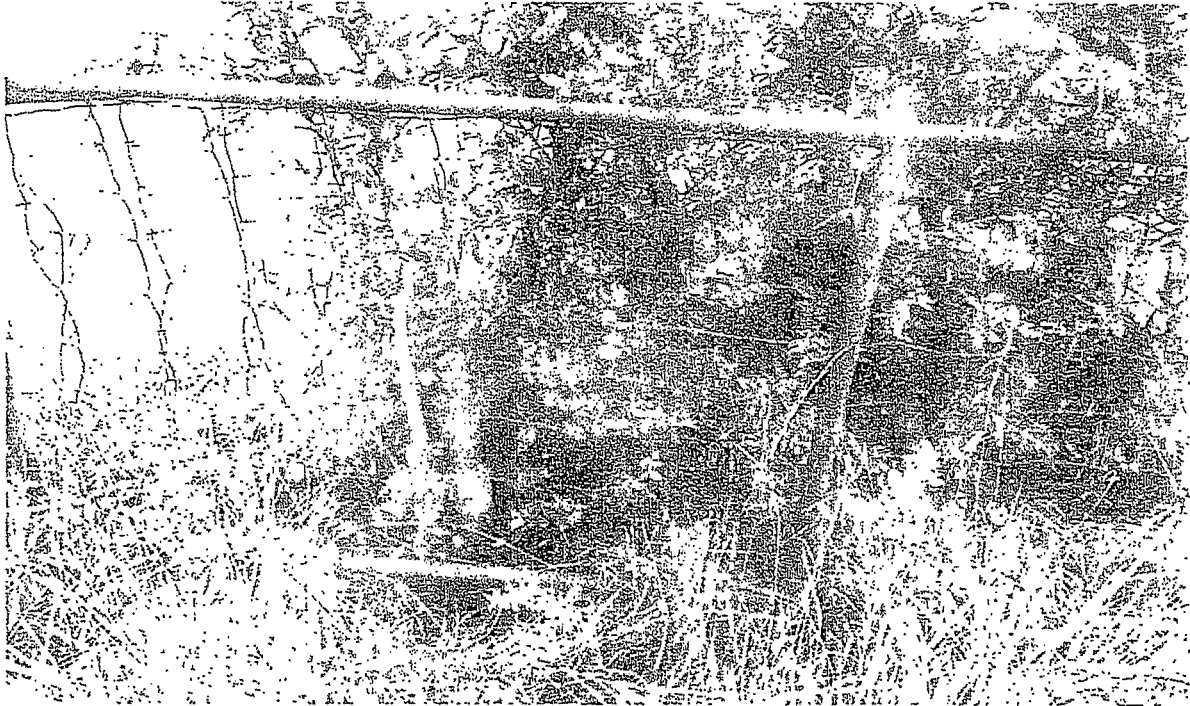
## Photo's Taken:

1

☒ RBDMS ☒ KGS L.I TA DBF Report Prepared By: Russell Hine  
L.I T1 DBF L.I District Files L.I Courthouse Position: E.C.R.S.



# KCC DISTRICT III OFFICE FIELD REPORT PHOTO ID FORM



|                  |                       |                         |              |
|------------------|-----------------------|-------------------------|--------------|
| <b>Operator:</b> | Stroud Oil Properties | <b>KLN:</b>             | 30084        |
| <b>Lease:</b>    | Gaier                 | <b>Legal:</b>           | 19-34-18e    |
| <b>County</b>    | Labette               | <b>PIC ID #:</b>        | 1            |
| <b>Subject:</b>  | Gaier 2               | <b>Pic Orientation:</b> | North        |
| <b>FEL:</b>      | 4353                  | <b>LATITUDE</b>         | 37.07483344  |
| <b>FSL:</b>      | 4353                  | <b>LONGITUDE</b>        | -95.46975961 |
| <b>API#:</b>     | 15-099-22863          |                         |              |
| <b>Date:</b>     | 7/5/2017              | <b>TIME:</b>            | 10:00 AM     |
| <b>Staff:</b>    | Russell Hine          |                         |              |

## Additional Information:

This well appears to be Alt. II constructed. It is shut in and does not have any environmental issues at the surface.

Galer property  
19-34-18e Lb Co

Legend  
○ Galer #2

Galer #2

303

Google earth

© 2017 Google

200 ft



Search for partial Operator Name

Search File Number  
Search TV-D Inventory

SELECT ONE Company Name:  EOC License No: 30054

License No: 30054 Status: ☒ INACTIVE ☐ Reason (If Inactive): ☐ SUSPENDED ☐ Entity Chg Dt:

Original Issue Date: 04/30/1999 Renewal Date: 04/30/2020 Expiration Date: 04/30/2020

Co Name:  KOLAR:  Fine Pending:

Attention:  Jones, George R

Address 1:  200 E FIRST ST., STE 100

Address 2:

City, ST Zip:  WICHITA, KS  67202

Phone:  (316) 262-5603

Company Types: ☐ Operator ☐ Casing Puller ☐ Gas Storage ☐ Stratigraphic ☐ Drilling ☐ Gas Gatherer ☐ Plugging ☐ Residential ☐ Service

Contacts/History:  Search Contacts/History  Print Contacts/History

| Type | Name            | Id             | Phone          | Ext | Fax | AltPhone | Alt |
|------|-----------------|----------------|----------------|-----|-----|----------|-----|
| EC   | Jones, George R |                | (316) 691-3150 |     |     |          |     |
| PR   | Bladen, Bruce F | Vice President | (417) 688-0495 |     |     |          |     |
| PR   | Jones, George R | Pres           | (316) 691-3150 |     |     |          |     |
| CA   | Jones, George R |                | (316) 691-3150 |     |     |          |     |

Notes/Comments (for EOC internal use only)

1/26/16 - License suspended per DNR 15-420 claim

Wells With This Operator Listed as Operator of Record: Double Click on Row to View Well Master Data Form

| API Well ID       | WELL NM         | WE | WL  | UIC Perm | LEGAL        | WH QTR   | TV   | LT   |
|-------------------|-----------------|----|-----|----------|--------------|----------|------|------|
| 15-205-23640-0000 | EISENWEIT FARMS | 1  | OIL | PA       | 25-28 S-14 E | SWSWSESE | 1150 | 1150 |
| 15-039-22854-0000 | BAUER 1         |    | GAS | PA       | 18-34 S-10 E | NESE     | 880  | 880  |
| 15-035-22853-0000 | BAUER 2         |    | GAS | PA       | 15-34 S-18 E | NENENE   | 855  | 850  |
| 15-005-20048-0001 | BIGSTAD 1       |    | GAS | PA       | 1-7 S-18 E   | SWSW     | 1855 |      |
| 15-005-20034-0000 | HARREL 1-35     |    | GAS | PA       | 35-6 S-19 E  | NNE      | 1798 | 1850 |
| 15-035-19009-0000 | HARREL 2-35     |    | SWD | CA       | 35-6 S-18 E  | N2N252NE |      |      |
| 15-205-24816-0000 | HENDRICKSON 1   |    | GAS | PA       | 5-27 S-14 E  | S2NE1E   | 1265 |      |

Well Inventory For View Only

Renewal Received Date:

☐ Attached  
☐ Filed thru KOLAR  
☐ No Wells

WELL INVENTORY

WI Received Date:

WI Accepted Date:

WI Approved Date:

Search Well Inventory

CERTIFICATION OF WELL INVENTORY

By:  KOLAR

Received Date:

Approved Date:

Page 1 of 1

CERTIFICATIONS

By:  KOLAR

Received Date:

Approved Date: