



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

TOM FORESE - Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

In the matter of:

Stephen M. Thompson, an unmarried man,

Leland Energy, Inc., a Nevada corporation,

Leland Kentucky Holdings, Inc., a Kentucky corporation,

Leland Colorado Holdings, Inc., a Colorado corporation,

Leland Tennessee Holdings, Inc., a Nevada corporation,

The Appalachian Drilling Fund II, LLP, a Colorado limited liability partnership,

Knox Drilling Fund II, LLP, a Colorado limited liability partnership,

Green County Energy Fund, LLP, a Colorado limited liability partnership,

Rodgers Production Revenue Fund, LLP, a Nevada limited liability partnership,

Energy Production Revenue Fund, LLP, a Nevada limited liability partnership,

Block City Drilling Fund, LLP, a Nevada limited liability partnership,

Weld County Drilling Fund, LLP, a Nevada limited liability partnership,

Wattenberg Drilling Fund, LLP, a Nevada limited liability partnership,

Wattenberg Drilling Fund II, LLP, a Nevada limited liability partnership,

DOCKET NO. S-21014A-17-0174

DECISION NO. 76751

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES, AND
CONSENT TO SAME
BY: KIRTAN S. KHALSA**

Arizona Corporation Commission

DOCKETED

JUN 25 2018

DOCKETED BY

1 Greeley Wattenberg Drilling Fund, LLP, a)
 Nevada limited liability partnership,)
 2)
 Opportunity Drilling & Acquisition Fund,)
 3 LLP, a Nevada limited liability partnership,)
)
 4 Presidents Fund, LLP, a Nevada limited)
 liability partnership,)
 5)
 Leland Energy Fund, LLP, a Nevada limited)
 6 liability partnership,)
)
 7 Leland Energy Fund II, LLP, a Nevada)
 limited liability partnership,)
 8)
 Extension Drilling & Revenue Fund, LLP, a)
 9 Nevada limited liability partnership,)
)
 10 Kirtan S. Khalsa, an unmarried man, and)
)
 11 Joseph E. Finateri, an unmarried man,)
)
 12 Respondents.)

13 Respondent Kirtan S. Khalsa (“Respondent”) elects to permanently waive any right to a
 14 hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et*
 15 *seq.* (“Securities Act”) with respect to this Order to Cease and Desist, Order for Restitution, Order
 16 for Administrative Penalties, and Consent to Same (“Order”). Respondent admits the jurisdiction of
 17 the Arizona Corporation Commission (“Commission”); neither admits nor denies the Findings of
 18 Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the
 19 Commission.

20 I.

21 FINDINGS OF FACT

22 1. Leland Colorado Holdings, Inc. (“Leland Colorado”) is a corporation organized under
 23 the laws of the state of Colorado in May 2010, and upon information and belief was at all relevant times
 24 a wholly owned subsidiary of Leland Energy, Inc.

2. Leland Tennessee Holdings, Inc. ("Leland Tennessee") is a corporation organized under the laws of the state of Nevada in December 2011, and upon information and belief was at all relevant times a wholly owned subsidiary of Leland Energy, Inc.

3. Weld County Drilling Fund, LLP ("Weld Fund") is a limited liability partnership organized under the laws of the state of Nevada in May 2010. Upon information and belief Leland Colorado was at all relevant times the managing partner of Weld Fund.

4. Wattenberg Drilling Fund, LLP ("Wattenberg Fund") is a limited liability partnership organized under the laws of the state of Nevada in December 2010. Upon information and belief Leland Colorado was at all relevant times the managing partner of Wattenberg Fund.

5. Wattenberg Drilling Fund II, LLP ("Wattenberg Fund II") is a limited liability partnership organized under the laws of the state of Nevada in March 2011. Upon information and belief Leland Colorado was at all relevant times the managing partner of Wattenberg Fund II.

6. Greeley Wattenberg Drilling Fund, LLP ("Greeley Fund") is a limited liability partnership organized under the laws of the state of Nevada in August 2011. Upon information and belief Leland Colorado was at all relevant times the managing partner of Greeley Fund.

7. Opportunity Drilling & Acquisition Fund, LLP ("Opportunity Fund") is a limited liability partnership organized under the laws of the state of Nevada in January 2013. Upon information and belief Leland Tennessee was at all relevant times the managing partner of Opportunity Fund.

8. Leland Energy Fund, LLP ("Leland Energy Fund") is a limited liability partnership organized under the laws of the state of Nevada in June 2012. Upon information and belief Leland Tennessee was at all relevant times the managing partner of Leland Energy Fund.

9. Leland Energy Fund II, LLP ("Leland Energy Fund II") is a limited liability partnership organized under the laws of the state of Nevada in July 2012. Upon information and belief Leland Tennessee was at all relevant times the managing partner of Leland Energy Fund II.

10. Weld County Drilling Fund, LLP, Wattenberg Drilling Fund, LLP, Wattenberg Drilling Fund II, LLP, Greeley Wattenberg Drilling Fund, LLP, Opportunity Drilling & Acquisition Fund, LLP,

1 Leland Energy Fund, LLP, and Leland Energy Fund II, LLP may be referred to collectively as “Leland
2 Funds.”

3 11. Respondent has been a married man and a resident of the state of California since at least
4 August 4, 2010. Respondent has not been registered by the Commission as a securities salesman or
5 dealer.

6 12. At all times relevant, Respondent was acting for his own benefit and for the benefit or in
7 furtherance of Respondent and his spouse’s marital community.

8 13. The Leland Funds are a series of limited liability partnerships located in California
9 that sold partnership equity units to Arizona investors. Each Leland Fund pooled its investors’ funds
10 to operate oil and gas leases, sell the oil and gas, and then distribute a portion of the sale proceeds to
11 its investors.

12 14. Each Leland Fund had a partnership agreement and subscription agreement that were
13 substantially similar to those of the other Leland Funds. The Leland Fund partnership agreements
14 stated that investors would be required to “actively participate in important business decisions ... by
15 exercising their voting power.” However, the Leland Fund subscription agreements noted that, “as a
16 practical matter it would be difficult for the Partnership to be managed by dozens of Partners,” and
17 according to the subscription agreements, investors were not required to have experience in oil and
18 gas drilling, exploration, and operations. In fact, many investors were actually passive investors who
19 did not participate in managing the Leland Funds. The investors’ potential control was also limited
20 by the fact that the managing partner of each Leland Fund could only be removed as the managing
21 partner if they “materially fail[ed] to carry out [their] duties.”

22 15. Leland Tennessee also offered investments in a separate program called the Leland
23 Energy Drilling Program (“Drilling Program”). Investors in the Drilling Program received “net
24 revenue interests” entitling them to a percentage of revenue generated by several oil and gas wells
25 that Leland Tennessee operated directly, rather than through a Leland Fund. Leland Tennessee pooled
26

1 the investments of the Drilling Program investors to fund the operation of the relevant wells. Leland
2 Tennessee had exclusive management power over operation of the relevant wells.

3 16. The Leland Fund units and Drilling Program interests were securities in the form of
4 investment contracts. None of the Leland Funds' securities nor Leland Tennessee's securities have been
5 registered by the Commission.

6 17. Respondent was a salesman who sold Leland Fund units and Drilling Program
7 interests by telephone to Arizona investors who had been initially solicited by cold calls. Between
8 August 4, 2010, and March 11, 2013, Respondent sold Leland Fund units and/or Drilling Program
9 interests to approximately six Arizona investors who invested a total of approximately \$1,085,750
10 across 24 transactions.

11 18. Respondent was paid commissions totaling approximately \$108,575 for his sales of
12 Leland Fund units and Drilling Program interests to Arizona investors.

13 **II.**

14 **CONCLUSIONS OF LAW**

15 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
16 Arizona Constitution and the Securities Act.

17 2. Respondent offered or sold securities within or from Arizona, within the meaning of
18 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

19 3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were
20 neither registered nor exempt from registration.

21 4. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither
22 registered as a dealer or salesman nor exempt from registration.

23 5. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-
24 2032.

25 6. Respondent's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
26 2032.

1 7. Respondent's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

2 8. Respondent acted for the benefit of the marital community, and this order of
3 restitution and administrative penalties is a debt of the community.

4 **III.**

5 **ORDER**

6 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's
7 consent to the entry of this Order, attached and incorporated by reference, the Commission finds that
8 the following relief is appropriate, in the public interest, and necessary for the protection of investors:

9 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's
10 agents, employees, successors and assigns, permanently cease and desist from violating the Securities
11 Act.

12 IT IS FURTHER ORDERED that Respondent complies with the attached Consent to Entry
13 of Order.

14 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent shall, jointly
15 and severally with all respondents against whom orders are entered under Docket No. S-21014A-17-
16 0174, pay restitution to the Commission in the principal amount of \$108,575 as a result of the conduct
17 set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this
18 Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account
19 controlled by the Commission.

20 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
21 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii)
22 at a rate per annum that is equal to the prime rate as published by the board of governors of the federal
23 reserve system in statistical release H. 15 or any publication that may supersede it on the date that
24 the judgment is entered.

25 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
26 of the Commission. Any restitution funds that the Commission cannot disburse because an investor

1 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
2 because the investor is deceased and the Commission cannot reasonably identify and locate the
3 deceased investor's spouse or natural children surviving at the time of the distribution, shall be
4 disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission.
5 Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be
6 transferred to the general fund of the state of Arizona.

7 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent, shall pay an
8 administrative penalty in the amount of \$7,500 as a result of the conduct set forth in the Findings of
9 Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be
10 made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

11 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
12 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
13 shall be applied to the penalty obligation.

14 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If
15 Respondent does not comply with this Order, any outstanding balance may be deemed in default and
16 shall be immediately due and payable.

17 IT IS FURTHER ORDERED, that if Respondent fails to comply with this order, the
18 Commission may bring further legal proceedings against Respondent, including application to the
19 superior court for an order of contempt.

20 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
21 Order shall be deemed binding against any respondent under this Docket Number who has not
22 consented to the entry of this Order.

23 IT IS FURTHER ORDERED that this Order shall become effective immediately.
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25
26

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Pro. Forese

CHAIRMAN FORESE

[Signature]

COMMISSIONER DUNN

[Signature]

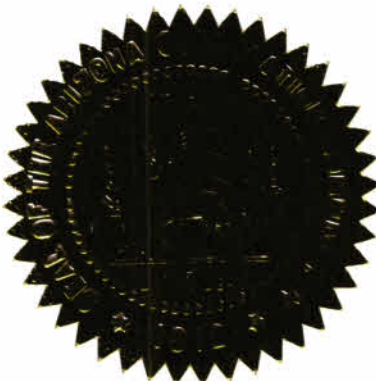
COMMISSIONER TOBIN

[Signature]

COMMISSIONER OLSON

**Commissioner Burns
Absent**

COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 25th day of June, 2018.

[Signature]

TED VOGT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(PSK)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent Kirtan S. Khalsa ("Respondent), an individual, admits the jurisdiction of
3 the Commission over the subject matter of this proceeding. Respondent acknowledges that he has
4 been fully advised of his right to a hearing to present evidence and call witnesses, and Respondent
5 knowingly and voluntarily waives any and all rights to a hearing before the Commission and all other
6 rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
7 Administrative Code. Respondent acknowledges that this Order to Cease and Desist, Order for
8 Restitution, Order for Administrative Penalties, and Consent to Same ("Order") constitutes a valid
9 final order of the Commission.

10 2. Respondent knowingly and voluntarily waives any right under Article 12 of the
11 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting
12 from the entry of this Order.

13 3. Respondent acknowledges and agrees that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Respondent understands and acknowledges that Respondent has a right to seek
16 counsel regarding this Order, and that Respondent has had the opportunity to seek counsel prior to
17 signing this Order. Respondent acknowledges and agrees that, despite the foregoing, Respondent
18 freely and voluntarily waives any and all right to consult or obtain counsel prior to signing this Order.

19 5. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law
20 contained in this Order. Respondent agrees that Respondent shall not contest the validity of the
21 Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding
22 in which the Commission is a party.

23 6. The Respondent further agrees that he shall not deny or contest the Findings of Fact
24 and Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding,
25 or (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").
26 Respondent further agrees that in any such proceedings, the Findings of Fact and Conclusions of

1 Law contained in this Order may be taken as true and correct and that this Order shall collaterally
2 estop him from re-litigating with the Commission or any other state agency, in any forum, the
3 accuracy of the Findings of Fact and Conclusions of Law contained in this Order. In the event
4 Respondent pursues bankruptcy protection in the future, he further agrees that in such bankruptcy
5 proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

6 A. The obligations incurred as a result of this Order are a result of the conduct set forth
7 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
8 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

9 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
10 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
11 Respondent pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for damages, fine, penalty,
12 citation, restitution payment, disgorgement payment, attorney fee, cost or other payment owed by
13 Respondent pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

14 7. By consenting to the entry of this Order, Respondent agrees not to take any action or
15 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
16 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
17 basis.

18 8. While this Order settles this administrative matter between Respondent and the
19 Commission, Respondent understands that this Order does not preclude the Commission from
20 instituting other administrative or civil proceedings based on violations that are not addressed by this
21 Order.

22 9. Respondent understands that this Order does not preclude the Commission from
23 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
24 that may be related to the matters addressed by this Order.

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1 10. Respondent understands that this Order does not preclude any other agency or officer
2 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
3 proceedings that may be related to matters addressed by this Order.

4 11. Respondent agrees that he will not apply to the state of Arizona for registration as a
5 securities dealer or salesman or for licensure as an investment adviser or investment adviser
6 representative until such time as all restitution and penalties under this Order are paid in full.

7 12. Respondent agrees that he will not exercise any control over any entity that offers or
8 sells securities or provides investment advisory services within or from Arizona until such time as
9 all restitution and penalties under this Order are paid in full.

10 13. Respondent agrees that he will continue to cooperate with the Securities Division
11 including, but not limited to, providing complete and accurate testimony at any hearing in this matter
12 and cooperating with the state of Arizona in any related investigation or any other matters arising
13 from the activities described in this Order.

14 14. Respondent acknowledges that any restitution or penalties imposed by this Order are
15 obligations of the Respondent as well as the marital community.

16 15. Respondent consents to the entry of this Order and agree to be fully bound by its terms
17 and conditions.

18 16. Respondent acknowledges and understands that if Respondent fails to comply with
19 the provisions of the order and this consent, the Commission may bring further legal proceedings
20 against Respondent, including application to the superior court for an order of contempt.

21 17. Respondent understands that default shall render him liable to the Commission for its
22 costs of collection, including reasonable attorneys' fees and interest at the maximum legal rate.

23 18. Respondent agrees and understands that if Respondent fails to make any payment as
24 required in the Order, any outstanding balance shall be in default and shall be immediately due and
25 payable without notice or demand. Respondent agrees and understands that acceptance of any partial
26 or late payment by the Commission is not a waiver of default by the Commission.

Kirtan S. Khalsa

(Respondent Kirtan S. Khalsa)

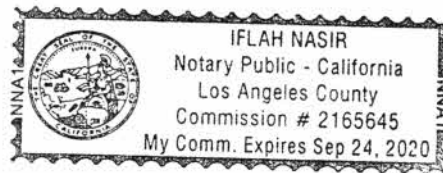
1
2
3 California
4 STATE OF ~~ARIZONA~~)
5 County of Los Angeles) ss

6 SUBSCRIBED AND SWORN TO BEFORE me this 3rd day of May, 2018.

7
8 IFLAH NASIR
9 NOTARY PUBLIC

10 My commission expires:

11 Sep 24th, 2020



SERVICE LIST FOR:

STEPHEN M. THOMPSON ET AL.

DOCKET NO.

S-21014A-17-0174

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Energy Production Revenue Fund, LLP 375 N. Stephanie St, #1411 Henderson, NV 8901	Leland Energy Fund II, LLP Extension Drilling & Revenue Fund, LLP 2360 Corporate Circle, #400 Henderson, NV 89074

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 TOM FORESE - Chairman
5 BOB BURNS
6 ANDY TOBIN
 BOYD DUNN
 JUSTIN OLSON

7 In the matter of:

) DOCKET NO. S-21014A-17-0174

8 Stephen M. Thompson, an unmarried man,

) **CERTIFICATION OF SERVICE OF**
) **PROPOSED OPEN MEETING AGENDA**
) **ITEM**

9 Leland Energy, Inc., a Nevada corporation,

10 Leland Kentucky Holdings, Inc., a Kentucky
11 corporation,

12 Leland Colorado Holdings, Inc., a Colorado
corporation,

13 Leland Tennessee Holdings, Inc., a Nevada
14 corporation,

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16 Knox Drilling Fund II, LLP, a Colorado limited
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 Joseph E. Finateri, an unmarried man,)
 12)
 13 Respondents.)

14 On this 29th day of May, 2018, the foregoing document was filed with Docket Control as a
 15 Securities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on
 16 behalf of the Securities Division to the following who have not consented to email service. On this
 17 date or as soon as possible thereafter, the Commission's eDocket program will automatically email
 18 a link to the foregoing to the following who have consented to email service.

20 Kirtan Khalsa
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 21 Los Angeles, CA 90035

22 Joseph Finateri
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 23 Las Vegas, NV 89103

24 Weld County Drilling Fund, LLP
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By:

Emie R. Bridges, Executive Assistant