

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF KENTUCKY FRONTIER)	CASE NO.
GAS, LLC FOR DECLARATORY ORDER ON FREE GAS)	2025-00042

VERIFIED APPLICATION

Comes now Kentucky Frontier Gas, LLC (“Kentucky Frontier”), by and through the undersigned counsel, pursuant to 807 KAR 5:001 Section 19 and other applicable law, and does hereby submit its Application for the Commission to declare that Kentucky Frontier does not have to honor contracts for free gas that were entered into by the prior owners of B.T.U. Gas Company, Inc. (“BTU or BTU Gas”) and/or the prior owners of BTU, with certain landowners in the service territory. Kentucky Frontier respectfully requests the Commission issue its **decision by March 21, 2025** so that it may move forward in discontinuing the free gas service. As grounds for this Application, Kentucky Frontier respectfully states as follows:

INTRODUCTION AND BACKGROUND

On July 13, 2012 Kentucky Frontier Gas (“Frontier”) purchased the assets of B.T.U. Gas Company, Inc. (“BTU” or “BTU Gas”) from the Bankruptcy Trustee under Case No 10-70767-TNW for the U.S. Bankruptcy Court Eastern District of Kentucky. In that case, BTU Gas and other entities were dissolved and sold under the bankruptcy declaration of owners Richard and Pamela Williams.

This bankruptcy was filed due to multiple lawsuits filed by disgruntled investors in Richard Williams’ various oil & gas drilling & pipeline ventures that had gone sour. One such investor Mr. Fontaine sued the Williamses and won a \$5.6 million judgement in May 2012, alleging the

Williamses “fraudulently induced Mr. Fontaine and the plaintiffs to invest in nonexistent and worthless gas wells. As part of this scheme, the plaintiffs have proven that the defendants also converted thousands of dollars of the plaintiffs’ investment money for their own use...”.¹ The investor presented evidence of falsified reports of inflated production, claims for expenditures on wells that were abandoned or actually owned by other producers, and other fraud. Richard Williams was indicted on several felony charges of securities fraud before his death in November 2015.²

Prior to bankruptcy filing, the operation of BTU, as a regulated utility, seemed to follow the same pattern alleged by the O&G investors. The Commission had numerous cases related to the operation of BTU by Richard Williams, dating back to the early 90s.³ When Kentucky Frontier had decided to come in and buy out several small gas companies in Kentucky, Commission Staff strongly encouraged Kentucky Frontier to take over BTU out of bankruptcy. Kentucky Frontier did just that. In the BTU Bill of Sale, the bankruptcy Trustee conveyed to Kentucky Frontier all title & interest “in the assets of BTU Gas including customer & business records, permits, easements, rights of way and all physical assets of the natural gas pipeline gathering and

¹ United States Bankruptcy Court, Eastern District of Kentucky, *In Re Richard Dow Williams and Pamela Jean Williams dba Circle J Farms*, Case No 10-70767 (Order dated Aug. 11, 2011).

² See, Application Exhibit 1, September 12, 2013 *Salyersville Independent* Article.

³ See, *In the Matter of: Investigation of Richard Williams, d/b/a B.T.U. Pipeline, Inc., and M5-A1, Inc.*, Case No. 1992-00220 (Ky. P.S.C., May 29, 1992); *In the Matter of the Tariff Filing of B.T.U. Pipeline, Inc. to Establish Rate and Conditions for Service*, Case No. 1995-00103, (Ky. P.S.C., March 17, 1995); *In the matter of B.T.U. Pipeline, Inc. and Richard Williams Alleged Violation of 807 KAR 5:022*, Case No. 1995-00377, (Ky. P.S.C., Aug. 30, 1995); *In the Matter of B.T.U. Pipeline, Inc., Failure to Comply with KRS 278.230(3)*, Case No. 1995-00513, (Ky. P.S.C., Nov. 20, 1995); *In the Matter of B.T.U. Pipeline, Inc., Alleged Failure to Comply with Commission Regulations*, Case No. 1996-00087, (Ky. P.S.C., March 14, 1996); *B.T.U. Gas Company, Inc., Alleged Violation of Administration Regulations 807 KAR 5:006, 807 KAR 5:022, 807 KAR 5:027 and 49 CFR 191-192*, Case No. 2007-00403, (Ky. P.S.C., May 1, 2008); *Application of Kentucky Frontier Gas Company, LLC as Bankruptcy Operator of B.T.U. Gas Company for Approval of an Interim Adjustment of the Gas Cost Adjustment Tariff*, Case No. 2011-00512, (Ky. P.S.C., Dec. 20, 2011).

distribution system... specifically EXCLUDING any and all debts, contracts, commitments, liabilities or other obligations, whether known or unknown, accrued or contingent on BTU Gas, its predecessor companies and Richard and Pamela Williams”.⁴

Once Kentucky Frontier took control of BTU, Case No. 2012-00099⁵ folded the assets of BTU into the Kentucky Frontier utility operation and Case No. 2011-0443⁶ consolidated the utility rates for BTU and other small gas utilities that Kentucky Frontier acquired into a single rate structure and rules for all Kentucky Frontier customers. In addition to the utility assets of BTU, the owners of Kentucky Frontier also took control of another pipeline developed by Williams under the entity Fontaine-Williams Gas Gathering System LLC (“FWGGS”). This pipeline is an 8-inch PE pipeline that runs about 22 miles from Sublett-Royalton area (south of Salyersville in Magoffin County) to a tie-in on the (then) Columbia P-20 pipeline just outside Martin in Floyd County. The intended purpose was to export Magoffin County gas from Williams’ drilling programs, gathered in the BTU Gas network, to the interstate gas market and was not a utility pipeline regulated by the Commission. The Fontaine family had funded the pipeline and acquired the Williams’ minority interest out of bankruptcy.⁷ However, the Fontaine family decided to transfer the pipeline to the owners of Kentucky Frontier in November 2013. The pipeline was merged into the assets of DLR Enterprises, Inc., which operates another intrastate pipeline. There

⁴ See, Bill of Sale attached to the Application as Exhibit 2.

⁵ See, *Application of Kentucky Frontier Gas, LLC for Approval of Transfer of Assets of the Former B.T.U. Gas Company and Approval of Financing and Acquisition*, Case No. 2012-00099, (Ky. P.S.C. Apr. 4, 2012).

⁶ See, *Application of Kentucky Frontier Gas, LLC for Approval of Consolidation of and Adjustment of Rates, Approval of AMR Equipment and a Certificate of Convenience and Necessity for Installation of AMR, Pipeline Replacement Program, Revision of Non-Recurring Fees and Revision of Tariffs*, Case No. 2011-00443, (Ky. P.S.C., Sept. 6, 2012).

⁷ See, Application Exhibit 3, June 13, 2012, *Floyd County Times* Article.

was no investment attributed to this transaction, only prospective payment to the Fontaine trust based on gas volume. To date, no gas has been transported since FWGGS was transferred in 2013.

REQUEST FOR DECLARATORY ORDER

In the bitter cold of January 2025, parts of the former BTU and Sigma sections of Kentucky Frontier ran out of gas, several times. The local wells needed to supply 20 or 30 mcf out of nearly 1000 mcf per day peak use, but failed to deliver even this tiny volume. Kentucky Frontier was unable to secure natural gas from other delivery points during this time as well. Kentucky Frontier has been aware of the ongoing gas shortages in the former BTU system/service territory and began in September 2024 to make the FWGGS pipeline operational in an attempt to alleviate the gas shortage issue. This would be the first practical use ever, in the FWGGS pipeline's 20 years of existence. Kentucky Frontier identified a sustainable source of gas on the existing Kentucky-West Virginia ("KWV") line (now Diversified) outside of Martin. DLR plans to make the necessary upgrades, replacements and/or repairs to the 8-inch pipeline to enable it to transport gas, which it never has before. Instead of exporting Magoffin County gas that never existed, the pipeline will connect to a KWV pipeline at Martin and haul gas through David and Royalton, to enhance the gas supply to Kentucky Frontier systems in Magoffin County. This will assist Kentucky Frontier in improving its ability to provide safe and reliable service to its customers in the area.

With that project, DLR will complete the necessary improvements and convey about half the FWGGS pipeline to Kentucky Frontier, and transition that segment from a non-regulated intrastate gathering pipeline to a certificated utility pipeline. The 12.5 miles of FWGGS from David to Sublett had free gas users on it from its inception in approximately 2005. Kentucky Frontier would transition these free gas users to utility customers of Kentucky Frontier, under the same rates and conditions of service as Kentucky Frontier's other utility customers.

As an intrastate pipeline with no practical purpose or revenue, FWGGS then DLR had limited ability to police or maintain its pipeline. It appears that at some point during the ownership of the Fontaine family, that someone dug up and sold approximately 10,000 feet of the 8-inch pipeline. DLR had that section restored in 2015. From the information Kentucky Frontier and DLR have been able to gather, it appears there could be 10-20 clandestine gas users off FWGGS, using free gas without meters or customer status. These users claim to have easements with Williams or his other entities, that award them with free gas. The FWGGS was built in the pipeline ROW corridor of an earlier Inland Gas G-39 pipeline built decades ago. Richard Williams had purchased the pipeline and ROW from an interim owner in May 2005. For unknown reasons, but perhaps for expediency to keep the local owners happy and to build quickly, Richard Williams instigated additional easements on some of the same properties that already had valid easements. These easements were contracts for unlimited free gas through BTU Gas, the regulated utility, which was not related to FWGGS, the gas supplier. Richard Williams did not seek Commission approval for these contracts that obligated BTU Gas to supply substantial free gas to non-customers.

Two of those contracts were with the Bailey family near Royalton in June 2005, which mention a Restraining Order. After Kentucky Frontier took over the BTU system in 2012, it operated a few known FWGGS gas users as utility users, as had BTU under Williams. FWGGS-DLR is not a utility, so Kentucky Frontier / BTU provided the meter & gas service to the Baileys, then settled with FWGGS-DLR for any revenue. Kentucky Frontier billed the Baileys for metered gas usage, but received only \$20 per month as had been agreed to by Williams, and was far less than the amounts that were billed each month by Kentucky Frontier for the gas service. Kentucky Frontier followed its procedures for disconnection for non-payment by informing the Baileys in

writing. In 2012, the Baileys asked for and received a restraining order from Magoffin County Circuit Court in Case No. 12-CI-00261, which continues gas service to this day, at a substantial loss to FWGGS-DLR and Kentucky Frontier.

The original G-39 ROW documents from the 1940s include an easement on the Bailey property that greatly supersedes the Williams agreement in 2005, which gave the Baileys free gas. Kentucky Frontier does not know why Williams thought it necessary to obtain new easements, but it could possibly have been that these G-39 landowners hadn't seen compensation for decades or generations, that maybe Williams thought compelled to do these types of free gas deals for an unregulated pipeline since they did not have the power of eminent domain. For the past 12 years, DLR and a producer that owns a parallel pipeline were forced to feed gas to this section of FWGGS, since the local owners would quickly remove or vandalize the pipelines if free gas was interrupted.

The BTU Bill of Sale from July 2012 specifically excludes Kentucky Frontier from assuming any side deals by Williams or BTU. Frontier has found a couple of free gas deals in the Royaltan-David segment of FWGGS, but has no way of knowing how many are truly out there. However, Kentucky Frontier had a related case in 2012,⁸ when Kentucky Frontier first operated BTU Gas for the Bankruptcy court. Kentucky Frontier found that the prior owners and others were stealing gas from BTU and selling or giving it to a couple dozen users in the Oakley and Hendricks areas. In the Order for Case No. 2012-00028, the Commission directs Frontier to serve these folks as "retail distribution tariff customers"⁹, and ignore all the side deals made by Williams et al. This

⁸ See, *Application of Kentucky Frontier Gas Company, LLC as Bankruptcy Operator of B.T.U. Gas Company, Inc., v. Harry Thompson, Thompson Energy Et. Al. and Other Unknown Entities*, Case No. 2012-00028, Order. (Ky. P.S.C., March 12, 2012).

⁹ *Id.*

Order only applied to these particular sections since these were part of the BTU system, the regulated utility. The Oakley section is on a former BTU Gas pipeline, about 1 mile from the Baileys on FWGGS, but along the same Inland Gas G-39 ROW. At the time of that order and until now, FWGGS was a separate entity not under Commission authority, so the Oakley ruling would not extend to FWGGS, which is who the Baileys had their agreement with.

At this point, the FWGGS 8-inch scheme is completely changing, and the pipeline could be energized and have the first “used and useful” function in its lifetime. A portion of FWGGS would become an asset of Kentucky Frontier and be regulated by the Commission. Kentucky Frontier is concerned that a dozen potential litigants with old BTU contracts will demand their free gas continue, and tie up the project (and extend outages in BTU and Sigma) for another dozen years. Kentucky Frontier hereby notifies the Commission of its intent to take control of a section of the former FWGGS pipeline, for incorporation into the Kentucky Frontier utility. Kentucky Frontier also asks that the Commission make a Declaratory Order to extend the same rules on interrupting free gas, for any current or future gas customer along the Kentucky Frontier segment of 8-inch pipeline formerly operated by FWGGS, once it becomes a utility asset.

CONCLUSION

Kentucky Frontier proposes to convert this FWGGS pipeline, that could be beneficial in adding a new supply of gas to the area to improve the reliability for Kentucky Frontier’s customers. The pipeline would then become a utility asset and be subject to the jurisdiction of the Commission. However, due to the amount of “free” gas customers that Kentucky Frontier continues to find in this part of its service territory, Kentucky Frontier requests the Commission to issue a declaratory order finding that the BTU Gas “free gas” contracts were improper and invalid, and these “free gas” customers would then be treated as utility customers of Kentucky Frontier

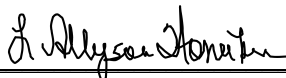
and that service would need to be provided in accordance with Kentucky Frontier's tariffs on file with the Commission.

WHEREFORE Kentucky Frontier requests the Commission to enter an Order declaring the following:

1. That the BTU Gas "free gas" contracts were created improperly and are not valid;
2. That Kentucky Frontier does not have to honor the "free gas" contracts and can threat these customers as utility customers with service provided pursuant to its tariffs on file with the Commission; and,
3. And any other relief Kentucky Frontier may be entitled to.

Dated this 19th day of February 2025.

Respectfully submitted,

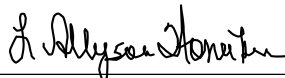


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heather@hloky.com
meredith@hloky.com

Counsel for Kentucky Frontier Gas, LLC

CERTIFICATE OF SERVICE

This is to certify that foregoing electronic filing was transmitted to the Commission on February 19, 2025 that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of the filing will be made.




Counsel for Kentucky Frontier Gas, LLC

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF MADISON)

The undersigned, Steve Shute, first being duly sworn, deposes and says that he is the sole member of Kentucky Frontier Gas LLC, that he has personal knowledge of the matters set forth in the foregoing, and that the information contained therein is true and correct to the best of his knowledge, information and belief.

KENTUCKY FRONTIER GAS LLC

By: 
Steven Shute
Sole Member
Kentucky Frontier Gas LLC

Subscribed and sworn to before me by Steve Shute, sole member of Kentucky Frontier Gas LLC, on this 19th day of February, 2025.


NOTARY PUBLIC

Notary ID#: KYNP76727

My Commission Expires: 8/2/27



EXHIBIT 1

drilled and completed.

Each charge carries a one to five year sentence if found guilty.

Pamela Williams was arrested and released on Monday, pending future court dates.



Pamela J. Williams

In May 2012 a Kentucky bankruptcy judge ruled to allow creditors of P&J Resources, Inc., to pierce the corporate veil and hold the owners, the Williams, personally liable for business debts. The Court called the situation a "Ponzi-like scheme."

According to records filed in bankruptcy court, Fontaine sunk approximately \$7 million in P&J Resources from 2002 until his death in 2007, and had encouraged his friends and family to follow suit. He received royalties on his investments from 2002 through 2005, at which time the payments became much smaller and non-existent. The numbers of production reported to Fontaine were inflated to encourage more investments, and when payments were ceased, shut-ins were listed as the cause. Minimal payments were received after the shut-ins of the wells in March 2006 in July and August 2007, with no reason listed for how those months were not affected by the shut-ins.

After Fontaine's death, Robert Carlson, his son-in-law, began evaluating his investments and uncovered several misrepresentations by the Williams about their investments, concealed information about the wells, misappropriation of the funds, and a "complete disrespect by the Williams of P&J's separate corporate status," according to the bankruptcy ruling.

In the fall of 2009 Williams, an engineering expert for Fontaine's family, Carlson and Richard McCown, an inspector for the Kentucky Division of Oil and Gas, visited the sites Williams' asserted were the sites of the wells Fontaine had invested in. Williams showed them approximately 65 wells, many of which were listed under a different permit number or name in the Division's records, as well as some were not operated by P&J. Some of the wells were not in the Division's records at all.

Richard Dow Williams, 71, and Pamela Jean Williams, 49, both of Salyersville, were indicted on Thursday, September 6, each on 15 counts related to allegedly committing upwards of \$3 million in fraud, dating from 2002 through 2004. Pamela's charges noted that she may or may not have committed the offenses, but accused her of at least being complicit to the alleged actions. Counts one through 10 allege that the two of-

ferred or sold unregistered fractional undivided interest in gas from identified wells, while counts 11 through 15 accuses that they sold unregistered fractional undivided interests in gas by misrepresenting the wells and omitting pertinent information to the buyers. Some of the wells were newly drilled, some had been drilled and completed, and none of the securities of those wells were registered, according to the indictment. In total, Richard and Pamela Williams are accused of fraudulently selling \$3,386,500 in unregistered gas interests. They allegedly collected \$2,444,000 from Raymond Fontaine, \$740,000 from Robert Carlson, \$67,500 from Arlene Everett, and \$135,000 from Joan Casartello, re-

sulting in the 15 charges. Fontaine, being the heaviest hit listed in the indictment, was sold interest to two six-month-old wells in 2003, while one was actually completed in 1984 and the other 1976. The well completed in 1976 had been producing gas since 1995. Count 14 describes a "20 Well Package," as well, where the Williams sold unregistered fractional undivided interests in gas for the principal amount of \$1.35 million, misrepresenting that these would be 20 newly-drilled wells, omitting that the securities were not registered and that eight of the wells had been previously

See **FRAUD** | Page A2

P&J Resources' owners indicted on fraud charges

By **HEATHER ONEY**
Editor

SALYERSVILLE - The former owners of P&J Resources, Inc., were indicted by a Magoffin County Grand Jury last Thursday on registration of securities and fraudulent securities charges.

Richard Dow Williams, 71, and Pamela Jean Williams, 49, both of Salyersville, were indicted on Thursday, September 6, each on 15 counts related to allegedly committing upwards of \$3 million in fraud, dating from 2002 through 2004. Pamela's charges noted that she may or may not have committed the offenses, but accused her of at least being complicit to the alleged actions. Counts one through 10 allege that the two of-

sulting in the 15 charges. Fontaine, being the heaviest hit listed in the indictment, was sold interest to two six-month-old wells in 2003, while one was actually completed in 1984 and the other 1976. The well completed in 1976 had been producing gas since 1995. Count 14 describes a "20 Well Package," as well, where the Williams sold unregistered fractional undivided interests in gas for the principal amount of \$1.35 million, misrepresenting that these would be 20 newly-drilled wells, omitting that the securities were not registered and that eight of the wells had been previously

Thursday, September 12, 2013

UPS 944-240

INDEPENDENT

SALYERSVILLE

The voice of Magoffin County

KIRK LAW FIRM
www.kirklawfirm.com

We Work Hard
We Work Well
We Get Results

Phillip Kirk
Kirk Law Firm
1000 S. Main Street
Cincinnati, Ohio 45202
Call 297-5888 or 916-4504

EXHIBIT 2

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

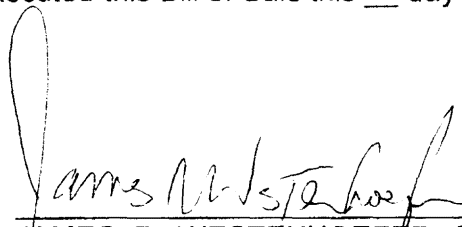
THAT JAMES R. WESTENHOEFER, Trustee in Case No. 10-70767 filed in the United State Bankruptcy Court for the Eastern District of Kentucky, Pikeville Division, (the "Seller") pursuant to that Order entered by the Court on July 12, 2012, for and in consideration of the sum of \$255,000.00, cash in hand paid by KENTUCKY FRONTIER GAS, LLC, a Colorado limited liability company (the "Purchaser"), the receipt of which is hereby acknowledged by Seller, does hereby GRANT, BARGAIN, SELL, TRANSFER and DELIVER unto Purchaser all the Seller's right, title and interest in and to all the assets of the B.T.U. Gas Company, Inc., including but not limited to, the customer and business records, permits, easements, rights of way and all physical assets of the natural gas pipeline gathering and distribution system and associated taps and facilities, service connections and meters, spare parts and tools and specialized equipment, and all other associated facilities of the B.T.U. Gas Company, Inc. system as reflected on Exhibit A, attached and made a part of this transaction, all of which are necessary for the continued operation of the natural gas gathering and distribution business of B.T.U. Gas Company, Inc., but specifically EXCLUDING any and all debts, contracts, commitments, liabilities or other obligations, whether known or unknown, accrued or contingent of B.T.U. Gas Company, Inc., its predecessor companies and Richard Dow and Pamela Jean Williams individually, jointly and as owners and operators of those companies (the "Property").

SELLER warrants that Seller is transferring free and clear title to the Property and that there are no liens against same. All Property being conveyed to Purchaser is

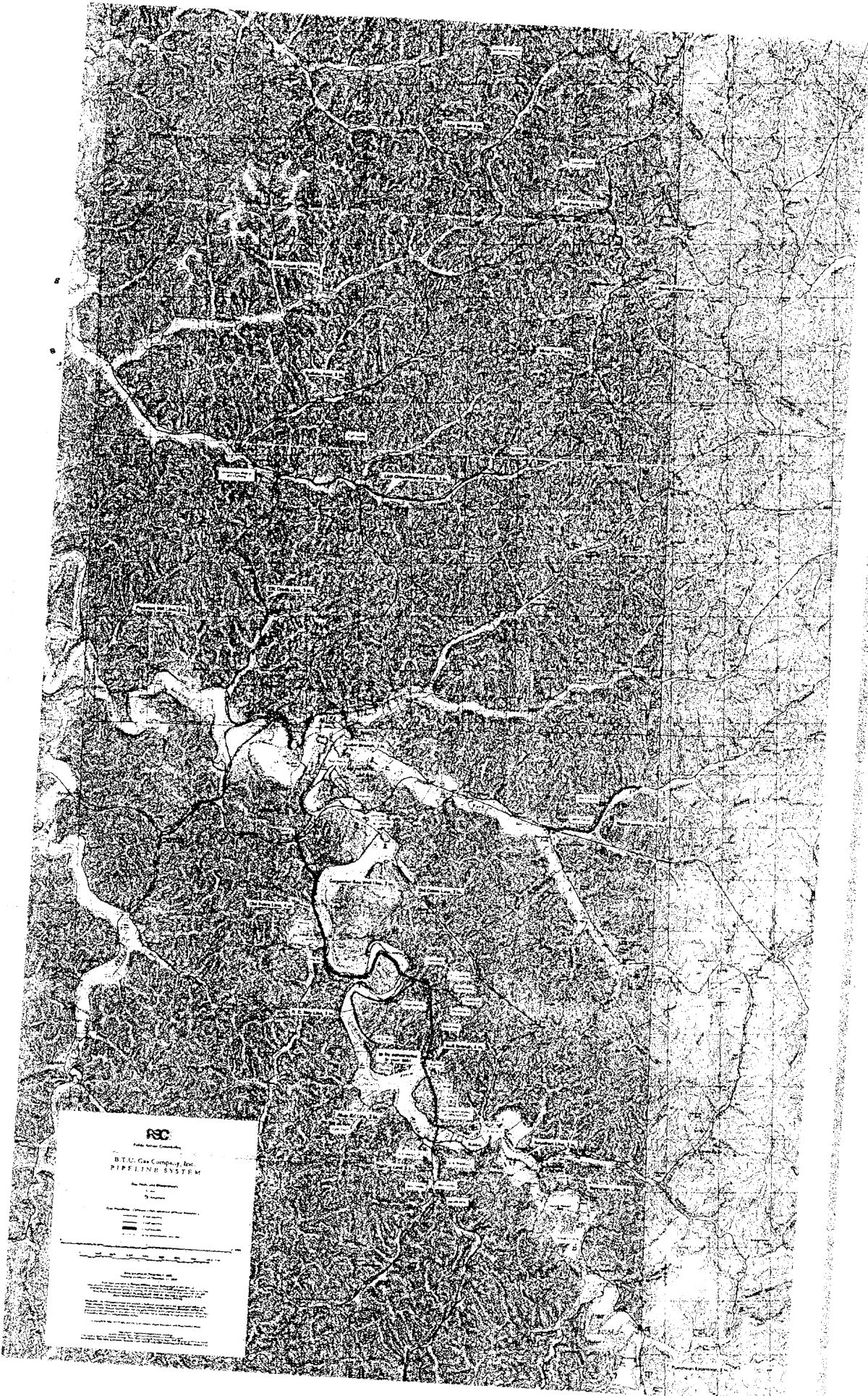
AS IS and without warranty either express or implied. Purchaser shall be entitled to allocate the purchase price at Purchaser's sole discretion.

TO HAVE AND TO HOLD said Property unto the Purchaser, its successors and assigns forever.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale this 13TH day of July, 2012.



JAMES R. WESTENHOEFER, Trustee
for the United States Bankruptcy Court
for the Eastern District of Kentucky,
Pikeville Division, in Case No. 10-70767



RSC
Rising Star Company
B.T.U. Gas Company, Inc.
PIPELINE SYSTEM
The Pipeline System
is shown in
the following colors:
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2. Existing
3. Abandoned
4. Other
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THIS QUITCLAIM DEED of conveyance, made and entered into this 13th day of July, 2012, by and among JAMES R. WESTENHOEFER, TRUSTEE for U.S. BANKRUPTCY COURT, EASTERN DISTRICT of KENTUCKY, PIKEVILLE DIVISION, with mailing address of 212 South Third Street, Richmond, KY 40475 and Kentucky Frontier Gas, LLC, 4891 Independence Street, Wheat Ridge, CO 80033,

WHEREAS, the GRANTOR hereto claims ownership and interest in certain rights-of-way and easements in Magoffin County, Kentucky, upon which the GRANTOR has acquired through bankruptcy from BTU Gas Company, Inc. formerly known as and operated as B.T.U. Pipeline, Inc., owned and operated by Richard Dow and Pamela Jean Williams, individually and jointly, of Salyersville, which were acquired over the course of years by virtue of placement and locations of certain natural gas gathering or distribution pipelines; and

WHEREAS, the parties herein have entered into an agreement wherein the GRANTOR herein has agreed to sell the assets of GRANTOR James R. Westenhoefer, Trustee to the GRANTEE herein, which includes those certain pipelines lying and running upon those certain rights-of-way and easements more specifically described in the Bill of Sale for Business Assets, executed among the parties on July 13 2012; and

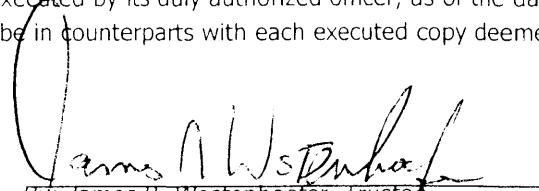
WHEREAS, it is the intention of the parties herein, that by this instrument, all those rights and interests in said rights-of-way and easements are to be transferred to the GRANTEE herein;

NOW, THEREFORE, WITNESSETH:

That for and in consideration of the agreement of the parties herein contained and other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the party of the first part, does hereby release, remise and forever quitclaim unto the party of the second part, all of its right, title and interest of the part of the first part in and to all valid and enforceable rightsof-way and easements herein described which are associated with the pipelines depicted on the maps of the GRANTOR and attached as Exhibit A to the Bill of Sale of Assets and any and all other validly executed, legally recognizable and enforceable permits, easements or rights of way, associated with the installation of natural gas facilities for or by the BTU Gas Company, Inc., its predecessor companies, related companies or Richard Dow or Pamela Jean Williams, but specifically excludes any agreements providing free or unlimited gas in exchange for a permit, easement or right of way or any other unenforceable agreement for natural gas service. This conveyance is made without any warranty whatsoever either expressed or implied and is made subject to any and all covenants, restrictions and easements as may appear in any instrument of record in the Office of the Clerk of Magoffin County, Kentucky.

The parties herein hereby declare that this deed is not subject to the excise tax imposed by the Commonwealth of Kentucky upon the transfer of the real property for the reason that said Deed is a quitclaim deed without monetary consideration.

IN WITNESS WHEREOF, the party of the first part has hereunto subscribed its signature to this quitclaim deed, or has caused this quitclaim deed to be executed by its duly authorized officer, as of the day, month and year first herein written, such execution may be in counterparts with each executed copy deemed and accepted as an original.


By: James R. Westenhoefer, Trustee
For U.S. Bankruptcy Court, Eastern District
KY Pikeville Division

COMMONWEALTH OF KENTUCKY
COUNTY OF Pike

Subscribed, sworn to and acknowledged before me this the 13th day of July, 2012, by James R. Westenhofer, Trustee for the U.S. Bankruptcy Court, Eastern District of Kentucky, Pikeville Division.

My commission expires: March 21, 2016

Hanklin Channel
NOTARY PUBLIC

Notary number: _____

KENTUCKY FRONTIER GAS, LLC

By: [Signature]

Its: STEVEN SHUTE, MEMBER-MANAGER

COMMONWEALTH OF KENTUCKY
COUNTY OF Pike

Subscribed, sworn to and acknowledged before me this the 13th day of July, 2012, by Steven Shute as Member-Manager of Kentucky Frontier Gas, LLC, for and on behalf of said company.

My commission expires: March 21, 2016

Hanklin Channel
NOTARY PUBLIC

Notary number: _____

THIS INSTRUMENT PREPARED BY:

[Signature]
James R. Westenhofer, Trustee
U.S. Bankruptcy Court
Eastern District of Kentucky
Pikeville Division
212 South Third Street
Richmond, KY 40475

For purposes of compliance with KRS 382.135, the address to which the property tax bill for the year in which the property is transferred may be sent is c/o Kentucky Frontier Gas, LLC, 4891 Independence Street, Wheat Ridge, CO 80033.

EXHIBIT 3

The Times

FLOYD COUNTY

Serving the citizens of Floyd County since 1927

WEATHER

Partly cloudy today. High of 81. Low of 54



SPORTS

Tackett named head coach at Greenup County
... B1



ONLINE

Busy? Check us out online at floydcountytimes.com

WEDNESDAY, JUNE 13, 2012

Judge awards \$5.6 million for gas well fraud

Jack Latta
Staff Writer

PIKEVILLE — A Salyersville family business was hit with a multi-million dollar judgment, after the United States Bankruptcy Court found them culpable in a fraud case.

On May 15, the U.S. Bankruptcy Court for the Eastern District of Kentucky entered a \$5.6 million judgment against P&J Resources Inc. and its owners, Richard and Pam Williams.

The rulings were the culmination of a multi-year legal struggle by the family of Raymond Fontaine, of

Florida, to prove fraud perpetrated on them by P&J and the Williamses.

In the opinion produced by the courts, they found that the Williamses had "fraudulently induced Mr. Fontaine and the plaintiffs to invest in nonexistent and worthless gas wells. As part of this scheme, the plaintiffs have proven that the defendants also converted thousands of dollars of the plaintiffs' investment money for their own use and breached the contracts between the defendants and the plaintiffs when P&J ultimately failed to perform as promised."

The opinion further stated that the Williamses could not hide behind P&J for its breach of contract, because "P&J is merely an alter ego used to perpetuate fraud."

Among the evidence submitted during the hearings was that the Williamses had falsified reports submitted under oath to the Kentucky Division of Oil and Gas. The plaintiffs also claimed the Williamses falsely inflated gas production in reports sent to the Fontaines to make it appear that the wells existed, were productive and were a good investment.

In his opinion, U.S. Bankruptcy Judge Tracey N. Wise found that, "the lies didn't stop with the misrepresentation about the wells of the production reported; the evidence shows that in many instances, the defendants just took the plaintiffs' money without giving anything in return."

The Williamses had previously filed for bankruptcy protection under Chapter 7. The courts notified the Williamses that the court's judgement would remain enforceable against them, notwithstanding their bankruptcy case.