

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

JUN 19 2007

PATRICIA PRESLEY, COURT CLERK
by _____
DEPUTY

OKLAHOMA DEPARTMENT OF SECURITIES)
ex rel. Irving L. Faught, Administrator,)

Plaintiff,)

v.)

No. CJ-2007-1082

enTERRA ENERGY, LLC, DAVID G. ROSE, DAVID)
G. ROSE dba ENERGY ASSOCIATES, ROBERT P.)
MALONE, RICHARD D. MARTIN, COLIN PURCELL)
aka "PATRICK RYAN," BRIAN C. ROSE, GARY S.)
PURCELL, McKEAN COUNTY 3 WELL, LLP,)
PENNSYLVANIA 3 WELL DEVELOPMENT, LLP,)
GREAT OKLAHOMA OIL DEAL, LLP, LOT)
DEVELOPMENT WELLS, LLP, enTERRA SEVEN,)
LLP, PROSPECT 87, LLP, KAT-5, LLP, and)
KEN-TEX, LLP,)

Defendants.)

AMENDED

ANSWER OF DEFENDANTS enTERRA ENERGY, LLC, DAVID G. ROSE, DAVID G. ROSE dba ENERGY ASSOCIATES, McKEAN COUNTY 3 WELL, LLP, PENNSYLVANIA 3 WELL DEVELOPMENT, LLP, GREAT OKLAHOMA OIL DEAL, LLP, LOT DEVELOPMENT WELLS, LLP, enTERRA SEVEN, LLP, PROSPECT 87, LLP, KAT-5, LLP, and KEN-TEX, LLP

For their Amended Answer to the Petition filed by Defendant OKLAHOMA DEPARTMENT OF SECURITIES ex rel. Irving L. Faught, Administrator, ("ODS"), Defendants enTERRA ENERGY, LLC ("enTerra", DAVID G. ROSE ("Mr. Rose"), DAVID G. ROSE dba ENERGY ASSOCIATES ("Mr. Rose"), McKEAN COUNTY 3 WELL, LLP, PENNSYLVANIA 3 WELL DEVELOPMENT, LLP, GREAT OKLAHOMA OIL DEAL, LLP, LOT DEVELOPMENT WELLS, LLP, enTERRA SEVEN, LLP, PROSPECT 87, LLP, KAT-5, LLP, and KEN-TEX, LLP ("Defendant LLPs") (collectively, "Defendants") allege and state as follows:

ANSWER TO ALLEGATIONS REGARDING DEFENDANTS

1. Defendants admit the allegations in paragraph 1 regarding the organization of enTerra; however, they deny the allegation that the Florida limited liability company remains active. Defendants admit that Mr. Rose is the managing member of enTerra.

2. For paragraph 2, enTerra and Mr. Rose admit that from 2003 to April 2006, a part of the business of enTerra Energy was the organization of limited liability partnerships for the purpose of developing, operating and managing oil and gas properties. enTerra and Mr. Rose deny that enTerra has continued to organize such limited liability partnerships. enTerra admits it is the manager of the Defendant LLPs and denies that it is the managing partner of the Defendant LLPs. enTerra admits issuing (or proposing to issue for sale) certain interests in Defendant LLPs, but Mr. Rose denies this allegation for himself. enTerra and Mr. Rose admit enTerra offered and/or sold interests in the Defendant LLPs ("Interests").

3. For paragraph 3, Defendants deny the allegations regarding enTerra's principal place of business and admit allegations regarding enTerra moving part of its operations to Indiana at some point in time. Defendants admit allegations that enTerra has an office in Tulsa, Oklahoma, and deny allegations that enTerra utilizes an office in Florida. Defendants deny the allegations that enTerra maintains any "virtual office". Defendants have insufficient knowledge or information to form a belief as to the remaining allegations of paragraph 3.

4. For paragraph 4, Defendants admit that Mr. Rose is a Kentucky resident and that he is the organizer and managing member of enTerra. Defendants deny that Mr. Rose has managerial responsibility for the Defendant LLPs. Defendants deny that Mr.

Rose or enTerra is an issuer of the Interests. Defendants admit that during the time Interests were being offered an sold, mail and telephone calls for Mr. Rose that were received in Tulsa when he was not present were directed to be forwarded to him or otherwise made available to him for retrieval. Defendants admit the allegations relating to Investors Cook and Snodgrass but deny the allegations relating to Investor Duck. Defendants have insufficient knowledge or information to form a belief as to the remaining allegations of paragraph 4.

5. Defendants admit the allegations of paragraph 5 regarding Defendant Rose and Energy Associates.

6. Defendants have insufficient knowledge or information to form a belief as to the truth of the allegations in paragraph 6 regarding Robert P. Malone ("Defendant Malone"); however, Defendants deny that Defendant Malone contacted Investor Scott through a "cold call". Defendants admit that Investor Scott invested in "McKean" and "GOOD"; however, Defendants deny the allegations that Investor Scott did not receive a private placement memorandum ("PPM") prior to purchasing Interests in McKean. Defendants have insufficient knowledge or information to form a belief as to the remaining allegations of paragraph 6.

7. Defendants have insufficient knowledge or information to form a belief as to the truth of the allegations in paragraph 7 regarding Richard D. Martin ("Defendant Martin"); however Defendants admit that Investor Hale purchased Interests in GOOD. Defendants have insufficient knowledge or information to form a belief as to the remaining allegations of paragraph 7.

8. Defendants have insufficient knowledge or information to form a belief as to the truth of the allegations in paragraph 8 regarding Colin Purcell other than to deny that Colin Purcell used an alias in connection with the offer and/or sale of the Interests. Defendants have insufficient knowledge or information to form a belief as to the remaining allegations of paragraph 8.

9. Defendants admit Brian C. Rose is the son of David G. Rose and that he is a Kentucky resident. Otherwise, Defendants have insufficient knowledge or information to form a belief as to the truth of the remaining allegations in paragraph 9 other than to admit that Brian C. Rose and Mr. Rose met Investor Snodgrass in Kentucky, admit Investor Snodgrass purchased Interests in KAT-5, and to deny Brian C. Rose offered or sold Interests in KAT-5 to Investor Snodgrass.

10. Defendants have insufficient knowledge or information to form a belief as to the truth of the allegations in paragraph 10 regarding Gary S. Tarbis and Defendant Purcell; however the allegations that Defendant Tarbis made a "cold call" are denied. Defendants admit the allegations that Investor Duck purchased Interests in McKean, GOOD, and Ken-Tex; however, they deny the allegation that Investor Duck did not receive a PPM prior to investing in McKean. Defendants admit that Investor Scott purchased Interests in LOT and Prospect 87, and that Investor Vanlandingham purchased Interests in enTerra Seven. Defendants have insufficient knowledge or information to form a belief as to the remaining allegations of paragraph 10.

11. Defendants admit the general allegations of paragraph 11 regarding the employment of Defendants Malone, Martin, Purcell, Brian C. Rose and Tarbis by either the Defendant Partnerships, enTerra, or Mr. Rose. Defendants deny the specific

allegations that said individuals were employed as alleged at all times material to Plaintiff's Petition to effect or attempt to effect sales of Interests, and further deny that all of said individuals were employed as alleged to effect or attempt to affect sales of Interests.

ANSWER TO JURISDICTION AND VENUE

12. Defendants deny that any Interests offered or sold in Oklahoma were securities and, therefore, deny the jurisdiction of the ODS and the allegations of paragraph 12.

13. Defendants deny the allegations of paragraph 13.

14. Defendants deny the allegations of paragraph 14.

15. Defendants deny the allegations of paragraph 15.

FACTUAL ALLEGATIONS

16. For answer to paragraph 16, Defendants adopt and incorporate by reference paragraphs 1 through 15 above.

17. Defendants admit the allegations in paragraph 17 regarding the filing of Forms D; however they have insufficient knowledge or information to form a belief as to the truth of the remaining allegations as to the respective dates said Forms D were received as filed by ODS.

18. Defendants deny a Form D for Ken-Tex was not filed with ODS. Defendants admit the remaining allegations in paragraph 18.

19. Defendants admit the allegations of paragraph 19.

20. Defendants deny the allegations of paragraph 20.

21. Defendants admit the allegations of paragraph 21 identify the Oklahoma contact information provided for enTerra, but state further that additional contact information outside of Oklahoma was provided for enTerra on the mentioned website.

22. Defendants deny the allegations of paragraph 22.

23. Defendants admit the allegations of paragraph 23.

24. For paragraph 24, Defendants admit that, at certain times, Mr. Rose's business card stated telephone numbers in Tulsa OK for his office and fax together with additional telephone contact information. Defendants further admit that the alleged business card was provided to certain potential investors. Defendants deny that all defendants provided the alleged business card to potential investors and further deny using "sales literature".

25. Defendants admit the allegations of paragraph 25 regarding contacting potential investors, but do not have sufficient knowledge or information to form a belief as to the truth of the allegations regarding representations about the location from which said contacts were being originated.

26. Defendants admit the allegations of paragraph 26.

27. Defendants deny the allegations of paragraph 27.

28. For paragraph 28, Defendants admit the allegations of the first sentence that relate to them but do not have sufficient knowledge or information to form a belief as to the truth of the allegations regarding Brian C. Rose, Purcell, or Tarbis. Defendants admit the allegations regarding statements in the two PPMs, and deny the allegations that the referenced entities did not register with the Oklahoma Secretary of State and are not limited liability partnerships under Oklahoma Law.

29. Defendants admit the allegations of paragraph 29.

30. Defendants admit the allegations of paragraph 30.

ANSWER TO FIRST CLAIM (Violation of Section 301 of the Predecessor Act and Section 1-301 of the Act: Offering and/or Selling Unregistered Securities)

31. For answer to paragraph 31, Defendants adopt and incorporate by reference paragraphs 1 through 30, above.

32. Defendants deny the allegations of paragraph 32.

33. Defendants deny the allegations of paragraph 33.

34. Defendants deny the allegations of paragraph 34.

35. Defendants deny the allegations of paragraph 35.

ANSWER TO SECOND CLAIM (Violation of Section 201 of the Predecessor Act and section 1-402 of the Act; Failure to Register as Agents and Employing Unregistered Agents)

36. For answer to paragraph 36, Defendants adopt and incorporate by reference paragraphs 1 through 35, above.

37. Defendants admit the allegations in paragraph 37 that Defendant LLPs are issuers and deny the allegations that enTerra and Mr. Rose are issuers.

38. Defendants admit the allegations of paragraph 38 regarding Defendants Malone, Martin, Purcell and Tarbis. Defendants deny the allegations of paragraph 38 regarding Brian C. Rose.

39. For paragraph 39, Defendants admit that the named individuals are not registered as issuer agents, deny that Brian C. Rose is an issuer agent, and further deny that the named individuals are not exempt from registration as issuer agents.

40. Defendants deny the allegations of paragraph 40.

ANSWER TO THIRD CLAIM (Violation of Section 101 of the Predecessor Act and Section 1-501 of the Act; Untrue Statements of Material Fact and Omissions of Material Fact in Connection with Offer, Sale or Purchase of Securities)

41. For answer to paragraph 41, Defendants adopt and incorporate by reference paragraphs 1 through 40, above.

42. Defendants deny the allegations of paragraph 42.

43. Defendants deny the allegations of paragraph 43.

44. Defendants deny the allegations of paragraph 44.

45. Defendants deny the allegations of paragraph 45.

46. Defendants deny the allegations of paragraph 46.

47. Defendants deny the allegations of paragraph 47.

48. Defendants deny the allegations of paragraph 48.

ANSWER TO FOURTH CLAIM: (Violation of Section 101 of the Predecessor Act and Section 1-501 of the Act, Practice, or Course of Business which Operates or Would Operate as a Fraud or Deceit upon any Person)

49. For answer to paragraph 49, Defendants adopt and incorporate paragraphs 1 through 48 above.

50. Defendants deny the allegations of paragraph 50.

51. Defendants deny the allegations of paragraph 51.

ANSWER TO FIFTH CLAIM: (Violation of Section 1-505 of the Act: Misleading Filings).

52. For answer to paragraph 52, Defendants adopt and incorporate paragraphs 1 through 51 above.

53. Defendants deny the allegations of paragraph 53.

54. Defendants deny the allegations of paragraph 54.

55. Defendants deny the allegations of paragraph 55.

ANSWER TO PLEADING IN THE ALTERNATIVE

56. For answer to paragraph 56, Defendants adopt and incorporate paragraphs 1 through 55 above.

57. Defendants admit that Mr. Rose is an agent of enTerra and deny the remaining allegations of paragraph 57.

58. Defendants admit the allegation of paragraph 58 that Mr. Rose is not a registered agent and deny that Mr. Rose is not exempt from registration.

59. Defendants deny the allegations of paragraph 59.

ANSWER TO REMAINING ALLEGATIONS

60. Any allegations in the Petition that Defendants have not admitted or denied herein are hereby denied by Defendants.

AFFIRMATIVE DEFENSES

1. The Petition fails to state a claim for relief against Defendants upon which relief can be granted.

2. ODS lacks subject matter jurisdiction. The offering of Interests described in the Petition are preempted from state law and state regulation by The National Securities Markets Improvement Act of 1996, the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated under the Securities Act of 1933.

3. The Interests described in the Petition were "Federal Covered Securities", offered and sold in a manner consistent with the requirements of Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended.

4. The Interests described in the Petition were not offered or sold through a "general solicitation" of investors.

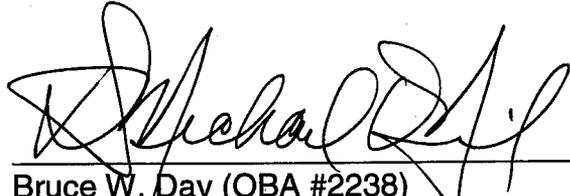
5. The Interests described in the Petition were offered and sold by officers and directors of enTerra who were exempt from registration as agents under Oklahoma Law.

6. ODS lacks subject matter jurisdiction. The Interests described in the Petition were not investment contracts or securities.

7. Defendants did not possess the requisite intent or *scienter* required to establish a material misrepresentation or omission claim under the Oklahoma Securities Act.

8. Recovery on claims raised in the Petition is barred by the running of statutes of limitations.

Respectfully submitted,



Bruce W. Day (OBA #2238)

Bill Powell Guest (OBA #16230)

D. Michael O'Neil (OBA #6784)

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PROSPECT 87, LLP, KAT-5, LLP, and KEN-
TEX, LLP**

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 19th of June 2007, a true and correct copy of the above and foregoing was mailed with postage prepaid, to:

Terra Shamas (OBA#20838)
Patricia LaBarthe (OBA #10391)
Oklahoma Department of Securities
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Oklahoma City, OK 73102
405-280-7700
405-280-7742 - facsimile
ATTORNEYS FOR PLAINTIFF



A handwritten signature in black ink, appearing to read "Michael R. Hill", is written over a horizontal line. The signature is stylized and cursive.