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IN RE:

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T.R.A. DOCKET ROOM

PETITION OF B&W PIPELINE, LLC
FOR AN INCREASE IN RATES

)

DOCKET NO. 1500042

)

**NAVITAS TN NG, LLC'S RESPONSE TO THE TENNESSEE REGULATORY
AUTHORITY'S AUGUST 24, 2015 DATA REQUEST**

COMES NOW Navitas TN NG, LLC ("Navitas"), by and through undersigned counsel, and hereby serves this response to the Tennessee Regulatory Authority's (the "Authority") August 24, 2015 data request.

DATA REQUESTS

REQUEST NO. 1: Does Navitas have any information on the book value of the distribution system at the time of the bankruptcy? If yes, please provide the amount of the book value of the distribution system at the time of the bankruptcy and provide such support.

RESPONSE: In answering the question, Navitas believes the distribution system being referred to is the B&W pipeline running approximation from Deer Lodge, Tennessee north to near the Kentucky state line. Navitas has some data, including a 2008 tax return which contains a balance sheet for Titan Energy, the prior owner of the B&W pipeline.

As to the book value of the distribution system at the time of the bankruptcy: On the balance sheet the gross plant assets are listed at \$931,685 and the accumulated depreciation at \$660,920 for a net of \$270,765.

For supporting documents, please see the above-referenced tax return, attached hereto as Exhibit A. In addition, Navitas may have other information in its records room in Eakly, Oklahoma. Navitas has requested this information be retrieved and sent to its Costa Mesa,

California office for review and submission to the Tennessee Regulatory Authority. Navitas expects to be able to submit any additional documentation in the coming weeks.

REQUEST NO. 2: Could a ratebase amount be computed beginning with the net book value of Gasco Distribution Systems, Inc., reported in its 2009 Annual Report filed with the Authority, and thereafter including any subsequent additions and retirements to plant made by B&W? If so, please provide such calculation. If not, please explain why such calculation cannot be determined.

RESPONSE: A rate base could be computed. However, it is unlikely that the B&W pipeline assets are included in the 2009 Annual Report as these were held separately as an intrastate transmission line (although owned by an affiliated company and as such regulated by an approved contract).

Using the 2008 tax return, the depreciable plant assets were \$863,147 and the non-depreciable plant assets (i.e., land) was \$68,538. The annual depreciation listed for Titan Energy was \$22,564, which implies a 38 year life with 9 years remaining, comporting to an in-service year of 1980.

Five additional years of depreciation at \$22,564 per year is \$112,820 for a rate base of \$157,945 plus the net of any additions.

REQUEST NO. 3: Please fully describe all benefits to ratepayers that would result from including an acquisition premium in rates.

RESPONSE: Strict adherence to return on rate base is detrimental to the operation of substantially depreciated significant pipeline systems. A fully depreciated pipeline with a multi-

million dollar replacement cost cannot be operated on a zero profit basis from either an economic, safety, or reliability standpoint. In addition to allowing acquisition premiums jurisdictions have alternatively allowed a return on expenses, riders for major upgrade recovery, and other methods or combinations of return and recovery schemes.

In this instance, Navitas believes that the \$157,945 of net acquired rate base plus the substantial additions to the system (in excess of half-million dollars) do provide a sufficient rate base that, at an appropriate return, will allow the required remuneration for the safe, reliable, and economic operation of the B&W pipeline.

In accordance with the enclosed letter dated July 14, 2008 (attached hereto as Exhibit B), Titan Energy assets consisted of much more than the pipeline, including real property and buildings, compressor station, gathering systems, and more than 100 wells producing thousands of barrels of oil and millions of cubic feet of gas per year. The purchase price paid needs to be allocated amongst all these acquired assets based on the perceived value at the time, not subsequent knowledge regarding the success or failure of producing the wells or substantial changes in commodity costs (i.e. – oil falling from \$100 to \$40 per barrel or gas falling from \$11 to \$3 per MCF).

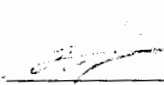
REQUEST NO. 4: Please quantify any tangible, measurable benefits to rate payers (e.g., cost savings, efficiencies, etc) that would result from including an acquisition premium in rates.

RESPONSE: Navitas believes that the B&W pipeline, in its current state, needs to have a return in the range of \$50,000 to \$100,000 per year to induce continued safe and reliable operation by its owners. Amounts exceeding this range would be both unjust to the rate payers

and unwise as it would make natural gas uncompetitive with propane and substantial customer sales would be lost. As discussed above, this range of return should not require an acquisition premium on the historic net plant of the pipeline.

Dated this the 3rd day of September, 2015.

Respectfully submitted,

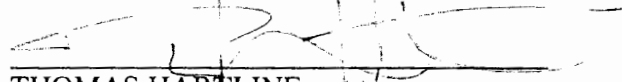


Klint Alexander (#20420)
V. Austin Shaver (#26581)
**BAKER DONELSON, BEARMAN, CALDWELL &
BERKOWITZ, P.C.**
211 Commerce Street
Nashville, Tennessee 37201
(615) 726-5600
(615) 726-0464 – facsimile
kalexander@bakerdonelson.com
Counsel for Navitas TN NG, LLC

VERIFICATION OF NAVITAS TN NG, LLC

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss:

I, Thomas Hartline, Secretary of Navitas TN NG, LLC, being duly sworn according to law, makes oath and affirm that I have read the foregoing documentation, know the contents thereof, and that same is true and correct to the best of my knowledge, information and belief.



THOMAS HARTLINE

Subscribed and sworn to (~~or affirmed~~) before me on this 2 day of September, 2015, by Thomas Hartline, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Notary Public Signature

Notary Public Seal

**Please See Attached*

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

- ☒ See Attached Document (Notary to cross out lines 1-6 below)
☐ See Statement Below (Lines 1-6 to be completed only by document signer[s], *not* Notary)

~~_____
Signature of Document Signer No. 1~~ ~~_____
Signature of Document Signer No. 2 (if any)~~

State of California

County of Orange

Subscribed and sworn to (or affirmed) before me

on this 2nd day of September, 2015
Date Month Year

by (1) Thomas Hurline
Name of Signer

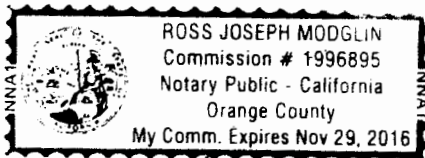
proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (✓)

(and

(2) _____
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature [Signature]
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

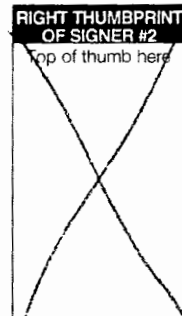
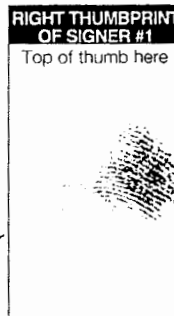
Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Further Description of Any Attached Document

Title or Type of Document: Verification of Notarization - N/A, UC

Document Date: September 2nd, 2015 Number of Pages: _____

Signer(s) Other Than Named Above: _____



CERTIFICATE OF SERVICE

I hereby certify that on September 3, 2015, a true and correct copy of the foregoing was served via U.S. Mail upon the following:

David Foster

Sharla Dillon

Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Henry Walker, Esq.


Bradley Arant Boult Cummings, LLP
1600 Division Street, Suite 700
Nashville, Tennessee 37203

Herbert H. Slatery III

Attorney General and Reporter
State of Tennessee

Rachel A. Newton, Esq.

Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207



V. Austin Shaver

EXHIBIT A

Form 1120 Department of the Treasury Internal Revenue Service	U.S. Corporation Income Tax Return For calendar year 2008 or tax year beginning <u>7/01/08</u> , ending <u>6/30/09</u> ▶ See separate instructions.	OMB No. 1545-0123 <div style="font-size: 24pt; font-weight: bold;">2008</div>
A Check if: 1a Consolidated return (attach Form 951) <input checked="" type="checkbox"/> Use IRS label. b Life/nonlife consolidated return <input type="checkbox"/> Otherwise, print or type. 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input type="checkbox"/>		
Name, number, street, and room or suite no. City or town, state, and ZIP code If a P.O. box, see instructions. GASCO DISTRIBUTION SYSTEMS INC & SUBSIDIARIES 4445 EAST PIKE ZANESVILLE OH 43701		B Employer identification number 31-1295657 C Date incorporated 1/08/1990 D Total assets (see instructions) \$ 4,781,503

Income	1a Gross receipts or sales 1,487,974 b Less returns and allowances 0 c Bal ▶ 1,487,974 2 Cost of goods sold (Schedule A, line 8) 0 2 1,071,860 3 Gross profit. Subtract line 2 from line 1c 416,114 3 416,114 4 Dividends (Schedule C, line 19) 0 4 0 5 Interest 0 5 0 6 Gross rents 0 6 0 7 Gross royalties 0 7 0 8 Capital gain net income (attach Schedule D (Form 1120)) 0 8 0 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) 50 9 50 10 Other income (see instructions—attach schedule) SEE STMT 1 10 583,295 11 Total income. Add lines 3 through 10 999,459 11 999,459	Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4) 262,477 12 262,477 13 Salaries and wages (less employment credits) 209,119 13 209,119 14 Repairs and maintenance 108,658 14 108,658 15 Bad debts -4,258 15 -4,258 16 Rents 13,068 16 13,068 17 Taxes and licenses 74,565 17 74,565 18 Interest 91,115 18 91,115 19 Charitable contributions 0 19 0 20 Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562) 76,517 20 76,517 21 Depletion 0 21 0 22 Advertising 0 22 0 23 Pension, profit-sharing, etc., plans 0 23 0 24 Employee benefit programs 45,457 24 45,457 25 Domestic production activities deduction (attach Form 8903) 0 25 0 26 Other deductions (attach schedule) SEE STMT 2 26 730,869 27 Total deductions. Add lines 12 through 26 1,607,587 27 1,607,587 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 -608,128 28 -608,128 29 Less: a Net operating loss deduction (see instructions) 0 29a 0 b Special deductions (Schedule C, line 20) 0 29b 0 29c 0
Tax, Refundable Credits, and Payments	30 Taxable income. Subtract line 29c from line 28 (see instructions) -608,128 30 -608,128 31 Total tax (Schedule J, line 10) 0 31 0 32a 2007 overpayment credited to 2008 0 32a 0 b 2008 estimated tax payments 0 32b 0 c 2008 refund applied for on Form 4466 0 32c 0 d Bal ▶ 0 32d 0 e Tax deposited with Form 7004 0 32e 0 f Credits: (1) Form 2439 0 (2) Form 4136 0 32f 0 g Refundable credits from Form 3800, line 19c, and Form 8827, line 8c 0 32g 0 32h 0 33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> 33 0 34 Amount owed. If line 32h is smaller than the total of lines 31 and 33, enter amount owed 0 34 0 35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid 0 35 0 36 Enter amount from line 35 you want: Credited to 2009 estimated tax ▶ Refunded ▶ 0 36 0		

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. <div style="display: flex; justify-content: space-between;"> <div> Fred A Steele President Signature of officer FRED A. STEELE </div> <div> 12-25-2010 Date </div> </div>	May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No PRESIDENT
Paid Preparer's Use Only	Preparer's signature MICHAEL A SIKORA CPA MT Date 1/22/10 Check if self-employed <input type="checkbox"/> Preparer's SSN or PTIN P00494142 Firm's name (or yours if self-employed), address, and ZIP code SIKORA & ASSOCIATES, LTD EIN 31-1608932 927 WHEELING AVE., SUITE 302 Phone no. 740-439-5565 CAMBRIDGE, OH 43725	

Schedule J Tax Computation (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))			
2	Income tax. Check if a qualified personal service corporation (see instructions)		2	0
3	Alternative minimum tax (attach Form 4626)		3	
4	Add lines 2 and 3		4	0
5a	Foreign tax credit (attach Form 1118)	5a		
5b	Credit from Form 8834	5b		
5c	General business credit (attach Form 3800)	5c		
5d	Credit for prior year minimum tax (attach Form 8827)	5d		
5e	Bond credits from Form 8912	5e		
6	Total credits. Add lines 5a through 5e		6	
7	Subtract line 6 from line 4		7	
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9	
10	Total tax. Add lines 7 through 9. Enter here and on page 1, line 31		10	0

Schedule K Other Information (see instructions)

1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶	Yes	No
2	See the instructions and enter the:		
a	Business activity code no. ▶ 221210		
b	Business activity ▶ GAS DISTRIBUTION		
c	Product or service ▶ NATURAL GAS		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation ▶		X
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), or trust own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).		X

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock

b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv).	X
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(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock
FRED A STEELE	291-44-6791	USA	53.000
KENNETH D MAGYAR	251-08-5478	USA	20.500
CHARLES D HERCHER	272-44-7783	USA	20.500

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		187,628		198,299
2a	Trade notes and accounts receivable	886,871		685,253	
b	Less allowance for bad debts		886,871		685,253
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (att. sch.) STMT 4		639,024		656,913
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach sch.)				
10a	Buildings and other depreciable assets	3,999,665		3,982,109	
b	Less accumulated depreciation	2,330,008	1,669,657	2,470,858	1,511,251
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)		174,383		174,383
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach sch.) STMT 5		1,732,731		1,555,404
15	Total assets		5,290,294		4,781,503
Liabilities and Shareholders' Equity					
16	Accounts payable		398,469		488,845
17	Mortgages, notes, bonds payable in less than 1 year		40,140		53,799
18	Other current liabilities (att. sch.) STMT 6		1,411,713		1,369,006
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more		1,363,848		1,566,666
21	Other liabilities (attach schedule) STMT 7		123,471		123,471
22	Capital stock: a Preferred stock				
	b Common stock	26,000	26,000	26,000	26,000
23	Additional paid-in capital		647,786		647,786
24	Retained earnings—Appropriated (att. sch.)				
25	Retained earnings—Unappropriated		1,278,877		505,940
26	Adjustments to SH equity (att. sch.)				
27	Less cost of treasury stock		10		10
28	Total liabilities and shareholders' equity		5,290,294		4,781,503

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

1	Net income (loss) per books	-772,938	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books			Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$ 106,001			a Depreciation \$	
b	Charitable contributions \$			b Charitable contributions \$	
c	Travel and entertainment \$ 1,841			STMT 9	3,080
STMT 8	60,048	167,890			
6	Add lines 1 through 5	-605,048	9	Add lines 7 and 8	3,080
			10	Income (page 1, line 28)—line 6 less line 9	-608,128

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	1,278,877	5	Distributions: a Cash	
2	Net income (loss) per books	-772,938		b Stock	
3	Other increases (itemize):			c Property	
	STMT 10	1	6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	505,940	7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	505,940

Affiliations Schedule

► File with each consolidated income tax return.
For tax year ending **6/30/09**

OMB No. 1545-0025

Name of common parent corporation **GASCO DISTRIBUTION SYSTEMS, INC.** Employer identification number **31-1295657**

Number, street, and room or suite no. If a P.O. box, see instructions.

4445 E PIKE

City or town, state, and ZIP code

ZANESVILLE

OH 43701

Part I Overpayment Credits, Estimated Tax Payments, and Tax Deposits (see instructions)

Corp. No.	Name and address of corporation	Employer identification number	Portion of overpayment credits and estimated tax payments	Portion of tax deposited with Form 7004
1	Common parent corporation		0	0
	Subsidiary corporations:			
	GASCO, INC			
	4445 EAST PIKE			
2	ZANESVILLE OH 43701	31-1267317		
	THE TITAN ENERGY GROUP, INC.			
	4445 EAST PIKE			
3	ZANESVILLE OH 43701	31-1292347		
Totals (Must equal amounts shown on the consolidated tax return.)			0	0

Part II Principal Business Activity, Voting Stock Information, Etc. (see instructions)

Corp. No.	Principal business activity (PBA)	PBA Code No.	Did the subsidiary make any nondividend distributions?		Stock holdings at beginning of year			
			Yes	No	Number of shares	Percent of voting power	Percent of value	Owned by corporation no.
1	Common parent corporation: GAS DISTRIBUTION	221210						
	Subsidiary corporations:							
2	GAS DISTRIBUTION	221210		X		%	%	1
3	GAS DISTRIBUTION	211110		X		%	%	1
						%	%	
						%	%	
						%	%	
						%	%	
						%	%	
						%	%	
						%	%	

Part III Changes in Stock Holdings During the Tax Year

Corp. No.	Name of corporation	Share- holder of Corpo- ration No.	Date of transaction	(a) Changes		(b) Shares held after changes described in column (a)	
				Number of shares acquired	Number of shares disposed of	Percent of voting power	Percent of value
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%
						%	%

(c) If any transaction listed above caused either a deconsolidation of a subsidiary or a deconsolidation of any share of subsidiary stock and afterward, any member continued to hold stock of the subsidiary, did the basis of any retained share exceed its value immediately before the deconsolidation? If "Yes," see the instructions for details. ☐ Yes ☐ No

(d) Is the group deducting a loss recognized on the disposition of the stock of a subsidiary? If "Yes," see the instructions for details, including the statements that must be attached. ☐ Yes ☐ No

(e) If the equitable owners of any capital stock shown above were other than the holders of record, provide details of the changes.

(f) If additional stock was issued, or if any stock was retired during the year, list the dates and amounts of these transactions.

Part IV Additional Stock Information (see instructions)

- 1 During the tax year, did the corporation have more than one class of stock outstanding? ☐ Yes ☒ No
If "Yes," enter the name of the corporation and list and describe each class of stock.

Corp. No.	Name of corporation	Class of stock

- 2 During the tax year, was there any member of the consolidated group that reaffiliated within 60 months of disaffiliation? ☐ Yes ☒ No
If "Yes," enter the name of the corporation(s) and explain the circumstances.

Corp. No.	Name of corporation	Explanation

- 3 During the tax year, was there any arrangement in existence by which one or more persons that were not members of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation, other than a de minimis amount, from the corporation or another member of the affiliated group? ☐ Yes ☒ No
If "Yes," enter the name of the corporation and see the instructions for what to enter in Items 3a, 3b, 3c, and 3d.

Corp. No.	Name of corporation	Item 3a	Item 3b	Item 3c
		%	%	%
		%	%	%
		%	%	%
		%	%	%

Corp. No.	Item 3d-Provide a description of any arrangement.

Form **4562**Department of the Treasury
Internal Revenue Service

(99)

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No. 1545-0172

2008Attachment
Sequence No. **67**

Name(s) shown on return

GASCO DISTRIBUTION SYSTEMS INC

Identifying number

31-1295657

Business or activity to which this form relates

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses	1	250,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	800,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
(a) Description of property		(b) Cost (business use only)	(c) Elected cost
6			
7 Listed property. Enter the amount from line 29		7	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7		8	
9 Tentative deduction. Enter the smaller of line 5 or line 8		9	
10 Carryover of disallowed deduction from line 13 of your 2007 Form 4562		10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)		11	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11		12	
13 Carryover of disallowed deduction to 2009. Add lines 9 and 10, less line 12		13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	2,463

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2008	17	72,099
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶		

Section B—Assets Placed in Service During 2008 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	
				MM	S/L	

Section C—Assets Placed in Service During 2008 Tax Year Using the Alternative Depreciation System

20a Class life		27,316	20.0		S/L	1,955
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instr.	22	76,517
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions.

Form **4562** (2008)

DAA

Form **4797**Department of the Treasury
Internal Revenue Service (99)**Sales of Business Property**
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return. ▶ See separate instructions.

OMB No. 1545-0184

2008Attachment
Sequence No. **27**

Name(s) shown on return

Identifying number

GASCO DISTRIBUTION SYSTEMS INC**31-1295657**

- 1 Enter the gross proceeds from sales or exchanges reported to you for 2008 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1**Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year (see instructions)**

2 (a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
EQUIPMENT	VARIOUS	7/01/08		33,346	33,346	

- 3 Gain, if any, from Form 4684, line 45 **3**
- 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 **4**
- 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 **5**
- 6 Gain, if any, from line 32, from other than casualty or theft **6**
- 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: **7 0**
- Partnerships (except electing large partnerships) and S corporations.** Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.
- Individuals, partners, S corporation shareholders, and all others.** If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.
- 8 Nonrecaptured net section 1231 losses from prior years (see instructions) **8**
- 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) **9**

Part II Ordinary Gains and Losses (see instructions)

- 10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

- 11 Loss, if any, from line 7 **11**
- 12 Gain, if any, from line 7 or amount from line 8, if applicable **12**
- 13 Gain, if any, from line 31 **13 50**
- 14 Net gain or (loss) from Form 4684, lines 37 and 44a **14**
- 15 Ordinary gain from installment sales from Form 6252, line 25 or 36 **15**
- 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 **16**
- 17 Combine lines 10 through 16 **17 50**
- 18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:
- a If the loss on line 11 includes a loss from Form 4684, line 41, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions **18a**
- b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 **18b**

For Paperwork Reduction Act Notice, see separate instructions.

Form **4797** (2008)

Form **8827****Credit for Prior Year Minimum Tax—Corporations**

OMB No. 1545-1267

Department of the Treasury
Internal Revenue Service

▶ Attach to the corporation's tax return.

2008

Name

GASCO DISTRIBUTION SYSTEMS INC

Employer identification number

31-1295657

1	Alternative minimum tax (AMT) for 2007. Enter the amount from line 14 of the 2007 Form 4626	1	
2	Minimum tax credit carryforward from 2007. Enter the amount from line 9 of the 2007 Form 8827	2	71,353
3	Enter any 2007 unallowed qualified electric vehicle credit (see instructions)	3	
4	Add lines 1, 2, and 3	4	71,353
5	Enter the corporation's 2008 regular income tax liability minus allowable tax credits (see instructions)	5	
6	Is the corporation a "small corporation" exempt from the AMT for 2008 (see instructions)? • Yes. Enter 25% of the excess of line 5 over \$25,000. If line 5 is \$25,000 or less, enter -0- • No. Complete Form 4626 for 2008 and enter the tentative minimum tax from line 12	6	0
7a	Subtract line 6 from line 5. If zero or less, enter -0-	7a	0
b	For a corporation electing to accelerate the minimum tax credit, enter the bonus depreciation amount attributable to the minimum tax credit (see instructions)	7b	
c	Add lines 7a and 7b	7c	
8a	Enter the smaller of line 4 or line 7c. If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions	8a	
b	Current year minimum tax credit. Enter the smaller of line 4 or line 7a here and on Form 1120, Schedule J, line 5d (or the applicable line of your return). If you made an entry on line 7b, go to line 8c. Otherwise, skip line 8c	8b	0
c	Subtract line 8b from line 8a. This is the refundable amount for a corporation electing to accelerate the minimum tax credit. Include this amount on line 32g of Form 1120 (or the applicable line of your return)	8c	
9	Minimum tax credit carryforward to 2009. Subtract line 8a from line 4. Keep a record of this amount to carry forward and use in future years	9	71,353

CONSOLIDATED REPORT FORM 1120, PAGE 1

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
1 A GROSS RECEIPTS OR SALES	1,487,974			1,487,974
1 B LESS RETURNS AND ALLOWANCES				
1 C NET RECEIPTS OR SALES	1,487,974			1,487,974
2 COST OF GOODS SOLD	1,071,860			1,071,860
3 GROSS PROFIT	416,114			416,114
4 DIVIDENDS				
5 INTEREST				
6 GROSS RENTS	9,600	-9,600		
7 GROSS ROYALTIES				
8 CAPITAL GAIN NET INCOME				
9 NET GAIN OR (LOSS) FROM FORM 4797	50			50
10 OTHER INCOME	690,143	-106,848		583,295
11 TOTAL INCOME	1,115,907	-116,448		999,459
12 COMPENSATION OF OFFICERS	262,477			262,477
13 SALARIES AND WAGES	209,119			209,119
14 REPAIRS AND MAINTENANCE	108,658			108,658
15 BAD DEBTS	-4,258			-4,258
16 RENTS	22,668	-9,600		13,068
17 TAXES AND LICENSES	74,565			74,565
18 INTEREST	91,115			91,115
19 CHARITABLE CONTRIBUTIONS				
20 DEPRECIATION	76,517			76,517
21 DEPLETION				
22 ADVERTISING				
23 PENSION, PROFIT-SHARING, ETC., PLANS				
24 EMPLOYEE BENEFIT PROGRAMS	45,457			45,457
25 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION				
26 OTHER DEDUCTIONS	837,717	-106,848		730,869
27 TOTAL DEDUCTIONS	1,724,035	-116,448		1,607,587
28 TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS	-608,128	0		-608,128
29 A NOL DEDUCTION				
29 B SPECIAL DEDUCTIONS				
30 TAXABLE INCOME	-608,128	0		-608,128

CONSOLIDATED REPORT FORM 1120, PAGE 1

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
1 A GROSS RECEIPTS OR SALES	1,487,974		
1 B LESS RETURNS AND ALLOWANCES			
1 C NET RECEIPTS OR SALES	1,487,974		
2 COST OF GOODS SOLD	1,028,740		43,120
3 GROSS PROFIT	459,234		-43,120
4 DIVIDENDS			
5 INTEREST			
6 GROSS RENTS			9,600
7 GROSS ROYALTIES			
8 CAPITAL GAIN NET INCOME			
9 NET GAIN OR (LOSS) FROM FORM 4797	50		
10 OTHER INCOME	470,757		219,386
11 TOTAL INCOME	930,041		185,866
12 COMPENSATION OF OFFICERS	262,477		
13 SALARIES AND WAGES	209,119		
14 REPAIRS AND MAINTENANCE	108,658		
15 BAD DEBTS	-4,258		
16 RENTS	19,764		2,904
17 TAXES AND LICENSES	70,984	525	3,056
18 INTEREST	90,798		317
19 CHARITABLE CONTRIBUTIONS			
20 DEPRECIATION	53,953		22,564
21 DEPLETION			
22 ADVERTISING			
23 PENSION, PROFIT-SHARING, ETC., PLANS			
24 EMPLOYEE BENEFIT PROGRAMS	45,457		
25 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION			
26 OTHER DEDUCTIONS	544,869	367	292,481
27 TOTAL DEDUCTIONS	1,401,821	892	321,322
28 TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS	-471,780	-892	-135,456
29 A NOL DEDUCTION			
29 B SPECIAL DEDUCTIONS			
30 TAXABLE INCOME	-471,780	-892	-135,456

31-1295657

**CONSOLIDATED REPORT
FORM 1120, SCHEDULE A**

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
1 INVENTORY AT BEGINNING OF YEAR	0	0		0
2 PURCHASES	1,028,740			1,028,740
3 COST OF LABOR				
4 ADDITIONAL 263A COSTS				
5 OTHER COSTS	43,120			43,120
6 TOTAL	1,071,860			1,071,860
7 INVENTORY AT END OF YEAR	0	0		0
8 COST OF GOODS SOLD	1,071,860	0		1,071,860

31-1295657

**CONSOLIDATED REPORT
FORM 1120, SCHEDULE A**

	PARENT GASCO DISTRIBUTION SYSTEMS, INC. 31-1295657	SUBSIDIARY GASCO, INC 31-1267317	SUBSIDIARY THE TITAN ENERGY GROUP, INC. 31-1292347
1 INVENTORY AT BEGINNING OF YEAR	0	0	0
2 PURCHASES	1,028,740		
3 COST OF LABOR			
4 ADDITIONAL 263A COSTS			
5 OTHER COSTS			43,120
6 TOTAL	1,028,740		43,120
7 INVENTORY AT END OF YEAR	0	0	0
8 COST OF GOODS SOLD	1,028,740	0	43,120

31-1295657

CONSOLIDATED REPORT

FORM 1120, SCHEDULE L BEGINNING OF TAX YEAR

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
ASSETS				
1 CASH	187,628			187,628
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE	7,050,729	-6,163,858		886,871
2 B LESS ALLOWANCE FOR BAD DEBTS				
3 INVENTORIES				
4 U.S. GOVERNMENT OBLIGATIONS				
5 TAX-EXEMPT SECURITIES				
6 OTHER CURRENT ASSETS	639,024			639,024
7 LOANS TO SHAREHOLDERS				
8 MORTGAGE AND REAL ESTATE LOANS				
9 OTHER INVESTMENTS				
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	3,999,665			3,999,665
10 B LESS ACCUMULATED DEPRECIATION	2,330,008			2,330,008
11 A DEPLETABLE ASSETS				
11 B LESS ACCUMULATED DEPLETION				
12 LAND (NET OF ANY AMORTIZATION)	174,383			174,383
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)				
13 B LESS ACCUMULATED AMORTIZATION				
14 OTHER ASSETS	1,732,926	-195		1,732,731
15 TOTAL ASSETS	11,454,347	-6,164,053		5,290,294
LIABILITIES AND SHAREHOLDERS' EQUITY				
16 ACCOUNTS PAYABLE	6,562,327	-6,163,858		398,469
17 MORTGAGES, NOTES, AND BONDS				
PAYABLE IN LESS THAN 1 YEAR	40,140			40,140
18 OTHER CURRENT LIABILITIES	1,411,713			1,411,713
19 LOANS FROM SHAREHOLDERS				
20 MORTGAGES, NOTES, AND BONDS				
PAYABLE IN 1 YEAR OR MORE	1,363,848			1,363,848
21 OTHER LIABILITIES	123,471			123,471
22 A CAPITAL STOCK - PREFERRED				
22 B CAPITAL STOCK - COMMON	26,195	-195		26,000
23 ADDITIONAL PAID-IN CAPITAL	647,786			647,786
24 RETAINED EARNINGS - APPROPRIATED				
25 RETAINED EARNINGS - UNAPPROPRIATED	1,278,877			1,278,877
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY				
27 LESS COST OF TREASURY STOCK	10			10
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,454,347	-6,164,053		5,290,294

31-1295657

CONSOLIDATED REPORT

FORM 1120, SCHEDULE L BEGINNING OF TAX YEAR

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC.	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
ASSETS			
1 CASH	184,503		3,125
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE	2,564,130	2,939,368	1,547,231
2 B LESS ALLOWANCE FOR BAD DEBTS			
3 INVENTORIES			
4 U.S. GOVERNMENT OBLIGATIONS			
5 TAX-EXEMPT SECURITIES			
6 OTHER CURRENT ASSETS	633,427		5,597
7 LOANS TO SHAREHOLDERS			
8 MORTGAGE AND REAL ESTATE LOANS			
9 OTHER INVESTMENTS			
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	3,099,381	37,137	863,147
10 B LESS ACCUMULATED DEPRECIATION	1,632,450	36,638	660,920
11 A DEPLETABLE ASSETS			
11 B LESS ACCUMULATED DEPLETION			
12 LAND (NET OF ANY AMORTIZATION)	105,845		68,538
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)			
13 B LESS ACCUMULATED AMORTIZATION			
14 OTHER ASSETS	1,440,117	34,000	258,809
15 TOTAL ASSETS	<u>6,394,953</u>	<u>2,973,867</u>	<u>2,085,527</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
16 ACCOUNTS PAYABLE	6,276,065	431	285,831
17 MORTGAGES, NOTES, AND BONDS			
PAYABLE IN LESS THAN 1 YEAR	40,140		
18 OTHER CURRENT LIABILITIES	1,220,945	39,739	151,029
19 LOANS FROM SHAREHOLDERS			
20 MORTGAGES, NOTES, AND BONDS			
PAYABLE IN 1 YEAR OR MORE	380,123	983,725	
21 OTHER LIABILITIES	123,471		
22 A CAPITAL STOCK - PREFERRED			
22 B CAPITAL STOCK - COMMON	26,000	95	100
23 ADDITIONAL PAID-IN CAPITAL	647,786		
24 RETAINED EARNINGS - APPROPRIATED			
25 RETAINED EARNINGS - UNAPPROPRIATED	-2,319,567	1,949,877	1,648,567
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY			
27 LESS COST OF TREASURY STOCK	10		
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>6,394,953</u>	<u>2,973,867</u>	<u>2,085,527</u>

31-1295657

CONSOLIDATED REPORT

FORM 1120, SCHEDULE L END OF TAX YEAR

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
ASSETS				
1 CASH	198,299			198,299
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE	6,787,514	-6,102,261		685,253
2 B LESS ALLOWANCE FOR BAD DEBTS				
3 INVENTORIES				
4 U.S. GOVERNMENT OBLIGATIONS				
5 TAX-EXEMPT SECURITIES				
6 OTHER CURRENT ASSETS	656,913			656,913
7 LOANS TO SHAREHOLDERS				
8 MORTGAGE AND REAL ESTATE LOANS				
9 OTHER INVESTMENTS				
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	3,982,109			3,982,109
10 B LESS ACCUMULATED DEPRECIATION	2,470,858			2,470,858
11 A DEPLETABLE ASSETS				
11 B LESS ACCUMULATED DEPLETION				
12 LAND (NET OF ANY AMORTIZATION)	174,383			174,383
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)				
13 B LESS ACCUMULATED AMORTIZATION				
14 OTHER ASSETS	1,555,599	-195		1,555,404
15 TOTAL ASSETS	10,883,959	-6,102,456		4,781,503
LIABILITIES AND SHAREHOLDERS' EQUITY				
16 ACCOUNTS PAYABLE	6,591,106	-6,102,261		488,845
17 MORTGAGES, NOTES, AND BONDS				
PAYABLE IN LESS THAN 1 YEAR	53,799			53,799
18 OTHER CURRENT LIABILITIES	1,369,006			1,369,006
19 LOANS FROM SHAREHOLDERS				
20 MORTGAGES, NOTES, AND BONDS				
PAYABLE IN 1 YEAR OR MORE	1,566,666			1,566,666
21 OTHER LIABILITIES	123,471			123,471
22 A CAPITAL STOCK - PREFERRED				
22 B CAPITAL STOCK - COMMON	26,195	-195		26,000
23 ADDITIONAL PAID-IN CAPITAL	647,786			647,786
24 RETAINED EARNINGS - APPROPRIATED				
25 RETAINED EARNINGS - UNAPPROPRIATED	505,940			505,940
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY				
27 LESS COST OF TREASURY STOCK	10			10
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,883,959	-6,102,456		4,781,503

31-1295657

CONSOLIDATED REPORT

FORM 1120, SCHEDULE L END OF TAX YEAR

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
ASSETS			
1 CASH	172,900		25,399
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE	2,447,402	2,938,826	1,401,286
2 B LESS ALLOWANCE FOR BAD DEBTS			
3 INVENTORIES			
4 U.S. GOVERNMENT OBLIGATIONS			
5 TAX-EXEMPT SECURITIES			
6 OTHER CURRENT ASSETS	652,155		4,758
7 LOANS TO SHAREHOLDERS			
8 MORTGAGE AND REAL ESTATE LOANS			
9 OTHER INVESTMENTS			
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	3,123,492	3,791	854,826
10 B LESS ACCUMULATED DEPRECIATION	1,764,550	3,291	703,017
11 A DEPLETABLE ASSETS			
11 B LESS ACCUMULATED DEPLETION			
12 LAND (NET OF ANY AMORTIZATION)	105,845		68,538
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)			
13 B LESS ACCUMULATED AMORTIZATION			
14 OTHER ASSETS	1,263,140	33,650	258,809
15 TOTAL ASSETS	6,000,384	2,972,976	1,910,599
LIABILITIES AND SHAREHOLDERS' EQUITY			
16 ACCOUNTS PAYABLE	6,294,624	432	296,050
17 MORTGAGES, NOTES, AND BONDS PAYABLE IN LESS THAN 1 YEAR	53,799		
18 OTHER CURRENT LIABILITIES	1,191,593	39,739	137,674
19 LOANS FROM SHAREHOLDERS			
20 MORTGAGES, NOTES, AND BONDS PAYABLE IN 1 YEAR OR MORE	582,941	983,725	
21 OTHER LIABILITIES	123,471		
22 A CAPITAL STOCK - PREFERRED			
22 B CAPITAL STOCK - COMMON	26,000	95	100
23 ADDITIONAL PAID-IN CAPITAL	647,786		
24 RETAINED EARNINGS - APPROPRIATED			
25 RETAINED EARNINGS - UNAPPROPRIATED	-2,919,820	1,948,985	1,476,775
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY			
27 LESS COST OF TREASURY STOCK	10		
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,000,384	2,972,976	1,910,599

31-1295657

**CONSOLIDATED REPORT
1120 SCHEDULE M-2**

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
SCHEDULE M-2				
1 BALANCE AT BEGINNING OF YEAR	1,278,877	0		1,278,877
2 NET INCOME (LOSS) PER BOOKS	-772,938			-772,938
3 OTHER INCREASES	1			1
4 TOTAL LINES 1 THROUGH 3	505,940			505,940
5 DISTRIBUTIONS:				
5 A CASH				
5 B STOCK				
5 C PROPERTY				
6 OTHER DECREASES				
7 TOTAL LINES 5 AND 6				
8 BALANCE AT END OF YEAR	505,940	0		505,940

31-1295657

**CONSOLIDATED REPORT
1120 SCHEDULE M-2**

	PARENT GASCO DISTRIBUTION SYSTEMS, INC. 31-1295657	SUBSIDIARY GASCO, INC. 31-1267317	SUBSIDIARY THE TITAN ENERGY GROUP, INC. 31-1292347
SCHEDULE M-2			
1 BALANCE AT BEGINNING OF YEAR	-2,319,567	1,949,877	1,648,567
2 NET INCOME (LOSS) PER BOOKS	-600,253	-892	-171,793
3 OTHER INCREASES			1
4 TOTAL LINES 1 THROUGH 3	-2,919,820	1,948,985	1,476,775
5 DISTRIBUTIONS:			
5 A CASH			
5 B STOCK			
5 C PROPERTY			
6 OTHER DECREASES			
7 TOTAL LINES 5 AND 6			
8 BALANCE AT END OF YEAR	-2,919,820	1,948,985	1,476,775

31-1295657

CONSOLIDATED REPORT FORM 4562

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
PART I - SECTION 179				
2 TOTAL COST OF SECTION 179				
PROPERTY PLACED IN SERVICE				
6 NONLISTED PROPERTY				
7 LISTED PROPERTY				
8 TOTAL ELECTED COST				
9 TENTATIVE DEDUCTION				
10 CARRYOVER OF DISALLOWED				
DEDUCTION FROM PRIOR YEAR				
12 SECTION 179 EXPENSE DEDUCTION				
13 CARRYOVER OF DISALLOWED				
DEDUCTION TO NEXT YEAR				
PART II - SPECIAL DEPRECIATION ALLOWANCE AND OTHER DEPRECIATION				
14 SPECIAL DEPRECIATION ALLOWANCE FOR QUALIFIED PROPERTY				
15 PROPERTY SUBJECT TO 168(F)(1)				
16 OTHER DEPRECIATION (INCLUDING ACRS)	2,463			2,463
PART III - MACRS DEPRECIATION				
17 MACRS DEDUCTIONS FOR ASSETS PLACED IN SERVICE BEFORE CURRENT YEAR	72,099			72,099
GENERAL DEPRECIATION SYSTEM (GDS)				
19 A 3-YEAR PROPERTY				
19 B 5-YEAR PROPERTY				
19 C 7-YEAR PROPERTY				
19 D 10-YEAR PROPERTY				
19 E 15-YEAR PROPERTY				
19 F 20-YEAR PROPERTY				
19 G 25-YEAR PROPERTY				
19 H 27.5-YEAR RESIDENTIAL RENTAL PROPERTY				
19 I NONRESIDENTIAL REAL PROPERTY				
ALTERNATIVE DEPRECIATION SYSTEM (ADS)				
20 A CLASS LIFE	1,955			1,955
20 B 12-YEAR				
20 C 40-YEAR				
PART IV - SUMMARY				
21 LISTED PROPERTY				
22 TOTAL DEPRECIATION	76,517			76,517
23 PORTION OF BASIS ATTRIBUTABLE TO 263A COSTS				
42 AMORTIZATION - CURRENT YEAR	3,526			3,526
43 AMORTIZATION - PRIOR YEARS				
44 TOTAL AMORTIZATION	3,526			3,526

31-1295657

CONSOLIDATED REPORT FORM 4562

PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
<u>31-1295657</u>	<u>31-1267317</u>	<u>31-1292347</u>

PART I - SECTION 179

2 TOTAL COST OF SECTION 179
PROPERTY PLACED IN SERVICE

6 NONLISTED PROPERTY

7 LISTED PROPERTY

8 TOTAL ELECTED COST

9 TENTATIVE DEDUCTION

10 CARRYOVER OF DISALLOWED
DEDUCTION FROM PRIOR YEAR

12 SECTION 179 EXPENSE DEDUCTION

13 CARRYOVER OF DISALLOWED
DEDUCTION TO NEXT YEAR

**PART II - SPECIAL DEPRECIATION ALLOWANCE
AND OTHER DEPRECIATION**

14 SPECIAL DEPRECIATION ALLOWANCE FOR
QUALIFIED PROPERTY

15 PROPERTY SUBJECT TO 168(F)(1)

16 OTHER DEPRECIATION (INCLUDING ACRS) -50 2,513

PART III - MACRS DEPRECIATION

17 MACRS DEDUCTIONS FOR ASSETS PLACED
IN SERVICE BEFORE CURRENT YEAR 52,048 20,051

GENERAL DEPRECIATION SYSTEM (GDS)

19 A 3-YEAR PROPERTY

19 B 5-YEAR PROPERTY

19 C 7-YEAR PROPERTY

19 D 10-YEAR PROPERTY

19 E 15-YEAR PROPERTY

19 F 20-YEAR PROPERTY

19 G 25-YEAR PROPERTY

19 H 27.5-YEAR RESIDENTIAL RENTAL PROPERTY

19 I NONRESIDENTIAL REAL PROPERTY

ALTERNATIVE DEPRECIATION SYSTEM (ADS)

20 A CLASS LIFE 1,955

20 B 12-YEAR

20 C 40-YEAR

PART IV - SUMMARY

21 LISTED PROPERTY

22 TOTAL DEPRECIATION 53,953 22,564

23 PORTION OF BASIS ATTRIBUTABLE TO 263A COSTS

42 AMORTIZATION - CURRENT YEAR 3,526

43 AMORTIZATION - PRIOR YEARS

44 TOTAL AMORTIZATION 3,526

31-1295657

CONSOLIDATED REPORT **FORM 4626, AMT**

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
1 TAXABLE INCOME/(LOSS) BEFORE NOL DEDUCTION	-608,128	0		-608,128
ADJUSTMENTS AND PREFERENCES				
2 A DEPRECIATION OF POST-1986 PROPERTY				
2 B AMORTIZATION OF CERTIFIED POLLUTION CONTROL FACILITIES				
2 C AMORTIZATION OF MINING EXPLORATION AND DEVELOPMENT COSTS				
2 D AMORTIZATION OF CIRCULATION EXPENDITURES				
2 E ADJUSTED GAIN OR LOSS				
2 F LONG-TERM CONTRACTS				
2 G MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS				
2 H SEC 833(B) DEDUCTION				
2 I TAX SHELTER FARM ACTIVITIES				
2 J PASSIVE ACTIVITIES				
2 K LOSS LIMITATIONS				
2 L DEPLETION				
2 M TAX-EXEMPT INTEREST FROM PRIVATE ACTIVITY BONDS				
2 N INTANGIBLE DRILLING COSTS				
2 O OTHER ADJUSTMENTS				
3 PREADJUSTMENT AMTI	-608,128			-608,128
ADJUSTED CURRENT EARNINGS (ACE) ADJUSTMENT				
4 A ACE FROM LINE 10 OF WORKSHEET	-602,138			-602,138
4 B LINE 4A LESS LINE 3	5,990			5,990
4 C LINE 4B MULTIPLIED BY 75%	4,493			4,493
4 D INCREASE IN AMTI FROM PRIOR YEARS' ACE ADJUSTMENTS	643,249		-1	643,248
4 E ACE ADJUSTMENT	4,493			4,493
5 TOTAL LINES 3 AND 4E	-603,635			-603,635
6 AMT NOL DEDUCTION				
7 ALTERNATIVE MINIMUM TAXABLE INCOME	-603,635	0		-603,635

31-1295657

CONSOLIDATED REPORT **FORM 4626, AMT**

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
1 TAXABLE INCOME/(LOSS) BEFORE NOL DEDUCTION	-471,780	-892	-135,456
ADJUSTMENTS AND PREFERENCES			
2 A DEPRECIATION OF POST-1986 PROPERTY			
2 B AMORTIZATION OF CERTIFIED POLLUTION CONTROL FACILITIES			
2 C AMORTIZATION OF MINING EXPLORATION AND DEVELOPMENT COSTS			
2 D AMORTIZATION OF CIRCULATION EXPENDITURES			
2 E ADJUSTED GAIN OR LOSS			
2 F LONG-TERM CONTRACTS			
2 G MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS			
2 H SEC 833(B) DEDUCTION			
2 I TAX SHELTER FARM ACTIVITIES			
2 J PASSIVE ACTIVITIES			
2 K LOSS LIMITATIONS			
2 L DEPLETION			
2 M TAX-EXEMPT INTEREST FROM PRIVATE ACTIVITY BONDS			
2 N INTANGIBLE DRILLING COSTS			
2 O OTHER ADJUSTMENTS			
3 PREADJUSTMENT AMTI	-471,780	-892	-135,456
ADJUSTED CURRENT EARNINGS (ACE) ADJUSTMENT			
4 A ACE FROM LINE 10 OF WORKSHEET	-465,790	-892	-135,456
4 B LINE 4A LESS LINE 3	5,990		
4 C LINE 4B MULTIPLIED BY 75%	4,493		
4 D INCREASE IN AMTI FROM PRIOR YEARS' ACE ADJUSTMENTS	605,167	2,164	35,918
4 E ACE ADJUSTMENT	4,493		
5 TOTAL LINES 3 AND 4E	-467,287	-892	-135,456
6 AMT NOL DEDUCTION			
7 ALTERNATIVE MINIMUM TAXABLE INCOME	-467,287	-892	-135,456

31-1295657

CONSOLIDATED REPORT **FORM 4626, ACE**

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
1 PREADJUSTMENT AMTI	-608,128			-608,128
ACE DEPRECIATION ADJUSTMENT				
2 A AMT DEPRECIATION	68,116			68,116
2 B ACE DEPRECIATION:				
2 B (1) POST-1993 PROPERTY	5,928			5,928
2 B (2) POST-1989, PRE-1994 PROPERTY				
2 B (3) PRE-1990 MACRS PROPERTY	56,198			56,198
2 B (4) PRE-1990 ORIGINAL ACRS PROPERTY				
2 B (5) SECTION 168(F) (1) THROUGH (4)				
2 B (6) OTHER PROPERTY				
2 B (7) TOTAL ACE DEPRECIATION	62,126			62,126
2 C ACE DEPRECIATION ADJUSTMENT	5,990			5,990
ITEMS INCLUDED IN EARNINGS AND PROFITS (E&P)				
3 A TAX-EXEMPT INTEREST INCOME				
3 B LIFE INSURANCE DEATH BENEFITS				
3 C OTHER LIFE INSURANCE DISTRIBUTIONS				
3 D INSIDE BUILDUP OF UNDISTRIBUTED INCOME				
3 E OTHER ITEMS				
3 F TOTAL INCREASE DUE TO E&P ITEMS				
DISALLOWANCE OF ITEMS NOT DEDUCTIBLE FROM E&P				
4 A CERTAIN DIVIDENDS RECEIVED				
4 B PUBLIC UTILITY DIVIDENDS				
4 C DIVIDENDS PAID TO AN ESOP				
4 D NONPATRONAGE DIVIDENDS				
4 E OTHER ITEMS				
4 F TOT DUE TO DISALLOW OF NONDEDUCT E&P ITEMS				
OTHER E&P ADJUSTMENTS BASED ON E&P RULES				
5 A INTANGIBLE DRILLING COSTS				
5 B CIRCULATION EXPENDITURES				
5 C ORGANIZATIONAL EXPENDITURES				
5 D LIFO INVENTORY ADJUSTMENTS				
5 E INSTALLMENT SALES				
5 F TOTAL OTHER E&P ADJUSTMENTS				
6 LOSS DISALLOWANCE ON EXCHANGE OF DEBT POOLS				
7 ACQUISITION EXPENSES-LIFE INSURANCE CO				
8 DEPLETION				
9 BASIS ADJUSTMENT FROM SALE OF PROPERTY				
10 ADJUSTED CURRENT EARNINGS	-602,138			-602,138

31-1295657

CONSOLIDATED REPORT

FORM 4626, ACE

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
1 PREADJUSTMENT AMTI	-471,780	-892	-135,456
ACE DEPRECIATION ADJUSTMENT			
2 A AMT DEPRECIATION	68,116		
2 B ACE DEPRECIATION:			
2 B (1) POST-1993 PROPERTY	5,928		
2 B (2) POST-1989, PRE-1994 PROPERTY			
2 B (3) PRE-1990 MACRS PROPERTY	56,198		
2 B (4) PRE-1990 ORIGINAL ACRS PROPERTY			
2 B (5) SECTION 168(F) (1) THROUGH (4)			
2 B (6) OTHER PROPERTY			
2 B (7) TOTAL ACE DEPRECIATION	62,126		
2 C ACE DEPRECIATION ADJUSTMENT	5,990		
ITEMS INCLUDED IN EARNINGS AND PROFITS (E&P)			
3 A TAX-EXEMPT INTEREST INCOME			
3 B LIFE INSURANCE DEATH BENEFITS			
3 C OTHER LIFE INSURANCE DISTRIBUTIONS			
3 D INSIDE BUILDUP OF UNDISTRIBUTED INCOME			
3 E OTHER ITEMS			
3 F TOTAL INCREASE DUE TO E&P ITEMS			
DISALLOWANCE OF ITEMS NOT DEDUCTIBLE FROM E&P			
4 A CERTAIN DIVIDENDS RECEIVED			
4 B PUBLIC UTILITY DIVIDENDS			
4 C DIVIDENDS PAID TO AN ESOP			
4 D NONPATRONAGE DIVIDENDS			
4 E OTHER ITEMS			
4 F TOT DUE TO DISALLOW OF NONDEDUCT E&P ITEMS			
OTHER E&P ADJUSTMENTS BASED ON E&P RULES			
5 A INTANGIBLE DRILLING COSTS			
5 B CIRCULATION EXPENDITURES			
5 C ORGANIZATIONAL EXPENDITURES			
5 D LIFO INVENTORY ADJUSTMENTS			
5 E INSTALLMENT SALES			
5 F TOTAL OTHER E&P ADJUSTMENTS			
6 LOSS DISALLOWANCE ON EXCHANGE OF DEBT POOLS			
7 ACQUISITION EXPENSES-LIFE INSURANCE CO			
8 DEPLETION			
9 BASIS ADJUSTMENT FROM SALE OF PROPERTY			
10 ADJUSTED CURRENT EARNINGS	-465,790	-892	-135,456

31-1295657

CONSOLIDATED REPORT FORM 4797

	COMBINED TOTALS	ELIMINATIONS ELIMINATIONS - GASCO, INC.	ADJUSTMENTS	CONSOLIDATED GASCO DISTRIBUTION SYSTEMS INC
		31-1295657		31-1295657
SECTION 1231 GAINS AND LOSSES				
2 SALES OR EXCHANGES HELD MORE THAN 1 YEAR				
3 GAIN FROM FORM 4684				
4 GAIN FROM INSTALLMENT SALES				
5 GAIN (LOSS) FROM FORM 8824				
6 GAIN FROM FORM 4797 LINE 32				
7 TOTAL SECTION 1231 GAIN (LOSS)				
8 NONRECAPTURED PRIOR YEAR LOSSES				
9 NET SECTION 1231 GAIN				
ORDINARY GAINS AND LOSSES				
10 ORDINARY GAIN (LOSS)				
11 SECTION 1231 (LOSS)				
12 SECTION 1231 GAIN				
13 GAIN FROM FORM 4797 LINE 31	50			50
14 GAIN (LOSS) FROM FORM 4684				
15 GAIN FROM INSTALLMENT SALES				
16 GAIN (LOSS) FROM FORM 8824				
17 NET ORDINARY GAIN (LOSS)	50			50

31-1295657

**CONSOLIDATED REPORT
FORM 4797**

	PARENT GASCO DISTRIBUTION SYSTEMS, INC. <u>31-1295657</u>	SUBSIDIARY GASCO, INC. <u>31-1267317</u>	SUBSIDIARY THE TITAN ENERGY GROUP, INC. <u>31-1292347</u>
SECTION 1231 GAINS AND LOSSES			
2 SALES OR EXCHANGES HELD MORE THAN 1 YEAR			
3 GAIN FROM FORM 4684			
4 GAIN FROM INSTALLMENT SALES			
5 GAIN (LOSS) FROM FORM 8824			
6 GAIN FROM FORM 4797 LINE 32			
7 TOTAL SECTION 1231 GAIN (LOSS)			
8 NONRECAPTURED PRIOR YEAR LOSSES			
9 NET SECTION 1231 GAIN			
ORDINARY GAINS AND LOSSES			
10 ORDINARY GAIN (LOSS)			
11 SECTION 1231 (LOSS)			
12 SECTION 1231 GAIN			
13 GAIN FROM FORM 4797 LINE 31	50		
14 GAIN (LOSS) FROM FORM 4684			
15 GAIN FROM INSTALLMENT SALES			
16 GAIN (LOSS) FROM FORM 8824			
17 NET ORDINARY GAIN (LOSS)	50		

Form 1120	Consolidated NOL Carryover Worksheet - Regular Tax		2008
For calendar year 2008 or tax year beginning 7/01/08 , ending 6/30/09			

Name GASCO DISTRIBUTION SYSTEMS INC	Employer Identification Number 31-1295657
---	---

Preceding Taxable Year	NOL Before SRLY Limit/ NOL After SRLY Limit	Consolidated Adjustments	Consolidated NOL Available	NOL Carryover Utilized	Carryover to Next Year
15th 6/30/94					
14th 6/30/95					
13th 6/30/96					
12th 6/30/97					
11th 6/30/98					
10th 6/30/99	105,261 105,261		105,261		105,261
9th 6/30/00	2,725 2,725		2,725		2,725
8th 6/30/01	824,629 824,629		824,629		824,629
7th 6/30/02	437,517 437,517		437,517		437,517
6th 6/30/03	125,595 125,595		125,595		125,595
5th 6/30/04	336,386 336,386		336,386		336,386
4th 6/30/05	845,230 845,230		845,230		845,230
3rd 6/30/06	807,551 807,551		807,551		807,551
2nd 6/30/07	7,973 7,973		7,973		7,973
1st 6/30/08	542,284 542,284		542,284		542,284
NOL Carryover Available To Current Year			4,035,151		
Current Year Income/(Loss)	0 -608,128				608,128
NOL Carryover Available To Next Year					4,643,279

Form 1120	Consolidated NOL Carryover Worksheet - AMT		2008
For calendar year 2008 or tax year beginning 7/01/08 , ending 6/30/09			

Name GASCO DISTRIBUTION SYSTEMS INC	Employer Identification Number 31-1295657
---	---

Preceding Taxable Year	NOL Before SRLY Limit/ NOL After SRLY Limit	Consolidated Adjustments	Consolidated NOL Available	NOL Carryover Utilized	Carryover to Next Year
15th 6/30/94					
14th 6/30/95					
13th 6/30/96					
12th 6/30/97					
11th 6/30/98					
10th 6/30/99	380,698 380,698		380,698		380,698
9th 6/30/00	2,725 2,725		2,725		2,725
8th 6/30/01	291,206 291,206		291,206		291,206
7th 6/30/02	382,975 382,975		382,975		382,975
6th 6/30/03	125,595 125,595		125,595		125,595
5th 6/30/04	336,386 336,386		336,386		336,386
4th 6/30/05	845,230 845,230		845,230		845,230
3rd 6/30/06	807,551 807,551		807,551		807,551
2nd 6/30/07	7,973 7,973		7,973		7,973
1st 6/30/08	491,315 491,315		491,315		491,315
NOL Carryover Available To Current Year			3,671,654		
Current Year	0 -603,635				603,635
NOL Carryover Available To Next Year					4,275,289

Federal Statements

Statement 1 - Form 1120, Page 1, Line 10 - Other Income

Description	Amount
<u>GASCO DISTRIBUTION SYSTEMS, INC.</u>	
MANAGEMENT FEES	\$ 470,042
CONTRACTING & RENTALS	715
SUBTOTAL	<u>470,757</u>
<u>ELIMINATIONS - GASCO, INC.</u>	
MANAGEMENT FEES	-106,848
SUBTOTAL	<u>-106,848</u>
<u>THE TITAN ENERGY GROUP, INC.</u>	
OTHER SALES	2,250
TRANSPORTATION/TRANSMISSION	63,771
OIL & GAS PRODUCTION	131,813
COMPRESSION	21,552
SUBTOTAL	<u>219,386</u>
TOTAL	<u>\$ 583,295</u>

Statement 2 - Form 1120, Page 1, Line 26 - Other Deductions

Description	Amount
<u>GASCO DISTRIBUTION SYSTEMS, INC.</u>	
CUSTOMER ASSISTANCE EXPENSE	\$ 124,469
DUES & SUBSCRIPTIONS	2,440
FUEL & AUTO EXPENSES	28,384
INSURANCE	-33,576
MANAGEMENT FEES	79,368
MISCELLANEOUS	691
OFFICE & POSTAGE EXPENSE	9,912
PROFESSIONAL FEES	264,179
TELEPHONE	14,787
TRAVEL	-7,196
UTILITIES	56,133
AMORTIZATION	3,526
50% OF MEALS & ENTERTAINMENT	1,752
SUBTOTAL	<u>544,869</u>
<u>ELIMINATIONS - GASCO, INC.</u>	
MANAGEMENT FEES	-106,848
SUBTOTAL	<u>-106,848</u>
<u>GASCO, INC</u>	
PROFESSIONAL FEES	17
UTILITIES	350
SUBTOTAL	<u>367</u>
<u>THE TITAN ENERGY GROUP, INC.</u>	
AUTO & TRUCK ALLOWANCE	11,389
CONTRACTED LABOR & CONSULTING	41,119
DUES & SUBSCRIPTIONS	1,002
INSURANCE	5,027

Federal Statements**Statement 2 - Form 1120, Page 1, Line 26 - Other Deductions (continued)**

<u>Description</u>	<u>Amount</u>
MANAGEMENT FEES	\$ 106,848
MISCELLANEOUS	100
OFFICE & POSTAGE EXPENSE	1,604
PROFESSIONAL FEES	121,064
TELEPHONE	4,239
50% OF MEALS & ENTERTAINMENT	89
SUBTOTAL	<u>292,481</u>
TOTAL	<u>\$ 730,869</u>

Federal Statements

Statement 3 - Form 1120, Page 2, Schedule A, Line 5 - Other Costs

<u>Description</u>	<u>Amount</u>
THE TITAN ENERGY GROUP, INC.	
WELL & PIPELINE OPERATIONS	\$ 43,120
TOTAL	<u>\$ 43,120</u>

Federal Statements

Statement 4 - Form 1120, Page 5, Schedule L, Line 6 - Other Current Assets

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
<u>GASCO DISTRIBUTION SYSTEMS, INC.</u>		
INVENTORY	\$ 45,721	\$ 43,923
PREPAID EXPENSES	30,863	50,410
ESCROWED FUNDS	556,843	557,822
SUBTOTAL	<u>633,427</u>	<u>652,155</u>
<u>THE TITAN ENERGY GROUP, INC.</u>		
PREPAID EXPENSES	5,597	4,758
SUBTOTAL	<u>5,597</u>	<u>4,758</u>
TOTAL	<u>\$ 639,024</u>	<u>\$ 656,913</u>

Federal Statements

Statement 5 - Form 1120, Page 5, Schedule L, Line 14 - Other Assets

Description	Beginning of Year	End of Year
GASCO DISTRIBUTION SYSTEMS, INC.		
INVESTMENTS	\$ 100	\$ 100
ORGANIZATIONAL COSTS - NET	6,577	6,131
DEFERRED FEDERAL INCOME TAX	1,063,293	1,063,293
UNRECOVERED PURCHASE GAS COST	348,049	171,518
PREPAID ACQUISITIONS COSTS	22,098	22,098
SUBTOTAL	1,440,117	1,263,140
ELIMINATIONS - GASCO, INC.		
INVESTMENTS	-195	-195
SUBTOTAL	-195	-195
GASCO, INC		
DEPOSITS	2,550	2,200
INVESTMENTS	25,000	25,000
DEFERRED FEDERAL INCOME TAX	6,450	6,450
SUBTOTAL	34,000	33,650
THE TITAN ENERGY GROUP, INC.		
DEPOSITS	1,731	1,731
INVESTMENTS	95	95
DEFERRED FEDERAL INCOME TAX	256,983	256,983
SUBTOTAL	258,809	258,809
TOTAL	\$ 1,732,731	\$ 1,555,404

Statement 6 - Form 1120, Page 5, Schedule L, Line 18 - Other Current Liabilities

Description	Beginning of Year	End of Year
GASCO DISTRIBUTION SYSTEMS, INC.		
ACCRUED INTEREST	\$ 64,406	\$ 92,787
ACCRUED TAXES - OTHER	1,015,616	903,205
ACCRUED PAYROLL	18,239	20,495
UNRECOVERED PURCHASE GAS COST	122,684	175,106
SUBTOTAL	1,220,945	1,191,593
GASCO, INC		
STATE TAX PAYABLE	39,739	39,739
SUBTOTAL	39,739	39,739
THE TITAN ENERGY GROUP, INC.		
ACCRUED TAXES - OTHER	132,203	133,919
UNDISTRIBUTED PRODUCTION	18,826	3,755
SUBTOTAL	151,029	137,674
TOTAL	\$ 1,411,713	\$ 1,369,006

Federal Statements**Statement 7 - Form 1120, Page 5, Schedule L, Line 21 - Other Liabilities**

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
GASCO DISTRIBUTION SYSTEMS, INC.		
DEFERRED FEDERAL INCOME TAX	\$ 123,471	\$ 123,471
TOTAL	<u>\$ 123,471</u>	<u>\$ 123,471</u>

Statement 8 - Form 1120, Page 5, Schedule M-1, Line 5 - Expenses on Books Not on Return

<u>Description</u>	<u>Amount</u>
GASCO DISTRIBUTION SYSTEMS, INC.	
PENALTIES & INTEREST	\$ 18,078
OFFICER LIFE INS PREMIUMS	33,576
SUBTOTAL	<u>51,654</u>
THE TITAN ENERGY GROUP, INC.	
OFFICER LIFE INS PREMIUMS	8,394
SUBTOTAL	<u>8,394</u>
TOTAL	<u>\$ 60,048</u>

Statement 9 - Form 1120, Page 5, Schedule M-1, Line 8 - Deductions on Return Not on Books

<u>Description</u>	<u>Amount</u>
GASCO DISTRIBUTION SYSTEMS, INC.	
AMORTIZATION BOOK/TAX DIFF	\$ 3,080
TOTAL	<u>\$ 3,080</u>

Statement 10 - Form 1120, Page 5, Schedule M-2, Line 3 - Other Increases

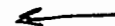
<u>Description</u>	<u>Amount</u>
THE TITAN ENERGY GROUP, INC.	
ROUNDING	\$ 1
TOTAL	<u>\$ 1</u>

31-1295657

CONSOLIDATED REPORT FORM 1120, PAGE 1

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
1 A GROSS RECEIPTS OR SALES	1,487,974		
1 B LESS RETURNS AND ALLOWANCES			
1 C NET RECEIPTS OR SALES	1,487,974		
2 COST OF GOODS SOLD	1,028,740		43,120
3 GROSS PROFIT	459,234		-43,120
4 DIVIDENDS			
5 INTEREST			
6 GROSS RENTS			9,600
7 GROSS ROYALTIES			
8 CAPITAL GAIN NET INCOME			
9 NET GAIN OR (LOSS) FROM FORM 4797	50		
10 OTHER INCOME	470,757		219,386
11 TOTAL INCOME	930,041		185,866
12 COMPENSATION OF OFFICERS	262,477		
13 SALARIES AND WAGES	209,119		
14 REPAIRS AND MAINTENANCE	108,658		
15 BAD DEBTS	-4,258		
16 RENTS	19,764		2,904
17 TAXES AND LICENSES	70,984	525	3,056
18 INTEREST	90,798		317
19 CHARITABLE CONTRIBUTIONS			
20 DEPRECIATION	53,953		22,564
21 DEPLETION			
22 ADVERTISING			
23 PENSION, PROFIT-SHARING, ETC., PLANS			
24 EMPLOYEE BENEFIT PROGRAMS	45,457		
25 DOMESTIC PRODUCTION ACTIVITIES DEDUCTION			
26 OTHER DEDUCTIONS	544,869	367	292,481
27 TOTAL DEDUCTIONS	1,401,821	892	321,322
28 TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS	-471,780	-892	-135,456
29 A NOL DEDUCTION			
29 B SPECIAL DEDUCTIONS			
30 TAXABLE INCOME	-471,780	-892	-135,456

Question
1. \$2.



31-1295657

CONSOLIDATED REPORT

FORM 1120, SCHEDULE L BEGINNING OF TAX YEAR

	PARENT GASCO DISTRIBUTION SYSTEMS, INC.	SUBSIDIARY GASCO, INC	SUBSIDIARY THE TITAN ENERGY GROUP, INC.
	31-1295657	31-1267317	31-1292347
ASSETS			
1 CASH	184,503		3,125
2 A TRADE NOTES AND ACCOUNTS RECEIVABLE	2,564,130	2,939,368	1,547,231
2 B LESS ALLOWANCE FOR BAD DEBTS			
3 INVENTORIES			
4 U.S. GOVERNMENT OBLIGATIONS			
5 TAX-EXEMPT SECURITIES			
6 OTHER CURRENT ASSETS	633,427		5,597
7 LOANS TO SHAREHOLDERS			
8 MORTGAGE AND REAL ESTATE LOANS			
9 OTHER INVESTMENTS			
10 A BUILDINGS AND OTHER DEPRECIABLE ASSETS	3,099,381	37,137	863,147
10 B LESS ACCUMULATED DEPRECIATION	1,632,450	36,638	660,920
11 A DEPLETABLE ASSETS			
11 B LESS ACCUMULATED DEPLETION			
12 LAND (NET OF ANY AMORTIZATION)	105,845		68,538
13 A INTANGIBLE ASSETS (AMORTIZABLE ONLY)			
13 B LESS ACCUMULATED AMORTIZATION			
14 OTHER ASSETS	1,440,117	34,000	258,809
15 TOTAL ASSETS	<u>6,394,953</u>	<u>2,973,867</u>	<u>2,085,527</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
16 ACCOUNTS PAYABLE	6,276,065	431	285,831
17 MORTGAGES, NOTES, AND BONDS			
PAYABLE IN LESS THAN 1 YEAR	40,140		
18 OTHER CURRENT LIABILITIES	1,220,945	39,739	151,029
19 LOANS FROM SHAREHOLDERS			
20 MORTGAGES, NOTES, AND BONDS			
PAYABLE IN 1 YEAR OR MORE	380,123	983,725	
21 OTHER LIABILITIES	123,471		
22 A CAPITAL STOCK - PREFERRED			
22 B CAPITAL STOCK - COMMON	26,000	95	100
23 ADDITIONAL PAID-IN CAPITAL	647,786		
24 RETAINED EARNINGS - APPROPRIATED			
25 RETAINED EARNINGS - UNAPPROPRIATED	-2,319,567	1,949,877	1,648,567
26 ADJUSTMENTS TO SHAREHOLDERS' EQUITY			
27 LESS COST OF TREASURY STOCK	10		
28 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>6,394,953</u>	<u>2,973,867</u>	<u>2,085,527</u>

Question
1. & 2.

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EXHIBIT B

Schedule 2(c)

Equipment – Jellico System

The **Jellico System** has transmission mains, mains, measuring and reg. stat. equip., services, meters, house regulators, office equipment, transportation equipment, tools, shop and garage equipment. The meters, regulators and service lines are located at the individual customer's residences or places of business. The spare meters and other equipment are located at 605 Sunset Trail, Jellico TN 37762. This is an office that GASCO rents on a month to month basis for \$250 a month from Opal Leach, 613 Sunset Trail, Jellico, TN 37762.

Equipment – Albany, Byrdstown and Fentress Systems

The **Albany, Byrdstown and Fentress Systems** have transmission mains, measuring and reg. stat. equip., services, meters, house regulators, office equipment, transportation equipment, tools, shop and garage equipment. The meters, regulators and service lines are located at the individual customer's residences or places of business. The spare meters and other equipment are located at 9825 Highway 11, Byrdstown, TN 38549. This is an office which GASCO rents on a month to month basis for \$500 a month from Dale Hollow Storage, c/o James P. Glidwell, 503 Central Street, Albany, KY 42602.



GASCO

DISTRIBUTION SYSTEMS, INC.

4445 EAST PIKE

ZANESVILLE, OH 43701

OFFICE 740 454-6198

FAX 740 454-7780

July 14, 2008

Mr. Richard Varner
Navistar Utility Corporation
18218 East McDermott
Irvine, California 92614

Dear Richard,

Attached is the following information on our Titan Energy Group, Inc. B & W Pipeline Division ("Titan"), and Gasco Distribution Systems, Inc.'s Albany, KY Division and Jellico, Byrdstown, Pickett and Fentress Divisions ("Gasco") in Tennessee:

1. **Pipeline maps;** one large pipeline map showing B&W pipelines both our mainline and the annadel pipelines.
2. **Titan wells;** an oil and gas well bond list with topo quads maps showing well locations.
3. **Rate schedules for Gasco's Utility Divisions.**
4. **Gas Sales and Transport Volume information.**
5. **HBP Lease Acreage List.** This HBP Lease acreage list is from our original purchase agreement, Titan does not know the status of these leases listed and therefore Titan does not warrant the Oil and Gas leases list. Titan will convey what we have received from our original purchase agreement.
6. **Oil & Gas Production.** Titan's oil and gas interest produce approximately 10,000 Mcf per year and 2,000 bbls of oil per year.

Gasco/Titan are offering these properties for sale on a non-exclusive basis and subject to prior sale or withdraw by Gasco/Titan to Navistar Utility Corporation. If you have an interest in purchasing these properties please submit your offer to my attention.

The following is a generalized asset list for our above referenced properties we are selling, understanding a complete detailed asset list would be better described on the Exhibits to an Asset Purchase and Sale Agreement:

The Titan Energy Group, Inc., B & W Pipeline Division ("TTEG")

Mainline. Described as an approximately 47.5 mile pipeline consisting of various sizes of 4", 6" and 8" diameter steel and polyethylene ("PE") pipeline sections which originate at the East Tennessee Natural Gas Pipeline Delivery Meter No. 59175 located approximately 1,500' south of SR 62 at Deer Lodge, County of Morgan, Tennessee and generally runs northward and terminates at the Tennessee/Kentucky state line where the pipeline connects with the GDSI, Albany Division utility system in Kentucky. TTEG will convey all of its rights, title and interest in the TTEG Mainline Pipeline easements to purchaser.

1. East Tennessee Natural Gas Pipeline Meter Station(s):

1a. Delivery Meter No. 59157 Morgan Co. #3. (Mainline) Morgan County, Tennessee

2. Real Estate:

2a. The Real Property and Industrial shop building is located at 257 Island Ford Road, Lansing, Tennessee, Morgan County, 37770, Map 083, Parcel 024.01 containing approximately 3 acres. The gross building area is approximately 3,750 sq. ft.

2b. The Real Property and Regulator Station Structure is located along SR 62 on approximately 4.2 acres in Morgan County, Tennessee.

2c. The Real Property for the Tennessee wells' compressor site contains approximately 7.93 acres in Morgan County, Tennessee.

3. Tennessee Oil & Gas Wells and related Oil & Gas Leases:

TTEG will be conveying all of its rights, title and interest in the working interest and overriding royalty interest in approximately 112 oil and gas wells on its bond. The wells are completed in various formations; including the Mt. Eagle and Ft. Payne.

4. **Gathering line and Compressor.** TTEG owns one small electric natural gas compressor for some of its wells in Morgan County, Tennessee.

5. **Vehicle.** TTEG does not own any vehicles; the truck Frank Cash uses is leased.

Annadel Pipeline. Described as an approximately 15.2 mile 3" polyethylene ("PE") pipeline which begins at the East Tennessee Natural Gas Pipeline receipt meter point and terminates at a point on the west side of SR 27. The Annadel pipeline is idled. TTEG will convey all of its rights, title and interest in the Annadel Pipeline easements to purchaser.

1. East Tennessee Natural Gas Pipeline Meter Station(s):

1a. Receipt Meter Point No. 759303 Morgan Co. #5 (Annadel Pipeline) Morgan County, Tennessee.

Gasco Distribution Systems, Inc., Albany, Kentucky Division and Jellico, Byrdstown/Fentress, Tennessee Divisions ("GDSI")

GDSI, Albany Division The Albany Division has a total of 138 customers, 85 residential and 53 commercial with approximately 25 miles of PE gas distribution pipelines. Recently a 6" PE pipeline

was installed to receive the gas from the TTEG B & W Pipeline at the state line and terminates on the eastside of the City of Albany bringing additional capacity for the City of Albany. The Albany Division has non-exclusive franchises with the City of Albany and Clinton County. GDSI will convey all of its rights, title and interest in the GDSI, Albany Division franchises and pipeline easements to purchaser. The Albany Division has approximately \$25,000 of inventory of various sizes of pipeline, meters, regulators and miscellaneous fittings.

GDSI, Byrdstown/Fentress Divisions The Byrdstown/Fentress Divisions have approximately 51 customers; 23 residential, 24 commercial and 4 industrial meters with approximately 5 miles of PE gas distribution pipelines connecting with the TTEG Pipeline in Pickett County, Tennessee. The Byrdstown/Fentress Divisions have an exclusive franchise with Pickett County, Tennessee and Special Contract Industrial Customers; Gas Service Agreements for the 3 Hutchinson facility meters in Pickett County, Tennessee and a Gas Service Agreement with Tallent Lumber Company in Fentress County, Tennessee. GDSI will convey all of its rights, title and interest in the GDSI, Byrdstown/Fentress Division franchises and pipeline easements to purchaser.

GDSI, Jellico Division The Jellico Division has approximately 535 total customers; 434 residential, 93 commercial, and 8 industrial meters. There is approximately 29 miles of natural gas distribution made up of plastic pipe. The service area is made up of Jellico, Newcomb and adjacent areas. We have been in discussions with the Rarity Mountain development to provide natural gas service from the old CNR pipeline that crosses the Rarity Mountain property when they are ready for service. The gas supplies are purchased at one point of delivery from Delta Natural Gas Company, Inc. from a high pressure line. The base rate or non-gas component is \$4.00 per MCF for the residential / commercial customers and \$3.00 per industrial.

TTEG and GDSI are offering the above referenced properties on a non-exclusive basis. TTEG and GDSI will agree to sell these properties on an "as-is where-is" basis once an Asset Purchase Agreement has been signed.

Please call me if you have any questions or would like to meet to discuss this further at 740-454-8871 ext 116, 740-630-6094 cell or E-mail fsteele@gascodistribution.com.

Very truly yours,

Fred A. Steele