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Attorneys for Defendant,
CARDINAL ENERGY GROUP, INC.

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

In the Matter of

CARDINAL ENERGY GROUP, INC.,

Respondent.

ADMINISTRATIVE PROCEEDING
File No. 3-19112

ANSWER OF RESPONDENT CARDINAL ENERGY GROUP, INC.

Respondent Cardinal Energy Group, Inc. ("Cardinal"), through undersigned counsel, respectfully submits this Answer to the Administrative Order Instituting Administrative and Cease-and- Desist Proceedings ("OIP") by the United States Securities and Exchange Commission ("SEC") as follows:

I. CARDINAL'S RESPONSE TO THE SUMMARY AND ALLEGATIONS

Cardinal denies each and every allegation of wrongdoing in the SEC's summary statement and specific allegations in the Complaint. Specifically, Cardinal responds to the allegations as follows:

1. *Cardinal is a Nevada corporation with its headquarters in Dallas, Texas, with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g). Cardinal is delinquent in its periodic filings with the Commission, having failed to file its latest six quarterly reports and latest two annual reports. Cardinal's last periodic*

report filed with the Commission was a quarterly report on Form 10-Q for its fiscal quarter ended September 30, 2016.

Response: Cardinal admits the allegations contained in Paragraph 1 but asserts that despite its best and good faith efforts to timely file all required reports, the SEC's actions during its investigation of the company and its prior CEO, Tim Crawford, caused the company to be tardy in doing so. More specifically, Cardinal's previous auditor, RBSM, was served with a number of subpoenas by the SEC and then resigned because of internal costs associated responding to the same and never completed its audit of the company's records. Tim Crawford, prior to stepping down on or about July 31, 2017, then engaged Pinaki & Associates, LLC, who commenced work on the audit when new management, under Paul Carlisle, took over as Cardinal's Chief Operating Officer on August 1, 2017. Later in the fall of 2017, Cardinal was advised that Mr. Panaki was suspended from practice before the SEC as an auditor. Mr. Carlisle resigned from all position held with Cardinal on or about May 1, 2018. In December of 2018, Cardinal engaged Peregrine Accounting & Consulting, Inc. of Salt Lake City and Mr. Gary Peterson CPA became our accountant. Mr. Peterson was previously responsible for CEGX accounting unit until 2015. Also, in December 2018, Cardinal engaged Jayme McWidener CPA of MAC Accounting, LLC of Salt Lake City to act as our Auditor. It took until the end of January 2018 before Ms. McWidener was able to gain access to the working papers of the 2015 audit held by RBSM in their New York office because of RBSM's insistence that Cardinal pay all expenses incurred by it in connection with responding to the SEC's investigation subpoenas. Mr. Peterson was hampered in collecting all the accounting information which was located in various boxes and in cloud files which new management did not initially have access to. In addition, Mr. Peterson was unable to reach past accountants for the company who refused to get involved given the numerous subpoenas issued by the SEC. Cardinal's current management team, led by Stan Ford who became the CEO of Cardinal on August 1, 2017, had no knowledge of the history of the previous transactions of the company or where to find the relevant information to complete required filings. The auditor has requested detailed support documents for all previous transactions. Additionally, new management located documents referring to loans made by private individuals but the documentation did not include current addresses and new management had to track them down. New management has diligently worked for over one year to be in a position to file any tardy filings. It is the intention of the current management of Cardinal to bring Cardinal into regulatory compliance.

2. As discussed in more detail above, Cardinal is delinquent in its periodic filings with the Commission and has repeatedly failed to meet its obligations to file timely periodic reports and failed to make the required filings after receiving a Wells Notice from the Division of Enforcement notifying Cardinal of the delinquency and the Division's intention to take action.

Response: Cardinal admits the allegations contained in Paragraph 2 but asserts that despite its best and good faith efforts to timely file all required reports, the SEC's actions during its investigation of the company and its prior CEO, Tim Crawford, caused the company to be tardy in doing so. More specifically, Cardinal's previous auditor, RBSM, was served with a number of subpoenas by the SEC and then resigned because of internal costs associated responding to the same and never completed its audit of the company's records. Tim Crawford, prior to stepping down on or about July 31, 2017, then engaged Pinaki & Associates, LLC, who commenced work on the audit when new management, under Paul Carlisle, took over as Cardinal's Chief Operating Officer on August 1, 2017. Later in the fall of 2017, Cardinal was advised that Mr. Panaki was suspended from practice before the SEC as an auditor. Mr. Carlisle resigned from all positions with Cardinal on or about May 1, 2018. In December of 2018, Cardinal engaged Peregrine Accounting & Consulting, Inc. of Salt Lake City and Mr. Gary Peterson CPA became our accountant. Mr. Peterson was previously responsible for CEGX accounting unit until 2015. Also, in December 2018, Cardinal engaged Jayme McWidener CPA of MAC Accounting, LLC of Salt Lake City to act as our Auditor. It took until the end of January 2018 before Ms. McWidener was able to gain access to the working papers of the 2015 audit held by RBSM in their New York office because of RBSM's insistence that Cardinal pay all expenses incurred by it in connection with responding to the SEC's investigation subpoenas. Mr. Peterson was hampered in collecting all the accounting information which was located in various boxes and in cloud files which new management did not initially have access to. In addition, Mr. Peterson was unable to reach past accountants for the company who refused to get involved given the numerous subpoenas issued by the SEC. Cardinal's current management team, led by Stan Ford who became the CEO of Cardinal on August 1, 2017, had no knowledge of the history of the previous transactions of the company or where to find the relevant information to complete required filings. The auditor has requested detailed support documents for all previous transactions. Additionally, new management located documents referring to loans made by private individuals but the documentation did not include current addresses and new management had to track them down. New management

has diligently worked for over one year to be in a position to file any tardy filings. It is the intention of the current management of Cardinal to bring Cardinal into regulatory compliance.

3. *Exchange Act Section 13(a) and the rules promulgated thereunder require issuers of securities registered pursuant to Exchange Act Section 12 to file with the Commission current and accurate information in periodic reports, even if the registration is voluntary under Section 12(g). Specifically, Exchange Act Rule 13a-1 requires issuers to file annual reports, and Exchange Act Rule 13a-13 requires issuers to file quarterly reports.*

Response: Cardinal notes that the allegations set forth in Paragraph 3 constitute conclusions of law to which no response is required. To the extent a response is required, Cardinal denies the allegations.

4. *As a result of the foregoing, Respondent failed to comply with Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 thereunder.*

Response: Cardinal notes that the allegations set forth in Paragraph 4 constitute conclusions of law to which no response is required. To the extent a response is required, Cardinal denies the allegations.

II. AFFIRMATIVE DEFENSES

- (i) The OIP fails to state a claim upon which relief may be granted.
- (ii) The OIP fails to allege adequately any basis upon which the relief sought by the SEC could be granted.
- (iii) Respondent acted at all times in good faith and lacked the requisite state of mind to commit any violation of law, rule or regulation as alleged.
- (iv) The claims asserted by the SEC are barred by the defenses of estoppel, waiver and laches.
- (v) This proceeding violates Respondents' due process guarantees under the U.S. Constitution.
- (vi) The OIP and the relief sought are not in the public interest.

III. PRESERVATION OF RIGHT TO AMEND

Cardinal reserves the right to amend this Answer to assert any additional defenses once discovery proceeds and more information becomes available.

IV. REQUEST FOR HEARING

Cardinal respectfully requests an adjudicatory hearing before an independent officer.

Respectfully Submitted,
BWA LAW GROUP LLP

A handwritten signature in black ink, appearing to read 'H. Watson', is written over a horizontal line.

Houston M. Watson, Esq.
Attorneys for Defendant,
CARDINAL ENERGY GROUP, INC.

Dated: April 15, 2019

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PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the County of Orange, State of California. I am over the age of 18 and not a party to the within action. My business address is 1901 E. Fourth Street, Suite 150, Santa Ana, CA 92705.

On April 15, 2019, I served the foregoing documents described as **ANSWER OF RESPONDENT CARDINAL ENERGY GROUP, INC.** on all interested parties in this action by placing a true copy thereof enclosed in sealed envelopes addressed as follows:

U.S. Securities and Exchange Commission
Office of the Secretary
100 F Street NE, Mail Stop 1090
Washington, DC 20549
Email: apfilings@sec.gov

BY MAIL – I deposited such envelope in the mail at Santa Ana, California. The envelope was mailed with postage thereon fully prepaid. I am “readily familiar” with the firm’s practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Fullerton, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one (1) day after the date of deposit for mailing in affidavit.

BY PERSONAL SERVICE – I caused such envelope to be delivered.


BY FACSIMILE – I faxed said document to the office(s) of the addressee(s) shown above, and the transmission was reported as complete and without error.

BY ELECTRONIC TRANSMISSION – I transmitted a PDF version of this document by electronic mail to the party(s) identified on the attached service list using the email address(es) indicated.

BY OVERNIGHT DELIVERY – I deposited such envelope for collection and delivery with delivery fees paid or provided for in accordance with ordinary business practices. I am “readily familiar” with the firm’s practice of collection and processing packages for overnight delivery. They are deposited with a facility regularly maintained for receipt on the same day in the ordinary course of business.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 15, 2019 at Santa Ana, California.



Tam Tin Doan