

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES SECURITIES §
AND EXCHANGE COMMISSION, §

Plaintiff, §

v. §

THE HEARTLAND GROUP VENTURES, LLC; §
HEARTLAND PRODUCTION AND RECOVERY §
LLC; HEARTLAND PRODUCTION AND §
RECOVERY FUND LLC; HEARTLAND §
PRODUCTION AND RECOVERY FUND II LLC; §
THE HEARTLAND GROUP FUND III, LLC; §
HEARTLAND DRILLING FUND I, LP; CARSON §
OIL FIELD DEVELOPMENT FUND II, LP; §
ALTERNATIVE OFFICE SOLUTIONS, LLC; §
ARCOOIL CORP.; BARRON PETROLEUM LLC; §
JAMES IKEY; JOHN MURATORE; THOMAS §
BRAD PEARSEY; MANJIT SINGH (AKA ROGER) §
SAHOTA; and RUSTIN BRUNSON, §

No. 4:21-cv-1310-O-BP

Defendants, §

and §

DODSON PRAIRIE OIL & GAS LLC; PANTHER §
CITY ENERGY LLC; MURATORE FINANCIAL §
SERVICES, INC.; BRIDY IKEY; ENCYIPHER §
BASTION, LLC; IGROUP ENTERPRISES LLC; §
HARPRIT SAHOTA; MONROSE SAHOTA; §
SUNNY SAHOTA; BARRON ENERGY §
CORPORATION; DALLAS RESOURCES INC.; §
LEADING EDGE ENERGY, LLC; SAHOTA §
CAPITAL LLC; and 1178137 B.C. LTD., §

Relief Defendants. §

**JOINT STATUS REPORT FILED PURSUANT TO
FEBRUARY 14, 2023 ORDER [ECF NO. 333]**

TO THE HONORABLE U.S. MAGISTRATE JUDGE HAL R. RAY, JR.:

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the “Receiver”) for the Receivership Parties (as defined in the Receivership Order),¹ and the Railroad Commission of Texas (the “RRC”), through the Texas Office of the Attorney General (the “OAG”), file this *Joint Status Report Filed Pursuant to February 14, 2023 Order [ECF No. 333]* (the “Joint Status Report”) and respectfully submit to the Court as follows:

I. PIPELINE MOTION

1. The Receiver filed *Receiver’s Motion to Confirm that the Receiver Has No Right, Obligation, or Interest to Operate the Palo Pinto Pipeline, or, In the Alternative, to Abandon Any Interest in the Palo Pinto Pipeline* [ECF No. 288] (the “Pipeline Motion”) on December 1, 2022.

2. On December 19, 2022, the RRC filed *Railroad Commission of Texas’ Unopposed Motion for Leave to File a Brief Amicus Curiae in Opposition to Receiver’s Motion to Confirm Reciver [sic] Has No Right, Obligation, or Interest to Operate the Palo Pinto Pipeline or, In the Alternative, to Abandon Any Interest in the Palo Pinto Pipeline* [ECF No. 298], which the Court granted in its December 20, 2022 *Order* [ECF No. 299]. On December 20, 2022, the Clerk’s Office of the United States District Court for the Northern District of Texas filed the *Railroad Commission of Texas’ Brief Amicus Curiae in Opposition to Receiver’s Motion to Confirm Reciver [sic] Has No Right, Obligation, or Interest to Operate the Palo Pinto Pipeline or, In the Alternative, to Abandon Any Interest in the Palo Pinto Pipeline* (the “RRC Amicus Brief”) on the

¹ Capitalized terms used but not otherwise defined shall have the meaning ascribed in the Receivership Order, the Pipeline Motion, or the Oil and Gas Abandonment Motion, as applicable.

docket in accordance with the Court's December 20, 2022 *Order* [ECF No. 299].
See ECF No. 300.

3. On February 9, 2023, the Court considered the Pipeline Motion, arguments of the Receiver's counsel and the RRC, admitted evidence of the Receiver, and took the Pipeline Motion under advisement.

4. On February 14, 2023, the Court entered an *Order* [ECF No. 333] directing the Receiver and the RRC to "consult by telephone and narrow the issues to be considered by the Court" regarding the Pipeline Motion on or before April 27, 2023. *See* ECF No. 333, at p. 1.

5. Since the entry of the Court's February 14, 2023 *Order*, the Receiver and her counsel have conferred via telephone and/or videoconference with the OAG on behalf of the RRC, including with Mr. Wesley Williams and Ms. Priscilla Hubenak, in an attempt to narrow the issues before the Court on the Pipeline Motion. The Receiver and the OAG have been unable to narrow or resolve the issues before the Court on the Pipeline Motion.

6. The RRC's position has not changed since the February 9, 2023 hearing, which is laid out in the RRC Amicus Brief.

7. The Receiver understands the RRC's position on the Pipeline Motion to be that this Court lacks authority to determine that Receivership Party Dodson Prairie Oil & Gas LLC is not the operator of record of the Palo Pinto Pipeline and has no obligations as an alleged operator of the Palo Pinto Pipeline. However, the Receiver does believe this Court can decide that, based upon the evidence admitted, Dodson Prairie does not meet the statutory criteria for treatment as the operator of the Palo Pinto Pipeline, and thus should not be responsible for correction of any alleged deficiencies or any efforts to properly abandon the Palo Pinto Pipeline.

II. OIL AND GAS ABANDONMENT MOTION

8. On December 16, 2022, the Receiver filed *Receiver's Motion for Authority to Abandon Interests in Oil and Gas Properties* [ECF No. 296] (the "Oil and Gas Abandonment Motion"). The Court set an in-person hearing on the Oil and Gas Abandonment Motion on May 4, 2023, at 1:30 p.m. Central. *See* ECF No. 333.

9. On April 20, 2023, the RRC filed *Railroad Commission of Texas' Unopposed Motion for Leave to File a Brief Supplemental Amicus Curiae in Opposition to Receiver's Motion to Abandon Interests in Oil and Gas Properties* [ECF No. 351], which is currently pending before the Court. A proposed supplemental brief of the RRC was attached to the RRC's April 20, 2023 unopposed motion for leave. *See generally* ECF No. 351-1.

10. Since the entry of the Court's February 14, 2023 *Order*, the Receiver and her counsel have conferred via telephone and/or videoconference with the OAG on behalf of the RRC, including with Mr. Wesley Williams and Ms. Priscilla Hubenak, in an attempt to narrow the issues before the Court on the Oil and Gas Abandonment Motion. The Receiver and the OAG have been unable to narrow or resolve the issues before the Court on the Oil and Gas Abandonment Motion.

11. The Receiver understands the RRC's position on the Oil and Gas Abandonment Motion to be that the Receiver must abandon the Oil and Gas Properties in compliance with Texas law, including all of the RRC's rules and regulations. Specifically, it is the Receiver's understanding that the RRC does not dispute that this Court can authorize the Receiver's abandonment of the Oil and Gas Properties and does not oppose the Receiver's request to abandon any Oil and Gas Properties; rather, the RRC believes the Receiver must also abandon the Oil and Gas Properties and comply with Texas law, rules, and regulations. However, the five (5)

Receivership Party Operators do not possess the assets with which to plug and abandon the wells on all of the Oil and Gas Properties in compliance with Texas law, rules, and regulations.

WHEREFORE, the Receiver respectfully requests that this Court issue a ruling on the Pipeline Motion in light of this Joint Status Report, and the Receiver will proceed on the Oil and Gas Abandonment Motion before the Court at the in-person hearing on May 4, 2023, at 1:30 p.m. Central.

Dated: May 1, 2023

Respectfully submitted,

By: /s/ Danielle Rushing Behrends

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CERTIFICATE OF SERVICE

I hereby certify that on May 1, 2023, the foregoing document was served via CM/ECF on all parties appearing in this Case, including counsel for Plaintiff, Securities and Exchange Commission.

/s/ Danielle Rushing Behrends
Danielle Rushing Behrends