

**RECEIVER’S SIXTH QUARTERLY REPORT FOR RECEIVERSHIP ESTATES
(JANUARY 1, 2023 – MARCH 31, 2023)**

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the “Receiver”) for the Receivership Parties (as defined in the Court’s December 2, 2021, *Order Appointing Receiver* [ECF No. 17] and receivership estates (collectively, the “Estates”) in the above-captioned case (the “Case” or “Receivership”), hereby files this *Receiver’s Sixth Quarterly Report for Receivership Estates* (the “Report”) for the period January 1, 2023, through March 31, 2023.¹ The *Order Appointing Receiver* [ECF No. 17] (the “Receivership Order”) requires the Receiver to file a report within thirty (30) days of the end of each calendar quarter. Reasonable efforts have been made to fairly and accurately summarize the current status of the Receivership but any summary, of necessity, will omit details. The Receiver will be available to attend a status conference or otherwise respond to the Court’s questions at the Court’s request.

I. OVERVIEW

1. During this Reporting Period (defined below), the Receiver engaged in a Court-approved process in an attempt to sell oil and gas interests, continued the process of obtaining executed division orders for various operators, identified and attempted to resolve issues with the Railroad Commission of Texas (“RRC”), and sold certain equipment through Court-approved procedures for private sales. Amounts owed for production to third parties unaffiliated with any Receivership Party continued to be identified and, upon delivery of a W-9 and a signed division order, payments were issued. Insurance was maintained, and the Receiver’s team sought replacement coverage, where necessary. Analysis has been substantially completed regarding amounts of the claims of the investors. Franchise tax returns have been filed for 2022.

¹ Capitalized terms used herein but not otherwise defined shall have the meaning ascribed in the Receivership Order.

2. The Receiver and her team had daily communications with investors and creditors.

3. At the beginning of the first quarter of 2023, the Receiver had \$10,009,033.15 on deposit. At the end of this Reporting Period (defined below), after payments of operating expenses and Court-approved fees and expenses, the amount on deposit was \$9,582,719.57. As of the filing of this Report (April 14, 2023), \$9,256,947.31 is in the Receivership bank accounts.

4. During the first quarter of 2023, the Receiver and her team have focused on the disposition of real property and personal property. The Receiver and her team continue to analyze various records relating to other potential assets and/or claims of the Estates.

II. BACKGROUND

5. On December 1, 2021, the Securities and Exchange Commission (the “Commission”) filed its *Emergency Motion for a Temporary Restraining Order and Emergency Ancillary Relief* [ECF No. 3] which included an application for the appointment of a receiver for the Receivership Parties.

6. On December 2, 2021, this Court determined that entry of an order appointing a receiver over the Receivership Parties was both necessary and appropriate to marshal, conserve, hold, and operate all of the Receivership Parties’ assets (the “Receivership Assets”) pending further order of this Court. Accordingly, the Court entered the Receivership Order on December 2, 2021, appointing Deborah D. Williamson as the Receiver over the Estates in this Case [ECF No. 17]. That same day, the Court entered the *Order for Temporary Restraining Order and Other Emergency Relief* [ECF No. 12] and the *Asset Freeze Order* [ECF No. 14].

7. Pursuant to the Receivership Order, the Receiver is charged with:

marshaling and preserving all the assets of the Defendants (the “Receivership Assets”) and those assets of the Relief Defendants that: (a) are attributable to funds derived from investors or clients of the Defendants; (b) are held in constructive trust for the Defendants; (c) were fraudulently transferred by the Defendants; and/or (d) may

otherwise be includable as assets of the estates of the Defendants (collectively, the “Recoverable Assets”).

Receivership Order, at 2.

8. Additionally, the Receivership Order provides:

Within thirty (30) days after the end of each calendar quarter, the Receiver shall file and serve a full report and accounting of each Receivership Estate (the “Quarterly Status Report”), reflecting (to the best of the Receiver’s knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Estates.

Receivership Order, ¶ 56.

9. The Quarterly Status Report is directed to contain the following:

- A. A summary of the operations of the Receiver;
- B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
- C. A schedule of all the Receiver’s receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of the receivership;
- D. A description of all known Receivership Property, including approximate or actual valuations, anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
- E. A description of liquidated and unliquidated claims held by the Receivership Estate, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and (ii) collecting such judgments);
- F. A list of all known creditors with their addresses and the amounts of their claims;
- G. The status of Creditor Claims Proceedings, after such proceedings have been commenced; and

- H. The Receiver's recommendations for a continuation or discontinuation of the receivership and the reasons for the recommendations.

Receivership Order, ¶ 57.

10. As stated above, the Receiver was appointed on December 2, 2021. The Receiver previously filed the *Receiver's First Quarterly Report for Receivership Estates* [ECF No. 126] for the period of December 2, 2021, through December 31, 2021. The *Receiver's Second Quarterly Report for Receivership Estates* [ECF No. 189] was filed May 2, 2022, covering the period of January 1, 2022, through March 31, 2022. The *Receiver's Third Quarterly Report for Receivership Estates* [ECF No. 242] was filed July 30, 2022, covering the period of April 1, 2022, through June 30, 2022. The Receiver's *Fourth Quarterly Report for Receivership Estates* [ECF No. 274] was filed October 31, 2022, covering the period of July 1, 2022, through September 30, 2022. The *Receiver's Fifth Quarterly Report for Receivership Estates* [ECF No. 320] was filed January 27, 2023, covering the period of October 1, 2022, through December 31, 2022. This Report covers the period of January 1, 2023, through March 31, 2023 (the "Reporting Period"). Certain information or activity subsequent to March 31, 2023, is included for context and/or completeness.

11. One or more of the Heartland-related Receivership Parties raised tens of millions of dollars in the form of short-term promissory notes and equity investments ultimately for the benefit of the various Defendants and/or the various Relief Defendants. The holders of those notes and equity investments are generally referred to as "creditors" and/or "investors" in this Report.²

² Any reference to "investor" is not intended to categorize or characterize any claim.

III. GENERAL OVERVIEW

12. The Receivership Parties were generally in the business of investing in, purchasing, operating, and producing oil and gas assets. Certain Receivership Parties also own (or owned) real estate and other property. The Receiver has continued to actively recover, inventory, and investigate assets and liabilities of the Receivership Estates. In prior quarters, the Receiver has taken possession of two aircraft, vehicles, multiple pieces of oil field and construction equipment, real property, Dallas Cowboy tickets, and hundreds of operating and non-operating wells. The Receiver has obtained and preserved hard and electronic data from multiple locations controlled by one or more Receivership Parties, their former counsel, and in Panama. The Receiver has also begun to analyze thousands of documents, including, but not limited to, oil and gas documentation, bank account statements, and document production from various parties in interest. The Receiver has worked with various counsel, including, but not limited to, her lead counsel, Dykema Gossett PLLC (“Dykema”), Rose Romero with Romero | Kosub, Darrell Jones and Eric Hillerman with the Law Practice of Darrell R. Jones, PLLC, and Reid Collins Tsai LLP (“Reid Collins”). The Receiver has also worked closely with Ahuja & Clark, PLLC (“A&C”) on tax, accounting, and tracing issues, and Vicki Palmour Consulting LLC (“Palmour”) on RRC regulatory and compliance issues. Many of the tasks performed by the Receiver apply equally to each of the Receivership Estates. Accordingly, the statements and reports contained within this Report should be read to apply equally to each of the Receivership Estates, except where specifically noted to apply to a specific Receivership Estate.

IV. REPORT

A. TAX ISSUES

13. On April 22, 2022, the Court entered an Order approving the *Application to Employ Ahuja & Clark, PLLC as Accountants to Receiver Effective as of April 1, 2022* [ECF No. 187].

A&C timely filed extensions for all federal income tax returns for 2022. During the Reporting Period, federal income tax returns for 2022 were being prepared by A&C for the Receivership Entities that had an obligation to file. During the Reporting Period, specific attention was given to recording the disposition of assets in each entity to account for the gain or loss for each sale. A&C assisted the Receiver and her counsel in responding to various notices from the Internal Revenue Service and state taxing authorities. In addition, A&C continued to provide support in answering the questions of investors related to Schedule K-1's, Partners Share of Income, Deductions, and Credits.

B. INSURANCE

14. During the Reporting Period, insurance was maintained, and, where necessary, replacement coverage was sought. The Receiver continues to receive additional information and documentation related to existing and/or lapsed coverage and will address and resolve accordingly.

C. CASH ON HAND/ADMINISTRATIVE EXPENSES

15. The Receiver has endeavored to pay all ordinary course administrative expenses, including, but not limited to: amounts related to utilities; field personnel; Contract Oil & Gas Operations LLC (“COGO”); court filing and recording fees; license fees, including, but not limited to, WolfePak; taxes; costs related to preparing properties for sale; transportation and towing fees; auction-related fees; and professional fees to Retained Personnel (to the extent allowed by the Court). The Receiver continues to be cost conscious while balancing the need to protect the value of Receivership Assets and the needs of creditors, investors, and other stakeholders.

D. PALO PINTO PIPELINE

16. On December 1, 2022, the Receiver filed her *Motion to Confirm 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 20,

2022, the RRC filed its *Railroad Commission of Texas' Brief Amicus Curiae in Opposition to Receiver's Motion to Confirm 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. 300]. In accordance with the Court's *Order*, on January 3, 2023, the Receiver filed *Receiver's Reply to Railroad Commission of Texas' Brief Amicus Curiae in Opposition to Receiver's Motion to Confirm 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. 307]. The Court set a hearing on the Pipeline Motion on February 9, 2023, at 1:30 p.m. Central. After the hearing, the Court entered its *Order* [ECF No. 333] (1) directing the Receiver and the RRC to consult by telephone and narrow the issues considered by the Court regarding the Pipeline Motion by April 27, 2023, and (2) directing the Receiver to file a Joint Status Report describing the results of their consultations and advising the Court of issues remaining for determination by May 2, 2023.

E. RECEIPTS AND DISBURSEMENT

17. During the Reporting Period, the Receiver deposited \$8,180,853.36, relating to sale of assets, production from oil and gas properties, interest, and other sources. As required by the Receivership Order, a Receipts and Disbursements chart is attached hereto as **Exhibit A**.

F. RECEIVERSHIP PROPERTY

a. ESI and Documents

18. Dykema created and continues to update a Relativity Epiq platform to store scanned and/or imaged documents so that the documents can be easily reviewed, tagged, and organized for optimal efficiency. Various Retained Personnel utilize this platform on a routine basis related to their scope of work.

b. Real Estate

19. As previously reported, immediately upon being appointed, the Receiver took possession of or obtained access to certain locations, including the Heartland office located in Fort Worth, Texas; the Barron Petroleum LLC (“Barron Petroleum”), Leading Edge Energy LLC (“Leading Edge”), Dallas Resources Inc. (“Dallas Resources”), and ArcoOil Corp. (“ArcoOil”) offices in Graham, Texas, as well as the Graham yard; an office and storage location in Electra, Texas (the “Electra Office”); the ranch in Eldorado, Texas (previously occupied by Defendant Manjit Singh (aka Roger) Sahota (“Roger”), his wife, Relief Defendant Harprit Sahota (“Harprit”), and his son, Relief Defendant Monroe Sahota (“Monrose”)) (the “Dallas Resources Ranch”); the home in San Angelo, Texas, owned by Dallas Resources (previously occupied by Relief Defendant Sunny Sahota (“Sunny”) and his family, which was sold before this Reporting Period); and a ranch located off FM 919 in Palo Pinto County, Texas (the “Palo Pinto Ranch”), owned by Receivership Party Dallas Resources, which was sold before this Reporting Period.

i. Dallas Resources Ranch

20. The Dallas Resources Ranch is a “ranch” located in Eldorado, Texas, which is owned by Dallas Resources and was occupied by Roger, Harprit, Monrose, and the wife of Monrose until July 31, 2022. To date, the Receiver has incurred \$900.00 in costs related to preparing the Dallas Resources Ranch for sale. The Receiver also sold 167 goats and sheep for a net payment of \$9,516.35. At least 12 sheep and 1 goat remain grazing at the Dallas Resources Ranch. The Receiver continues to market the Dallas Resources Ranch for sale.

ii. Bahamas Properties

21. There are at least two (2) properties in the Bahamas (and potentially a third, or an option, piece of property).³ Funds related to the acquisition of the Bahamian properties (and/or the option) can be traced to a Receivership Party. Sunny testified that title to two of the properties were in his name and his brother's name. Roger asserted in one or more pleadings that "the Sahotas" acquired the Bahama properties. The Receiver has requested that the Sahota-related parties cooperate in transferring control and title to the Receiver. To date, the Sahotas have not done so.

iii. Guatemala Properties

22. The Receiver understands that there may be Receivership Assets in Guatemala. Upon information and belief, one or more of the Heartland Parties spent more than \$490,000.00 on investments in jade and land in Guatemala where jade can allegedly be mined.

iv. Graham Property

23. There is a property located in Graham, Texas, which appeared to be owned by Receivership Party 1178137 B.C. LTD. ("1178137 B.C. LTD."), which is a Canadian entity. The Receiver has not identified any liens against the Graham Property. The Receiver has incurred \$1,000.00 to date in costs related to preparing the Graham Property for sale. On January 12, 2023, the Receiver entered into a contract to sell the Graham Property "as is" for \$186,500.00, subject to higher offers [ECF No. 313]. Shortly thereafter, the Receiver received additional offers and accepted the highest and best offer of \$240,000.00 for the Graham Property. On January 31, 2023, the Receiver entered into a contract to sell the Graham Property with 5 Lane Ranch LLC, which included a closing date of February 28, 2023. While performing due diligence on the Graham

³ <https://www.vrbo.com/2266040>.

Property, the Receiver discovered that on August 1, 2022, the Graham Property was transferred by Roger, on behalf of ArcoOil, to 1178137 B.C. LTD. On March 14, 2023, the Receiver filed the *Receiver's Expedited Motion (1) to Avoid Fraudulent Transfer; (2) to Grant Receiver Authority to Transfer Real Property; and (3) for Expedited Hearing* (the "Motion to Transfer") [ECF No. 341]. The Motion to Transfer sought authorization to avoid the fraudulent transfer from ArcoOil to 1178137 B.C. LTD. and transfer the Graham Property back to ArcoOil. On April 6, 2023, the Court entered its *Order* granting the Motion to Transfer [ECF No. 347]. The sale of the Graham Property closed on April 14, 2023, and the Receiver anticipates approximately \$209,000.00 will be received in net proceeds to the Estates.

v. Electra Property

24. The Electra office and yard (the "Electra Property") is located in Electra, Wichita County, Texas, and is owned by Dallas Resources. The Receiver has confirmed that there are no amounts owed on the Electra Property. To date, the Receiver has incurred \$1,000.00 in costs related to preparing the Electra Property for sale. During the Reporting Period, the Receiver also obtained storage lease space for storage of well files in Electra. The Receiver continues to market the Electra property for sale.

c. *Oil and Gas Properties*

25. There are hundreds of wells located across multiple leases in Texas. The oil and gas assets are not as valuable as the investors were led to believe. During this Reporting Period, the Receiver and her advisors have continued to spend extensive amounts of time addressing issues raised by the RRC, landowners, and other parties.

i. General Operations

26. General operation of the oil and gas properties included identification of operational issues and remediation of said issues. The Receiver and her team managed oil and gas revenue

and expenses, generated monthly lease operating statements, and distributed royalties on a timely basis. The Receiver and her team continued conversations with Caballo Loco Midstream (“Caballo”). Caballo purchased a gas pipeline, the Wolverine CDP, from DCP Operating Company, LP in August 2022. Caballo is now the purchaser of all gas produced from the Schleicher County oil and gas properties. Since August 2022, the gas purchased by Caballo from the Receivership was on a month-to-month basis. The Receiver and her team did not want to commit the next operator to any contracts the new owner was involved in negotiating. Caballo communicated that a \$0.75/mcf penalty would be imposed starting May 1, 2023, for gas purchased without a long-term contract. Negotiations were initiated with Caballo and the new operator, pending P-4 transfers, Bob Hughes Oil Company. The Receiver and her team are hopeful the negotiations will ensure a gas contract is in place by the end of April 2023.

27. The Receiver and her team addressed landowner, working interest, and royalty owner issues related to oil and gas operations on various properties. The issues varied from property access to revenue distribution questions. Communications were maintained and issues were resolved in a timely manner.

ii. General Compliance

28. The Receiver and her counsel reviewed a constant stream of RRC violation notices, many of which circumstances existed before the appointment of the Receiver. The Receiver’s team immediately addressed violations and communicated with RRC staff, as necessary, to maintain P-5s for all applicable Receivership Parties.

29. The Receiver hired a contractor to shoot the fluid levels required for H-15 compliance. The contractor worked with the Receiver’s field staff to access the subject wells and

collected approximately 23 fluid levels and reported these to the Receiver's field staff. Based on these reports, the Receiver and her team submitted H-15 reports to the RRC to achieve compliance.

iii. Legal Compliance/Cleanups

30. As stated in the last quarterly report, the Receiver and her team mobilized field resources to cleanup issues identified by the RRC in Val Verde and Crockett counties in December 2022. The Receiver's oil and gas counsel personally traveled to the field to assess the results of the cleanup efforts and the probability of achieving regulatory compliance. In addition, counsel met with the landowners' spokesman to discuss the satisfaction with the Receiver's progress and reported to the Receiver that no complaints were made. As of March 31, 2023, the Receiver is waiting for the RRC field representative to reinspect the subject properties, indicate the Receiver has addressed all violations, and release/close the subject enforcement actions.

iv. Environmental Violation Cleanups

31. The Receiver and her team mobilized field resources to clean up the issues identified by the RRC and landowners during the Reporting Period. There were no administrative settlement payments associated with these cleanups. During the Reporting Period, the Receiver has spent approximately \$22,000.00 to clean up the violations in Crockett, Val Verde, Palo Pinto, and Hardeman counties. The cleanup tasks included, but were not limited to:

- a. Mobilize dirt work contractor and equipment to empty, fill, and smooth four open workover pits that predate the Receivership;
- b. Scrape contaminated dirt from legacy oil releases and cover the impacted areas with clean dirt; and
- c. Cut and haul away the vegetation in the tank batteries.

v. EnergyNet Auction

32. The Court-approved EnergyNet.com, LLC ("EnergyNet") auction on the eight (8) lots was open to bidders from September 8, 2022 to September 15, 2022. Five (5) EnergyNet lots

had winnings bidders at the end of the online auction. This resulted in \$581,300.00 of proceeds being paid to the EnergyNet escrow account. These proceeds will be transferred to the Receiver upon the RRC's approval of P-4 transfers. Once approved by the RRC, the P-4 transfer paperwork will shift responsibility and authority to produce to another oil and gas operator. EnergyNet sent P-4 transfers to the RRC for all sold lots. The RRC approved the P-4 transfer for the EnergyNet lot located in Schleicher County on March 31, 2023. The Receiver and her team are preparing the post-closing statement for the buyer Bob Hughes Oil Company. The post-closing statement will present the net amount due to or owed by Bob Hughes Oil Company from the effective date of July 1, 2022 through March 31, 2023. The Receiver and her team are still awaiting the approval of the P-4 transfers for the other four lots that were sold. The Receiver and her team have had constant communication with the RRC regarding P-4 transfer status. The Receiver and her team have been in constant communication with the operators that purchased lots in September 2022 about timing on the RRC's approval of P-4 transfers.

33. As of this Reporting Period, the Receiver and her team are still working towards transferring the remaining wells out of the Receivership Entities. The Receiver and her team have been in negotiations with potential buyers for the three (3) remaining EnergyNet lots. The remaining lots include 168 wells located across three (3) counties. The Receiver expects proceeds of the remaining three (3) lots to be less than \$10,000.00. If the RRC approves transfers of the relevant P-4s, buyers of these lots will assume plugging and abandonment obligations. If negotiations are successful, the EnergyNet sales process will release the Receivership of operational responsibility from all wells located in the eight (8) lots.

34. On December 16, 2022, the Receiver filed her *Motion for Authority to Abandon Oil and Gas Properties* [ECF No. 296] (the "Oil and Gas Abandonment Motion"), seeking approval

to abandon oil and gas properties where the RRC has not approved transfer of the related P-4 within a reasonable period of time. The Receiver and her team continue to work with the RRC to narrow the issues presented in the Oil and Gas Abandonment Motion, which the Court set for hearing on May 4, 2023, at 1:30 p.m. Central.

35. In support of the Oil and Gas Abandonment Motion, the Receiver and her team solicited plugging proposals from contractors interested in plugging 100 of the wells located in Palo Pinto County. All plugging work would comply with RRC regulations and standards. One plugging proposal was received on March 31, 2023. The Receiver is seeking additional plugging proposals.

vi. Val Verde Basin Lease and Farmout

36. As stated in the last quarterly report, on December 16, 2022, the Receiver filed her *Expedited Motion for Approval of Modified Farmout Agreement* [ECF No. 293], seeking approval of a modified agreement with SDMB Resources LLC (“SDMB”), as farmee (the “Second Farmout Motion”). On December 22, 2022, the Court entered its *Order* [ECF No. 304] approving the Second Farmout Motion. The transaction is thought to be value-accretive to the Receivership Estates and is risk-reducing and cost-saving in terms of future and contingent liabilities that were previously materially understated (or misapprehended). The Receiver and her team had conversations with David Underwood, the principal of SDMB, to stay abreast of field activities, compressor availability, and daily production volumes. SDMB informed the Receiver that it procured evidence of insurance on January 17, 2023, and is in the process of satisfying the terms of the lease extension. During the Reporting Period, there has been some modest amount of production, but there are issues regarding consistent compression and access to compressors, which the Receiver understands is prohibiting further production.

vii. Palo Pinto Pipeline Audit/Responsibility Determination

37. The Receiver and her counsel communicated with the Oversight & Safety Division of the RRC regarding a Palo Pinto County, Texas, T-4 permitted pipeline, which is known to the RRC as the C.B. “A” Long 1, 4” gas transmission/gathering system (the “Pipeline”). The Receiver and her counsel continued conversations with RRC personnel regarding historic compliance issues associated with the pipeline. The RRC continues to assert that Dodson Prairie is responsible to correct longstanding violations associated with the Pipeline that predated the Receivership.

38. The Receiver and her counsel began conversations with a third party to evaluate their interest in taking over parts of the Pipeline. Management of that third party met with the Receiver’s field staff and evaluated system condition and communicated their intent to move forward with a partial T-4 permit transfer.

39. The Receiver and her counsel began conversations with local Palo Pinto County operators to evaluate their interest in taking over certain Palo Pinto County oil and gas properties. Some of the operators expressed interest in taking over certain Palo Pinto County wells. However, their interest was dependent on reactivation of certain sections of the Pipeline.

viii. Palmour Accounting and Regulatory Work

40. During the Reporting Period, Palmour continued responding to regulatory and governmental reporting requirements of the RRC on the above listed items. Palmour continues to analyze and provide reports to various governmental agencies, including, but not limited to, Texas Workforce Commission, Texas Comptroller of Public Accounts, and the RRC. Palmour continues to process division orders for royalty owners. Palmour also manages WolfePak, an oil and gas software, for the various Receivership Party operators in order to manage revenue and joint interest billing responsibilities. Integral to Palmour’s revenue distribution responsibilities was the

distribution of royalty income owed to third party or unaffiliated royalty owners. Palmour discussed and researched royalty owner status with various oil and gas purchasers and COGO to secure past oil and gas statements to confirm royalty payments were current and, importantly, accurate.

41. The Receiver's team evaluated numerous regulatory non-compliance notices and related issues stemming from deficient regulatory reporting and record keeping by the Receivership Parties. These situations are being actively addressed and corrective actions determined, and where possible, enacted. Similarly, numerous requests and complaints from aggrieved third parties and landowners/royalty owners arising from prior operations and commercial transactions were evaluated and managed. Regulatory compliance and management is actively ongoing (including curative actions), and includes, but is not limited to:

- a. Review daily mail, e-mails, etc. from RRC regarding violations, including field or filing violations;
- b. Research methods to resolve violations in the most economic manner while taking care of any and all pollution problems;
- c. Weekly conference calls with the Receiver and her team regarding operations and compliance;
- d. File current and corrected production reports for November 2022, December 2022, and January 2023 for Barron Petroleum, ArcoOil, Leading Edge, Panther City, and Dodson Prairie;
- e. Prepare and file monthly P-18s (Skim Oil/Condensate Report) on Parmer SWD Facility;
- f. Gather info and compile cost calculation spreadsheet on inactive wells for Barron Petroleum, ArcoOil, Leading Edge, Panther City, and Dodson Prairie;
- g. Research, review, and compile spreadsheet on current violations and severances for Barron Petroleum, ArcoOil, Leading Edge, Panther City, and Dodson Prairie;

- h. Research Heartland wells on Palo Pinto Bond Company, LLC's pipeline and provide the date of last production, as well as additional work on pipeline plat and spreadsheet;
 - i. File W-10s (Oil Well Status Report) and G-10s (Gas Well Status Report) on various wells;
 - j. Draw plats and file application for Groundwater Protection Determination from the Groundwater Advisory Unit for Barron Petroleum, ArcoOil, Leading Edge, Panther City, and Dodson Prairie;
 - k. reports and File H-10s (Annual Report of Water Injected into Wells) on various injection wells;
 - l. File H-15s (Fluid Level Test Report) for various Dodson Prairie and Panther City wells;
 - m. Review, gather info, and file quarterly Form CI-D's (Acknowledgment of Critical Customer/Critical Gas Supplier Designation) for qualifying wells to RRC; and
 - n. Prepare owner interest transfers and division orders on various wells.
42. Some of the actions the Receiver and her team took included:
- a. Operation of oil and gas properties, including identification of operational issues and remediation of same;
 - b. Researched and reported on pre- and post-receivership production taxes due from Sutton, Val Verde, Schleicher, and Palo Pinto counties gas production;
 - c. Completed production reporting on behalf of Barron Petroleum. The RRC severed the ability to sell hydrocarbon from many of the Schleicher County leases that were deficient on regulatory reporting. Reports were filed and Barron Petroleum was deemed compliant related to Schleicher County production reporting issues;
 - d. Completed water production and injection reporting on behalf of Barron Petroleum. The RRC issued a notice requiring reporting of water production from Schleicher County leases and injection volumes disposed into the Parmer SWD facility. Reports were filed, and Barron Petroleum was deemed compliant related to Schleicher County water production/injection reporting issues;
 - e. Completed production reporting on behalf of Leading Edge. The RRC severed the ability to sell hydrocarbon from the Wichita County leases that were deficient on regulatory reporting. Reports were filed, and Leading Edge was deemed compliant related to production reporting issues;

- f. Worked with the RRC Wichita County field inspector to remediate issues from Dodson Prairie-operated lease in Palo Pinto County;
- g. Completed production reporting on Val Verde County wells on behalf of Barron Petroleum. The RRC indicated pending compliance penalties for deficient production reporting. Reports were filed, and Barron Petroleum was deemed compliant related to Val Verde County production reporting issues;
- h. Critical infrastructure reports were completed as required by the RRC;
- i. Prepared and filed various reports with the RRC; and
- j. Calculated royalties and other amounts due to third parties.

d. Jade and other Personal Property

43. The Receiver has seized and is safely storing 447 individual pieces of jade (some are worked into pieces of art, while some are in their natural state). Upon information and belief, the jade is from Guatemala. The Receiver has photographed and inventoried the jade but has no opinion as to the value. The Receiver's counsel recently met with an auctioneer and is in the process of preparing the jade to be sold at auction. The Receiver also seized watches and some items of jewelry. The Receiver has no opinion as to value of the watches and jewelry, and the Receiver's counsel is working with an auctioneer to prepare these items to be sold at auction.

44. On June 9, 2022, the Court granted the Receiver's *Motion for Order Governing Procedures for the Sale or Abandonment of Personal Property and Brief in Support* [ECF No. 217]. In accordance with those procedures, the Receiver has filed her *Notice of Intended Disposition* for personal property she has abandoned [ECF Nos. 338 and 339]. Additional notices will be filed by the Receiver in accordance with the Court-approved auction procedures.

e. Equipment and Vehicles

45. As of the filing of this Report, the Receiver believes she has disposed of nearly all equipment and vehicles owned by any Receivership Party which have any recoverable value.

There were a small number of sales of miscellaneous equipment/vehicles during the Reporting Period.

G. CLAIMS HELD BY RECEIVERSHIP PARTIES

46. Reid Collins has been engaged to prosecute certain claims held by one or more Receivership Parties [ECF Nos. 249, 260, and 261].

H. KNOWN CREDITORS

47. The Receiver is aware of “recurring charges” creditors, such as internet service providers, utilities, and telephone services. The Receiver has taken steps to terminate these services, if appropriate, and determine the final amount/number of claims of those service providers.

48. The Receiver is compiling a list of known individuals who are creditors and/or investors in the Receivership Parties (or one of its investment vehicles). The Receiver has not independently verified that each entity listed in these records is, in fact, a creditor or investor, or the amount invested. However, according to the records located by the Receiver, there are approximately 997 investors that loaned or invested a total of approximately \$122 million to one or more of the Receivership Parties (and its related investment vehicles), exclusive of any “roll overs.” The Receiver is in the process of verifying the names of the investors. A&C has substantially completed verification of the amount each has invested or otherwise advanced.

49. Since her appointment, the Receiver received thousands of phone calls, voicemails, and emails from investors, employees, and other interested parties. The Receiver set up an informational website and a dedicated email address for the Case: www.heartlandreceivership.com. The Receiver continually updates the website with investor communications, “frequently asked questions,” key court documents, notices, and reports.

50. On October 25, 2022, John Rogers filed his *Motion to Lift Stay* (the “Stay Motion”) [ECF No. 272], asking the Court to lift the stay so he may pursue his cause of action against ArcoOil in state court. On November 15, 2022, the Receiver filed her *Receiver’s Objection to Movant, John Rogers’s Motion to Lift Stay* [ECF No. 279]. On February 10, 2023, the Court entered an Order directing John Rogers and the Receiver to file supplemental briefing [ECF No. 331]. On February 17, 2023, John Rogers filed his *Movant John Rogers’ Brief in Support of Movant Motion to Lift Stay* [ECF No. 336]. On February 24, 2023, the Receiver filed her *Receiver’s Response to Movant, John Rogers’s Brief in Support of Movant’s Motion to Lift Stay* (the “Receiver’s Response”) [ECF No. 337]. The Stay Motion and the Receiver’s Response remain pending before the Court.

51. The Receiver has not yet asked the Court to approve creditor claim procedures. On December 20, 2022, the Receiver filed the *Receiver’s Application to Employ Bankruptcy Management Solutions Inc. d/b/a Stretto as Claims Disbursement Agent* [ECF No. 302], which the Court approved on February 9, 2023 [ECF No. 331]. The Receiver does anticipate requesting approval of creditor claim and distribution procedures at a time that the Court feels is appropriate.

I. ADMINISTRATIVE ACTIONS

52. As stated above, a website has been created to provide information to investors and creditors regarding the status of the Case: www.heartlandreceivership.com. A FAQ section is on the website, which should answer the most common questions related to the Case. The FAQs, along with the other sections of the website, allow the Receiver to quickly, inexpensively, and broadly convey information regarding the Case. The Receiver has and will continue to update the website on a rolling basis as information becomes available. Information regarding real property

sales and private sale or auctions of personal property will also be posted to the website on the Notices page.

53. An email address has been created for direct communication by investors and other parties in interest: heartlandreceivership@dykema.com. The email address was initially being monitored by attorneys at Dykema but is now primarily being monitored by a paralegal, who forwards those emails that require the attention of the Receiver or a Dykema attorney.

J. RECEIVER'S RECOMMENDATIONS

54. While the Receiver has recovered control of readily identifiable assets and operations, begun her diligence of identifying additional assets and liabilities, and liquidated certain real and personal property, it is too soon to make a final recommendation as to how the Estates should be resolved. The Receiver has continued the process of liquidating assets, subject to this Court's approval. Accordingly, the Receiver recommends that the Case continue to allow the Receiver additional time to locate and/or monetize Receivership Assets, evaluate what claims or causes of action can be asserted, and develop a recommendation to maximize the recovery for investors and creditors.

Dated: April 14, 2023.

Respectfully submitted,

By: /s/ Danielle Rushing Behrends

Danielle Rushing Behrends
State Bar No. 24086961
dbehrends@dykema.com
DYKEMA GOSSETT PLLC
112 East Pecan Street, Suite 1800
San Antonio, Texas 78205
Telephone: (210) 554-5500
Facsimile: (210) 226-8395

and

Rose L. Romero
State Bar No. 17224700
Rose.Romero@RomeroKozub.com
LAW OFFICES OF ROMERO | KOZUB
235 N.E. Loop 820, Suite 310
Hurst, Texas 76053
Telephone: (682) 267-1351

COUNSEL TO RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on April 14, 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

EXHIBIT A

RECEIPTS AND DISBURSMENTS

	Current Period (1/1/2023 - 3/31/2023)	Cumulative
1. CASH AT BEGINNING OF PERIOD	\$ 10,009,033.15	
2. RECEIPTS		
<i>*3898 IBC Account</i>		
01/09/23 Deposit from Caballo Loco Midstream	\$ 7,682.78	
01/10/23 Deposit from Gulf Coast Gas Gathering, LLC	\$ 2,792.08	
01/18/23 Deposit - Refund of taxes paid	\$ 76.95	
02/03/23 Deposit from Caballo Loco Midstream	\$ 4,428.75	
02/10/23 Deposit from Gulf Coast Gas Gathering, LLC	\$ 2,412.34	
03/06/23 Deposit from Caballo Loco Midstream	\$ 4,277.63	
Total Deposits to *3898	\$ 21,670.53	\$ 777,273.97
<i>*3863 IBC Account</i>		
01/20/23 Deposit from SDMB Resources	\$ 50,000.00	
01/23/23 Deposit from SDMB Resources	\$ 50,000.00	
02/02/23 Deposit - Bank account turnover	\$ 37,803.48	
02/21/23 Deposit - Class Action Settlement Check	\$ 3.47	
02/22/23 Deposit - Equipment sale proceeds	\$ 7,730.74	
02/27/23 Deposit - Class Action Settlement Check	\$ 13.86	
03/20/23 Deposit - Photocopy Fee Refunds	\$ 344.00	
03/30/23 Deposit - Insurance refund	\$ 30.02	
Total Deposits to *3863	\$ 145,925.57	\$ 12,664,937.43
<i>*7536 IBC Account (#)</i>		
02/14/2023 Deposit - Open Account	\$ 0.01	
02/21/2023 Transfer from *3863: \$100.00		
Total Deposits to *3863	\$ 0.01	\$ 0.01
<i>*1565 Western Alliance Account (#)</i>		
03/03/2023 Transfer from *3863: \$8,000,000.00		
03/31/23 Interest	\$ 13,157.25	
	\$ 13,157.25	\$ 13,157.25
3. TOTAL RECEIPTS	\$ 180,753.36	\$ 13,455,368.66
4. TOTAL CASH AVAILABLE FOR OPERATIONS (Line 1 + Line 3)	\$ 10,189,786.51	
5. DISBURSEMENTS		
<i>*3898 IBC Account</i>		
01/03/23 Check #1573 to Texas State Comptroller - Taxes - Oil & Gas	\$ 10.71	
01/03/23 Check #1574 to Texas State Comptroller - Taxes - Oil & Gas	\$ 9.35	
01/04/23 Check #1566 to Palo Pinto County Tax Office - Taxes - Oil & Gas	\$ 2,402.92	
01/04/23 Check #1568 to Thiry Parmer Neill - Settlement Payments	\$ 1,600.00	
01/04/23 Check #1570 to Patsy Parmer Phinney - Settlement Payments	\$ 800.00	
01/05/23 Check #1569 to Gary Wilson Parmer - Settlement Payments	\$ 800.00	
01/11/23 Check to Platinum Vapor Control, LP	\$ 3,003.00	
01/12/23 Check to United Coop Services	\$ 444.17	
01/12/23 Check to MDC Southwest Electric	\$ 4,655.87	
01/18/23 Check to Jacam Catalyst	\$ 971.85	
01/19/23 Check to Core Chemical Services	\$ 854.00	
01/23/23 Check to BML, INC	\$ 5,780.73	
01/23/23 Check to BML, INC	\$ 2,924.94	
01/23/23 Check to BML, INC	\$ 1,775.71	
01/24/23 Check to Palo Pinto County Tax Office	\$ 29.33	
01/24/23 Check to Palo Pinto County Tax Office	\$ 195.01	
01/24/23 Check to Palo Pinto County Tax Office	\$ 65.00	

RECEIPTS AND DISBURSMENTS

	Current Period (1/1/2023 - 3/31/2023)	Cumulative
01/25/23 Check to Texas State Comptroller	\$ 579.93	
01/25/23 Check to Texas State Comptroller	\$ 8.36	
01/25/23 Check to Texas State Comptroller	\$ 7.29	
01/31/23 Check to Gulf Coast Gas Gathering, LLC	\$ 464.73	
02/03/23 Check to Platinum Vapor Control, LP	\$ 3,003.00	
02/03/23 Check to Clegg Ranch Enterprised, Ltd	\$ 1,250.06	
02/07/23 Check to MDC Southwest Electric	\$ 4,159.87	
02/13/23 Check Card to United Coop Services - Utilities	\$ 443.58	
02/13/23 Check #1588 to BML, INC - Royalty Expense	\$ 1,023.39	
02/15/23 Check #1591 to 31 Group - Royalty Expense	\$ 233.12	
02/15/23 Check #1594 to Black Stone Minerals Co, LP - Royalty Expense	\$ 39.50	
02/15/23 Check #1603 to Hayden Oil LP - Royalty Expense	\$ 86.72	
02/17/23 Check #1619 to Sabine Royalty Trust - Royalty Expense	\$ 26.25	
02/21/23 Check #1589 to Bene T Henderson - Royalty Expense	\$ 100.19	
02/21/23 Check #1600 to Diana C. Condra - Royalty Expense	\$ 39.87	
02/21/23 Check #1604 to James M. Condra Shelter Trust - Royalty Expense	\$ 39.87	
02/21/23 Check #1607 to John Jacobs - Royalty Expense	\$ 35.50	
02/21/23 Check #1611 to Kristen Shurley - Royalty Expense	\$ 155.66	
02/22/23 Check #1593 to Randy Andrews - Royalty Expense	\$ 805.46	
02/22/23 Check #1601 to D Kirk Edwards - Royalty Expense	\$ 78.02	
02/23/23 Check #1602 to Glover Properties Inc. - Royalty Expense	\$ 26.43	
02/24/23 Check #1595 to Broughton Petroleum, Inc. - Royalty Expense	\$ 72.53	
02/24/23 Check #1612 to Lanroy Inc. - Royalty Expense	\$ 99.64	
02/27/23 Check #1598 to E3 Land & Minerals - Royalty Expense	\$ 28.27	
02/27/23 Check #1621 to Texas State Comptroller - Taxes - Oil & Gas	\$ 2.24	
02/27/23 Check #1622 to Texas State Comptroller - Taxes - Oil & Gas	\$ 1.96	
02/27/23 Check #1623 to Texas State Comptroller - Taxes - Oil & Gas	\$ 335.19	
02/28/23 Check #1624 to Gaton Energy Resources, LLC - Royalty Expense	\$ 2,200.00	
03/01/23 Check #1606 to Joe Bill Watkins - Royalty Expense	\$ 38.89	
03/01/23 Check #1610 to Kayla S. Davidson - Royalty Expense	\$ 147.31	
03/01/23 Check #1625 to Gulf Coast Gas Gathering, LLC - Operating Expenses	\$ 500.00	
03/06/23 Check #1592 to Andrew Oil & Gas Partnership - Royalty Expense	\$ 50.99	
03/08/23 Check #1608 to JR McGinley Jr Recovable Trust - Royalty Expense	\$ 61.35	
03/08/23 Check #1615 to Mark F Shurley - Royalty Expense	\$ 253.37	
03/08/23 Check #1616 to Mark Shurley Trustee - Royalty Expense	\$ 160.63	
03/08/23 Check #1626 to Platinum Vapor Control, LP - Operating Expenses	\$ 3,003.00	
03/10/23 Check #Check Card to MDC Southwest Electric - Utilities	\$ 4,338.38	
03/10/23 Check #1541 to Juanita Shurley - Royalty Expense	\$ 251.94	
03/10/23 Check #1609 to Juanita Shurley - Royalty Expense	\$ 165.05	
03/13/23 Check #Check Card to United Coop Services - Utilities	\$ 441.83	
03/13/23 Check #1620 to Suzanne Huddleston - Royalty Expense	\$ 302.45	
03/13/23 Check #1628 to Jacam Catalyst - Operating Expenses	\$ 971.85	
03/14/23 Check #1627 to BML, INC - Royalty Expense	\$ 988.49	
03/16/23 Check #1599 to Cleroy Inc. - Royalty Expense	\$ 81.97	
03/17/23 Check #1630 to Railroad Commission of Texas - Business Licenses and Permits	\$ 1,250.00	
03/20/23 Check #1632 to Greco Services - Cleanup Services	\$ 1,245.04	
03/21/23 Check #1631 to Smith Construction Bonding - Professional Fees	\$ 2,600.00	
03/24/23 Check #1597 to Caron Ducote - Royalty Expense	\$ 31.45	
03/27/23 Check #1633 to Texas State Comptroller - Taxes - Oil & Gas	\$ 3.47	
03/27/23 Check #1634 to Texas State Comptroller - Taxes - Oil & Gas	\$ 2.95	
03/28/23 Check #1618 to Richard J. Trabulsi Jr. - Royalty Expense	\$ 38.95	
03/28/23 Check #1635 to Gulf Coast Gas Gathering, LLC - Operating Expenses	\$ 96.06	
03/29/23 Check #1629 to Juanita Shurley - Royalty Expense	\$ 1,079.43	
03/29/23 Check #1637 to Texas State Comptroller - Taxes - Oil & Gas	\$ 29.13	

RECEIPTS AND DISBURSMENTS

	Current Period (1/1/2023 - 3/31/2023)	Cumulative
03/29/23 Check #1638 to Texas State Comptroller - Taxes - Oil & Gas	\$ 45.29	
03/29/23 Check #1639 to Texas State Comptroller - Taxes - Oil & Gas	\$ 36.55	
03/30/23 Check #1636 to Railroad Commission of Texas - Business Licenses and Permits	\$ 1,250.00	
Total Disbursements to *3898	\$ 61,135.04	\$ 440,912.29
<i>*3863 IBC Account</i>		
01/03/23 Check Card to Ranch House Storage - Storage	\$ 85.00	
01/03/23 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
01/04/23 1222 to Ahuja & Clark, PLLC - Accounting	\$ 292,386.60	
01/04/23 1229 to Green Mountain - Utilities	\$ 246.03	
01/05/23 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
01/06/23 1230 to Val Verde County Clerk - Filing Fees	\$ 54.00	
01/13/23 Wire to United States Treasury - Taxes - Other	\$ 165,000.00	
01/18/23 1233 to City of Electra - Utilities	\$ 46.12	
01/19/23 1235 to Bobby Cato - Auction/Property Sale Expenses	\$ 2,250.00	
01/19/23 1238 to A9 Oilfield Services LLC - Contract Pumper	\$ 12,830.00	
01/19/23 1239 to A9 Oilfield Services LLC - Contract Pumper	\$ 3,000.00	
01/19/23 1240 to A9 Oilfield Services LLC - Contract Pumper	\$ 13,575.00	
01/20/23 Check Card to State Farm Insurance - Insurance Expense	\$ 192.08	
01/20/23 Check Card to State Farm Insurance - Insurance Expense	\$ 474.15	
01/20/23 1234 to Lawson Land Surveying - Professional Fees	\$ 1,082.50	
01/23/23 Check Card to TXU Energy - Utilities	\$ 32.78	
01/25/23 1231 to Aaron W. Erwin, Jr. - Contract Pumper	\$ 450.00	
01/25/23 1236 to Sign's Unlimited - Printing and Reproduction Fees	\$ 355.28	
01/25/23 1237 to Sign's Unlimited - Printing and Reproduction Fees	\$ 48.71	
01/30/23 Check Card to Fort Belknap Water Supply - Utilities	\$ 606.71	
01/30/23 ACH to Green Mountain - Utilities	\$ 764.22	
01/31/23 1242 to A9 Oilfield Services LLC - Contract Pumper	\$ 6,675.00	
02/01/23 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
02/02/23 Check Card to Ranch House Storage - Storage	\$ 85.00	
02/02/23 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
02/03/23 1241 to Contract Oil & Gas Operations LLC - Operating Expenses	\$ 7,963.00	
02/07/23 Check Card to City of Electra - Utilities	\$ 39.64	
02/09/23 1243 to K&K Motors - Other Income	\$ 900.00	
02/15/23 1244 to A9 Oilfield Services LLC - Contract Pumper	\$ 3,000.00	
02/21/23 Check Card to TXU Energy - Utilities	\$ 31.40	
02/23/23 1245 to Contract Oil & Gas Operations LLC - Operating Expenses	\$ 14,987.64	
02/23/23 1247 to Baize Self Storage - Storage	\$ 43.91	
02/24/23 Check Card to State Farm Insurance - Insurance Expense	\$ 192.08	
02/24/23 Check Card to State Farm Insurance - Insurance Expense	\$ 508.84	
02/27/23 Check Card to Fort Belknap Water Supply - Utilities	\$ 45.77	
02/28/23 1248 to Green Mountain - Utilities	\$ 802.21	
03/02/23 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
03/02/23 Check Card to Ranch House Storage - Storage	\$ 85.00	
03/02/23 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
03/08/23 ACH to Travelers Insurance - Insurance Expense	\$ 409.00	
03/08/23 1250 to A9 Oilfield Services LLC - Contract Pumper	\$ 3,000.00	
03/08/23 Check Card to City of Electra - Utilities	\$ 23.69	
03/14/23 1251 to Bobby Cato - Auction/Property Sale Expenses	\$ 400.00	
03/21/23 1252 to Baize Self Storage - Storage	\$ 30.00	
03/22/23 ACH to Green Mountain - Utilities	\$ 563.03	
03/27/23 Check Card to Fort Belknap Water Supply - Utilities	\$ 45.77	
03/28/23 Check to Contract Oil & Gas Operations LLC	\$ 10,813.00	
03/30/23 Check #1254 to TXU Energy - Utilities	\$ 32.71	

RECEIPTS AND DISBURSMENTS

	Current Period (1/1/2023 - 3/31/2023)	Cumulative
Total Disbursements from *3863, other than transfers to open Western Alliance and IBC Accounts	\$ 545,931.90	\$ 3,431,736.80
6. TOTAL DISBURSEMENTS	\$ 607,066.94	\$ 3,872,649.09
7. ENDING CASH BALANCE		
(Line 4 - Line 6)	\$ 9,582,719.57	