

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, et al.,

Defendants,

and

DODSON PRARIE OIL & GAS LLC, et
al.

Relief Defendants.

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CIVIL ACTION NO. 4-21CV-1310-O

**DEFENDANT ROGER SAHOTA’S RESPONSE TO RECEIVER’S
EXPEDITED MOTION TO APPROVE PROCEDURES AND SALE OF
CERTAIN FIELD EQUIPMENT, VEHICLES, AND OTHER PERSONAL
PROPERTY VIA AUCTION**

Defendant Roger Sahota (“Sahota”) files this Response to the Receiver’s Expedited Motion to Approve Procedures and Sale of Certain Field Equipment, Vehicles, and Other Personal Property Via Auction (the “Motion”). Sahota opposes the Receiver’s request that the Court approve the sale of effectively all of the oil and

gas equipment previously owned by the Sahota-related entities at this early stage of the proceeding.¹

In early December 2021, the Court granted the SEC's *ex parte* emergency injunctive relief, and subsequently entered an (unopposed) preliminary injunction against Mr. Sahota. This request for emergency relief followed what the undersigned understands was an approximately two-year SEC investigation into Heartland, during which time the SEC never requested any documents or testimony from Sahota or any of the Sahota-related entities.

The equitable relief granted by the Court included a freeze over all Defendants and Relief Defendants assets, as well as a receivership order covering all of the Heartland and Sahota-related corporate entities. The Receiver was appointed to marshal and preserve all assets of these entities in this matter. Dkt. 17 at 2 (Receivership Order).

The Receivership is less than two months old and started with approximately \$2.3 million in funds frozen under the Court's asset freeze order (Dkt. 50 at 2). Sahota believes that at least \$850,000 of those funds were in the accounts of the Sahota-related entities. It surely cannot be the case that these funds have been spent so quickly that the Receiver is forced to liquidate assets merely to maintain the Receivership.

¹ The "Sahota-related entities" are Defendants Barron Petroleum, LLC and Arcooil Corp., and Relief Defendants Barron Energy Corporation, Dallas Resources Inc., Leading Edge Energy LLC, Sahota Capital LLC and 1178137 B.C. LTD.

In the Receiver's December 10, 2021 letter to Heartland investors, she stated that it was then premature to recommend any action to the Court (Dkt. 46 at 7). In her December 13, 2021 status report to the Court (Dkt. 50), the Receiver stated that she had hired Contract Oil and Gas Operations LLC to provide a "State of the Assets Report" by the end of 2021 (*id.* at 9).² The undersigned understands from the Receiver that this report has not yet been finalized. Accordingly, there has been no determination of the value of the most valuable assets in the Receivership estate.

Nevertheless, the Receiver now seeks to sell what appears to be most or all of the oil and gas equipment on the Receivership's mineral leases.³ Sahota contends that it is premature to begin liquidating Receivership assets, particularly assets that can be used to extract value from the mineral leases currently controlled by the Receivership. Further, the undersigned has informed the Receiver of Sahota's strong belief that certain mineral leases now controlled by the Receivership are extremely valuable, and the undersigned has sent the Receiver a reserve report and other information supporting this belief.

It is important to note that there has been no finding of liability against Sahota or any of the Sahota-related entities. They have not yet even answered the

² Presumably, the State of the Assets Report will focus on the value of the oil and gas assets held by the Receivership Defendants. Receiver's Status Report (Dkt. 50) at 9.

³ Sahota contends that some of the equipment the Receiver seeks to sell (including Rig #12) the was purchased by Defendant Arcooil in 2017 and 2018 before the SEC alleges any connection between Heartland and the Sahota-related entities. *See* Dkt. 1 at ¶ 62 (alleging that Sahota met the Heartland principles by January 2019, and first received a payment from them on February 4, 2019).

Complaint.⁴ It is certainly not a forgone conclusion that any of the Defendants will be found liable. Nevertheless, the Receiver seeks to liquidate assets that were until very recently controlled by Sahota. Presumably, there can be no distributions to investors without a finding of liability, and it is unclear what the Receiver seeks to use the proceeds of the proposed sale for.

If the Court or a jury ultimately determines that neither Sahota nor any of the Sahota-related entities are liable, and the Receiver has in the meantime liquidated most of their assets and spent the related proceeds, they have no obvious recourse. They will have been effectively deprived of their property without due process.

At this point, Sahota believes that the most worthwhile use of the Receiver's time is to obtain reserve reports and valuations on the mineral leases that are now under her control, particularly the leases on the Carson Ranch in Val Verde County.

Sahota urges the Court to deny the Motion, and to direct the Receiver to obtain a valuation of the Receivership's mineral leases, which Sahota believes to have a value far in excess of the alleged "ill-gotten gains" that the SEC asserts in this case.

⁴ The SEC and the Sahota Defendants filed an agreed motion on December 30, 2021 (Dkt. 85) requesting that the answer date for all Sahota Defendants be set for February 15, 2022. This motion is pending.

Respectfully submitted,

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**COUNSEL FOR MANJIT SINGH
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Certificate of Service

I do hereby certify that on January 26, 2022, a true and correct copy of the above and foregoing instrument was filed electronically through the Court’s CM/ECF system, which will give notice of this filing to all parties.

/s/ J. Kevin Edmundson
J. Kevin Edmundson