

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 PRAIRIE OIL & GAS LLC, et
al.

Relief Defendants.

§
§
§
§
§
§
§
§
§
§
§
§
§
§
§

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

NOTICE OF CORRECTION TO DECLARATION OF SUNNY SAHOTA

On February 14, 2022, Defendant Manjit “Roger” Sahota and Relief Defendants Harprit Sahota, Sunny Sahota and Monroe Sahota moved to terminate or modify the Asset Freeze and Receivership Orders issued in this case. The motion included a Declaration of Sunny Sahota, which was executed on February 13, 2022.

Footnote 8 to the Sahota Declaration states: “According to my calculations, the Sahota’s received approximately \$12 million from sources other than Heartland during between [sic] February 2019 and September 2021.” The time period stated in the footnote is wrong. The footnote should have stated the following: “According to my calculations, the Sahota’s received approximately \$12 million from sources other than Heartland between January 2018 and September 2021.”

We are attaching a revised Declaration of Sunny Sahota, dated February 16, 2022, to make this correction.

Respectfully submitted,

VEDDER PRICE PC

By: /s/ Jeffrey J. Ansley
Jeffrey J. Ansley (SBN 00790235)
100 Crescent Court, Ste 350
Dallas, TX 75201
Telephone: (469) 895-4790
Facsimile: (469) 895-4802
Email: jansley@vedderprice.com

EDMUNDSON SHELTON WEISS PLLC
J. Kevin Edmundson (SBN 24044020)
Jesse Z. Weiss (SBN 24013728)
317 Grace Ln, Ste 210
Austin, TX 78746
Telephone: (512) 596-3058
Facsimile: (512) 532-6637
Email: kevin@eswpllc.com
jesse@eswpllc.com

**COUNSEL FOR MANJIT SINGH
"ROGER" SAHOTA**

Certificate of Service

I do hereby certify that on February 18, 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/ Jeffrey J. Ansley
Jeffrey J. Ansley

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

CIVIL ACTION NO. 4-21CV-13100

THE HEARTLAND GROUP VENTURES, LLC, et al.,

Defendants,

and

DODSON PRAIRIE OIL & GAS LLC, et al.

Relief Defendants.

§
§
§
§
§
§
§
§
§
§
§
§
§
§
§
§
§
§
§
§
§

CORRECTED DECLARATION OF SUNNY SAHOTA

I, Sunny Sahota, declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct:

Background

1. I am over the age of 18 and competent to testify to the facts stated herein. Between approximately January 2019 to the present, I have worked closely with my father, Roger Sahota, and the various oil and gas businesses he operated, including Dallas Resources Inc, Barron Petroleum LLC, Arcooil Corp. and Leading Edge Energy LLC (the “Sahota-related entities”). During that period, I had access to the books and records of the companies, including bank records, and reviewed daily reports regarding the receipts and expenses of the companies.

2. Because of the Receiver's seizure of the Sahota-related entities' assets following the filing on this action, including their corporate documents, I am limited in my ability to provide an exact accounting of the use of funds that those entities received from Heartland. However, in the past 60 days, I have obtained bank statements and other records from our CPA. After reviewing the bank statements and other accounting records, and based on my personal knowledge, I am providing this declaration to explain, among other things, how the Sahota-related entities used the funds that were received from Heartland. In short, the Heartland funds were used to purchase and develop oil and gas interests pursuant to agreements between Heartland and the Sahota-related entities. Neither the Sahota Defendants nor the Sahota-related entities Defendants or Relief Defendants misappropriated Heartland funds.

3. I submit this declaration in support of a motion brought by the Sahotas for modification/termination of the Asset Freeze Order and the Receivership Order. The Sahotas are Defendant Roger Sahota and Relief Defendants Harprit Sahota, Sunny Sahota, and Monroe Sahota. I am attaching to this declaration an Appendix (0001-0226) that contains true and correct copies of documents and records that are referenced herein.

The SEC Action

4. On or about December 3, 2021, I was served a copy of the Complaint in *SEC v. The Heartland Group Ventures, LLC et al.*, Civil Action No. 4-21-CV-1310-O (N.D. Texas), and a copy of the Asset Freeze Order and Receivership Order issued in the case.

5. Prior to the filing of this action, it is my understanding that the SEC requested documents and obtained testimony from Heartland and several of its principals. The SEC, however, never asked me or any of my family members (or any of the Sahota-related entities) to produce documents or testimony before the filing of this action. We never got an opportunity to tell our side of the story before this "emergency" action was filed.

6. The Asset Freeze Order effectively froze all of the Sahotas' and related entities assets, including access to approximately \$850,000 that was held in bank accounts in the names of various Sahota-related entities.

7. With respect to the Receivership Order, the Receiver now controls the following Sahota-related entities: Defendants Arcooil and Barron Petroleum, and Relief Defendants Barron Energy Corporation, Dallas Resources Inc., Leading Edge Energy LLC, Sahota Capital LLC and 1178137 B.C. Ltd. Each of the two homes where the Sahotas live, including my home where I live with my wife and minor children, are held in the name of one of the Sahota-related entities.

8. Since the commencement of this action, the Receiver has:

- (a) secured all oil and gas leases owned by the Sahota related entities, regardless of whether the funds used to acquire the leases was traceable to Heartland;
- (b) secured two ranches and a house owned by Dallas Resources in Eldorado, San Angelo and Gordon, Texas. From those residences, the Receiver took possession of 23 boxes of papers, files, cash, computers, phones and easily portable and potential valuable objects. In addition, the Receiver took into possession jewelry that was acquired well before the Sahota/Heartland relationship began;
- (c) secured offices in Graham and Electra, Texas, and took possession of computers, phones and documents;
- (d) taken possession of oilfield equipment, including three complete drilling rigs, eight workover rigs, four backhoes, three dozers, four winch trucks, two forklifts, four welding machines, three vacuum trucks, two graders, frack tanks, drill pipe, frack pipe, tubing, completion equipment, a pressure washer and other work trucks and vehicles;
- (e) taken possession of a plane and helicopter owned by Dallas Resources in Sherman, Texas; and
- (f) secured tickets and rights to Dallas Cowboy games and other events at AT&T Stadium.¹

9. At the time the Court entered the Asset Freeze and Receivership Orders, we had recently completed drilling 11 wells on the Sahota Carson and Soto-Childress leases and

¹ See generally Initial Report of Receiver (December 13, 2021) (Dkt. 50) (identifying assets secured by the Receiver).

completed over 20 miles of gas line that connected to the Enterprise sales line. The fracing of those wells to increase production was scheduled for December 10, 2021, a natural gas compressor was soon to be delivered, and the wells were weeks away from being put in production. That activity was stopped when this lawsuit was filed, and all of the leases were shut down and has not restarted. We had focused our efforts on the Sahota Carson and Soto-Childress leases because we believed that these leases had the most value (as described further below).

The Sahota Family

10. I am 39 years old and a son of Roger and Harprit Sahota. I am married and have two children, ages 8 and 4. I live with my family in a house in San Angelo, Texas. The house is owned by Dallas Resources, a company now controlled by the Receiver. In January 2019, I joined my father to work in the oil and gas businesses that he operated through several corporate entities in Texas. My wife is not employed.

11. Defendant Roger Sahota has been an operator in oil and gas fields since 2003. My father has operated various entities in Colorado, Wyoming, Texas, Louisiana and Canada, which purchased leases, drilled and worked over existing wells, and produced oil and gas. Roger (age 67) and his wife, Relief Defendant Harprit Sahota (age 65), live in a house in Eldorado, Texas. The house is owned by Dallas Resources, a company now controlled by the Receiver. Roger Sahota's only source of income was what he received in his roles with various Sahota-related Defendants and Relief Defendants. Harprit Sahota is not employed.

Relief Defendant Monroe Sahota, my brother and a son of Roger and Harprit, lives with his wife and our parents in the Eldorado house, which is owned by Dallas Resource, a company now controlled by the Receiver. His wife is not employed.

Assets Acquired Before Heartland

12. The Sahota-related entities received funds from Heartland between February 2019 and September 2021. The following list of assets were acquired *before* the Sahota-related entities received *any* funds from Heartland:²

- (a) In approximately 2006 or 2007, I purchased five acres of land in Twentynine Palms, CA.
- (b) In June 2017, I purchased a home in Arlington, WA.
- (c) On or about June 1, 2017, Relief Defendant Leading Edge bought six mineral leases covering 2,000 acres in Wichita County, Texas. These leases included 93 existing oil and gas wells.
- (d) On or about September 28, 2017, Defendant Arcooil Corp purchased 17 mineral leases covering 3,810 acres in Jack, Hardeman, Stephens, Wichita, and Archer Counties. These leases included 90 existing oil and gas wells.
- (e) On or about July 1, 2018, Arcooil Corp purchased two acres of land in Graham, Texas, to use as an office, yard, and residence. The existing office was expanded and remodeled, and a new home for Roger and Harprit was constructed.
- (f) On or about July 28, 2018, Arcooil Corp purchased seven mineral leases covering 1,040 acres in Palo Pinto County. These leases included seven existing oil and gas wells.
- (g) In December 2018, Barron purchased a mineral lease now called Sahota Carson covering 1,000 acres in Val Verde County to wildcat a discovery well.
- (h) On or about December 11, 2018, Dallas Resources purchased 4.5 acres of land in Electra, Texas to use as an office and yard.
- (i) Between 2017 and 2018, Arcooil Corp and Barron purchased four drilling rigs, four workover rigs, eight work trucks, four winch and pole trucks, and three vacuum trucks, dozers, graders and other equipment to drill and work over oil wells.

Assets That Heartland Purchased from the Sahota-Related Entities

13. Between February 2019 and September 2021, Heartland made three categories of payments to the Sahota-related entities: (a) approximately \$22,009,953 to purchase interests in

² I understand that the Receiver shut down all production activity on the mineral leases held by the Sahota-related entities, including the leases in which Heartland owned no interest. The non-Heartland related wells produced income of approximately \$10,000 – \$20,000 per month.

mineral leases and oil and gas wells owned by Barron (APP 0002);⁴ (b) approximately \$1,487,573 for a 49% interest in two drilling rigs, one work over rig, one sky track, drill pipe, and fracing pipe owned by Barron (APP 0004); and (c) \$5,974,000 for development of the gas pipeline to deliver production to market, which pipeline is owned 49% by Heartland (*Id.*). Accordingly, around \$29.5 million of the \$54 million Heartland sent to Barron was for the purchase of “hard assets.” The Sahota Defendants used the balance of the funds received from Heartland (approximately \$23.3 million) for operations, workover and drilling activity (APP 0006-7).⁵

14. It is important to note that Heartland paid the Sahota-related entities approximately \$16,015,587 between February 2019 and January 2020. These funds were paid *before* the time when Roger Sahota allegedly made any false statement to Heartland or one of its investors.⁶

Estimated Value of the Oil and Gas Assets

15. Throughout the relationship with Heartland, we used third party petroleum engineers, geologists and geophysicists to assist in locating the best leases possible with potential high oil and gas reserves and to identify risk factors associated with the development, drilling and

⁴ Appendix 0001-0009 are worksheets that I prepared based on my review of bank records. I provide them with this declaration to show how I arrived at the calculations stated in Paragraph 14.

⁵ In addition, Heartland paid the Sahota-related entities approximately \$413,725 for (a) insurance (\$71,354), (b) legal fees (\$39,220), and (c) private trips Heartland executives took in Dallas Resources’ plane (\$303,151). (App 0008-9). Heartland’s payments of (a) and (b) were directly related to the mineral leases co-owned by Barron Petroleum and Heartland. Also, Heartland was oftentimes behind in making payments to the Sahota-related entities, and according to my calculations, Heartland owed the Sahota entities approximately \$12 million when the lawsuit was filed.

⁶ The Complaint alleges that in January 2020, some 10 months after Heartland began transferring funds to the Sahota entities, Roger Sahota sent an “altered” reserve report to Heartland. (Complaint ¶ 118).

completion issues of the leases.⁷ The oil and gas assets that the Sahota-related entities owned and operated have significant value with a low risk factor. The value of those assets is evidenced by the following:

- (a) On or about November 15, 2021, Barron received an offer from Trevino Resources to purchase all of the lease interests and equipment held by Barron and Heartland in Val Verde, Crockett, and Schleicher Counties for \$62,500,000. A true and correct copy of the letter is attached as APP 0010-13.
- (b) In June 2021, Dr. William J. Purves provided an estimate of the possible and probable reserves for the Childress-Soto Lease in Crockett County, Texas. Dr. Purves estimated that the leases had 1.8 million BBL Oil and Condensate, 232 BCF dry and wet gas feet of probable recoverable reserves in place. A true and correct copy of the summary report is attached as App 0014-21.
- (c) An economic evaluation report dated May 5, 2010, prepared by Richard G. Boyce, states that as of May 2010 there were estimated probable undiscovered gas reserves of more than 168,000 MMCF in place at the Childress/Soto lease in Crockett County, Texas. (APP 0132-151); *see also* Declaration of Richard G. Boyce ¶ 6 (App 0131) (“Using gas prices ranging from \$4.40 to \$6.40 per MCF, I estimated future net income (discounted by 10% to net present values as of May 2010) ranging from \$276,429,000 to \$460,404,000.”).
- (d) A reserve report dated April 26, 2021, prepared by Dr. Michael Fraim, estimated that the Wolfcamp Leases in Schleicher County, Texas co-owned by Barron and Heartland had oil reserves of approximately 786 MMBO. Declaration of Michael Fraim, Ph.D. ¶ 3 (App 0154 and documents referenced therein).
- (e) A summary of reserve report dated November 1, 2020, prepared by Albert G. McDaniel, P.E., estimated that the Carson Lease and West Ranch leases I Val Verde County, Texas had 640 billion cubic feet of probable recoverable gas reserves in place. Declaration of Albert G. McDaniel ¶¶ 3-5 (APP 208 and report referenced therein)(McDaniel stated a “rough value of lease” at \$1.7 billion (APP 0211).

Use of Personal and Heartland Funds

16. The SEC concedes that between January 2018 until the filing of the action, the Sahota’s received approximately \$13.6 million in its bank accounts from sources other than

⁷ In particular, we placed a great deal of reliance on the analysis of 3D seismic data provided by Dr. William J. Purves, who evaluated potential lease assets, assessed risk and developed a drilling program for certain leases that we strictly followed. Examples of his analysis are attached at APP 0022-0098 for the Sahota Carson lease and APP 0099-128 for the Childress-Soto lease. Dr. Purves’ qualifications are set forth in his resume at APP 0017-21.

Heartland.⁸ During the same period, the Sahota's acquired the following assets in the aggregate amount of approximately \$10 million:

- \$686k for non-Heartland leases
- \$2.25m for Palo Pinto ranch
- \$1.3m for Eldorado ranch
- \$447k for San Angelo house
- \$1.6m for airplane
- \$2m for helicopter
- \$1.5m for Bahamas properties
- \$200,000 for AT&T Tickets

17. The Sahotas did not draw salaries from the Sahota-related entities between 2017 to 2021. Personal expenses were paid by the companies. The Sahotas largely spent money on the development of the oil and gas assets to grow the company.

Living Expenses

19. Throughout the relevant period, I paid all of the bills for each of the households maintained by myself, my parents and my brother Monroe. Below is a summary of approximate amounts for living expenses on a monthly basis:⁹

Electrical

Eldorado: \$170.85 / month

San Angelo: \$150-\$200 / month

Water

Eldorado: \$0 / month

San Angelo: \$200-\$300 / month

Natural Gas

⁸ According to my calculations, the Sahota's received approximately \$12 million from sources other than Heartland between January 2018 and September 2021.

⁹ Appendix 0218–0226 includes household bills/invoices for some of the recurring monthly expenses for the Sahota family. Because of the Receivership Order, I do not have access to a complete file of bills/invoices.

Eldorado: \$50 / month
San Angelo: \$438 / month

Internet

Eldorado: \$100 / month
San Angelo: \$70 / month

Groceries / Household

Eldorado: \$3,500 / month
San Angelo: \$2,500 / month

Mobile Phones

Verizon: \$515 / month

Gasoline

Eldorado: \$1,600 / month
San Angelo: \$1,600 / month

Health Insurance

Kemper Health National Federal Reserve Insurance all family members: \$2,000 / month

Car Insurance

Progressive: \$540 / month

Vehicle Notes

2022 Ford F250: \$1,450.25 / month (balance approximately \$90k)
2020 GMC Yukon: \$1,238.46 / month (balance approximately \$17k)
2020 GMC 3500: \$1,428.47 / month (balance approximately \$30k)

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on February 16, 2022



SUNNY SAHOTA