

**RECEIVER’S SEVENTH QUARTERLY REPORT FOR RECEIVERSHIP ESTATES
(APRIL 1, 2023 – JUNE 30, 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 Seventh Quarterly Report for Receivership Estates* (the “Report”) for the period April 1, 2023 through June 30, 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 continued to solicit interest in an attempt to sell oil and gas interests pursuant to a Court-approved process, continued the process of obtaining executed division orders for various operators, continued to identify and attempt to resolve issues with the Railroad Commission of Texas (“RRC”), identified and attempted to resolve pre-receivership reporting issues with the Texas Comptroller of Public Accounts (the “Comptroller”) and the Texas General Land Office, continued marketing two real properties for sale, began an online, public auction of personal property pursuant to Court-approved procedures, and sold a certain vehicle via private sale pursuant to Court-approved sale procedures. Amounts owed for production to third parties unaffiliated with any Receivership Party

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

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, and the Receiver's team continues to formulate the claims and disbursement methodology in the Case. Additionally, the Receiver and her team continue to analyze various records relating to other potential assets and/or claims of the Estates.

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

3. At the beginning of the second quarter of 2023, the Receiver had \$9,582,719.57 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 \$9,480,831.68. As of the filing of this Report (July 26, 2023), \$9,467,881.72 is in the Receivership bank accounts.

II. BACKGROUND

4. 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.

5. 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].

6. 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.

7. 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.

8. 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.

9. 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. The *Receiver's Sixth Quarterly Report for Receivership Estates* [ECF No. 350] was filed on April 14, 2023, covering the period of January 1, 2023 through March 31, 2023. This Report covers the period of April 1, 2023 through June 30, 2023 (the "Reporting Period"). Certain information or activity subsequent to June 30, 2023, is included for context and/or completeness.

10. 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

III. GENERAL OVERVIEW

11. 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”), Romero | Kosub, 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 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.

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

IV. REPORT

F. TAX ISSUES

12. During the Reporting Period, A&C continued its efforts to complete and file federal income tax returns and the required disclosures. Upon completion of the federal income tax returns, A&C focused on the preparation of Texas franchise tax reports and the Texas Franchise Tax Public Information Reports for the Receivership Parties that have an obligation to file such tax returns. A&C responded to various notices from the Internal Revenue Service, Social Security Administration, Texas Workforce Commission, and other governmental authorities for various Receivership Parties. In addition, A&C provided Schedule K-1's to investors.

G. INSURANCE

13. 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.

H. CASH ON HAND/ADMINISTRATIVE EXPENSES

14. 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).³ 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.

³ The Court entered two *Orders* during the Reporting Period approving the payment of fees and expenses associated with the Receiver's Retained Personnel, which resulted in the Receiver issuing two payments to the Retained Personnel during the Reporting Period. *See generally* ECF Nos. 348, 372.

D. RECEIPTS AND DISBURSEMENTS

15. During the Reporting Period, the Receiver deposited \$913,811.02, 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**.

E. RECEIVERSHIP PROPERTY

a. ESI and Documents

16. Dykema created and continues to host 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

17. 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, owned by Receivership Party Dallas Resources, which was sold before this Reporting Period.

i. Dallas Resources Ranch

18. The Dallas Resources Ranch is a “ranch” located in Eldorado, Texas, which is owned by Dallas Resources and was occupied by Roger, Harprit, Monroe, and the wife of Monroe until July 31, 2022. To date, the Receiver has incurred \$900.00 in costs related to preparing the Dallas Resources Ranch for sale. At least 12 sheep and 1 goat remain grazing at the Dallas Resources Ranch. To generate interest in the property during drought conditions, the Receiver reduced the listing price on the Dallas Resources Ranch in July 2023 and continues to market the Dallas Resources Ranch for sale.

ii. Bahamas Properties

19. There are at least two (2) properties in the Bahamas (and potentially a third, or an option, piece of property).⁴ Funds related to the acquisition of the Bahamian properties (and/or the option) can be traced to a Receivership Party. Sunny previously testified in Court 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. The Receiver has initiated real property record searches in the Bahamas with respect to the real properties purchased by the Sahotas with Receivership Party funds.

iii. Guatemala Properties

20. 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.

⁴ <https://www.vrbo.com/2266040>.

iv. Graham Property Sold

21. There is a property located in Graham, Texas, which appeared to be owned by Receivership Party 1178137 B.C. LTD. (“1178137 B.C. LTD.”), a Canadian entity. The Receiver has not identified any liens against the Graham Property. The Receiver 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 and better offers. *See* 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 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* [ECF No. 341] (the “Motion to Transfer”). 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* [ECF No. 347] granting the Motion to Transfer. The sale of the Graham Property closed on April 14, 2023, and the Receivership received \$209,367.98 in net sales proceeds.

v. Electra Property

22. 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. The Receiver previously obtained storage lease

space for storage of well files in Electra. The Receiver continues to market the Electra property for sale and is in negotiations with potential purchasers.

c. Oil and Gas Properties

23. 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, including attending a hearing on the Receiver's motion to abandon certain oil and gas properties (discussed in detail below).

i. General Operations

24. 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.

25. 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

26. The Receiver and her counsel reviewed a constant stream of RRC alleged violation notices, many of which the circumstances existed before the appointment of the Receiver. The Receiver and her team immediately addressed alleged environmental violations and communicated with RRC staff and/or counsel, as necessary. The Receiver and her team continue to quickly address any RRC alleged violations that pose an environmental risk.

iii. General Liability and Pollution Insurance

27. The Receiver and her counsel worked with the insurance broker to secure continuing general liability and pollution coverage for oil and gas operations. The Receiver and her counsel expect a reduction in the premium for the upcoming policy period. Premium reduction will result from well count reduction and less active wells being operated by Receivership Parties.

iv. Environmental Violation Cleanups and Remediation Expenses

28. The Receiver and her team mobilized field resources to clean up issues identified by alleged violation notices received during the Reporting Period from the RRC. The alleged violations deemed to have an environmental risk were in Jack, Hardeman, Palo Pinto, and Young counties. All contamination that was removed predates the Receivership.

29. The Receiver received a cleanup request in May 2023 from counsel for a Jack County landowner that identified abandoned equipment that was deemed to have environmental risk. The Receiver and her counsel evaluated the requested cleanup, and a decision was made to remove and dispose of the transformers using a certified electrician.

30. During the Reporting Period, the Receiver spent approximately \$10,500 to clean up the issues in Jack, Young, Palo Pinto, and Hardeman counties. Cleanup costs include management, field staff, dirt-work, equipment purchases, electrician services, trucking, and equipment rental. The following items were among those addressed:

- a. Mobilize dirt-work contractor and equipment to remove contamination inside a tank battery's berm in Palo Pinto County;
- b. Install valves and bull plugs on an open well in Young County;
- c. Cut and haul away overgrown vegetation in tank batteries; and
- d. Hire a certified electrician to evaluate, pick-up, and dispose of the abandoned transformers with potential PCB contamination from a non-producing Jack County oil property.

v. EnergyNet Auction

31. The Court-approved EnergyNet.com, LLC (“EnergyNet”) auction on the eight (8) lots occurred in September 2022. Five (5) lots had winnings bidders at the end of the online auction, which resulted in \$580,900.00 of proceeds being paid to the EnergyNet escrow account. 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 lots sold.

32. As detailed in the Receiver’s *Notice of Auction Results of Receivership Oil and Gas Assets Located in Schleicher County, Texas* [ECF No. 370], the RRC approved the P-4 transfers for all wells in the EnergyNet lot located in Schleicher County on March 28, 2023. The post-closing settlement payment was made and all operations, utility service agreements, responsibility for wellbores, and oil and gas equipment were transferred to Bob Hughes Oil Company during the Reporting Period. The Receiver received \$546,869.99 from the sale after paying the commission due to EnergyNet.

33. As detailed in the Receiver’s *Notice of Auction Results of Receivership Oil and Gas Assets Located in Jack and Young Counties, Texas* [ECF No. 373], the RRC approved the P-4 transfers for fourteen (14) of the thirty-three (33) wells in the EnergyNet lot located in Jack and Young counties on May 18, 2023. The Receiver received \$90.00 from the sale after paying the commission due to EnergyNet.

34. The three (3) EnergyNet lots that received bids remain pending before the RRC for good faith claim hearings. These lots are located in Wichita and Hardeman counties and include 141 wells across thirteen (13) leases. EnergyNet submitted the P-4 transfer requests for these lots to the RRC in December 2022. The Receiver and her team have had ongoing communications with the winning bidder of these lots since September 2022. The winning bidder has hired landmen

to investigate lease status and to provide information to the winning bidder's counsel in the good faith hearing process. The winning bidder withdrew a portion of the requested P-4 transfers set for hearing on June 30, 2023. At least two (2) good faith claim hearings are scheduled for August 3 and 4, 2023. The Receiver and her team continue toward next steps with respect to these lots.

35. The remaining three (3) EnergyNet lots did not receive any bids during the online auction. These lots comprise thirty-five (35) leases and 168 wells located in Palo Pinto, Stephens, and Sutton counties. The Receiver and her team continue to identify potential operators interested in purchasing specific leases and are collecting bids from plugging contractors. The Receiver expects proceeds of these remaining three (3) lots to be less than \$1,000.00.

vi. Oil and Gas Abandonment

36. 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 certain 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 worked with the RRC prior to the May 4, 2023 hearing to narrow the issues presented in the Oil and Gas Abandonment Motion, but the parties were ultimately unable to reach a resolution prior to the hearing. On May 1, 2023, the Receiver and the RRC, in accordance with the Court's *Order* [ECF No. 333], filed a *Joint Status Report* advising the Court of the remaining issues left for determination at the May 4, 2023 hearing.

37. At the May 4, 2023 hearing, the Court took the Oil and Gas Abandonment Motion under advisement and issued an oral Order that any supplemental briefing of the Receiver and the RRC be filed on or before May 22, 2023. On May 22, 2023, the Receiver filed the *Receiver's Supplemental Brief in Support of Receiver's Motion for Authority to Abandon Interests in Oil and*

Gas Properties [ECF No. 296] [ECF No. 366] (the “Receiver’s Brief”) pursuant to the Court’s May 4, 2023 oral Order. The Receiver’s Brief provides further authority for the Receiver’s position and also details the amount of wells the Receiver presently seeks authority to abandon. The RRC did not file any supplemental briefing on the Oil and Gas Abandonment Motion.

38. On July 24, 2023, the Court entered its *Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 379] (the “Oil and Gas R&R”), recommending that United States District Court Judge Reed O’Connor grant the Oil and Gas Abandonment Motion. Any party who objects to the Oil and Gas R&R must file specific written objections within fourteen (14) days of receipt of the Oil and Gas R&R.

39. While awaiting a ruling from Judge O’Connor, the Receiver and her team continue to solicit plugging proposals from interested contractors or operators.

vii. Val Verde and Crockett Counties Farmout Agreement

40. As stated in the *Receiver’s Fifth Quarterly Report for Receivership Estates* [ECF No. 320], on December 16, 2022, the Receiver filed her *Expedited Motion for Approval of Modified Farmout Agreement* [ECF No. 293], seeking approval of a modified farmout agreement with SDMB Resources LLC (“SDMB”), as farmee (the “Modified Farmout Motion”). On December 22, 2022, the Court entered its *Order* [ECF No. 304] approving the Modified Farmout Motion. During the Reporting Period, the Receiver’s oil and gas counsel collaborated with SDMB’s counsel to obtain P-4 approvals from the RRC to transfer operator responsibility for the wells and leases in Val Verde and Crockett counties to SDMB.

41. SDMB’s operations in Val Verde and Crockett counties have produced little production with no payments to the Receiver. SDMB continues to address operational issues in

hopes of increasing the production under the modified farmout agreement. To date, the Receiver has received zero revenue from the modified farmout agreement.

viii. Palo Pinto Pipeline

42. On December 1, 2022, the Receiver filed the *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”), seeking confirmation from the Court that the Receiver and the Receivership Estates have no right or interest to operate the Palo Pinto Pipeline (also known as C.B. “A” Long, 1, 4”, System Id. No. 967677). The Court considered the Pipeline Motion, heard arguments of the Receiver and the RRC, and took the Pipeline Motion under advisement on February 9, 2023.

43. During the Reporting Period, the Receiver and her counsel continued conversations with local Palo Pinto County operators to gauge their interest in taking over certain Palo Pinto County oil and gas properties, which was dependent on a major operator’s reactivation of certain sections of the Pipeline.

44. On July 24, 2023, the Court entered its Oil and Gas R&R, recommending that United States District Court Judge Reed O’Connor grant the Pipeline Motion. Any party who objects to the Oil and Gas R&R must file specific written objections within fourteen (14) days of receipt of the Oil and Gas R&R.

ix. Palmour Accounting and Regulatory Work

45. During the Reporting Period, Palmour continued responding to regulatory and governmental reporting requirements. Palmour continues to analyze and provide reports to various governmental agencies, including, but not limited to, the Comptroller 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.

46. 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 prior to the Receiver's appointment. 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 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 alleged violations, including field or filing violations;
- b. File W-10s (Oil Well Status Report) and G-10s (Gas Well Status Report) for Panther City Energy LLC ("Panther City") and Dodson Prairie Oil & Gas LLC ("Dodson Prairie") wells;
- c. Prepare and review P-5 (Renewal Status) for Panther City;
- d. Weekly conference calls with the Receiver and her team regarding operations and compliance;
- e. File corrected production reports for January 2023 and February 2023 for all Barron Petroleum wells;
- f. File production reports on all wells;
- g. Review alleged RRC violation letters and severances on various wells;
- h. Prepare and file H-10 (Annual Disposal/Injection Well Monitoring Report) on J.M. Sauder #3;

- i. Correspond with the RRC regarding the processing of various P-4s (Certificate of Compliance and Transportation Authority) to Bob Hughes Oil Co.; and
 - j. Prepare various spreadsheets for the production reports, Comptroller reports, and data for the P-4s.
47. 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 operation reports with the RRC; and
 - j. Calculated royalties and other amounts due to third parties.

d. Jade and other Personal Property

48. At the time of her appointment, the Receiver seized approximately 447 individual pieces of jade (some are worked into figurines, 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 also seized watches and some items of jewelry. The Receiver has no opinion as to value of the watches and jewelry.

49. On June 9, 2022, the Court entered an *Order* [ECF No. 217] granting the *Receiver's Motion for Order Governing Procedures for the Sale or Abandonment of Personal Property and Brief in Support* [ECF No. 203].

50. On June 1, 2023, the Receiver filed her *Notice of Proposed Public Auction of Personal Property* [ECF No. 367], providing notice of her intention to auction all of the aforementioned jade and personal property. The Receiver retained Mel Davis Auctions to hold an online public auction of the jade and personal property, which is set to close on August 4, 2023, at 10:00 a.m. Central.

51. In accordance with Court-approved procedures, the Receiver filed her *Notice of Intended Disposition* for certain vehicles and personal property that she has abandoned. *See* ECF Nos. 338 and 339.

e. Equipment and Vehicles

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

F. CLAIMS HELD BY RECEIVERSHIP PARTIES

53. Reid Collins has been engaged to prosecute certain claims held by one or more Receivership Parties.

54. The Receiver and her team continue analyzing potential causes of action held by various Receivership Parties.

G. KNOWN CREDITORS

55. 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.

56. The Receiver is compiling a list of known individuals and entities who are creditors and/or investors in the Receivership Parties (or one of its investment vehicles). However, according to the records located by the Receiver, there are approximately 726 investors that loaned or invested a total of approximately \$124 million to one or more of the Receivership Parties (and its related investment vehicles), exclusive of any “roll overs.” A&C has substantially completed verification of the amount each investor has invested or otherwise advanced.

57. 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.

58. On October 25, 2022, John Rogers filed his *Motion to Lift Stay* [ECF No. 272] (the “Stay Motion”), 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 *Objection to Movant, John Rogers’s Motion to Lift Stay* [ECF No. 272] [ECF No. 279]. On February 10, 2023, the Court entered an *Order* [ECF No. 331] directing John Rogers and the Receiver to file supplemental briefing. 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 *Response to Movant, John Rogers's Brief in Support of Movant's Motion to Lift Stay* [ECF No. 336] [ECF No. 337] (the "Receiver's Response"). On May 18, 2023, the Court entered its *Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 365] (the "Stay R&R") recommending that United States District Court Judge Reed O'Connor deny the Stay Motion. Movant, John Rogers did not file an objection to the Stay R&R on or before June 1, 2023, which was the fourteen (14) day deadline to object.

59. 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. *See* ECF No. 331. The Receiver and her counsel continue to develop a creditor claim and distribution process for Court approval. Any proposed claim and disbursement process will include notice to the Case's creditor matrix, including investors and trade creditors.

H. ADMINISTRATIVE ACTIONS

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

61. 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.

I. RECEIVER'S RECOMMENDATIONS

62. 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. The Receiver and her team continue to analyze and will begin pursuing claims against third parties held by the Receivership Estates. 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: July 26, 2023.

Respectfully submitted,

By: /s/ Danielle Rushing Behrends

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COUNSEL TO RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on July 26, 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 (4/1/2023 - 6/30/2023)	Cumulative
1. CASH AT BEGINNING OF PERIOD		
*3898 IBC Account	\$ 336,361.68	
*3863 IBC Account	\$ 1,233,100.63	
*7536 IBC Account	\$ 100.01	
*1565 Western Alliance Account	\$ 8,013,157.25	
*0955 Western Alliance Sweep Account	\$ -	
	\$ 9,582,719.57	
2. RECEIPTS		
<i>*3898 IBC Account</i>		
04/05/23 from Caballo Loco Midstream	\$ 3,617.70	
04/14/23 from Gulf Coast Gas Gathering, LLC	\$ 653.33	
05/03/23 from JABS Holdings LLC	\$ 40,000.00	
05/04/23 from Energy Net.com, LLC	\$ 546,869.99	
05/10/23 from Gulf Coast Gas Gathering, LLC	\$ 985.10	
05/10/23 from Ranger Gas Gathering	\$ 8.61	
05/30/23 from Dunagin Transport	\$ 1,283.90	
06/08/23 from Gulf Coast Gas Gathering, LLC	\$ 650.65	
Total Deposits to *3898	\$ 594,069.28	\$ 1,371,343.25
<i>*3863 IBC Account</i>		
04/10/23 Deposit from Heartland Group Ventures	\$ 10.00	
04/14/23 Deposit - Proceeds from sale of Property	\$ 209,367.98	
04/18/23 Deposit from State Farm Insurance	\$ 539.77	
05/08/23 Deposit from Bank of America - refund	\$ 60.00	
05/08/23 Deposit from exchange of foreign currency	\$ 21.16	
05/09/23 Deposit from Fort Belknap WSC	\$ 465.00	
05/09/23 Deposit from State Farm	\$ 283.55	
05/15/23 Deposit from IRS refund of 2022 tax payment	\$ 68,167.00	
05/24/23 Deposit from Lee Grampp, Grampp Enterprises	\$ 300.00	
05/30/23 Deposit from State Farm	\$ 680.16	
Total Deposits to *3863	\$ 279,894.62	\$ 12,944,832.05
<i>*7536 IBC Account</i>		
05/10/2023 Transfer from *3863: \$244.75		
Total Deposits to *3863	\$ -	\$ 0.01
<i>*1565 Western Alliance Account</i>		
4/30/23 Interest	\$ 13,633.34	
5/31/23 Interest	\$ 3,526.80	
6/30/23 Interest	\$ 404.80	
	\$ 17,564.94	\$ 30,722.19
<i>*0955 Western Alliance Sweep Account</i>		
05/08/23 Transfer from *1565: \$7,776,790.59		
5/31/23 Interest	\$ 9,659.38	
06/01/23 Transfer from *1565: \$3,526.80		
6/30/23 Interest	\$ 12,622.80	
	\$ 22,282.18	\$ 22,282.18
3. TOTAL RECEIPTS	\$ 913,811.02	\$ 14,369,179.68
4. TOTAL CASH AVAILABLE FOR OPERATIONS (Line 1 + Line 3)	\$ 10,496,530.59	
5. DISBURSEMENTS		

RECEIPTS AND DISBURSMENTS

*3898 IBC Account

	<u>Current Period</u> <u>(4/1/2023 - 6/30/2023)</u>	<u>Cumulative</u>
ACH 45019 # to Texas State Comptroller - Taxes - Oil & Gas	\$ 339.86	
1640 45019 # to Texas State Comptroller - Taxes - Oil & Gas	\$ 69.28	
1222 45020 # to Bene T Henderson - Royalty Expense	\$ 127.28	
Check Card 45021 # to MDC Southwest Electric - Utilities	\$ 3,712.84	
1605 45027 # to Jason Leslie Paull - Royalty Expense	\$ 27.82	
1614 45027 # to Macmin Co., LLC - Royalty Expense	\$ 39.23	
1642 45029 # to BML, INC - Royalty Expense	\$ 835.91	
Check Card 45030 # to United Coop Services - Utilities	\$ 439.92	
1643 45034 # to Jacam Catalyst - Operating Expenses	\$ 194.37	
1644 45034 # to Greco Services - Repairs and Maintenance	\$ 519.24	
1645 45034 # to Greco Services - Repairs and Maintenance	\$ 3,346.00	
1613 45035 # to Larry D Johnson - Royalty Expense	\$ 44.47	
ACH 45036 # to Texas State Comptroller - Taxes - Oil & Gas	\$ 274.05	
1646 45037 # to Platinum Vapor Control, LP - Operating Expenses	\$ 3,003.00	
1652 45041 # to John Mark McLaughlin - Royalty Expense	\$ 26.73	
1662 45042 # to Roanoke Ranch & Investments - Royalty Expense	\$ 25.62	
1651 45043 # to Cleroy Inc. - Royalty Expense	\$ 27.92	
1647 45043 # to 31 Group - Royalty Expense	\$ 106.05	
1657 45044 # to Lanroy Inc. - Royalty Expense	\$ 33.94	
1665 45044 # to Texas State Comptroller - Taxes - Oil & Gas	\$ 12.50	
1667 45044 # to Greco Services - Repairs and Maintenance	\$ 1,476.29	
1648 45047 # to Alor LLC - Royalty Expense	\$ 25.50	
1641 45048 # to Colt Midstream - Operating Expenses	\$ 28.79	
1653 45048 # to Juanita Shurley - Royalty Expense	\$ 51.78	
1661 45048 # to Phillip R. Lane - Royalty Expense	\$ 25.10	
1668 45048 # to Colt Midstream - Operating Expenses	\$ 8.77	
1663 45049 # to Suzanne Huddleston - Royalty Expense	\$ 117.81	
1655 45051 # to Kristen Shurley - Royalty Expense	\$ 61.94	
1649 45054 # to Broughton Petroleum, Inc. - Royalty Expense	\$ 51.07	
ACH 45055 # to United Coop Services - Utilities	\$ 422.12	
1654 45056 # to Kayla S. Davidson - Royalty Expense	\$ 56.20	
ACH 45057 # to Texas State Comptroller - Taxes - Franchise	\$ 14,093.46	
1669 45061 # to BML, INC - Royalty Expense	\$ 2.05	
ACH 45063 # to United Coop Services - Utilities	\$ 45.81	
1659 45063 # to Mark F Shurley - Royalty Expense	\$ 105.46	
1666 45063 # to Mark Shurley Trustee - Royalty Expense	\$ 73.74	
1671 45065 # to Albert Arbelaez - Royalty Expense	\$ 2,158.08	
ACH 45068 # to United Coop Services - Utilities	\$ 161.07	
ACH 45068 # to Texas State Comptroller - Taxes - Oil & Gas	\$ 0.65	
ACH 45068 # to Texas State Comptroller - Taxes - Oil & Gas	\$ 2.29	
1650 45070 # to Bruce R. Lively Trustee - Royalty Expense	\$ 124.66	
1670 45079 # to Contract Oil & Gas Operations LLC - Operating Expenses	\$ 22,463.00	
1674 45083 # to Sutton County Appraisal District - Taxes - Property	\$ 2,522.70	
1675 45083 # to Colt Midstream - Operating Expenses	\$ 138.45	
ACH 45084 # to Deluxe - Office Supplies	\$ 120.59	
1672 45089 # to Val Verde County Tax Assessor-Collector - Taxes - Other	\$ 66.94	
1673 45089 # to Val Verde County Tax Assessor-Collector - Taxes - Other	\$ 65.70	
1676 45089 # to Val Verde County Tax Assessor-Collector - Taxes - Other	\$ 249.76	
1678 45090 # to Greco Services - Repairs and Maintenance	\$ 1,434.37	
1679 45090 # to J&J Oilfield Electric Co - Repairs and Maintenance	\$ 2,354.31	
1680 45098 # to Law Practice of Darrell R Jones PLLC - Receiver & Legal Fees	\$ 27,240.90	
1681 45098 # to Vicki Palmour Consulting, LLC - Accounting	\$ 14,477.92	
1683 45098 # to Young County Clerk - Filing Fees	\$ 58.00	

RECEIPTS AND DISBURSMENTS

	<u>Current Period</u> <u>(4/1/2023 - 6/30/2023)</u>	<u>Cumulative</u>
1684 45105 # to Jack County Clerk - Filing Fees	\$ 58.00	
1677 45107 # to Schleicher County - Taxes - Other	\$ 4,378.78	
Total Disbursements to *3898	\$ 107,928.09	\$ 548,840.38
<i>*3863 IBC Account</i>		
04/03/23 Check Card to Ranch House Storage - Storage	\$ 85.00	
04/03/23 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
04/05/23 Check Card to City of Electra - Utilities	\$ 23.69	
04/05/23 Check Card to State Farm Insurance - Insurance Expense	\$ 384.18	
04/10/23 Check #1258 to ArcoOil Corp - Transfer	\$ 10.00	
04/11/23 Check Card to NTTA - Vehicle Expense	\$ 30.00	
04/11/23 Check #1259 to Dykema Gossett PLLC - Receiver & Legal Fees	\$ 113,400.00	
04/11/23 Check #1260 to Dykema Gossett PLLC - Receiver & Legal Fees	\$ 156,614.93	
04/12/23 Check #1257 to A9 Oilfield Services LLC - Contract Pumper	\$ 3,000.00	
04/14/23 Check #1255 to Aaron W. Erwin, Jr. - Contract Pumper	\$ 2,025.00	
04/14/23 Check #1262 to Law Practice of Darrell R Jones PLLC - Attorney Fees	\$ 46,906.32	
04/14/23 Check #1263 to BDO USA, LLP - Professional Fees	\$ 1,890.02	
04/17/23 Check #1256 to West Texas Plumbing Solutions - Repairs and Maintenance	\$ 644.42	
04/17/23 Check #1261 to Law Offices of Romero Kozub - Attorney Fees	\$ 2,677.50	
04/17/23 Check #1265 to Bobby Cato - Auction/Property Sale Expenses	\$ 560.00	
04/17/23 Check #1266 to Vicki Palmour Consulting, LLC - Accounting	\$ 10,210.00	
04/18/23 Check #ACH to Green Mountain - Utilities	\$ 418.33	
04/18/23 Check #1264 to Ahuja & Clark, PLLC - Accounting	\$ 84,659.81	
04/18/23 Check #1268 to Baize Self Storage - Storage	\$ 30.00	
04/20/23 Check #1267 to Aaron W. Erwin, Jr. - Contract Pumper	\$ 450.00	
04/21/23 Check #Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
04/24/23 Check Card to TXU Energy - Utilities	\$ 33.16	
04/25/23 Check #1272 to Contract Oil & Gas Operations LLC - Contract Operator	\$ 9,100.00	
04/26/23 Check Card to Fort Belknap Water Supply - Utilities	\$ 45.77	
04/26/23 Check #ACH to Green Mountain - Utilities	\$ 53.21	
04/28/23 Check #1269 to Texas State Comptroller - Taxes - Oil & Gas	\$ 134.00	
04/28/23 Check #1271 to Texas State Comptroller - Taxes - Franchise	\$ 31,298.14	
05/02/23 Check Card to Ranch House Storage - Storage	\$ 85.00	
05/02/23 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
05/03/23 Check #Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
05/05/23 Check #1273 to Wyoming Secretary of State - Filing Fees	\$ 60.00	
05/10/23 Check Card to City of Electra - Utilities	\$ 23.69	
05/17/23 Check #1274 to Texas State Comptroller - Taxes - Franchise	\$ 7,720.51	
05/23/23 Check Card to TXU Energy - Utilities	\$ 31.95	
05/23/23 Check #1276 to Baize Self Storage - Storage	\$ 30.00	
06/02/23 Check Card to Ranch House Storage - Storage	\$ 85.00	
06/02/23 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
06/05/23 Check #Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
06/13/23 Check #1277 to Dykema Gossett PLLC - Receiver & Legal Fees	\$ 119,741.31	
06/13/23 Check #1278 to Dykema Gossett PLLC - Receiver & Legal Fees	\$ 206,390.94	
06/16/23 Check Card to City of Electra - Utilities	\$ 23.69	
06/20/23 Check #1280 to Ahuja & Clark, PLLC - Accounting	\$ 98,397.97	
06/21/23 Check #1281 to Romero Kozub - Receiver & Legal Fees	\$ 3,665.00	
06/22/23 Check Card to TXU Energy - Utilities	\$ 33.75	
06/22/23 Check #1282 to Baize Self Storage - Storage	\$ 30.00	
06/26/23 Check #1279 to Stretto - Professional Fees	\$ 1,267.50	
06/28/23 Check #1284 to JAMS, Inc. - Professional Fees	\$ 3,725.00	
	\$ 907,770.82	\$ 4,339,507.62

RECEIPTS AND DISBURSMENTS

	Current Period (4/1/2023 - 6/30/2023)	Cumulative
6. TOTAL DISBURSEMENTS	\$ 1,015,698.91	\$ 4,888,348.00
7. ENDING CASH BALANCE (Line 4 - Line 6)		
<i>*3898 IBC Account</i>	\$ 822,258.12	
<i>*3863 IBC Account</i>	\$ 605,224.43	
<i>*7536 IBC Account</i>	\$ 344.76	
<i>*1565 Western Alliance Account</i>	\$ 250,404.80	
<i>*0955 Western Alliance Sweep Account</i>	\$ 7,802,599.57	
	\$ 9,480,831.68	\$ 9,480,831.68