

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

**UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,**

Plaintiff,

v.

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

Defendants,

and

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

Relief Defendants.

No. 4-21CV-1310-O-BP

**RECEIVER'S ELEVENTH QUARTERLY REPORT FOR RECEIVERSHIP ESTATES
(APRIL 1, 2024 – JUNE 30, 2024)**

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] (the “Receivership Order”) and receivership estates (collectively, the “Estates”) in the above-captioned case (the “Case” or “Receivership”), hereby files this *Receiver’s Eleventh Quarterly Report for Receivership Estates* (the “Report”) for the period April 1, 2024 through June 30, 2024.¹ 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 analyzed and, where appropriate, objected to claim submissions of the Receivership Parties’ creditors in accordance with the Court-approved claims procedure; prepared final reporting for submission to the Texas Comptroller of Public Accounts (the “Comptroller”); and engaged a Fort Worth-based auctioneer to conduct a public auction of the remaining personal property pursuant to Court-approved procedures. The Receiver engaged a third-party escheat vendor to assist with the escheatment process with the Comptroller, which was completed in May 2024. A substantial amount of time was spent in the second quarter of 2024 on the claims procedure, focusing on communications with various creditors, including investors (potential and known), vendors, and governmental

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

agency contacts, and claim analysis and allowance and/or objection, where appropriate. The Receiver obtained Court approval of a distribution methodology and plan on July 1, 2024. 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, which steadily increased throughout the Reporting Period (defined below) as distribution packages were received by investors and known non-investor creditors and claim objections were sent. Specifically, during this Reporting Period, Ms. Behrends, on behalf of the Receiver, held approximately 145 telephone conferences with known and potential investors (not including those calls with non-investor creditors) regarding the claims procedure, including the proof of claim forms and questions on their respective transaction schedule and/or net transaction amount, and the Receiver's proposed distribution plan and methodology. Additionally, the Receiver and her counsel continued daily communications with investors (known and potential) and other creditors via email during the Reporting Period about the status of the Case, the claims process, and the proposed distribution methodology and plan.

3. At the beginning of the second quarter of 2024, the Receiver had \$9,629,770.27 on deposit. At the end of this Reporting Period (defined below), after receipt of proceeds from settlements and payments of operating expenses and Court-approved fees and expenses, the amount on deposit was \$18,755,092.14. As of the filing of this Report (July 16, 2024), \$18,752,522.14 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. The *Receiver's Seventh Quarterly Report for Receivership Estates* [ECF No. 386] was filed on August 14, 2023, covering the period of April 1, 2023 through June 30, 2023. The *Receiver's Eighth Quarterly Report for Receivership Estates* [ECF No. 426] was filed on October 30, 2023, covering the period of July 1, 2023 through September 30, 2023. The *Receiver's Ninth Quarterly Report for Receivership Estates* [ECF No. 452] was filed on January 30, 2024, covering the period of October 1, 2023 through December 31, 2023. The *Receiver's Tenth Quarterly Report for Receivership Estates* [ECF No. 496] was filed on April 30, 2024, covering the period of January 1, 2024 through March 31, 2024. This Report covers the period of April 1, 2024 through June 30, 2024 (the "Reporting Period"). Certain information or activity subsequent to June 30, 2024, may be 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

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

Claims Procedure Summary

11. The Receiver will provide a brief claim summary as of the date of this Report. Prior to the filing of the Claims Objection (defined below), the Receiver allowed 712 **investor** claims totaling **\$94,286,329.57**. The Receiver disputed 29 **investor** claim submissions, which totaled **\$7,405,964.19**. The Receiver allowed 35 **non-investor** claims totaling **\$8,561,718.94**. The Receiver disputed 6 non-investor claims totaling **\$259,121.44**, which included 2 unliquidated claims.

12. On May 9, 2024, the Receiver filed a written, formal objection to the 35 disputed claims. *See generally* ECF No. 500. The Court considered the *Receiver's Omnibus Objection to Claim Submissions Pursuant to Court-Approved Claims Procedure* [ECF No. 500] (the "Claims Objection") on June 6, 2024. On June 14, 2024, the Court entered the *Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 556] (the "Claims Objection FCR"), recommending that U.S. District Judge O'Connor sustain the Receiver's objection to the remaining disputed claims, except with respect to John Rogers. In the Claims Objection FCR, Judge Ray recommended that Judge O'Connor approve an allowed claim amount for Mr. Rogers in the amount of \$767,372.54 and order that there be no further allowed claims in the Case. *See* ECF No. 556, at p. 19.

13. On July 1, 2024, U.S. District Judge O'Connor entered the *Order Accepting Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 561] and the *Order Sustaining Receiver's Omnibus Objection to Claim Submissions Pursuant to Court-Approved Claims Procedure* [ECF No. 562] (the "Claims Objection Order"). Judge O'Connor approved Judge Ray's Claims Objection FCR and sustained the Receiver's Claims Objection, save and except John Rogers' allowed claim amount in this Case. The Court

approved the Receiver's proposed claim amount for all disputed claimants except for Mr. Rogers, who has an allowed claim in Class 5 in the amount of \$767,372.54. Additionally, the Claims Objection Order ordered that "there shall not be further allowed claims in this Case" and that "all disputed claims are resolved." See ECF No. 562, at p. 3. Judge O'Connor's July 1, 2024 *Orders* will become final on July 31, 2024.

14. In accordance with the Claims Procedure Order, 734 investor claims are allowed with a total liability of **\$98,790,420.27**. Similarly, 36 non-investor claims are allowed with a total liability of **\$8,601,718.94**. The combined investor and non-investor allowed claim amounts in this Case total **\$107,392,139.21**.

Distribution Plan Summary

15. On May 9, 2024, the Receiver filed the *Receiver's Motion for Order Approving Distribution Plan and Interim and/or Final Distribution* [ECF No. 534] (the "Distribution Motion"), which requested Court approval of the "Net Investment" (also known as the "Net Loss") distribution method for any interim and/or final distributions on allowed claims in this Case and proposed the distribution plan summarized below. The Court considered the Distribution Motion, including the Receiver's proposed distribution plan, at the June 6, 2024 hearing in this Case.

16. On June 14, 2024, U.S. Magistrate Judge Ray entered the *Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 555] (the "Distribution FCR") recommending that U.S. District Judge O'Connor grant the Distribution Motion.

17. On July 1, 2024, U.S. District Judge O'Connor entered the *Order Accepting Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 559] and the *Order Granting Receiver, Deborah D. Williamson's Motion for Order Approving Distribution Plan and Interim and/or Final Distribution* [ECF No. 560], which granted

the Receiver's Distribution Motion, including the distribution plan summarized below. Judge O'Connor's July 1, 2024 *Orders* will become final on July 31, 2024.

- A. The distribution plan contains 9 classes of claimants based on the claimant's relationship to one of more of the 18 Receivership Parties. The Court authorized the exclusion from any Court-approved distribution claim amounts arising from or relating to Texas International Energy Production, Inc. ("TIEP"). Further, the Court authorized the subordination of any "Insider" claims.
- B. The Court permitted the pooling of certain Receivership assets for distribution purposes and approved the "Net Investment" or "Net Loss" distribution method. Generally, the "Net Investment" or "Net Loss" method provides claimants with a *pro rata* distribution based on the claimant's allowed claim amount compared to the total amount of all allowed claims in the Heartland Receivership.
- C. The Court authorized a distribution of approximately \$9,375,000 on a *pro rata* basis to allowed claimants in Class 4a, which represents a return of capital to Heartland investors arising out of the settlement with Locke Lord LLP ("Locke Lord").
- D. The Court authorized an interim distribution of \$5,000,000 on a *pro rata* basis to allowed claimants in Classes 4a and 4b, including Heartland investors and other claimants save and except claimants relating to the five (5) oil and gas operator Receivership Parties (the "Operators"), Sahota Capital LLC, and/or Barron Energy Corporation.
- E. The Court authorized a final distribution of \$650,000 on a *pro rata* basis to allowed claimants against one or more of the Operators (Class 5).
- F. The Receiver is reserving sufficient assets to ensure the payment of allowed claims in Classes 1-3 and estimated tax liabilities for the past, 2024, and future tax years. The Court authorized the Receiver to make a push-out election for Heartland Receivership partnerships in the event that there is an audit by the Internal Revenue Service (the "IRS").
- G. All allowed claimants must provide the Receiver with a completed and signed IRS Form W-9, which is available online at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>. If you do not have access to the Internet, please call 210-554-5845 to request a mailed IRS Form W-9. The completed and signed IRS Form W-9 form can be mailed to Dykema Gossett PLLC c/o Heartland Receivership, 112 East Pecan Street, Suite 1800, San Antonio, Texas 78205 or emailed to

heartlandreceivership@dykema.com. **The Court ordered that the Receiver only issue distribution checks directly to the allowed claimant.**

18. The Receiver anticipates that distributions to claimants holding allowed claims *and* who have submitted a completed and signed IRS Form W-9 will begin no earlier than mid-August 2024. The Receiver will not mail a distribution check without the receipt of a completed and signed IRS Form W-9.

19. If and when the Receiver determines that additional funds are available for distribution and/or the Heartland Receivership closes, the Receiver will propose future distribution(s) to the Court. **The Receiver does not believe that the ultimate recovery will be sufficient to return the full amount of principal contributions to Heartland investors and pay in full all claims of non-investor creditors.**

III. GENERAL OVERVIEW

20. 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 and investigate assets and liabilities of the Receivership Estates. In prior quarters, the Receiver has taken possession of and sold two aircraft, vehicles, multiple pieces of oil field and construction equipment, real property, Dallas Cowboy tickets, and personal property and abandoned hundreds of operating and non-operating wells that could not be sold, pursuant to Court-approved sale procedures. 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 and her team have analyzed 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 and her team prepared for and participated in a mediation and entered into

a mediator's proposal, which, ultimately, resulted in the settlement of significant causes of action, including Locke Lord. 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 n/k/a Ahuja & Consultants, Inc. ("A&C") on tax, accounting, and tracing issues, and Vicki Palmour Consulting LLC ("Palmour") on regulatory, compliance, abandonment, and escheatment 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 AND FORENSIC ACCOUNTING ISSUES

21. During the Reporting Period, A&C finalized and submitted federal tax returns for the 2023 tax year for certain Receivership Parties with filing obligations. Contemporaneously, A&C finalized expense allocations for various Receivership Parties, analyzed and provided preliminary potential exposure calculations for various Receivership Parties, and calculated current cash positions for certain Receivership Parties. A&C also assisted in responding to numerous notices from the IRS and other governmental authorities for various Receivership Parties.

22. With respect to forensic accounting, A&C aided the Receiver's counsel throughout the claims process and various distribution methodologies and related issues. A&C also responded to the Receiver's counsel on specific investor questions and provided analysis on disputed investor claim submissions. Additionally, A&C analyzed various distribution methods and began distribution method calculations for the Receiver, in addition to drafting a declaration regarding

the proposed distribution plan. A&C continued tracing funds relating to the purchase of the Bahamas properties and analysis documentation on same.

B. INSURANCE

23. During the Reporting Period, insurance was maintained, as necessary.

C. CASH ON HAND/ADMINISTRATIVE EXPENSES

24. 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; 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, and such expenses have decreased in this Reporting Period.

D. RECEIPTS AND DISBURSEMENTS

25. During the Reporting Period, the Receiver deposited \$9,483,995.21, relating to sale of assets, interest, settlements, 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

26. 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

27. 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, Leading Edge Energy LLC, Dallas Resources, Inc. (“Dallas Resources”), and ArcoOil Corp. offices in Graham, Texas, as well as the Graham yard, which was sold before this Reporting Period; an office and storage location in Electra, Texas (the “Electra Office”), which was sold before this Reporting Period; the ranch in Eldorado, Texas (previously occupied by Defendant Manjit Singh (aka Roger) Sahota (“Roger”), his wife, Relief Defendant Harprit Sahota, and his son, Relief Defendant Monroe Sahota), which was sold before this Reporting Period; 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 Dallas Resources, which was sold before this Reporting Period. As of the filing of this Report, the Receiver believes she has sold all domestic real property directly owned by any Receivership Party.

i. Bahamas Properties

28. There are at least two (2) properties in the Bahamas where funds related to their acquisition can be traced to one or more Receivership Parties. 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. A&C is performing forensic accounting analysis on the Bahamas properties payments. The Receiver anticipates filing pleadings with the Court to compel the transfer of title to the Bahamian properties to the Estates.

ii. Guatemala Properties

29. 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.

c. *Oil and Gas Properties*

30. There were 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. Abandonment of the unsold oil and gas properties (exclusive of Val Verde and Crockett counties) pursuant to Court Order occurred during prior reporting periods. During this Reporting Period, the Receiver and her advisors have continued to spend time addressing issues raised by third parties regarding the Val Verde and Crockett counties oil and gas properties, which are subject to the Court-approved modified farmout agreement.

31. The Receiver engaged an escheat vendor to assist with the escheatment process, which was completed during this Reporting Period.

32. The Receiver and her counsel reviewed Railroad Commission of Texas (“RRC”) alleged violation notices, many of which the circumstances existed before the appointment of the Receiver. The Receiver and her team immediately communicated with RRC counsel, as necessary, given the abandonment status of such properties. The Receiver’s counsel will continue to review and monitor RRC correspondence issued post-abandonment and communicate with RRC counsel, as necessary.

33. The general liability and pollution coverage for oil and gas operations was maintained during the Reporting Period.

34. The Receiver and her team reviewed environmental issues identified by alleged RRC violation notices received during the Reporting Period and immediately notified RRC

counsel of such post-abandonment notices. The Receiver did not expend funds on remediation expenses during the Reporting Period.

35. During this Reporting Period, the Receiver agreed to deliver certain well logs and files relating to Court-approved abandoned oil and gas properties to the RRC. Two contractors began the process of identifying the various well logs and files located in Receivership Party storage units in Aledo, Texas, and Electra, Texas. The Receiver anticipating completing the turnover of these abandoned well logs and files to the RRC in the third quarter of 2024.

36. During the Reporting Period, Palmour assisted the Receiver and her counsel with suspense reporting items so that the escheatment process could be completed. Palmour's regulatory compliance work is concluded in light of the Court-approved abandonment of certain oil and gas properties and completion of the escheatment process.

i. Val Verde and Crockett Counties Farmout Agreement

37. The operations of SDMB Resources LLC ("SDMB"), as farnee and contract operator, in Val Verde and Crockett counties have continued to deliver very little production. SDMB asserts that it continues to address operational issues in hopes of increasing the production. To date, the Receiver has received *de minimis* revenue in relation to the Court-approved modified farmout agreement.

38. The Receiver's oil and gas counsel reviewed the following oil and gas leases, including a large-scope surface use agreement, which are in the Val Verde Basin in Val Verde and Crockett counties: I.W. Carson Lease, the Childress Lease, and the West Lease (collectively, the "Val Verde Leases"). The Val Verde Leases were committed to the modified farmout agreement between the Receiver and SDMB. The review included comparing the lease terms and conditions against the operational updates published by SDMB in various correspondence to the Receiver

over the last twelve (12) months, as well as comparing the facts recited by SDMB in those correspondences to the terms and conditions of the modified farmout agreement.

39. The primary term of an oil and gas lease is the time period during which no action or incremental investment is required of the “lessee” (here, SDMB) to maintain the lease in force and effect. The last of the primary terms of the Val Verde Leases appears to have expired on April 1, 2024, during this Reporting Period, some of which were extended from their original expiration date by agreement between SDMB and the respective lessors of the Val Verde Leases. There continues to be minimal, if any, production of natural gas from various wells on two (2) of the Val Verde Leases, and the Receiver is holding *de minimis* gross revenue from the sales thereof that she believes is all revenue paid from the Val Verde Leases. However, it is yet to be determined whether SDMB has preserved the Val Verde Leases in force and effect beyond the respective primary terms by the combination of production from the Val Verde Leases and operations upon the wells intended to reestablish or enhance production. The determination of whether an oil and gas lease is held in force and effect by production from and/or operations upon the respective lease’s wells is lease-specific and factually sensitive. The Receiver has not formed an opinion on this as of the date of filing this Report.

40. In December 2022, the Receiver incurred \$33,909.82 in post-effective date environmental remediation expenses (the “Expenses”) on the Val Verde Leases relating to the modified farmout agreement. SDMB reimbursed the Receivership Estates for the Expenses during this Reporting Period.

41. Mechanics and materialman’s liens and delinquent trade debt claims have been asserted against the Val Verde Leases and the wells thereon allegedly as a result of SDMB failing to pay its vendors/contractors for services rendered on the Val Verde Leases. To date, the

Receiver, through her counsel, has received numerous notices of intent to file Texas mineral liens and/or mineral lien affidavits, which were sent to SDMB and Receivership Party The Heartland Group Ventures, LLC (“Ventures”), relating to the modified farmout agreement and totaling at least \$668,020.00 (with interest, fees, and other amounts continuously accruing until paid).

42. The Receiver and her team continue to communicate with SDMB and its counsel regarding issues relating to the Court-approved modified farmout agreement.

d. Equipment and Vehicles

43. On April 24, 2024, the Receiver located a trailer and a LandStar 550 utility vehicle at a storage unit in Aledo, Texas, which are owned by Ventures. The Receiver engaged Ritchie Bros. Auctioneers to sell the utility vehicle and trailer. On June 19, 2024, the Receiver filed the *Notice of Proposed Public Auction of Personal Property* [ECF No. 558] in accordance with Court-approved sale procedures regarding personal property. Ritchie Bros. Auctioneers will sell the last known remaining personal property at an in-person and online auction on July 18, 2024, in Fort Worth, Texas. At the conclusion of the July 18, 2024 auction, the Receiver believes she will have sold all equipment and vehicles owned by any Receivership Party.

F. CLAIMS HELD BY RECEIVERSHIP PARTIES

44. Dykema, on behalf of the Receiver, has begun sending demand letters to certain individuals regarding TIEP promissory notes and/or payments to TIEP investors made by Receivership Party Heartland Production and Recovery Fund LLC and/or Receivership Party The Heartland Group Fund III, LLC.

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

a. Locke Lord Settlement

46. Reid Collins has been engaged to prosecute certain claims held by one or more Receivership Parties, which resulted in a significant settlement with Locke Lord as former counsel to certain Heartland-related Receivership Parties.

47. On April 2, 2024, the Receiver filed the *Receiver's Motion (I) to Approve Proposed Settlement with Former Counsel to Certain Heartland-Related Receivership Parties, (II) to Enter a Bar Order, and (III) to Approve Payment of Fees and Expenses of Reid Collins & Tsai LLP, Litigation Counsel to Receiver* [ECF No. 464] (the "Locke Lord Settlement Motion"), requesting that the Court, after notice and hearing, approve the Receiver's settlement of certain settled claim and causes of action against Locke and approve fees associated with the Locke Lord settlement to Reid Collins. Additionally, Locke Lord required a bar order as a condition of any settlement with the Receiver. Lastly, the Locke Lord Settlement Motion requested that the Court approve "earmarking" the Net Settlement Proceeds (as defined in the Locke Lord Settlement Motion) for the sole benefit of Heartland Investors (as defined in the Locke Lord Settlement Motion) as returned capital in any interim and/or final distribution approved by the Court.

48. On April 2, 2024, the Court entered its *Order* setting the (i) deadline to object to the Locke Lord Settlement Motion on April 23, 2024, and (ii) a hearing on the Locke Lord Settlement Motion on April 25, 2024, at 2:00 p.m. Central. *See* ECF No. 465. No objections were filed or informally received to the Locke Lord Settlement Motion.

49. The Receiver filed the *Declaration of Deborah D. Williamson, Receiver, for Hearing on April 25, 2024 at 2:00 P.M. Central* [ECF No. 485] in support of the Locke Lord Settlement Motion on April 18, 2024.

50. After the April 25, 2024 hearing, Judge Ray entered the *Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 492] (the “Locke Lord FCR”), which recommended that Judge O’Connor (i) grant the Locke Lord Settlement Motion; (ii) approve the Locke Lord settlement, including the bar order; (iii) approve that the Net Settlement Proceeds . . . be “‘earmarked’ for the sole benefit of the Heartland Investors in any interim and/or final distribution approved by this Court to reduce their injury and destruction to the value of their respective investments/capital in in the Heartland-Related Receivership Parties;” (iv) approve the payment of fees to Reid Collins; and (v) enter the form of proposed order submitted with the Locke Lord Settlement Motion.

51. On May 10, 2024, Judge O’Connor entered the *Order Accepting Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 535], accepting the Locke Lord FCR and granting the Locke Lord Settlement Motion. On the same day, Judge O’Connor entered the *Order Granting Receiver’s Motion (I) to Approve Proposed Settlement with Former Counsel to Certain Heartland-Related Receivership Parties, (II) to Enter a Bar Order, and (III) to Approve Payment of Fees and Expenses of Reid Collins & Tsai LLP, Litigation Counsel to Receiver* [ECF No. 536] (the “Locke Lord Settlement Order”). No appeal was filed with respect to the Locke Lord Settlement Order, which has become final.

52. As detailed above, the “net settlement proceeds” from the Locke Lord settlement have been received and will be distributed in accordance with the Court-approved distribution plan solely to Heartland investors in Class 4a as a return of capital.

G. KNOWN CREDITORS

53. The Receiver is aware of “recurring charges” creditors, such as internet service providers, utilities, storage units, 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. During this Reporting Period, the Receiver terminated two storage unit rental agreements for units located in Aledo, Texas. The Receiver anticipates terminating the rental agreement for the remaining storage unit located in Electra, Texas, during the third quarter of 2024.

54. The Receiver has compiled a list of known individuals and entities who are creditors and/or investors in the Receivership Parties (or one of its investment vehicles). According to the records located by the Receiver, there are approximately 726 investors that loaned funds to or invested in one or more of the Receivership Parties (and its related investment vehicles), exclusive of any “roll overs.” A&C has completed verification of the amount each known investor has invested or otherwise advanced. The Receiver worked diligently on the Court-approved claims procedure and completed informal objections to claim submissions, where appropriate, during the Reporting Period. As noted above, the Receiver filed the Claims Objection. More information on the Court-approved Claims Procedure and the distribution process is detailed above in paragraphs 11–19.

55. 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’s counsel continually updates the website with investor communications, “frequently asked questions” (“FAQs”), key court documents, notices, and reports. During this Reporting Period, Ms. Behrends communicated frequently with the Receiver’s claims agent, vendors, former employees, investors, and other creditors regarding the claims process, proposed distribution methodology and plan, and respective deadlines ordered by the Court.

H. ADMINISTRATIVE ACTIONS

56. As stated above, a website has been created to provide information to investors and creditors regarding the status of the Case: www.heartlandreceivership.com. The FAQs 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.

57. 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.³

I. RECEIVER'S RECOMMENDATIONS

58. While the Receiver has recovered control of readily identifiable assets and operations 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 IRS has a multi-year period to audit tax returns. The Receiver and her team continue to analyze, have begun pursuing, and/or have settled claims against third parties held by the Receivership Estates. Accordingly, the Receiver recommends that the Case continue to allow the Receiver additional time to evaluate what additional claims or causes of action can be asserted, address issues raised by the IRS and other parties, and facilitate any Court-approved distribution(s) to investors and other creditors.

³ Ms. Behrends has been the point of contact with inquiries with respect to the Court-approved claims procedure and distribution plan.

Dated: July 16, 2024.

Respectfully submitted,

By: /s/ Danielle Rushing Behrends

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COUNSEL TO RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on July 16, 2024, 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 (04/01/2024 - 06/30/2024)	Cumulative
1. CASH AT BEGINNING OF PERIOD			
	*3898 IBC Account	\$ 536,028.09	
	*3863 IBC Account	\$ 819,698.69	
	*7536 IBC Account	\$ 100,632.97	
	*1565 Western Alliance Account	\$ 250,417.15	
	*0955 Western Alliance Sweep Account	\$ 7,922,993.37	
	*4056 Western Alliance Account (Account Opened)	\$ -	
		\$ 9,629,770.27	\$ -
2. RECEIPTS			
<i>*3898 IBC Account</i>			
	05/16/2024 Deposit from Barton Ranches LLC on behalf of SDMB Resources, LLC - Reimbursed Expenses	\$ 33,909.82	
	Total Deposits to *3898	\$ 33,909.82	\$ 1,439,917.28
<i>*3863 IBC Account</i>			
	04/15/2024 Deposit from United States Treasury - Tax Refund	\$ 2,565.00	
	04/29/2024 Deposit from Texas State Comptroller - Franchise Tax Refund	\$ 199.84	
	06/14/2024 Transfer from *3898: \$12,085.00		
	06/17/2024 Deposit from Reid Collins & Tsai LLP - Return of Retainer	\$ 25,000.00	
	06/25/2024 Transfer from *3898: \$541,897.37		
	06/25/2024 Transfer from *7536: \$104,809.06		
	Total Deposits to *3863	\$ 27,764.84	\$ 14,467,989.22
<i>*7536 IBC Account</i>			
	04/26/2024 Transfer from *3898: \$4,176.09		
	Total Deposits to *7536	\$ -	\$ 0.01
<i>*1565 Western Alliance Account</i>			
	04/30/2024 Interest Income	\$ 403.68	
	05/31/2024 Interest Income	\$ 417.15	
	06/30/2024 Interest Income	\$ 403.73	
	Total Deposits to *1565	\$ 1,224.56	\$ 35,654.10
<i>*0955 Western Alliance Sweep Account</i>			
	04/01/2024 Transfer from *1565: \$417.15		
	04/30/2024 Interest Income	\$ 12,839.40	
	05/01/2024 Transfer from *1565: \$403.68		
	05/31/2024 Interest Income	\$ 13,289.83	
	06/03/2024 Transfer from *1565: \$417.15		
	06/28/2024 Interest Income	\$ 12,882.86	
	Total Deposits to *0955	\$ 39,012.09	\$ 177,993.07
<i>*4056 Western Alliance Account</i>			
	06/17/2024 Deposit from Reid Collins & Tsai LLP - Net Settlement Proceeds - Locke Lord Settlement	\$ 9,375,000.00	
	06/30/2024 Interest Income	\$ 7,083.90	
	Total Deposits to *4056	\$ 9,382,083.90	\$ 9,382,083.90
3. TOTAL RECEIPTS		\$ 9,483,995.21	\$ 25,503,637.58
4. TOTAL CASH AVAILABLE FOR OPERATIONS (Line 1 + Line 3)		\$ 19,113,765.48	
5. DISBURSEMENTS			
<i>*3898 IBC Account</i>			
	04/01/2024 Check #2080 to Joan Lueker - Royalty Expense	\$ 146.58	
	04/01/2024 Check #2117 to JC Lewis Jr. - Contractor Payments	\$ 1,280.00	
	04/01/2024 Check #2118 to Daniel Dunlap - Contractor Payments	\$ 760.00	
	04/26/2024 Transfer to *7536: \$4,176.09		
	05/03/2024 Check #2119 to Stretto - Professional Fees	\$ 1,300.00	
	05/06/2024 Check #2099 to Pat Hall - Royalty Expense	\$ 207.66	
	05/08/2024 Check #1965 to Raymond Earl Mitchell - Royalty Expense	\$ 0.18	
	05/09/2024 Check #2113 to Zia Trust Inc - Royalty Expense	\$ 39.23	
	06/05/2024 Check #2120 to Texas State Comptroller - Unclaimed Property	\$ 2,973.95	
	06/05/2024 Check #2121 to Texas State Comptroller - Unclaimed Property	\$ 633.80	
	06/11/2024 Check #2122 to Contract Oil & Gas Operations LLC - Professional Fees	\$ 4,438.00	
	06/14/2024 Transfer to *3863: \$12,085.00		
	06/24/2024 Check #2098 to Nathanael Emerick - Royalty Expense	\$ 0.05	

	Current Period (04/01/2024 - 06/30/2024)	Cumulative
<i>06/25/2024 Transfer to *3863: \$541,897.37</i>		
Total Disbursements from *3898	\$ 11,779.45	\$ 781,215.86
<i>*3863 IBC Account</i>		
04/02/2024 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
04/02/2024 Check Card to Ranch House Storage - Storage	\$ 85.00	
04/02/2024 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
04/05/2024 Check #1311 to Law Offices of Romero Kozub - Professional Fees	\$ 680.00	
04/10/2024 Check #1314 to Wyoming Secretary of State - Filing Fees	\$ 60.00	
04/16/2024 Check #1315 to Baize Self Storage - Storage	\$ 30.00	
04/25/2024 Check Card to Ranch House Storage - Storage	\$ 30.00	
05/01/2024 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
05/02/2024 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
05/02/2024 Check Card to Ranch House Storage - Storage	\$ 85.00	
05/07/2024 Check #1316 to Texas DMV - Printing and Reproduction Fees	\$ 2.00	
05/23/2024 Check #1317 to Baize Self Storage - Storage	\$ 30.00	
06/03/2024 Check Card to Bearcat Self Storage - Storage	\$ 92.01	
06/03/2024 Check Card to Ranch House Storage - Storage	\$ 85.00	
06/03/2024 Wire to Palatium Consulting Corp - Computer and Internet Expenses	\$ 500.00	
06/13/2024 Check #1318 to Bexar County Tax Assessors-Collector - Filing Fees	\$ 33.00	
06/13/2024 Check #1319 to Bexar County Tax Assessors-Collector - Filing Fees	\$ 33.00	
06/13/2024 Check #1321 to Dykema Gossett PLLC - Professional Fees	\$ 198,210.05	
06/13/2024 Check #1324 to Ahuja & Clark, PLLC - Professional Fees	\$ 105,860.76	
06/13/2024 Check #1325 to Vicki Palmour Consulting, LLC - Professional Fees	\$ 1,100.00	
06/18/2024 Check #1320 to Baize Self Storage - Storage	\$ 30.00	
06/21/2024 Check #1326 to Stretto - Professional Fees	\$ 26,929.05	
06/25/2024 Check #1322 to Law Offices of Romero Kozub - Professional Fees	\$ 850.00	
06/25/2024 Check #1323 to Law Practice of Darrell R Jones PLLC - Professional Fees	\$ 10,985.00	
Total Disbursements from *3863	\$ 346,893.89	\$ 5,967,314.58
<i>*7536 IBC Account</i>		
<i>06/25/2024 Transfer to *3863: \$104,809.06</i>		
Total Disbursements from *7536	\$ -	\$ 15.00
<i>*1565 Western Alliance Account</i>		
<i>04/01/2024 Transfer to *0955: \$417.15</i>		
<i>05/01/2024 Transfer to *0955: \$403.68</i>		
<i>06/03/2024 Transfer to *0955: \$417.15</i>		
Total Disbursements from *1565	\$ -	\$ -
6. TOTAL DISBURSEMENTS	\$ 358,673.34	\$ 6,748,545.44
7. ENDING CASH BALANCE		
(Line 4 - Line 6)		
<i>*3898 IBC Account (Account Closed)</i>	\$ -	
<i>*3863 IBC Account</i>	\$ 1,159,361.07	
<i>*7536 IBC Account (Account Closed)</i>	\$ -	
<i>*1565 Western Alliance Account</i>	\$ 250,403.73	
<i>*0955 Western Alliance Sweep Account</i>	\$ 7,963,243.44	
<i>*4056 Western Alliance Account</i>	\$ 9,382,083.90	
	\$ 18,755,092.14	\$ 18,755,092.14