

**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; §  
ARCOOIL CORP.; BARRON PETROLEUM LLC; §  
JAMES IKEY; JOHN MURATORE; THOMAS §  
BRAD PEARSEY; MANJIT SINGH (AKA ROGER) §  
SAHOTA; and RUSTIN BRUNSON, §**

**No. 4:21-cv-1310-O-BP**

**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. §**

**RECEIVER’S MOTION FOR AUTHORITY TO ABANDON INTERESTS  
IN OIL AND GAS PROPERTIES**

TO THE HONORABLE U.S. MAGISTRATE JUDGE HAL R. RAY, JR.:

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the “Receiver”) for the Receivership Parties (as defined in the Receivership Order)<sup>1</sup> and the receivership estates (collectively, the “Receivership Estates”) in the above-captioned case (the “Case” or the “Receivership”), hereby files this *Receiver’s Motion for Authority to Abandon Interests in Oil and Gas Properties* (the “Motion”). The Receiver requests entry of an order, substantially in the form of the proposed order (the “Proposed Order”) attached hereto as **Exhibit A**, allowing the Receiver to abandon any interest or obligation related to oil and gas properties which are not sold or otherwise transferred within three (3) months completion of auction(s) and/or the sale process. In support of this Motion, the Receiver respectfully represents as follows:

**I. BACKGROUND**

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

2. 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 pending further order of this Court. Accordingly, the Court entered the *Order Appointing Receiver* (the “Receivership Order”) on December 2, 2021 [ECF No. 17], appointing Deborah D. Williamson as the Receiver over the

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<sup>1</sup> Capitalized terms used herein but not otherwise defined shall have the meaning ascribed to them in the Receivership Order, as applicable.

Receivership Estates in this Case. The Receivership Order directed the Receiver to take possession and control over all funds, property, and other assets in the possession of, or under the control of Receivership Parties. Receivership Order, ¶ 8.

3. The Receivership Estates consist of 403 oil and gas wells and, to a lesser degree, gathering and transportation systems used in connection with specific mineral leases (generally, the “Oil and Gas Properties”).

4. Interests in the Oil and Gas Properties were owned directly or indirectly by The Heartland Group Ventures, LLC (“Heartland Ventures”), Heartland Production and Recovery, LLC (“Heartland PAR”), Heartland Production and Recovery Fund LLC (“Heartland PAR Fund”), Heartland Production and Recovery Fund II LLC (“Heartland PAR Fund II”), The Heartland Group Fund III, LLC (“Heartland Fund III”), Heartland Drilling Fund I, LP (“Heartland Drilling”), Carson Oil Field Development Fund II, LP (“Carson”), Arcooil Corp (“Arcooil”), Barron Petroleum LLC (“Barron”), Dodson Prairie Oil and Gas (“Dodson Prairie”), Panther City Energy LLC (“Panther City”), and Leading Edge Energy, LLC (“Leading Edge”).

5. Arcooil, Barron, Dodson Prairie, Leading Edge, and Panther City (collectively, the “Operators”) were operators of certain of the Oil and Gas Properties and each had a P-5<sup>2</sup> permit.

6. Since her appointment, the Receiver and her team have continuously had to address claims and, to the extent possible, remedy issues identified by the Railroad Commission of Texas (“RRC”). The Receiver is also constantly having to address errors, omissions, and other operational issues identified by the RRC and other parties-in-interest. Thousands of dollars have

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<sup>2</sup> A P-5 is a license, which along with the requisite bond, is required by the Railroad Commission of Texas to operate an oil or gas well.

been spent and will continue to be spent to address issues which could have resulted in the cancellation of the relevant P-4<sup>3</sup> permit.

7. The RRC has demanded that numerous actions be taken with regard to the Oil and Gas Properties. Some requested actions are relatively simple—*e.g.*, posting new notices/signs. Other actions are expensive and may be, as a practical matter, difficult to satisfy. To the extent that it occurred on or after December 1, 2021 or she was provided notice, the Receiver has immediately responded to any issues related to potential leaks, discharges, or other conditions which could have created a risk to public health or safety, including one on Christmas Eve of 2021. The Receiver continues to confer with the RRC regarding alleged violations.

8. On May 16, 2022, the Receiver filed her *Motion (1) for Authority to Sell Oil and Gas Interests; (2) for Authority to Retain Sales and Marketing Firm; and (3) for Approval of Sales Procedures* (the “Oil and Gas Sale Motion”) [ECF No. 197]. On June 8, 2022, this Court entered its *Order* approving the Oil and Gas Sale Motion [ECF No. 215].

9. The Receiver filed notices of the proposed auctions. The notices were published for four consecutive weeks.

### **EnergyNet Auctions**

10. The EnergyNet.com LLC (“EnergyNet”) website for the Receivership auctions opened on September 8, 2022 and was scheduled to “close” on September 15, 2022 (the “Auctions”). The Oil and Gas Properties (excluding Val Verde/Crockett leases) were divided into

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<sup>3</sup> A P-4 license or permit is issued to permit operations on a specific oil and gas well.

8 auction lots. The goal was to monetize the number of potential purchases and allow smaller operators to purchase the Oil and Gas Properties. Each lot included less than 100 wells.

11. The auction lots were grouped by geographic region and shared operating infrastructure, if applicable. Lots were spread across 8 Texas counties, including Wichita, Hardeman, Stephens, Palo Pinto, Jack, Young, Sutton, and Schleicher, and across 5 Receivership Parties, including Arcooil, Barron, Dodson Prairie, Leading Edge, and Panther City. The auction lots were comprised of 59 individual leases and 435 wells.

12. The EnergyNet Auctions were online and available for prospective bidder's due diligence in August 2022. RRC well transfer documents were prepared for each well. These P-4s were grouped by lot to allow EnergyNet to fill in the winning bidder and send directly to the RRC for approval and well transfers.

13. Five EnergyNet lots were sold on September 15, 2022. Approximately \$580,900.00 was bid in gross proceeds from winning bidder plus assumption of all plugging obligations ("P&A"). Approximately 267 wells will be transferred out of Receivership Parties if the RRC approves the transfers of the relevant P-4s.

14. Negotiations are ongoing with potential buyers of the three remaining lots (the "Unsold Lots"). The Unsold Lots include 168 wells located in 3 counties. Expected proceeds that may be realized from the Unsold Lots is less than \$2,000.00 plus assumption of all P&A.

15. If the RRC approves transfer of the P-4s, the Receivership Parties will divest operational responsibility for the Oil and Gas Properties that are sold, as well as the obligation to incur costs associated with any alleged obligation to plug and abandon such wells.

16. If the RRC does not approve transfer of the relevant P-4 or the property doesn't sell, then the Receiver will have no choice but to abandon that particular oil and gas well. The

Receiver cannot satisfy all of the RRC demands. The Receiver does not have the records to provide historical information. She has no employees. The Operators have no assets other than interests in the Oil and Gas Properties. For those Oil and Gas Properties which are not transferred to third parties, absent abandonment, hundreds of thousands of dollars would be necessary to comply with the RRC and other statutory, regulatory, and contractual obligations—money those Operators do not have.

17. Every operator of a well in Texas is required (i) to maintain a license to operate and (ii) to maintain a bond. Five Receivership Parties (the Operators) had been issued a P-5 prior to the appointment of the Receiver. The RRC has issued notices of intent to cancel in connection with each P-5. The RRC has refused to renew the P-5 for Leading Edge. The Receiver intends to surrender each P-5 once the sale process and/or abandonment is completed, with a potential exception for Barron which is currently the operator for the Val Verde/Crockett leases.

18. The Receiver seeks the right to abandon any interest in all Oil and Gas Properties, including the Unsold Lots, where the P-4 has not transferred either as a result of lack of RRC approval or it is part of an Unsold Lot, with the sole exception of the Val Verde/Crockett leases. Such abandonment will include any equipment that is then present at or on a particular well.

## **II. BONDS**

19. Three of the Operators (Dodson Prairie, Barron, and Panther City) have posted a cash bond of \$50,000.00. On information and belief, those cash bonds have been forfeited.

20. The situation is more complicated for Leading Edge and Arcooil. Bonds have been issued by The Lexon Insurance Company (“Lexon”) on behalf of Leading Edge and Arcooil. The Receiver requested complete copies of all information related to those bonds. A review of that information has raised concerns related to the process and documentation for such bonds.

21. Lexon issued Bond No. 1151590 on November 8, 2017, on behalf of Arcooil in favor of the RRC in the amount of \$50,000.00. The application for that bond identified Bobby Cato as a principal of Arcooil. There are also signatures allegedly for Bobby Cato and his wife, Tricia Cato, as indemnitors. The signatures of Bobby Cato and Tricia Cato were allegedly witnessed by Defendant Manjit Singh (aka Roger) Sahota. The “Principal/Operator Disclosure for Texas P-5 Bonds” dated November 17, 2017, lists Bobby and Tricia Cato each as a “Principal” of Arcooil. However, the Owners Email Address is listed as [roger@arcooil.com](mailto:roger@arcooil.com) and the emergency contact is [roger@leadingedge.com](mailto:roger@leadingedge.com).

22. Bobby and Tricia Cato have denied signing any documents in connection with the issuance of this bond for the benefit of Arcooil. A review of the records for the Texas Secretary of State (“SOS”) reveals that Managers of Arcooil have included Mandeep Sahota, Relief Defendant Harprit Sahota, Defendant Manjit Singh (aka Roger) Sahota, and Relief Defendant Sunny Sahota.

23. On November 15, 2017, a *Certificate of Amendment* was filed with the SOS, which added Bobby Lee Cato as CFO of Arcooil. That amendment was signed by Mandeep Sahota as Managing Member.

24. On March 12, 2018, a *Certificate of Amendment* was filed with the SOS, which removed “Bobby Cato (CFO)”. That amendment was signed by Relief Defendant Harprit Sahota. The Receiver has been unable to find any support for the position that Tricia Cato was a principal, officer, owner of any equity interest, or otherwise authorized or obligated to sign any documentation on behalf of Arcooil. To avoid having the bond drawn or otherwise forfeited, the Receiver has paid the fee to renew the bond.

25. Lexon issued Bond No. 1153487 on December 1, 2017, on behalf of Leading Edge in favor of the RRC in the amount of \$50,000.00. The Organization Report/Officer Listing for that bond identified Bobby Cato as a Manager of Leading Edge, along with Mandeep Sahota. The Organization Report is signed by Mandeep Sahota. There are also signatures allegedly of Bobby Cato and his wife, Tricia Cato, as indemnitors. There is also a General Agreement of Indemnity which allegedly has the signature of Bobby Cato as Managing Member. The signature of Bobby Cato was allegedly witnessed by Defendant Manjit Singh (aka Roger) Sahota. The “Principal/Operator Disclosure for Texas P-5 Bonds” dated November 27, 2017, lists Bobby and Tricia Cato each as a “Principal” of Leading Edge. However, the Owners Email Address is listed as [roger@leadingedge.com](mailto:roger@leadingedge.com). Bobby and Tricia Cato have denied signing any documents in connection with the issuance of this bond for the benefit of Leading Edge. A review of the records for the SOS reveals that Manager and/or Director of Leading Edge has only included Defendant Manjit Singh (aka Roger) Sahota. The Receiver has been unable to find any support for the position that Bobby Cato or Tricia Cato was a principal, officer, owner of any equity interest, or otherwise authorized or obligated to sign any documentation on behalf of Leading Edge. To avoid having the bond drawn or otherwise forfeited, the Receiver has paid the fee to renew.

26. Bobby Cato has no formal education after college. He has spent the years since graduating high school in the oilfields on workover rigs and as a pumper. He owns Cato Contracting, which pumps wells for various operators. Mr. Cato has neither the training nor the experience to be a CFO. Tricia Cato is a secretary in Iowa Park, Texas. Neither Bobby nor Tricia Cato were aware of the documents filed with Lexon.

27. The Receiver has also obtained the signatures of Bobby and Tricia Cato on documents unrelated to the bonds. The signatures on those documents are discernably different



than on the documents related to the bonds. The Receiver requests that this Court determine whether Bobby or Tricia Cato have any liability on the bonds issued for the benefit of Leading Edge and Arcooil.

28. On July 20, 2022, the RRC issued to Lexon its “Notice of Failure of Leading Edge Energy LLC (Org. No. 491612) to comply with Bond conditions and Obligations, Bond No. 1153487” (the “60 Day Demand”) attached hereto as **Exhibit B**. Pursuant to the 60 Day Demand, the RRC demanded that Lexon remedy certain non-compliance or tender the full bond amount. On information and belief, the RRC will seek similar relief in connection with the Arcooil bond.

### **III. OIL AND GAS PROPERTIES**

29. Leading Edge was formed effective May 25, 2017. On information and belief:

- (a) Leading Edge was issued its initial P-5 in June 2017;
- (b) Leading Edge acquired an ownership interest in 95 wells in Stephens and Wichita counties (the “Leading Edge Wells”);
- (c) Leading Edge became operator of 79 wells in June 2017 and 16 wells in September 2017;
- (d) Leading Edge did not drill any of the Leading Edge Wells;
- (e) Leading Edge did not have a 100% working interest any of the Leading Edge Wells;
- (f) No other Receivership Party had any interest in any of the Leading Edge Wells,
- (g) Leading Edge has no assets other than its interest in the Leading Edge Wells; and
- (h) The RRC has estimated that the cost to plug the Leading Edge Wells would be at least \$970,000.00.<sup>4</sup>

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<sup>4</sup> The Receiver does not admit that the RRC’s estimates are accurate or reflect the actual costs to plug any well.

30. Arcooil was formed effective May 26, 2017. On information and belief, prior to the appointment of the Receiver:

- (a) Arcooil was issued its initial P-4 in October 2017;
- (b) Arcooil acquired an interest in 137 wells in Hardeman, Jack, Stephens, and Wichita counties (the “Arcooil Wells”);
- (c) Arcooil became operator in October 2017 and April 2019;
- (d) Arcooil did not drill any of the Arcooil Wells;
- (e) Arcooil did not have a 100% working interest any of the Arcooil Wells;
- (f) No other Receivership Party had any interest in any of the Arcooil Wells;
- (g) Arcooil has no assets other than its interests in the Arcooil Wells; and
- (h) The RRC has estimated that the cost to plug the Arcooil Wells would be at least \$1,000,000.00.

31. Panther City was formed effective December 8, 2020. On information and belief, prior to the appointment of the Receiver:

- (a) Panther City obtained its initial P-4 in February 2021;
- (b) Panther City acquired an interest in 47 wells in Jack, Palo Pinto, and Young counties (the “Panther City Wells”) and became operator of record in February 2021;
- (c) Panther City did not drill any of the Panther City Wells;
- (d) Panther City did not have a 100% working interest any of the Panther City Wells;
- (e) No other Receivership Party had any interest in any of the Panther City Wells;
- (f) Panther City has no assets other than its interests in the Panther City Wells; and
- (g) The RRC has estimated that the cost to plug the Panther City Wells would be at least \$1,200,000.00.

32. Dodson Prairie was formed effective May 4, 2021. On information and belief:
- (a) Dodson Prairie obtained its initial P-4 in June 2021;
  - (b) Dodson Prairie became operator of record of 88 wells (the “Dodson Prairie Wells”) in Palo Pinto County in June 2021;
  - (c) Dodson Prairie did not drill any of the Dodson Prairie Wells;
  - (d) Dodson Prairie did not have a 100% working interest any of the Dodson Prairie Wells;
  - (e) No other Receivership Party had any interest in any of the Dodson Prairie Wells;
  - (f) Dodson Prairie has no assets other than its interests in the Dodson Prairie Wells; and
  - (g) The RRC has estimated that the cost to plug the Dodson Prairie Wells would be at least \$2,600,000.00.

33. Barron was formed effective September 11, 2017. On information and belief, prior to the appointment of the Receiver:

- (a) Barron was issued its initial P-4 in July 2018;
- (b) Barron acquired an interest in 71 wells in Crockett, Palo Pinto, Schleicher, Sutton, and Val Verde counties (the “Barron Wells”) and became operator of record between July 2018 and April 2021;
- (c) Other than in Val Verde (2 wells) and Crockett (9 wells), Barron did not drill any of the Barron Wells;
- (d) Barron did not have a 100% working interest any of the Barron Wells;
- (e) Barron has no assets other than its interests in the Barron Wells; and
- (f) The RRC has estimated that the cost to plug the inactive Barron Wells would be at least \$1,800,000.00.

#### **IV. AUTHORITIES**

34. It is well-settled that a receivership’s primary goal is to provide a conduit through which assets can be held, liquidated, and distributed to the receivership beneficiaries. *See, e.g., SEC v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 371 (5th Cir. 1982). In this Case, the beneficiaries

include the hundreds of investors and creditors of the Defendants and the Relief Defendants who have been alleged to orchestrate and operated a Ponzi scheme that divested investors of millions of dollars.

35. A receiver is neither plaintiff nor defendant, but instead, acts as the Court's agent with respect to the administration of property. *Clark v. Clark*, 58 U.S. 315, 331 (1855); *FSLIC v. PSL Realty Co.*, 630 F.2d 515, 521 (7th Cir. 1980), *cert. denied*, 452 U.S. 961 (1981) (explaining the "receiver is an officer of the court and subject to its order in relation to the property for which he is responsible until discharged by the court"); *Fed. Home Loan Mortg. Corp. v. Spark Tarrytown, Inc.*, 829 F. Supp. 82, 85 (S.D.N.Y. 1993). The orders of the appointing court are the sole source of a receiver's authority, and receivers are thus authorized to petition the appointing court on matters related to the receivership's administration. *Gaskill v. Gordon*, 27 F.3d 248, 251 (7th Cir. 1994); *see also Liberte Cap. Grp., LLC v. Capwill*, 248 Fed. App'x 650, 655 (6th Cir. 2007); *PSL Realty Co.*, 630 F.2d at 521. Nevertheless, if the order appointing the receiver is silent on an aspect of the receivership's administration, courts look to the common law governing receiverships that has arisen and evolved over the centuries. Only if both the order appointing the receiver and federal receivership common law are silent on the determinative issues should courts look to other bodies of law for guidance. *See, e.g., Janvey v. Alguire*, No. 3:09-CV-0724-N, 2014 U.S. Dist. LEXIS, at \*103-04 (N.D. Tex. Jul. 30, 2014) (noting the dearth of guidance available from existing caselaw on the interplay between the Federal Arbitration Act and federal equity receiverships and, as a result, looking to bankruptcy caselaw for guidance).

36. While caselaw involving district courts' administration of an equity receivership is "sparse," two basic principles emerge from cases involving receiverships. *SEC v. Hardy*, 803 F.2d 1034, 1037 (9th Cir. 1986). First, courts have "extremely broad" powers and discretion to

“determine the appropriate action to be taken in the administration of the receivership.” *Id.*; see *Safety Fin. Serv., Inc.*, 674 F.2d at 373 (holding that the court overseeing the receivership is given “wide discretionary power” in light of “the concern for orderly administration”). Second, a “primary purpose” of receivership is to promote the orderly and efficient administration of the estate. *Safety Fin. Serv., Inc.*, 674 F.2d at 373. This includes liquidation of the receivership assets. *SEC v. Millennium Bank*, No. 7:09-CV-050-O, 2009 U.S. Dist. LEXIS 140912, at \*8 (N.D. Tex. Jul. 21, 2009) (explaining that the court’s discretion includes “the power to permit a Receiver to sell property where appropriate to protect the receivership estate”) (citing *SEC v. Elliot*, 953 F.2d 1560, 1566 (11th Cir. 1992)). There is little authority specifically governing the abandonment of assets of a receivership estate.

37. When analyzing a receiver’s proposed disposition of property, courts apply the highly deferential “business judgment” standard. See, e.g., *Golden Pac. Bancorp v. FDIC*, No. 95 Civ. 9281 (NRB), 2002 U.S. Dist. LEXIS 24961, at \*9 (S.D.N.Y. Dec. 26, 2003), *aff’d* by 375 F.3d 196 (2d Cir. 2004). This standard is identical to the test courts use to analyze whether fiduciaries, such as bankruptcy trustees, acted in accordance with their fiduciary duties. See, e.g., *In re Bakalis*, 220 B.R. 525, 531–32 (Bankr. E.D.N.Y. 1998). Accordingly, when a receiver’s proposed disposition of property is questioned, the issue before the court is whether the receiver exercised discretion in a reasonable manner, in good faith, and for sound business reasons with regards to the procedures implemented to sell the property. See *Matter of Bank of N.Y. Mellon*, 4 N.Y.S.3d 204, 207 (App. Div. 1st Dep’t 2015) (stating a fiduciary comports with his fiduciary duty if he exercises his discretionary power “reasonably and in good faith”); see also *Corbin v. Fed. Rsrv. Bank of N.Y.*, 475 F. Supp. 1060, 1071 (S.D.N.Y. 1979) (noting the receiver does not

breach his fiduciary duty if he exercises “reasonable business judgment”); *Lawsky v. Condor Cap. Corp.*, No. 14 CIV. 2863 (CM), 2015 U.S. Dist. LEXIS 96347, at \*17–18 (S.D.N.Y. Jul. 21, 2015).

38. There is no authority from the Fifth Circuit or the Supreme Court addressing the standard of review of a receiver’s request to abandon any property, much less oil and gas properties.

39. The Supreme Court has addressed abandonment of property in the context of a bankruptcy. In *Midlantic National Bank v. New Jersey Department of Environmental Protection*, 474 U.S. 494 (1986), a Chapter 7 bankruptcy trustee sought to abandon a facility which processed waste oil.<sup>5</sup> The facility was operating without a permit.<sup>6</sup> There was contaminated oil which was actively leaking from the storage containers.<sup>7</sup> The Supreme Court held that a bankruptcy court did not have the power to authorize the abandonment of hazardous property without formulating conditions that will adequately protect the public’s health and safety.<sup>8</sup> The Supreme Court found support for its holding in 28 U.S.C. § 959(b), which requires receivers to “operate property in accordance with the valid laws of the state in which the property is situated, in the same manner that its owner or possessor thereof would be bound to do if in possession thereof.” 28 U.S.C. 959(b).

40. In the bankruptcy context, the Fifth Circuit has held that costs incurred by the RRC to plug and abandon oil and gas wells were entitled to administrative expense status pursuant to 11 U.S.C. § 503(b)(1)(A). See *Texas v. Lowe (In re H.L.S. Energy Co.)*, 151 F.3d 434, 436 (5th Cir. 1998). In *H.L.S. Energy*, an agreement was reached with the State of Texas “whereby the

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<sup>5</sup> 474 U.S. at 496.

<sup>6</sup> *Id.* at 497.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 507.

state would plug the wells and charge the costs of plugging to the bankrupt estate.”<sup>9</sup> There, the plugging obligation first accrued *after* the filing of the bankruptcy petition.<sup>10</sup> Unlike the facts in *H.L.S. Energy*, as of the filing of this Motion, the Receiver is not aware of any plugging obligation that has accrued since December 1, 2021. There is no Fifth Circuit authority addressing the priority of payment in a receivership, and there is no similar statutory priority of payments in receiverships. In this Case, the Operators have no assets other than their respective Oil and Gas Properties and perhaps some production proceeds.

41. Unlike the facts in *Midlantic*, the Receiver has addressed all alleged environmental issues which have been identified since her appointment. Further, she has expended approximately \$80,000.00 (including Receivership staff management costs) to remedy issues identified by the RRC, most of which relate to spills or issues that occurred prior to her appointment. To further adequately protect the public’s health and safety, the Receiver (a) identified those wells which are producing or have produced on the last 24 months, (b) emptied associated tanks presenting risks based on equipment condition, thus avoiding potential spills, (c) removed vegetation to mitigate fire hazard to tank batteries and production equipment as directed by RRC enforcement action settlements, (d) reviewed all gas gather systems and pipelines to ensure line pressure was not an immediate environmental threat, (e) repaired flowlines, and (f) ensured well pressure was controlled to mitigate environmental risks.

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 436.

**V. RELIEF REQUESTED**

42. The Receivership Order authorizes the Receiver take certain actions regarding Receivership Assets. Paragraph 41 authorizes the Receiver to:

[W]ithout further Order of this Court, transfer, compromise, or otherwise dispose of any Receivership Property, other than real estate, in the ordinary course of business, on terms and in the matter the Receiver deems most beneficial to the Receivership Estate, and with due regard to the realization of the true and proper value of such Receivership Property.

Receivership Order, ¶ 41.

43. The Receiver seeks approval of the right (but not the obligation) to abandon any Oil and Gas Properties where the request to transfer the P-4 has not been approved. She would file a *Notice of Abandonment* with such abandonment to be effective immediately upon the filing of the Notice.

44. The Receiver does not dispute that the RRC may assert a claim for reimbursement of actual and reasonable costs to plug and abandon wells against each Operator. Unlike in bankruptcy, there is no statutory priority scheme in a federal receivership. Instead, the Receiver is charged with proposing an equitable distribution plan, subject to notice to all creditors and approval by this Court. The amounts of any such claims will be determined pursuant to an order of this Court. The distribution priority will be determined as part of the process for creation of a claims allowance and distribution. The priority or amount of any RRC claim is not currently before the Court and need not be decided as a precondition to ruling on the relief requested in the Motion.

45. Paragraph 8(e) of the Receivership Order expressly authorizes the Receiver “[t]o ***abandon*** any asset that, in the exercise of the Receiver’s reasonable business judgment, will not provide benefit or value to the Receivership Estates.” Receivership Order, ¶ 8(E) (emphasis added).



46. In the Receiver's reasonable business judgment, any Oil and Gas Properties should be abandoned if they do not sell as a result of the Auctions (or Unsold Lots), or where it has been more than ninety (90) days since the initial submission to the RRC of the request for approval to transfer the relevant P-4.

47. The Receiver also seeks a determination as to the liability (if any) that Arcooil or Leading Edge have as to Lexon. The Receiver further requests that this Court determine whether Bobby or Tricia Cato have any liability on the bonds issued for the benefit of Leading Edge and Arcooil.

48. For the foregoing reasons, the Receiver requests that this Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A**, granting her Motion and permitting her to abandon any Oil and Gas Property which does not transfer as a result of the Auctions, or where it has been more than ninety (90) days since the initial submission to the RRC of the request for approval to transfer the relevant P-4.

49. The Receiver will provide notice of its Motion to Lexon, Bobby Cato, Tricia Cato, the Commission, and the RRC.

Dated: December 16, 2022

Respectfully submitted,

By: /s/ Danielle N. Rushing

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**COUNSEL TO RECEIVER**

**CERTIFICATE OF CONFERENCE**

The Receiver, through the undersigned counsel, conferred with counsel for Plaintiff, Securities and Exchange Commission (the “Commission”), and with Mark Steinbach, Office of the Texas Attorney General counsel for the Railroad Commission of Texas (the “RRC”) on December 14, 2022, regarding the relief requested in the Motion. The Commission consents to the relief requested in the Motion. As of the time of filing the Motion, the RRC has not indicated whether it consents or opposes the relief requested in the Motion.

/s/ Danielle N. Rushing  
Danielle N. Rushing

**CERTIFICATE OF SERVICE**

I hereby certify that on December 16, 2022, the foregoing document was served via CM/ECF on all parties appearing in this Case, including counsel for Plaintiff, Securities and Exchange Commission, and on the following via U.S. first-class mail:

Lexon Insurance Company  
2307 River Road, Suite 200  
Louisville, Kentucky 40206

Bobby Cato  
Tricia Cato  
11 Cherokee Trail  
Iowa Park, Texas 76367

Railroad Commission of Texas  
Attention: Laura Valdez  
Office of General Counsel—Legal Enforcement Section  
P.O. Box 12967  
Austin, Texas 78711-2967

Railroad Commission of Texas  
Attn: Megan Neal  
Office of General Counsel—Legal Enforcement Section  
P.O. Box 12967  
Austin, Texas 78711-2967

Mark A. Steinbach  
Office of the Texas Attorney General  
P.O. Box 12548  
Austin, Texas 78711-2548

James Ikey  
Bridy Ikey  
103 Bayonne Drive  
Mansfield, Texas 76063

IGroup Enterprises LLC  
c/o James Ikey  
103 Bayonne Drive  
Mansfield, Texas 76063

John Muratore  
Muratore Financial Services, Inc.  
Thomas Brad Pearsey  
c/o Theodore Grannatt  
McCarter & English, LLP  
265 Franklin Street  
Boston, Massachusetts 02110

Manjit Singh (aka Roger) Sahota  
Harprit Sahota  
Monrose Sahota  
Sunny Sahota  
3371 Knickerbocker Road  
Unit #185  
San Angelo, Texas 76904

/s/ Danielle N. Rushing  
Danielle N. Rushing

**EXHIBIT A**

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; §  
ARCOOIL 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. 4:21-cv-1310-O-BP

**ORDER GRANTING RECEIVER AUTHORITY TO ABANDON INTERESTS  
IN OIL AND GAS PROPERTIES**

CAME ON THIS DAY to be considered, the *Receiver's Motion for Authority to Abandon Interests in Oil and Gas Properties* (the "Motion")<sup>1</sup>. After considering the Motion, any supporting papers, and any responses thereto, the Court is of the opinion that said Motion should be GRANTED in all respects. **IT IS THEREFORE ORDERED** that:

1. The Motion is **GRANTED** in all respects.
2. The Receiver may abandon any and all Oil and Gas Properties, effective immediately upon the filing of a *Notice of Abandonment*.
3. It is further ordered that the Receiver, Leading Edge, Arcooil, Tricia Cato, and Bobby Cato have no liability to Lexon for bonds issued for the benefit of Leading Edge and Arcooil.

Signed this \_\_\_ day of \_\_\_\_\_, 202\_\_.

\_\_\_\_\_  
HAL R. RAY, JR.  
UNITED STATES MAGISTRATE JUDGE

<sup>1</sup> Capitalized terms used herein but not otherwise defined shall have the meaning ascribed in the Receivership Order or the Motion, as applicable.

Prepared and submitted by:

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

and

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

**COUNSEL TO RECEIVER**



**EXHIBIT B**

WAYNE CHRISTIAN, CHAIRMAN  
CHRISTI CRADDICK, COMMISSIONER  
JIM WRIGHT, COMMISSIONER



JOE STASULLI  
DIRECTOR, ADMINISTRATIVE COMPLIANCE

# RAILROAD COMMISSION OF TEXAS

## OIL AND GAS DIVISION

July 20, 2022

Lexon Insurance Company  
2307 River Road Suite 200  
Louisville KY 40206

VIA US Certified Mail: 7009 2250 0004 4348 0329

Re: Notice of Failure of Leading Edge Energy LLC (Org No. 491612) to comply with Bond Conditions and Obligations, Bond No. 1153487

Gentlemen:

On December 1, 2017, your Bond No. 1153487 (copy enclosed) in the amount of Fifty Thousand dollars (\$50,000.00) was issued in favor of the Railroad Commission of Texas on behalf of Leading Edge Energy LLC, RRC Org. No. 491612. On May 1, 2022, the Organization Report for Leading Edge Energy LLC became delinquent. The failure of Leading Edge Energy LLC to renew its Organization Report triggers your obligation as the surety designated in the Bond to remedy the non-compliance. Lexon Insurance Company was advised of the non-compliance by copy of correspondence to Leading Edge Energy LLC upon that organization's becoming delinquent.

Leading Edge Energy LLC is responsible for 96 wells as listed on the Railroad Commission's Oil & Gas Proration schedule. The aggregate depth of these wells, according to Commission records, is 189,322 feet. Pursuant to the provisions of the Bond, the estimated cost to plug the wells at \$2.50 per foot is \$473,305.00. This amount exceeds the \$50,000.00 face value of the Bond. A table containing information regarding the wells for which Leading Edge Energy LLC is responsible is enclosed for your review.

The Commission is still needing the P5, P-50, filing fee of \$1,250.00, and your inactive well forms W-3C and W-3X.

Pursuant to the conditions and obligations of the Bond, the Railroad Commission of Texas hereby demands that Lexon Insurance Company, the surety under Bond No. 1153487, within 60 days after the receipt of this demand, remedy the non-compliance of Leading Edge Energy LLC. If Lexon Insurance Company elects not to remedy the non-compliance, the Railroad Commission of Texas hereby demands that Lexon Insurance Company pay to the Railroad Commission of Texas, the sum of Fifty Thousand dollars (\$50,000.00), representing the full face amount of the bond. This sum represents the limit of payments as required by Lexon Insurance Company under the surety bond to secure the proper plugging of oil and gas wells subject to Statewide Rules 14, 15 and 78.

Lexon Insurance Company  
July 20, 2022  
Page 2

This correspondence does not propose to limit any liability of Leading Edge Energy LLC for noncompliance exceeding the face amount of the bond issued by Lexon Insurance Company. The Commission hereby reserves the right to separately seek any remedies against Leading Edge Energy LLC resulting from its noncompliance with Commission Rules.

If you have any questions, please contact Veronica Larson in the P-5 Financial Assurance Department at (512) 463-2175.

Sincerely,



Veronica Larson, Assistant Manager  
P-5 Financial Assurance Unit  
Oil and Gas Division  
Railroad Commission of Texas

Enclosure

cc: Leading Edge Energy LLC  
112 E Pecan Street Suite 1800  
San Antonio TX 78205

Well Listing for Operator No. 491612: LEADING EDGE ENERGY LLC - 7/18/2022 10:23:41 AM

API No.	Dist	ID No.	Lse Name	Well	Fld Name	SI Date	14b2	Status	Depth
429 00334	7B	14434	WHITTENBURG	1R	LUCKY LANE (STRAWN)	09/2011	Y	SH	4,291
429 31875	7B	14434	WHITTENBURG	1	LUCKY LANE (STRAWN)	08/2008	Y	SH	2,710
429 31881	7B	14434	WHITTENBURG	3	LUCKY LANE (STRAWN)	04/2001	Y	SH	2,720
429 31924	7B	14434	WHITTENBURG	6	LUCKY LANE (STRAWN)	09/2011	Y	SH	2,670
429 31925	7B	14434	WHITTENBURG	4	LUCKY LANE (STRAWN)	09/2011	Y	SH	2,661
429 31926	7B	14434	WHITTENBURG	5	LUCKY LANE (STRAWN)	06/2020	Y	SH	2,700
485 01570	09	05499	BURNETT	3	WICHITA COUNTY REGULAR	02/2016	Y	SH	921
485 30388	09	16543	WAGGONER, T. J. & J. L. -C-	3 A	WICHITA COUNTY REGULAR	01/1998	Y	SH	1,910
485 30394	09	16543	WAGGONER, T. J. & J. L. -C-	1 A	WICHITA COUNTY REGULAR	05/2021	Y	SH	2,000
485 30431	09	16543	WAGGONER, T. J. & J. L. -C-	4 A	WICHITA COUNTY REGULAR	08/2008	Y	SH	2,000
485 30458	09	16543	WAGGONER, T. J. & J. L. -C-	5 A	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,920
485 30554	09	16543	WAGGONER, T. J. & J. L. -C-	7 A	WICHITA COUNTY REGULAR	06/2011	Y	SH	1,917
485 30634	09	16543	WAGGONER, T. J. & J. L. -C-	8 A	WICHITA COUNTY REGULAR	05/2021	Y	SH	2,000
485 30640	09	16543	WAGGONER, T. J. & J. L. -C-	1	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,900
485 30686	09	16543	WAGGONER, T. J. & J. L. -C-	9 A	WICHITA COUNTY REGULAR	04/2015	Y	SH	1,578
485 30745	09	16543	WAGGONER, T. J. & J. L. -C-	11 A	WICHITA COUNTY REGULAR	10/2017	Y	SH	2,000
485 30812	09	16543	WAGGONER, T. J. & J. L. -C-	5	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,900
485 31003	09	05028	WAGGONER, J & J	4	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,350
485 31004	09	05028	WAGGONER, J & J	38A	WICHITA COUNTY REGULAR	05/2018	Y	SH	650
485 31038	09	16543	WAGGONER, T. J. & J. L. -C-	15 A	WICHITA COUNTY REGULAR	08/2008	Y	SH	2,000
485 31158	09	05028	WAGGONER, J & J	5	WICHITA COUNTY REGULAR	05/2018	Y	SH	1,572
485 31521	09	05028	WAGGONER, J & J	42	WICHITA COUNTY REGULAR	10/2008	Y	SH	1,920
485 31695	09	05028	WAGGONER, J & J	46	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 31696	09	05028	WAGGONER, J & J	47	WICHITA COUNTY REGULAR	01/1998	Y	SH	1,925
485 31853	09	16543	WAGGONER, T. J. & J. L. -C-	6	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,894

485 31922	09	16543	WAGGONER, T. J. & J. L. -C-	7	WICHITA COUNTY REGULAR	05/2018	Y	SH	1,872
485 31941	09	16543	WAGGONER, T. J. & J. L. -C-	8	WICHITA COUNTY REGULAR	04/2015	Y	SH	1,890
485 32073	09	16543	WAGGONER, T. J. & J. L. -C-	9	WICHITA COUNTY REGULAR	05/2019	Y	SH	1,900
485 32115	09	16543	WAGGONER, T. J. & J. L. -C-	10	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,886
485 32366	09	16543	WAGGONER, T. J. & J. L. -C-	12	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,900
485 32367	09	16543	WAGGONER, T. J. & J. L. -C-	13	WICHITA COUNTY REGULAR	06/2020	Y	SH	1,899
485 32483	09	17619	WAGGONER, T. J. & J. L.	1	WICHITA COUNTY REGULAR		N	PR	1,883
485 32484	09	17619	WAGGONER, T. J. & J. L.	2	WICHITA COUNTY REGULAR		N	PR	1,873
485 32498	09	16543	WAGGONER, T. J. & J. L. -C-	15	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,885
485 32653	09	17619	WAGGONER, T. J. & J. L.	7	WICHITA COUNTY REGULAR		N	PR	1,870
485 32654	09	17619	WAGGONER, T. J. & J. L.	6	WICHITA COUNTY REGULAR		N	PR	1,882
485 32657	09	17619	WAGGONER, T. J. & J. L.	3	WICHITA COUNTY REGULAR		N	PR	1,870
485 32788	09	05028	WAGGONER, J & J	48	WICHITA COUNTY REGULAR	03/2015	Y	SH	1,950
485 33133	09	17619	WAGGONER, T. J. & J. L.	11	WICHITA COUNTY REGULAR		N	PR	1,340
485 34628	09	17619	WAGGONER, T. J. & J. L.	12	WICHITA COUNTY REGULAR	06/2020	Y	SH	1,510
485 34656	09	16543	WAGGONER, T. J. & J. L. -C-	18	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,880
485 34691	09	16543	WAGGONER, T. J. & J. L. -C-	19	WICHITA COUNTY REGULAR	04/2015	Y	SH	2,000
485 34897	09	16543	WAGGONER, T. J. & J. L. -C-	20	WICHITA COUNTY REGULAR	05/2021	Y	SH	2,000
485 34898	09	16543	WAGGONER, T. J. & J. L. -C-	21	WICHITA COUNTY REGULAR	08/2008	Y	SH	2,000
485 35735	09	16543	WAGGONER, T. J. & J. L. -C-	24	WICHITA COUNTY REGULAR	04/2015	Y	SH	1,900
485 35747	09	16543	WAGGONER, T. J. & J. L. -C-	26	WICHITA COUNTY REGULAR	08/2008	Y	IN	1,925
485 36036	09	16543	WAGGONER, T. J. & J. L. -C-	29	WICHITA COUNTY REGULAR	12/2017	Y	SH	1,906
485 36911	09	05028	WAGGONER, J & J	49	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,946
485 36912	09	05028	WAGGONER, J & J	50	WICHITA COUNTY REGULAR	03/2015	Y	SH	1,930
485 36913	09	05028	WAGGONER, J & J	51	WICHITA COUNTY REGULAR	06/2019	Y	SH	1,942
485 36914	09	05028	WAGGONER, J & J	52	WICHITA COUNTY REGULAR	03/2015	Y	SH	1,940

485 36915	09	05028	WAGGONER, J & J	53	WICHITA COUNTY REGULAR	03/2015	Y	SH	2,000
485 36917	09	05028	WAGGONER, J & J	55	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,940
485 37119	09	05028	WAGGONER, J & J	56	WICHITA COUNTY REGULAR	05/2018	Y	SH	1,940
485 38626	09	05028	WAGGONER, J & J	62	WICHITA COUNTY REGULAR	03/2015	Y	SH	889
485 39829	09	16543	WAGGONER, T. J. & J. L. -C-	34	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,932
485 41025	09	05028	WAGGONER, J & J	63	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,980
485 41509	09	17619	WAGGONER, T. J. & J. L.	13	WICHITA COUNTY REGULAR		N	PR	1,882
485 42262	09	16543	WAGGONER, T. J. & J. L. -C-	38	WICHITA COUNTY REGULAR	08/2008	Y	SH	900
485 42972	09	16543	WAGGONER, T. J. & J. L. -C-	1G	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,350
485 43016	09	16543	WAGGONER, T. J. & J. L. -C-	2G	WICHITA COUNTY REGULAR	05/2021	Y	SH	1,331
485 44370	09	28958	WAGGONER "D"	58	K-M-A	12/2018	Y	SH	4,104
485 44386	09	28958	WAGGONER "D"	59	K-M-A	12/2018	Y	SH	4,158
485 44447	09	31143	SAUDER, J. M.	3	K-M-A	07/2015	Y	SH	4,093
485 45646	09	17619	WAGGONER, T. J. & J. L.	E 1	WICHITA COUNTY REGULAR		N	PR	1,934
485 46036	09	17619	WAGGONER, T. J. & J. L.	S 14	WICHITA COUNTY REGULAR		N	PR	1,460
485 80770	09	16543	WAGGONER, T. J. & J. L. -C-	13 A	WICHITA COUNTY REGULAR	10/2017	Y	SH	1,313
485 80772	09	16543	WAGGONER, T. J. & J. L. -C-	22 A	WICHITA COUNTY REGULAR	04/2021	Y	SH	2,000
485 80773	09	16543	WAGGONER, T. J. & J. L. -C-	23 A	WICHITA COUNTY REGULAR	08/2008	Y	SH	1,930
485 80774	09	16543	WAGGONER, T. J. & J. L. -C-	24 A	WICHITA COUNTY REGULAR	04/2015	Y	SH	1,920
485 80775	09	16543	WAGGONER, T. J. & J. L. -C-	25 A	WICHITA COUNTY REGULAR	04/2021	Y	SH	2,000
485 80894	09	05028	WAGGONER, J & J	1A	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 80895	09	05028	WAGGONER, J & J	1C	WICHITA COUNTY REGULAR	01/1998	Y	SH	2,000
485 80898	09	05028	WAGGONER, J & J	8	WICHITA COUNTY REGULAR	05/2018	Y	SH	581
485 80903	09	05028	WAGGONER, J & J	20	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 80904	09	05028	WAGGONER, J & J	22	WICHITA COUNTY REGULAR	03/2015	Y	SH	2,000
485 80905	09	05028	WAGGONER, J & J	23	WICHITA COUNTY REGULAR	08/2008	Y	SH	2,000

485 80906	09	05028	WAGGONER, J & J	24	WICHITA COUNTY REGULAR	05/2018	Y	SH	1,336
485 80908	09	05028	WAGGONER, J & J	26	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 80910	09	05028	WAGGONER, J & J	35	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 80911	09	05028	WAGGONER, J & J	36	WICHITA COUNTY REGULAR	08/2008	Y	SH	2,000
485 80914	09	05028	WAGGONER, J & J	40	WICHITA COUNTY REGULAR	05/2018	Y	SH	1,336
485 80915	09	05028	WAGGONER, J & J	44	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 80918	09	05028	WAGGONER, J & J	D 2	WICHITA COUNTY REGULAR	05/2018	Y	SH	2,000
485 80919	09	05028	WAGGONER, J & J	D 3	WICHITA COUNTY REGULAR	03/2015	Y	SH	2,000
485 84427	09	05499	BURNETT	4	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84428	09	05499	BURNETT	5	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84429	09	05499	BURNETT	6	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84430	09	05499	BURNETT	7	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84431	09	05499	BURNETT	8	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84432	09	05499	BURNETT	9	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84433	09	05499	BURNETT	10	WICHITA COUNTY REGULAR	02/2016	Y	SH	2,000
485 84434	09	05499	BURNETT	11	WICHITA COUNTY REGULAR	01/1998	Y	SH	2,000
485 84437	09	05499	BURNETT	14	WICHITA COUNTY REGULAR	01/1998	Y	SH	1,530
485 86639	09	28958	WAGGONER "D"	56	K-M-A	12/2018	Y	SH	3,690
485 91419	09	16543	WAGGONER, T. J. & J. L. -C-	16	WICHITA COUNTY REGULAR	01/1998	Y	SH	1,905

DUPLICATE ORIGINAL

TO: RAILROAD COMMISSION OF TEXAS  
 Attention: Oil & Gas Division  
 Permitting/Production, P-5 Financial Assurance Section  
 P.O. Box 12967  
 Austin, TX 78711-2967

Bond # 1153487

BLANKET PERFORMANCE BOND

P-5PB(2)  
 rev. 6/2002

THE STATE OF TEXAS, COUNTY OF \_\_\_\_\_

WHEREAS, persons performing oil and gas operations within the jurisdiction of the Railroad Commission of Texas are required to execute and file with the Commission a bond covering those operations, pursuant to §91.103 and §91.104 of the Texas Natural Resources Code;

WHEREAS, the Principal named below is the operator of certain Commission-regulated operations including but not limited to (1) operations listed on the Commission's P-5 Organization Report records, and/or (2) wells listed on the Commission's Oil and Gas Proration Schedules, and any additional wells that may be obtained prior to the expiration of this bond and carried on the Oil and Gas Proration Schedules;

WHEREAS, the Commission's P-5 Organization Report records and the Oil and Gas Proration Schedules pertaining to the Principal are incorporated herein by reference as if fully set forth at length;

WHEREAS, the Principal desires to perform oil and gas operations and activities within the jurisdiction of the Commission, and which operations and activities must be carried on in full conformance with all state laws and Commission rules, including those laws and Commission rules, orders, and permits requiring operators to plug and abandon all wells and control, abate, and clean up pollution associated with an operator's oil and gas operations and activities;

WHEREAS, Principal acknowledges and agrees that, due to amendments to the Texas Natural Resources Code, amendments to Commission Rules, and/or changes to the Principal's Commission-regulated operations, including without limitation the acquisition of additional wells, it may be required during the effective term of this bond to provide additional financial security beyond the face amount of this bond before its P-5 Organization Report will be accepted and approved.

1. Organization Name, exactly as shown on P-5 Organization Report. <b>Leading Edge Energy LLC</b>	2. P-5 Number, if assigned. <b>491612</b>	3. Total # of operator's wells.
4. Other Commission-regulated operations. See bond instruction sheet, Paragraph F. [ Check appropriate operations; example: operating a pipeline = 1 ] (A) ____ (B) ____ (C) ____ (D) ____ (E) ____ (F) ____ (G) ____ (H) ____ (I) ____ (J) ____ (K) ____ (L) ____	5. Other operations not included in (A)-(L).	6. Effective Date of P-5 Renewal for which bond is being submitted. (Leave blank if this is the initial bond filing.) <b>December 1, 2017</b>

We, Leading Edge Energy LLC (person's name) as Principal, and Lexon Insurance Company as Surety, duly authorized and qualified to do business in the State of Texas, are held and firmly bound unto the State of Texas in the sum of Fifty Thousand - - - - - 00/100 - - - - - Dollars (\$50,000.00\*\*\*\*) payable at Austin, Travis County, Texas, and for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

This bond is conditioned that if the Principal will plug and abandon all wells and control, abate, and clean up pollution associated with its oil and gas operations and activities in accordance with state law and all permits, rules and orders of the Commission, and is in full compliance with the following requirements, then the Principal and Surety are relieved of their obligation to pay the bond amount to the State:

1. Inactive wells shall be maintained in compliance with Commission Statewide Rule 14 (a) by plugging the wells, (b) by restoring the wells to beneficial use, or (c) so as to prevent the pollution of any ground or surface water in the state or any uncontrolled escape of formation fluids from the strata in which they were originally located.
2. All active wells shall be maintained so as to prevent the pollution of any ground or surface water in the state or any uncontrolled escape of formation fluids from the strata in which they were originally located.
3. All oil and gas operations and activities shall be carried out so as to prevent pollution of any ground or surface water in the state.

In the event of a failure of Principal to comply with the conditions and obligations of this bond, the Surety shall promptly remedy such non-compliance, in accordance with the laws of the state and permits, rules, and orders of the Commission, within 60 days of notice of non-compliance.

1. If any well or other oil and gas operation or activity subject to this bond is likely to pollute or is polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, the Surety shall expend funds up to the face amount of the bond to control, abate and clean up pollution and to prevent further escape of formation fluids.
2. If any well or other oil and gas operation or activity subject to this bond is not polluting any ground or surface water or allowing uncontrolled escape of formation fluids from the strata in which they were originally located, but the Principal has failed to maintain current operator status as reflected on the Commission's P-5 Organization Report records, the Surety shall:
  - (a) Expend funds up to the face amount of the bond to properly plug the well or close any other operation or activity (Surety understands and agrees that plugging or closing operations must be completed once commenced without the expenditure of State Funds, including State Oil-Field Cleanup funds); or
  - (b) Pay liquidated damages. It is agreed by the parties that the actual damages which might be sustained by the Railroad Commission of Texas by reason of the failure to comply are uncertain and would be difficult of ascertainment, and it is further agreed that the sum of \$2.50 per foot multiplied by the total depth of each non-compliant well, up to the face amount of the bond, would be reasonable and just compensation for such failure to comply, and Surety hereby promises to pay and the Railroad Commission of Texas agrees to accept, at its office in Austin, Travis County, Texas such sum as liquidated damages, and not as a penalty, in the event of such failure to comply.

5-04279  
 1/27/18

(over)  
 SF# 04279  
 5/16/18  
 RA

RECEIVED  
 RRC OF TEXAS  
 JAN 02 2018  
 AUSTIN TX  
 O&G



3. Except as provided by Paragraph 2(b) above, if the Commission has expended State Funds to plug any well, to close any other operation or activity, to control, abate and clean up pollution or take any other action to prevent further escape of formation fluids, the Surety shall reimburse the Commission for the amounts of State Funds so expended up to the face amount of the bond.

Sums demanded under this bond shall be paid to the Railroad Commission at Austin, Texas, within thirty days after receipt of written demand therefor, which demand shall be mailed by registered or certified U.S. mail to the address shown below.

Conditions and obligations under this bond are construed in accordance with state law and all permits, rules, and orders of the Commission, including any amendments thereto that may be made during the term of this bond, and Surety waives notice of any amendments. The State of Texas shall have the right to sue on and otherwise enforce the obligations of this bond without first resorting to or exhausting its remedies against the properties and assets of the Principal.

This bond is effective beginning 150 days after the Principal's P-5 effective date stated in Box 6. If the Principal is filing this bond for the first time, then the bond is effective on the Principal's P-5 effective date for the first year; thereafter, it will be effective 150 days after the P-5 effective date.

The term of this bond shall expire September 30, 2019 (date must be 150 days after one of the Principal's annual P-5 expiration dates) and is renewable. Written notice of renewal shall be given by the Surety to the Commission on or before the Principal's last P-5 filing date prior to the expiration of this bond. Obligations to pay part or all of the bond amount are deemed released upon the expiration date of the bond unless the Commission has made a claim on the bond or an enforcement action against any operations or activities subject to the bond is pending. Principal and Surety may also be relieved of their obligations to pay part or all of the bond amount by written agreement between the Railroad Commission of Texas, Principal, and Surety.

If the bond amount is not paid in accordance with the terms of this bond and if judgment for any part of the bond amount is awarded through action of the Attorney General in bankruptcy, probate, or any other court proceeding, then the State shall be entitled to court costs and reasonable attorney's fees awarded by the court. Surety's liability for such costs and fees shall not be limited by the amount of this bond. It is agreed and understood that this bond is executed and performable in Austin, Travis County, Texas, and venue for any cause of action construing this bond is proper in Austin, Travis County, Texas.

A transfer, by any means, of any well covered under this bond does not relieve the Surety of any obligation under this bond until the operator acquiring the well has on file with the Commission an approved form of financial security covering the well. The transferred well remains covered by this bond and the Principal and Surety remain responsible for compliance with all laws and Commission rules covering the transferred well until the Commission determines that the well is covered by proper financial security and the acquiring operator has assumed full responsibility for the well in accordance with all state laws, including §91.107, Texas Natural Resources Code and Commission rules.

IN TESTIMONY WHEREOF, said PRINCIPAL has hereunto subscribed his or her name or has caused this instrument to be signed by its duly authorized officers and its corporate seal to be affixed this 1st day of December 2017.

IN TESTIMONY WHEREOF, said SURETY has caused this instrument to be signed by its duly authorized officers and its corporate seal to be affixed this 1st day of December 2017.

(seal)

Leading Edge Energy LLC  
PRINCIPAL  
By Bobby Bantz  
NAME & TITLE

(seal)

RECEIVED  
RRC OF TEXAS  
JAN 02 2018  
AUSTIN TX  
O&G

Lexon Insurance Company  
SURETY (ATTACH POWER OF ATTORNEY)  
By Deborah Nelchter  
Attorney-in-Fact  
NAME & TITLE

2307 River Road, Suite 200  
Louisville, KY 40206  
SURETY'S FULL MAILING ADDRESS

2307 River Road, Suite 200  
Louisville, KY 40206  
SURETY'S PHYSICAL ADDRESS

# Lexon Insurance Company

KNOW ALL MEN BY THESE PRESENTS, that **LEXON INSURANCE COMPANY**, a Texas Corporation, with its principal office in Louisville, Kentucky, does hereby constitute and appoint: Brook T. Smith, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, Barbara Duncan, Sandra L. Fusinetti, Mark A. Guidry, Jill Kemp, Lynnette Long, Amy Meredith, Deborah Neichter, Theresa Pickerrell, Sheryon Quinn, Beth Frymire, Leigh McCarthy, Michael Dix its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surety, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of **LEXON INSURANCE COMPANY** on the 1<sup>st</sup> day of July, 2003 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$5,000,000.00, Five Million dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Assistant Secretary, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificate so executed and sealed shall, with respect to any bond of undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, **LEXON INSURANCE COMPANY** has caused this instrument to be signed by its President, and its Corporate Seal to be affixed this 5th day of August, 2015.



**LEXON INSURANCE COMPANY**

BY David E. Campbell  
David E. Campbell  
President

### ACKNOWLEDGEMENT

On this 5th day of August, 2015, before me, personally came David E. Campbell to me known, who be duly sworn, did depose and say that he is the President of **LEXON INSURANCE COMPANY**, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.



AMY TAYLOR  
Notary Public- State of Tennessee  
Davidson County  
Mv Commission Expires 07-08-19

BY Amy Taylor  
Amy Taylor  
Notary Public

### CERTIFICATE

I, the undersigned, Assistant Secretary of **LEXON INSURANCE COMPANY**, A Texas Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the forgoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Seal at Mount Juliet, Tennessee this 1<sup>ST</sup> Day of Dec, 2017.



BY Andrew Smith  
Andrew Smith  
Assistant Secretary



4911612

**CONTINUATION CERTIFICATE**  
To be attached to and form a part of Bond described below.

*Lexon Insurance Company*  
2307 River Road, Suite 200  
Louisville, KY 40206  
Phone: (502) 636-9191  
Fax: (502) 636-5328

Railroad Commission of Texas  
Attention: Oil & Gas Division  
1701 N. Congress  
Austin, TX 78711

**Date:** 29-Jan-19

**Re:** Leading Edge Energy LLC  
PO Box 219  
Holliday, TX 76366  
Bond #: 1153487

The Lexon Insurance Company, hereinafter called the "Company," as Surety on Bond No.: 1153487 issued on the 1st day of DECEMBER, 2017 on behalf of Leading Edge Energy LLC, Principal, in favor of Railroad Commission of Texas, Obligee, hereby certify that this bond is continued in full force and effect until the 30th day of SEPTEMBER, 2020, subject to all covenants and conditions of said bond.

This bond, in the current sum of FIFTY THOUSAND AND 00/100 Dollars (\$50,000.00), has been continued in force upon the express condition that the full extent of the Company's liability under said bond and all continuations thereof for any loss or series of losses occurring during the entire time the Company remains on said bond shall in no event exceed the sum of the bond.

In witness whereof the Company has caused this instrument to be duly signed, sealed and dated as of the 29th day of JANUARY, 2019.

RECEIVED  
RRC OF TEXAS

APR 01 2019

OIL & GAS DIVISION  
AUSTIN, TEXAS

**Lexon Insurance Company**

Surety

By Barbara Duncan  
Barbara Duncan Attorney-in-Fact

S#04279  
5.22.19 VL

POWER OF ATTORNEY

LX- 11078

Lexon Insurance Company

KNOW ALL MEN BY THESE PRESENTS, that LEXON INSURANCE COMPANY, a Texas Corporation, with its statutory home office in Austin, Texas, does hereby constitute and appoint: Brook T. Smith, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, Barbara Duncan, Sandra L. Fusinetti, Mark A. Guidry, Jill Kemp, Lynnette Long, Amy Meredith, Deborah Neichter, Theresa Pickerrell, Sheryon Quinn, Beth Frymire, Leigh McCarthy, Michael Dix, Susan Ritter its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surety, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of LEXON INSURANCE COMPANY on the 1st day of July, 2003 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$5,000,000.00 Five Million Dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Assistant Secretary, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificate so executed and sealed shall, with respect to any bond of undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, LEXON INSURANCE COMPANY has caused this instrument to be signed by its President, and its Corporate Seal to be affixed this 22nd day of June, 2018.

LEXON INSURANCE COMPANY



BY [Signature]  
Brian Beggs  
President

ACKNOWLEDGEMENT

On this 22nd day of June, 2018, before me, personally came Brian Beggs to me known, who be duly sworn, did depose and say that he is the President of LEXON INSURANCE COMPANY, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.



AMY TAYLOR  
Notary Public- State of Tennessee  
Davidson County  
My Commission Expires 07-08-19

BY [Signature]  
Amy Taylor  
Notary Public

CERTIFICATE

I, the undersigned, Assistant Secretary of LEXON INSURANCE COMPANY, A Texas Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the forgoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Seal at Mount Juliet, Tennessee this 24th Day of Jan, 2019.



BY [Signature]  
Andrew Smith  
Assistant Secretary

"WARNING: Any person who knowingly and with intent to defraud any insurance company or other person, files and application for insurance of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties."

CONTINUATION CERTIFICATE  
To be attached to and form a  
part of Bond described below.



4916012

Lexon Insurance Company  
2307 River Road, Suite 200  
Louisville, KY 40206  
Phone: (502) 636-9191  
Fax: (502) 636-5328

JF

Railroad Commission of Texas  
Attention: Oil & Gas Division  
1701 N. Congress  
Austin, TX 78711

Date: 20-Jan-20

Re: Leading Edge Energy LLC  
PO Box 219  
Holliday, TX 76366  
Bond #: 1153487

The Lexon Insurance Company, hereinafter called the "Company," as Surety on Bond No.: 1153487 issued on the 1st day of DECEMBER, 2017 on behalf of Leading Edge Energy LLC, Principal, in favor of Railroad Commission of Texas, Obligee, hereby certify that this bond is continued in full force and effect until the 30th day of SEPTEMBER, 2021, subject to all covenants and conditions of said bond.

This bond, in the current sum of FIFTY THOUSAND AND 00/100 Dollars (\$50,000.00), has been continued in force upon the express condition that the full extent of the Company's liability under said bond and all continuations thereof for any loss or series of losses occurring during the entire time the Company remains on said bond shall in no event exceed the sum of the bond.

In witness whereof the Company has caused this instrument to be duly signed, sealed and dated as of the 20th day of JANUARY, 2020.

RECEIVED  
RRC OF TEXAS  
APR 01 2020  
OIL & GAS P-5 DEPT  
AUSTIN, TX

Lexon Insurance Company

Surety

By Barbara Duncan  
Barbara Duncan  
Attorney-in-Fact

S# 04279  
A# 220165  
JF 4/16/20



SOMPO INTERNATIONAL INSURANCE

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that Endurance Assurance Corporation, a Delaware corporation, Endurance American Insurance Company, a Delaware corporation, Lexon Insurance Company, a Texas corporation, and/or Bond Safeguard Insurance Company, a South Dakota corporation, each, a "Company" and collectively, "Sompo International," do hereby constitute and appoint: Brook T. Smith, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, Barbara Duncan, Sandra L. Fusinetti, Mark A. Guidry, Jill Kemp, Lynnette Long, Amy Bowers, Deborah Neichter, Theresa Pickerrell, Sheryon Quinn, Beth Frymire, Leigh McCarthy, Michael Dix, Susan Ritter, Ryan Britt as true and lawful Attorney(s)-In-Fact to make, execute, seal, and deliver for, and on its behalf as surety or co-surety; bonds and undertakings given for any and all purposes, also to execute and deliver on its behalf as aforesaid renewals, extensions, agreements, waivers, consents or stipulations relating to such bonds or undertakings provided, however, that no single bond or undertaking so made, executed and delivered shall obligate the Company for any portion of the penal sum thereof in excess of the sum of One Hundred Million Dollars (\$100,000,000.00).

Such bonds and undertakings for said purposes, when duly executed by said attorney(s)-in-fact, shall be binding upon the Company as fully and to the same extent as if signed by the President of the Company under its corporate seal attested by its Corporate Secretary.

This appointment is made under and by authority of certain resolutions adopted by the sole shareholder of each Company by unanimous written consent effective the 15th day of June, 2019, a copy of which appears below under the heading entitled "Certificate".

This Power of Attorney is signed and sealed by facsimile under and by authority of the following resolution adopted by the sole shareholder of each Company by unanimous written consent effective the 15th day of June, 2019 and said resolution has not since been revoked, amended or repealed:

RESOLVED, that the signature of an individual named above and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signature or seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, each Company has caused this instrument to be signed by the following officers, and its corporate seal to be affixed this 15th day of June, 2019.

Endurance Assurance Corporation
By: Richard Appel; SVP & Senior Counsel

Endurance American Insurance Company
By: Richard Appel; SVP & Senior Counsel

Lexon Insurance Company
By: Richard Appel; SVP & Senior Counsel

Bond Safeguard Insurance Company
By: Richard Appel; SVP & Senior Counsel



ACKNOWLEDGEMENT

On this 15th day of June, 2019, before me, personally came the above signatories known to me, who being duly sworn, did depose and say that he/she is an officer of each of the Companies; and that he executed said instrument on behalf of each Company by authority of his office under the by-laws of each Company.

By: Amy Taylor
Amy Taylor, Notary Public - My Commission Expires 5/9/23

CERTIFICATE

I, the undersigned Officer of each Company, DO HEREBY CERTIFY that:

- 1. That the original power of attorney of which the foregoing is a copy was duly executed on behalf of each Company and has not since been revoked, amended or modified;
2. The following are resolutions which were adopted by the sole shareholder of each Company by unanimous written consent effective June 15, 2019 and said resolutions have not since been revoked, amended or modified:

"RESOLVED, that each of the individuals named below is authorized to make, execute, seal and deliver for and on behalf of the Company any and all bonds, undertakings or obligations in surety or co-surety with others: RICHARD M. APPEL, BRIAN J. BEGGS, CHRISTOPHER DONELAN, SHARON L. SIMS, CHRISTOPHER L. SPARRO, MARIANNE L. WILBERT

; and be it further

RESOLVED, that each of the individuals named above is authorized to appoint attorneys-in-fact for the purpose of making, executing, sealing and delivering bonds, undertakings or obligations in surety or co-surety for and on behalf of the Company."

- 3. The undersigned further certifies that the above resolutions are true and correct copies of the resolutions as so recorded and of the whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal this 20th day of Jan, 2020.

By: Daniel S. Lurie, Secretary

NOTICE: U. S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

No coverage is provided by this Notice nor can it be construed to replace any provisions of any surety bond or other surety coverage provided. This Notice provides information concerning possible impact on your surety coverage due to directives issued by OFAC. Please read this Notice carefully.

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous foreign agents, front organizations, terrorists, terrorist organizations, and narcotics traffickers as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's website - https://www.treasury.gov/resource-center/sanctions/SDN-List.

In accordance with OFAC regulations, if it is determined that you or any other person or entity claiming the benefits of any coverage has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, any coverage will be considered a blocked or frozen contract and all provisions of any coverage provided are immediately subject to OFAC. When a surety bond or other form of surety coverage is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments may also apply.



Lexon Insurance Company  
2307 River Road, Suite 200  
Louisville, KY 40206  
Phone: (502) 636-9191  
Fax: (502) 636-5328

CONTINUATION CERTIFICATE  
To be attached to and form a  
part of Bond described below.

Railroad Commission of Texas  
Attention: Oil & Gas Division  
1701 N. Congress  
Austin, TX 78711

Date: 29-Jan-21

Re: Leading Edge Energy LLC  
471 State Highway 67S  
Graham, TX 76450  
Bond #: 1153487

The Lexon Insurance Company, hereinafter called the "Company," as Surety on Bond No.: 1153487 issued on the 1st day of DECEMBER, 2017 on behalf of Leading Edge Energy LLC, Principal, in favor of Railroad Commission of Texas, Oblige, hereby certify that this bond is continued in full force and effect until the 30th day of SEPTEMBER, 2022, subject to all covenants and conditions of said bond.

This bond, in the current sum of FIFTY THOUSAND AND 00/100 Dollars (\$50,000.00), has been continued in force upon the express condition that the full extent of the Company's liability under said bond and all continuations thereof for any loss or series of losses occurring during the entire time the Company remains on said bond shall in no event exceed the sum of the bond.

In witness whereof the Company has caused this instrument to be duly signed, sealed and dated as of the 29th day of JANUARY, 2021.

RECEIVED  
RRC OF TEXAS  
MAR 31 2021  
OIL & GAS P-5 SEPT.  
AUSTIN, TX

Lexon Insurance Company

Surety

By Barbara Duncan  
Barbara Duncan Attorney-in-Fact

S # 04279  
JF  
4/5/21

JF



# POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that Endurance Assurance Corporation, a Delaware corporation, Endurance American Insurance Company, a Delaware corporation, Lexon Insurance Company, a Texas corporation, and/or Bond Safeguard Insurance Company, a South Dakota corporation, each, a "Company" and collectively, "Sompo International," do hereby constitute and appoint: Brook T. Smith, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, Barbara Duncan, Sandra L. Fusinetti, Mark A. Guidry, Jill Kemp, Lynnette Long, Amy Bowers, Deborah Neichter, Theresa Pickerrell, Sheryon Quinn, Beth Frymire, Leigh McCarthy, Michael Dix, Susan Ritter, Ryan Britt as true and lawful Attorney(s)-in-Fact to make, execute, seal, and deliver for, and on its behalf as surety or co-surety; bonds and undertakings given for any and all purposes, also to execute and deliver on its behalf as aforesaid renewals, extensions, agreements, waivers, consents or stipulations relating to such bonds or undertakings provided, however, that no single bond or undertaking so made, executed and delivered shall obligate the Company for any portion of the penal sum thereof in excess of the sum of One Hundred Million Dollars (\$100,000,000.00).

Such bonds and undertakings for said purposes, when duly executed by said attorney(s)-in-fact, shall be binding upon the Company as fully and to the same extent as if signed by the President of the Company under its corporate seal attested by its Corporate Secretary.

This appointment is made under and by authority of certain resolutions adopted by the sole shareholder of each Company by unanimous written consent effective the 15<sup>th</sup> day of June, 2019, a copy of which appears below under the heading entitled "Certificate".

This Power of Attorney is signed and sealed by facsimile under and by authority of the following resolution adopted by the sole shareholder of each Company by unanimous written consent effective the 15<sup>th</sup> day of June, 2019 and said resolution has not since been revoked, amended or repealed:

RESOLVED, that the signature of an individual named above and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signature or seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, each Company has caused this instrument to be signed by the following officers, and its corporate seal to be affixed this 15<sup>th</sup> day of June, 2019.

Endurance Assurance Corporation  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel

Endurance American Insurance Company  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel

Lexon Insurance Company  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel

Bond Safeguard Insurance Company  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel



**ACKNOWLEDGEMENT**

On this 15<sup>th</sup> day of June, 2019, before me, personally came the above signatories known to me, who being duly sworn, did depose and say that he/she is an officer of each of the Companies; and that he executed said instrument on behalf of each Company by authority of his office under the by-laws of each Company.

By: *Amy Taylor*  
Amy Taylor, Notary Public - My Commission Expires 5/9/23



**CERTIFICATE**

I, the undersigned Officer of each Company, DO HEREBY CERTIFY that:

1. That the original power of attorney of which the foregoing is a copy was duly executed on behalf of each Company and has not since been revoked, amended or modified; that the undersigned has compared the foregoing copy thereof with the original power of attorney, and that the same is a true and correct copy of the original power of attorney and of the whole thereof;
2. The following are resolutions which were adopted by the sole shareholder of each Company by unanimous written consent effective June 15, 2019 and said resolutions have not since been revoked, amended or modified:

"RESOLVED, that each of the individuals named below is authorized to make, execute, seal and deliver for and on behalf of the Company any and all bonds, undertakings or obligations in surety or co-surety with others: RICHARD M. APPEL, BRIAN J. BEGGS, CHRISTOPHER DONELAN, SHARON L. SIMS, CHRISTOPHER L. SPARRO, MARIANNE L. WILBERT

; and be it further

RESOLVED, that each of the individuals named above is authorized to appoint attorneys-in-fact for the purpose of making, executing, sealing and delivering bonds, undertakings or obligations in surety or co-surety for and on behalf of the Company."

3. The undersigned further certifies that the above resolutions are true and correct copies of the resolutions as so recorded and of the whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal this 29<sup>th</sup> day of Jan, 2021.

By: *Daniel S. Lurie*  
Daniel S. Lurie, Secretary

**NOTICE: U. S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL (OFAC)**

No coverage is provided by this Notice nor can it be construed to replace any provisions of any surety bond or other surety coverage provided. This Notice provides information concerning possible impact on your surety coverage due to directives issued by OFAC. Please read this Notice carefully.

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous foreign agents, front organizations, terrorists, terrorist organizations, and narcotics traffickers as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's website - <https://www.treasury.gov/resource-center/sanctions/SDN-List>.

In accordance with OFAC regulations, if it is determined that you or any other person or entity claiming the benefits of any coverage has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, any coverage will be considered a blocked or frozen contract and all provisions of any coverage provided are immediately subject to OFAC. When a surety bond or other form of surety coverage is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments may also apply.

Any reproductions are void.

Surety Claims Submission: [LexonClaimAdministration@sompo-intl.com](mailto:LexonClaimAdministration@sompo-intl.com)

Telephone: 615-553-9500 Mailing Address: Sompo International; 12890 Lebanon Road; Mount Juliet, TN 37122-2870





491612

CONTINUATION CERTIFICATE  
To be attached to and form a  
part of Bond described below.

*Lexon Insurance Company*  
2307 River Road, Suite 200  
Louisville, KY 40206  
Phone: (502) 636-9191  
Fax: (502) 636-5328

Railroad Commission of Texas  
Attention: Oil & Gas Division  
1701 N. Congress  
Austin, TX 78711

**Date:** 27-Jan-22

**Re:** Leading Edge Energy LLC  
471 State Highway 67S  
Graham, TX 76450  
Bond #: 1153487

The Lexon Insurance Company, hereinafter called the "Company," as Surety on Bond No.: 1153487 issued on the 1st day of DECEMBER, 2017 on behalf of Leading Edge Energy LLC, Principal, in favor of Railroad Commission of Texas, Obligee, hereby certify that this bond is continued in full force and effect until the 30th day of SEPTEMBER, 2023, subject to all covenants and conditions of said bond.

This bond, in the current sum of FIFTY THOUSAND AND 00/100 Dollars (\$50,000.00), has been continued in force upon the express condition that the full extent of the Company's liability under said bond and all continuations thereof for any loss or series of losses occurring during the entire time the Company remains on said bond shall in no event exceed the sum of the bond.

In witness whereof the Company has caused this instrument to be duly signed, sealed and dated as of the 27th day of JANUARY, 2022.

RECEIVED  
RRC OF TEXAS  
MAY 17 2022  
OIL & GAS DIVISION  
AUSTIN, TX

**Lexon Insurance Company**

Surety

By   
Barbara Duncan

Attorney-in-Fact

Fad # 920009

TR 6.17.22



**SOMPO INTERNATIONAL**

**INSURANCE**

11078

# POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that Endurance Assurance Corporation, a Delaware corporation, Endurance American Insurance Company, a Delaware corporation, Lexon Insurance Company, a Texas corporation, and/or Bond Safeguard Insurance Company, a South Dakota corporation, each, a "Company" and collectively, "Sompo International," do hereby constitute and appoint: Brook T. Smith, Raymond M. Hundley, Jason D. Cromwell, James H. Martin, Barbara Duncan, Sandra L. Fusinetti, Mark A. Guidry, Jill Kemp, Lynnette Long, Amy Bowers, Deborah Neichter, Theresa Pickerrell, Sheryon Quinn, Beth Frymire, Leigh McCarthy, Michael Dix, Susan Ritter, Ryan Britt as true and lawful Attorney(s)-In-Fact to make, execute, seal, and deliver for, and on its behalf as surety or co-surety; bonds and undertakings given for any and all purposes, also to execute and deliver on its behalf as aforesaid renewals, extensions, agreements, waivers, consents or stipulations relating to such bonds or undertakings provided, however, that no single bond or undertaking so made, executed and delivered shall obligate the Company for any portion of the penal sum thereof in excess of the sum of One Hundred Million Dollars (\$100,000,000).

Such bonds and undertakings for said purposes, when duly executed by said attorney(s)-in-fact, shall be binding upon the Company as fully and to the same extent as if signed by the President of the Company under its corporate seal attested by its Corporate Secretary.

This appointment is made under and by authority of certain resolutions adopted by the sole shareholder of each Company by unanimous written consent effective the 15<sup>th</sup> day of June, 2019, a copy of which appears below under the heading entitled "Certificate".

This Power of Attorney is signed and sealed by facsimile under and by authority of the following resolution adopted by the sole shareholder of each Company by unanimous written consent effective the 15<sup>th</sup> day of June, 2019 and said resolution has not since been revoked, amended or repealed:

RESOLVED, that the signature of an individual named above and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signature or seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

IN WITNESS WHEREOF, each Company has caused this instrument to be signed by the following officers, and its corporate seal to be affixed this 15<sup>th</sup> day of June, 2019.

Endurance Assurance Corporation  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel

Endurance American Insurance Company  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel

Lexon Insurance Company  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel

Bond Safeguard Insurance Company  
By: *Richard M Appel*  
Richard Appel; SVP & Senior Counsel



**ACKNOWLEDGEMENT**

On this 15<sup>th</sup> day of June, 2019, before me, personally came the above signatories known to me, who being duly sworn, did depose and say that he/she is an officer of each of the Companies; and that he executed said instrument on behalf of each Company by authority of his office under the by-laws of each Company.

By: *Amy Taylor*  
Amy Taylor, Notary Public - My Commission Expires 5/9/23



**CERTIFICATE**

I, the undersigned Officer of each Company, DO HEREBY CERTIFY that:

1. That the original power of attorney of which the foregoing is a copy was duly executed on behalf of each Company and has not since been revoked, amended or modified; that the undersigned has compared the foregoing copy thereof with the original power of attorney, and that the same is a true and correct copy of the original power of attorney and of the whole thereof;
2. The following are resolutions which were adopted by the sole shareholder of each Company by unanimous written consent effective June 15, 2019 and said resolutions have not since been revoked, amended or modified:

"RESOLVED, that each of the individuals named below is authorized to make, execute, seal and deliver for and on behalf of the Company any and all bonds, undertakings or obligations in surety or co-surety with others: RICHARD M. APPEL, BRIAN J. BEGGS, CHRISTOPHER DONELAN, SHARON L. SIMS, CHRISTOPHER L. SPARRO, MARIANNE L. WILBERT

; and be it further

RESOLVED, that each of the individuals named above is authorized to appoint attorneys-in-fact for the purpose of making, executing, sealing and delivering bonds, undertakings or obligations in surety or co-surety for and on behalf of the Company."

3. The undersigned further certifies that the above resolutions are true and correct copies of the resolutions as so recorded and of the whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal this 27<sup>th</sup> day of January, 2022.

By: *Daniel S. Lurie*  
Daniel S. Lurie, Secretary

**NOTICE: U. S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL (OFAC)**

No coverage is provided by this Notice nor can it be construed to replace any provisions of any surety bond or other surety coverage provided. This Notice provides information concerning possible impact on your surety coverage due to directives issued by OFAC. Please read this Notice carefully.

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous foreign agents, front organizations, terrorists, terrorist organizations, and narcotics traffickers as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's website - <https://www.treasury.gov/resource-center/sanctions/SDN-List>.

In accordance with OFAC regulations, if it is determined that you or any other person or entity claiming the benefits of any coverage has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, any coverage will be considered a blocked or frozen contract and all provisions of any coverage provided are immediately subject to OFAC. When a surety bond or other form of surety coverage is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments may also apply.

Any reproductions are void.

Surety Claims Submission: [LexonClaimAdministration@sompo-intl.com](mailto:LexonClaimAdministration@sompo-intl.com)

Telephone: 615-553-9500 Mailing Address: Sompo International; 12890 Lebanon Road; Mount Juliet, TN 37122-2870