

**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. 4-21CV-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 TO DETERMINE REASONABLE CAUSE EXISTS TO ABATE
IRS PENALTIES, INTEREST, AND LATE FILING FEES**

Deborah D. Williamson, in her capacity as the Court-appointed Receiver (the “Receiver”) for the Receivership Parties (as defined in the *Order Appointing Receiver* [ECF No. 17] (the “Receivership Order”)) and receivership estates (collectively, the “Receivership Estates”) in the above-captioned case (the “Case” or the “Receivership”), hereby files this *Receiver’s Motion to Determine Reasonable Cause Exists to Abate IRS Penalties, Interest, and Late Filing Fees* (the “Motion”).¹

SUMMARY OF REQUESTED RELIEF

1. Since her appointment and the inception of this Case, the Receiver has paid the Internal Revenue Service (the “IRS”) **\$392,615.49** for pre-Receivership Payroll Taxes and/or Employment Taxes² on behalf of various Receivership Parties.³ The Receiver is requesting relief from paying the IRS **at minimum \$338,810.64** in penalties, interest, and late fees for these Payroll Taxes and/or Employment Taxes because “reasonable cause” exists for abatement of such amounts under 26 U.S.C. §§ 6651 and 6656.⁴

2. The history with the IRS is replete with numerous communications, changing account balances, and similar complications. As outlined below and discussed in more detail in the Motion, the claims for interest, penalties, and late fees relate primarily to Payroll Taxes for

¹ Capitalized terms used but not otherwise defined herein have the meanings respectively ascribed to them in the Receivership Order.

² The outstanding liabilities due to the IRS include: (i) penalties and interest related to non-filing of IRS Form 940 for 2019 tax year forward, which employers are required to file annually according to Internal Revenue Code (“I.R.C.”) §§ 6651(a)(1), 6651(a)(2) (“Employment Taxes”) and (ii) penalties and interest related to non-filing of IRS Form 941 for the 2nd quarter of 2019 forward, which employers are required to file and make a quarterly deposit according to I.R.C. § 6656 (collectively with Employment Taxes, the “Payroll Taxes”).

³ Throughout this Receivership, the Receiver has also paid to the IRS **\$102,721.00** in pre-Receivership and post-Receivership federal income taxes due on behalf of Receivership Parties with filing obligations. This figure does not include state taxes paid by the Receiver during the Case.

⁴ The penalties, interest, and late fees continue to accrue daily.

Receivership Parties The Heartland Group Ventures LLC (“Ventures”), Alternative Office Solutions, LLC (“AOS”), and Barron Petroleum LLC (“Barron Petroleum”). The issue before the Court is whether the malfeasance and/or misfeasance resulting in the failure to timely file tax returns and/or pay Payroll Taxes should be borne by the defrauded investors or the IRS.

<u>Affected Entity</u>	<u>Payroll Tax Period Ending</u>	<u>Section in Motion</u>
AOS	June 30, 2021 – IRS Form 941	<i>Section a(i)</i>
	December 31, 2021 – IRS Form 941	<i>Section a(ii)</i>
	December 31, 2021 – IRS Form 940	<i>Section a(iii)</i>
Ventures	December 31, 2021 – IRS Form 941	<i>Section b(i)</i>
Barron Petroleum	September 30, 2019 – IRS Form 941	<i>Section c(i)</i>
	December 31, 2019 – IRS Form 941	<i>Section c(ii)</i>
	December 31, 2020 – IRS Form 941	<i>Section c(iii)</i>
	March 31, 2021 – IRS Form 941	<i>Section c(iv)</i>
	June 30, 2021 – IRS Form 941	<i>Section c(v)</i>
	September 30, 2021 – IRS Form 941	<i>Section c(vi)</i>
	December 31, 2021 – IRS Form 941	<i>Section c(vii)</i>
	December 31, 2019 – IRS Form 940	<i>Section c(viii)</i>
	December 31, 2021 – IRS Form 940	<i>Section c(ix)</i>
	Notices of Intent to Levy and/or Federal Tax Liens and Appeal Hearings	<i>Section c(x)</i>

RELEVANT BACKGROUND

3. On December 1, 2021, Plaintiff, United States Securities and Exchange Commission (the “Commission”), filed its *Complaint* [ECF No. 1] and 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. Factual allegations contained in the Commission's *Complaint* are incorporated by reference as if fully stated herein.

4. 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 Receivership Order on December 2, 2021, appointing Deborah D. Williamson as the Receiver over the Receivership Estates in this Case, dismissed all employees, directors, officers, managers, and other agents of the Receivership Parties, and suspended the powers of any general partners, officers, directors, and/or managers of the Receivership Parties. *See* Receivership Order, ¶ 6. Further, the Receivership Order stated that creditors, which would include the IRS, are "prohibited and restrained from filing, commencing, taking, or enforcing any action . . . against any Receivership Property or any of the Receivership Parties." *Id.* at ¶ 33.

5. This Court may recall that electronic devices obtained, pursuant to the Receivership Order, from Defendant Rustin Brunson, Defendant James Ikey, Relief Defendant Bridy Ikey, and Heartland-related Receivership Parties' offices or storage locations, Defendant Manjit Singh (aka Roger) Sahota ("Roger"), Relief Defendant Harprit Sahota ("Harprit"), Relief Defendant Monroe Sahota ("Monroe"), Relief Defendant Sunny Sahota ("Sunny"), and Sahota-related Receivership Parties'⁵ offices or residences were securely shipped to the Commission's headquarters in

⁵ "Sahota-related Receivership Parties" discussed herein collectively include Receivership Parties Arcooil Corp.; Barron Energy Corporation; Barron Petroleum, which is a Schedule C pass-through LLC entity owned by Roger and/or his wife, Harprit; Dallas Resources, Inc.; Leading Edge Energy, LLC ("Leading Edge"), which is a Schedule C pass-through LLC entity owned by Roger and/or Harprit; Sahota Capital LLC ("Sahota Capital"); and 1178137 B.C. LTD., which is a Canadian entity and does not have an obligation to file federal tax returns in the United States. The Receiver is not obligated to file federal income tax returns for Barron Petroleum and Leading Edge given their pass-through status. However, Barron Petroleum and Leading Edge were responsible for filing payroll tax returns (IRS Form 940 and IRS Form 941) and remitting payroll tax payments to the IRS.

Washington, D.C., at its instruction for imaging, beginning in December 2021 and continuing through March 2023 as such devices were located.

6. AOS provided back-office support functions for Ventures and its investment funds and other related entities included in this Case as Receivership Parties.⁶ In early January 2022, Jerry Lewis, former CFO of the Heartland-related Receivership Parties, informed the Receiver of the identity of the pre-Receivership accountant for the Heartland-related Receivership Parties and AOS. Further, pre-Receivership accounting and bookkeeping records were maintained on a computer using QuickBooks Desktop. As such, these pre-Receivership records were not immediately accessible without possession of the control computer, which was turned over to the Commission at the beginning of this Case. The Receiver ultimately obtained unreconciled, last-updated QuickBooks Desktop file copies for the Heartland-related Receivership Parties and AOS from former counsel to AOS and/or Heartland-related Receivership Parties approximately during the first quarter of 2022.

7. The Receiver learned from Sunny on or around January 10, 2022, that the Sahota-related Receivership Parties kept certain of their pre-Receivership accounting and bookkeeping records in WolfePak, which is an oil and gas accounting software. The Receiver was provided the identity of the pre-Receivership accountant for Sahota-related Receivership Parties. To access pre-Receivership accounting and bookkeeping data of the Sahota-related Receivership Parties, the Receiver was required to purchase a software license from WolfePak and a laptop on which to run the software for oil and gas reporting and pre-Receivership data accessibility. Prior to WolfePak,

⁶ “Heartland-related Receivership Parties” discussed herein collectively include Ventures and Receivership Parties Carson Oil Field Development Fund II, LP; Dodson Prairie Oil & Gas 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; and Panther City Energy LLC.

the Sahota-related Receivership Parties used QuickBooks Desktop for accounting and bookkeeping.

8. Electronic devices, including laptops and tablets, belonging to Roger, Monroe, and Sunny were locked, and BitLocker keys⁷ were never provided by Sahota family members to the Receiver, her counsel, or the Commission. As a result, imaging of all computers and tablets belonging to the Sahota family was not possible because the devices were encrypted and inaccessible. Numerous unsuccessful attempts to obtain BitLocker keys from the Sahota family was made by the Commission and Receiver's counsel. Numerous attempts to obtain these records directly from Intuit, the developer of QuickBooks software, were also unsuccessful due to the Sahota-related Receivership Parties' QuickBooks Desktop format. To date, the Receiver has been unable to obtain any QuickBooks records for the Sahota-related Receivership Parties.

9. On January 10, 2022, the Receiver's undersigned counsel sent a letter to Virginia Han of Han & Associates, P.C., requesting a copy of "all tax returns, correspondence, payment history, and documentation" of the Heartland-related Receivership Parties, AOS, and Receivership Party Encypher Bastion, LLC ("Encypher Bastion") "from the beginning of your engagement . . . to the present." [**EXHIBIT B**, p. 2]. In response, Ms. Han produced certain tax returns to the Receiver's counsel on January 18, 2022. No documents relating to tax payment history or tax-related correspondence of the Heartland-related Receivership Parties, AOS, or Encypher Bastion were produced to the Receiver or her counsel.

⁷ BitLocker is a security feature on Microsoft Windows electronic devices that generates a unique encryption key for hard drives. When an electronic device containing BitLocker keys detects unusual or insecure conditions, the only way to decrypt and access the electronic device's hard drive is by inputting the BitLocker recovery key. Without the BitLocker recovery key, one cannot access the data or information on the encrypted electronic device. See generally *BitLocker overview*, MICROSOFT, <https://learn.microsoft.com/en-us/windows/security/operating-system-security/data-protection/bitlocker/> (Dec. 5, 2024).

10. On February 17, 2022, the Receiver's undersigned counsel sent a letter to Danny Cusenbary of Montgomery, Cusenbary & Associates LLP, who prepared and filed tax returns for the Sahota family and its related entities, requesting a copy of "all tax returns, correspondence, payment history, and documentation" of Sahota-related Receivership Parties "from the beginning of your engagement . . . to the present." [**EXHIBIT C**, p. 2]. In response, Mr. Cusenbary produced certain, but not all, tax returns to the Receiver's counsel on March 7, 2022 and June 15, 2022. No documents relating to payment history or tax-related correspondence of the Sahota-related Receivership Parties were produced to the Receiver or her counsel.

11. On March 16, 2022, Dykema Gossett PLLC ("**Dykema**"), Receiver's counsel, remitted to the IRS, on behalf of the Receiver, signed *IRS Form 56 – Notice Concerning Fiduciary Relationship* for all domestic Receivership Parties, notifying the IRS of the Receivership, the appointment of the Receiver, and the Receiver's address for mailing correspondence to the Receivership Parties. [**EXHIBIT D**].

12. On April 22, 2022, the Court entered an *Order* [ECF No. 187] approving the Receiver's application to employ Ahuja & Clark, PLLC (n/k/a Ahuja & Consultants, Inc.) ("**A&C**") as accountants to the Receiver, effective April 1, 2022 [ECF No. 179]. During April 2022, A&C began to review and analyze available tax and accounting records of the Receivership Parties. A&C continued their review of pre-Receivership bank statements for the Heartland-related Receivership Parties, AOS, and Encypher Bastion to reconcile their incomplete QuickBooks data and assist the Receiver in executing her powers and duties enumerated in the Receivership Order.

13. The lack of complete payroll and vendor records proved problematic for the 2021 tax year. The Receiver was forced to rely upon incomplete information to prepare and file tax returns for the 2021 tax year for those Receivership Parties with filing obligations.

14. On November 6, 2023, this Court entered an *Order* [ECF No. 431] granting the *Receiver's Motion for Entry of an Order Setting Claims Bar Date, Establishing Claims Procedure, and Approving Notification Process* [ECF No. 408] (the "Claims Motion"), including Court-approved claim forms and notices.⁸

15. Separate and apart from service by the Court-approved claims and noticing agent in this Case, Receiver's counsel mailed⁹ copies of the Claims Motion and the November 6, 2023 *Order* to the IRS on November 14, 2023, providing actual notice of the Court-ordered claims bar date of February 5, 2024, at 11:59 p.m. Central. [**EXHIBIT E**, at p. 2].

16. Notwithstanding actual and publication notice, the IRS did not timely submit an electronic or paper proof of claim form to the Receiver's claims and noticing agent asserting or claiming any amounts outstanding for any of the Receivership Parties.

Income Tax Returns

17. On September 15, 2022, income tax returns for the 2021 tax year were timely¹⁰ filed by A&C, on behalf of the Receiver, for those Receivership Parties with filing obligations.

18. On April 18, 2023, income tax returns for the 2022 tax year were timely filed by A&C, on behalf of the Receiver, for those Receivership Parties with filing obligations. A&C

⁸ The *Order Accepting Findings, Conclusions, and Recommendation of the United States Magistrate Judge* [ECF No. 431] (the "Claims Motion Order"), granted the Claims Motion and provided that "all persons and entities . . . with potential Claims and/or demands against the Receivership Parties, whether due or not due, . . . to submit their Claims . . . to Stretto, on behalf of the Receiver . . . within ninety (90) days from the entry of the [Claims Motion Order] . . . Any person or entity . . . failing to submit . . . their Claim to Stretto, on behalf of the Receiver, on or before the Claims Bar Date shall be forever barred from asserting Claims against the Receivership Parties and the Receivership Estates[.]" Claims Motion, ¶ 35.

⁹ USPS CM/RRR #9414 7266 9904 2207 1984 86.

¹⁰ An extension to file such returns was obtained.

successfully filed income tax returns for the 2022 tax year for all the relevant Receivership Parties except for Sahota Capital.

19. After attempting to electronically file the income tax return for the 2022 tax year for Sahota Capital, the Receiver learned that income tax returns for tax years 2020 and 2021 were filed using an incorrect employer identification number (“EIN”). To submit income tax returns to the IRS, the Receiver, through A&C, was required to remit income tax returns for tax years 2020, 2021, and 2022 to the IRS with Sahota Capital’s corrected EIN, which occurred on April 24, 2023.¹¹

20. On April 16, 2024, income tax returns for the 2023 tax year were timely filed by A&C, on behalf of the Receiver, for those Receivership Parties with filing obligations.

21. On March 14, 2025, A&C, on behalf of the Receiver, filed automatic extension requests for time to file income tax returns for the 2024 tax year for those Receivership Parties with filing obligations.

22. On April 11, 2025, the Receiver filed income tax returns for the 2024 tax year for those Receivership Parties with filing obligations.

Payroll Tax Returns

23. All employees of Receivership Parties were dismissed pursuant to the Receivership Order, effective December 2, 2021. *See* Receivership Order, ¶ 6. As referenced above, the Receiver relied on the information provided by former accountants for various Receivership Parties or captured in copies of QuickBooks or WolfePak, where available. Based on the records available, it appeared to the Receiver, her counsel, and A&C that pre-Receivership payroll tax

¹¹ The Receiver takes no position as to the accuracy of any of the information included in the pre-Receivership income tax returns for Sahota Capital.

returns were filed and corresponding pre-Receivership payments were remitted by the various Receivership Parties to the IRS prior to the Case.

24. Without access to complete QuickBooks records for AOS and the Heartland-related Receivership Parties or any payroll records for the Sahota-related Receivership Parties, it was impossible for the Receiver to prepare and timely file the necessary IRS Forms 940¹² for the 2021 tax year and IRS Forms 941¹³ for the fourth quarter of 2021.

25. On or about March 6, 2024, the Receiver received a letter from the IRS, dated March 1, 2024,¹⁴ informing Ventures that six (6) tax returns were missing for various tax periods in 2021, 2022, and 2023 and enclosing *IRS Form 13736 – Response to Inquiry About Missing Tax Returns* for signature and remittance to the IRS. [**EXHIBIT F**, pp. 1–2]. Additionally, a “Proof of Claim for Internal Revenue Taxes” from the IRS with respect to Ventures was included in the envelope, detailing a claim amount of \$18,865.28 for third and fourth quarter 2021 payroll taxes. [**EXHIBIT F**, p. 3]. **Notably, the IRS did not timely submit a Court-approved claim form prior to the Court-ordered February 5, 2024 bar date (which deadline included governmental agencies such as the IRS) or otherwise provide notice to the Receiver of its intent to submit a Court-approved claim form for any of the Receivership Parties in this Case.**

26. Receiver’s counsel timely responded to the IRS letter on March 15, 2024, informing the IRS that Ventures (1) had no employees for tax years 2022 and 2023, and (2) would timely file its 2023 tax year partnership return, which was not yet due. [**EXHIBIT G**, pp. 1–2]. Further, Receiver’s counsel informed the IRS that the Receiver was attempting to locate relevant, pre-

¹² *IRS Form 940 – Employer’s Annual Federal Unemployment (FUTA) Tax Return.*

¹³ *IRS Form 941 – Employer’s Quarterly Federal Tax Return.*

¹⁴ The March 1, 2024 date on *IRS Letter 1714* must be inaccurate, as the Receiver received the letter through U.S. Mail on February 6, 2024.

Receivership documents and records of Ventures for tax year 2021 and would remit a separate formal response. **[EXHIBIT G, p. 2]**.

27. After A&C's research and the Receiver's review, Receiver's counsel remitted a complete response to the IRS on March 20, 2024, detailing pre-Receivership payments made by Ventures to the IRS with respect to payroll taxes, the Receiver's remittance of Ventures' outstanding payroll tax balances due for the fourth quarter of 2021 in the amount of \$3,474.62, and submission of payroll tax returns based on the books and records available to the Receiver for the third and fourth quarters of 2021. **[EXHIBIT H]**.

28. On March 26, 2024, the Receiver received a notice from the IRS, dated March 18, 2024, demanding payment of approximately \$70,000 in pre-Receivership payroll taxes owed by Barron Petroleum.¹⁵ **[EXHIBIT I]**.

29. On April 18, 2024, the Receiver received a second "Proof of Claim for Internal Revenue Taxes" from the IRS with respect to Ventures, detailing a claim amount of \$0.00 for third and fourth quarter 2021 payroll taxes and the annotation "WITHDRAWAL".¹⁶ **[EXHIBIT J]**.

30. Thereafter, the Receiver instructed A&C to investigate pre-Receivership payroll tax return filings and evidence of actual payments for the domestic Receivership Parties with federal filing obligations.

31. Based upon A&C's research and IRS transcripts obtained for the domestic Receivership Parties with federal return filing obligations, it appears there were outstanding balances allegedly owed by AOS **[EXHIBITS K-1, K-2, K-3]**, Ventures **[EXHIBIT L]**, and

¹⁵ The Receiver noted this development on May 9, 2024, in *Receiver, Deborah D. Williamson's Motion for Order Approving Distribution Plan and Interim and/or Final Distribution* [ECF No. 534, p. 11 n.15].

¹⁶ To date, the IRS has not communicated or otherwise issued any other "unofficial" proof of claims to the Receiver or her counsel for any other Receivership Parties in this Case.

Barron Petroleum [**EXHIBITS M-1, M-2, M-3, M-4, M-5, M-6, M-7, M-8, M-9**] for pre-
Receivership payroll taxes, penalties, and/or interest.

32. To the best of her knowledge, the Receiver has paid all outstanding taxes for the Receivership Parties to the IRS. The Receiver is not currently aware of any other outstanding obligations with respect to IRS reporting or payment of taxes (income or payroll) for the Receivership Parties with federal return filing obligations, other than claims for penalties, interest, and late filing fees.

a. AOS

i. Tax Period Ending June 30, 2021 – IRS Form 941

33. Based on the IRS transcript, AOS filed its IRS Form 941 for the tax period ending June 30, 2021, on or around October 25, 2021, and paid \$18,589.62 to the IRS for second quarter 2021 payroll taxes. [**EXHIBIT K-1**, p. 1]. The IRS transcript indicates that a “federal tax deposit penalty” in the amount of \$669.59 was also assessed on October 25, 2021. [**EXHIBIT K-1**, p. 1].

34. The IRS transcript also reflects a “tax period [was] blocked from automated levy program” entry on January 10, 2022, and a “balance due [on] account currently not collectible – not due to hardship” entry on January 3, 2024. [**EXHIBIT K-1**, p. 1]. However, on June 3, 2024, the transcript reflects that the IRS issued a notice that the account was referred to a private debt collection agency, which violated this Court’s Receivership Order. [**EXHIBIT K-1**, p. 1].

35. On June 13, 2024, Receiver’s counsel informed the IRS and the assigned private collection agency of the respective Receivership Order provision in response to the IRS notice. [**EXHIBIT N**, pp. 1–2]. As a result, the IRS reversed its collection referral to a private debt collection agency on July 22, 2024. [**EXHIBIT K-1**, p. 1].

36. Finally, the IRS transcript includes a line entry for “interest charged for late payment” on December 9, 2024. [**EXHIBIT K-1**, p. 2].

37. According to the IRS transcript, AOS allegedly owes the IRS \$836.62 in penalties and interest for the tax period ending June 30, 2021. [**EXHIBIT K-1**, p. 1].

ii. Tax Period Ending December 31, 2021 – IRS Form 941

38. Based on the IRS transcript, a pre-Receivership payment in the amount of \$2,257.60 was made by AOS to the IRS on October 5, 2021, for AOS’s payroll tax obligations (IRS Form 941) for the tax period ending December 31, 2021. [**EXHIBIT K-2**, p. 1].

39. After A&C’s review and reconciliation, on October 10, 2024, the Receiver, through A&C, remitted AOS’s IRS Form 941 return for the fourth quarter of 2021. [**EXHIBIT O**, p. 4–6]. Additionally, the Receiver remitted to the IRS \$2,375.61 on October 10, 2024, for AOS’s IRS Form 941 payroll taxes (not penalties and/or interest) due for the fourth quarter of 2021. [**EXHIBIT O**, p. 3].

40. Based on the IRS transcript, AOS’s IRS Form 941 for the fourth quarter of 2021 was marked received with payment on October 17, 2024. [**EXHIBIT K-2**]. For reasons unknown to the Receiver, the IRS only processed payment in the amount of \$2,300.61, despite the Receiver writing the check in the amount of \$2,375.61.

41. Nearly two months later, the IRS transcript shows that the same return was “secured” on December 9, 2024. [**EXHIBIT K-2**].

42. On January 15, 2025, the Receiver remitted \$75.00 to the IRS to cover the outstanding balance due for payroll taxes (not penalties and/or interest) for the fourth quarter of 2021 that was not originally processed by the IRS, along with her October 10, 2024 correspondence. [**EXHIBIT P**].

43. Additionally, the IRS transcript reflects that an amended return was filed on January 30, 2025. **[EXHIBIT K-2]**. The Receiver did not remit an amended return to the IRS; rather, she provided a true and correct copy of the original October 10, 2024 submission, which the IRS has allegedly construed as an “amended” return filing. **[EXHIBIT K-2]**.

44. The IRS has assessed penalties and interest for the late filing and payment of AOS’s fourth quarter 2021 payroll taxes (IRS Form 941) and alleges an outstanding balance of \$1,540.86 for this tax period. **[EXHIBIT K-2]**.

iii. Tax Period Ending December 31, 2021 – IRS Form 940

45. The IRS transcript reflects that pre-Receivership deposits totaling \$444.85 were made in May and August 2021 toward AOS’s payroll tax obligations (IRS Form 940) for the tax period ending December 31, 2021. **[EXHIBIT K-3]**.

46. After A&C’s review and reconciliation, on October 10, 2024, the Receiver, through A&C, remitted AOS’s IRS Form 940 return for the fourth quarter of 2021. **[EXHIBIT Q]**, pp. 4–6]. Additionally, the Receiver remitted to the IRS \$15.21 on October 10, 2024, for AOS’s IRS Form 940 payroll taxes (not penalties and/or interest) due for the fourth quarter of 2021. **[EXHIBIT Q]**, p. 3]. However, the IRS transcript indicates that the post-Receivership “payment with return” was not made until October 17, 2024. **[EXHIBIT K-3]**. Further, the IRS transcript reflects that the IRS did not process the return until December 23, 2024. **[EXHIBIT K-3]**.

47. The IRS has assessed penalties and interest for the late filing and payment of AOS’s fourth quarter 2021 payroll taxes (IRS Form 940) and alleges an outstanding balance of \$9.90. **[EXHIBIT K-3]**.

b. Ventures

i. Tax Period Ending December 31, 2021 – IRS Form 941

48. The IRS transcript reflects that a pre-Receivership deposit in the amount of \$6,608.30 was made on November 3, 2021, toward Ventures’ payroll tax obligations (IRS Form 941) for the tax period ending December 31, 2021. [EXHIBIT L].

49. The IRS transcript reflects a line item acknowledging “bankruptcy or other legal action filed” on December 1, 2021. [EXHIBIT L].

50. After A&C’s review and reconciliation, on March 20, 2024, the Receiver, through her counsel, remitted Ventures’ IRS Form 941 return for the fourth quarter of 2021.¹⁷ [EXHIBIT R], pp. 25–27]. On that same date, the Receiver remitted to the IRS a payment in the amount of \$3,474.62 for fourth quarter 2021 payroll taxes (IRS Form 941), not including penalties and/or interest. [EXHIBIT R], p. 28]. However, the IRS transcript shows the post-Receivership “payment with return” was not made until March 27, 2024. [EXHIBIT L]. Further, the IRS transcript reflects that the return was not “secured” until April 10, 2024. [EXHIBIT L].

51. The IRS has assessed penalties and interest for the late filing and payment of Ventures’ fourth quarter 2021 payroll taxes (IRS Form 941) and alleges an outstanding balance of \$2,350.59. [EXHIBIT L].

c. Barron Petroleum

52. Of all of the Receivership Parties, Barron Petroleum has presented the most complex issues with respect to the IRS throughout this Case. The Receiver, her counsel, and A&C have spent substantial time and resources researching available books and records, analyzing IRS letters and notices, and issuing timely response packages, which consistently remind the IRS of

¹⁷ However, the IRS transcript reflects that Ventures’ tax return was “secured” on April 10, 2024, and “filed” on August 12, 2024. [EXHIBIT L].

the Court-ordered “stay” and “employee dismissal” provisions of the Receivership Order.¹⁸ The Receiver, her counsel, and A&C have participated in appeal hearings with various IRS appeal officers. Pre-Receivership payroll tax periods are outlined in Sections I–IX below, followed by discussion of the IRS’s notices to levy, federal tax lien, and collection appeal process hearings or denials in Section X below.

i. Tax Period Ending September 30, 2019 – IRS Form 941

53. Based on the IRS transcript, on December 20, 2019, Barron Petroleum made a pre-Receivership payment in the amount of \$27,994.90 for payroll taxes due for the third quarter of 2019. [**EXHIBIT M-1**, p. 1]. The IRS transcript also reflects that Barron Petroleum’s IRS Form 941 return for third quarter of 2019 payroll taxes was filed on March 30, 2020, and notes the payroll tax amount of \$51,079.28. [**EXHIBIT M-1**, p. 1]. On March 30, 2020, the IRS assessed penalties in the amount of \$857.06 and interest in the amount of \$676.71 based on Barron Petroleum’s late payment of third quarter 2019 payroll taxes. [**EXHIBIT M-1**, p. 1].

54. On April 30, 2020, the IRS transcript reflects that the IRS credited Barron Petroleum’s account in the amount of \$14,036.12 based on its payment of payroll taxes for a prior tax period. [**EXHIBIT M-1**, p. 1]. Additionally, the transcript notes that another pre-Receivership payment in the amount of \$91.36 was made by Barron Petroleum on June 17, 2020. [**EXHIBIT M-1**, p. 1].

¹⁸ By way of example, the IRS issued *IRS Notice CPI62* (the “Notice”) to Receivership Party Carson Oil Field Development Fund II, LP (“Carson”), informing Carson that it assessed a penalty in the amount of \$16,500.00 for failure to electronically file Carson’s partnership return for the 2024 tax year. The Notice was issued by the IRS on March 3, 2025. Carson’s partnership return for the 2024 tax year was not due until March 15, 2025, subject to any timely-filed extension. The Receiver and her counsel consistently receive correspondence from the IRS regarding the domestic Receivership Parties, to which responses must be submitted for preservation of Receivership Estates’ rights and causes of action.

55. According to the transcript, the IRS assessed additional penalties in the amount of \$806.12 and interest in the amount of \$385.58 on April 26, 2021, based on Barron Petroleum's late payment of third quarter 2019 payroll taxes. [**EXHIBIT M-1**, p. 2].

56. The IRS transcript reflects a line item acknowledging "bankruptcy or other legal action filed" on December 9, 2021. [**EXHIBIT M-1**, p. 2].

57. Despite the acknowledgement of a pending bankruptcy or other legal action, the IRS assessed further penalties in the amount of \$1,074.83 and interest in the amount of \$363.02 on April 25, 2022. [**EXHIBIT M-1**, p. 2]. Moreover, in further violation of the Receivership Order, two collection due process appeal hearings were held relating to IRS notices of intent to levy and a post-Receivership filed federal tax lien.

58. Once the Receiver learned that outstanding taxes in the amount of \$8,956.90 were due for Barron Petroleum's pre-Receivership payroll taxes for this period, the Receiver paid the IRS on November 25, 2024. [**EXHIBIT S**]. The IRS transcript shows that this payment was not processed until December 2, 2024. [**EXHIBIT M-1**, p. 2].

59. Nevertheless, the IRS transcript reflects "First Levy Issued on Module" on February 3, 2025, again in violation of the Receivership Order. [**EXHIBIT M-1**, p. 2].

60. In summary, the IRS transcript reflects an outstanding account balance plus accruals in the amount of \$7,260.82 for this period for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 941). [**EXHIBIT M-1**, p. 1].

ii. Tax Period Ending December 31, 2019 – IRS Form 941

61. The IRS transcript for the tax period ending on December 31, 2019, for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 941) reflects that federal tax deposits were made in December 2019 and January 2020. [**EXHIBIT M-2**, p. 1]. Specifically, Barron

Petroleum made deposits as follows: \$17,602.10 on December 18, 2019; \$7,238.50 on December 20, 2019; \$41,510.16 on January 2, 2020; \$829.60 on January 2, 2020; and \$60,972.24 on January 17, 2020. [**EXHIBIT M-2**, p. 1].

62. The IRS transcript also notes this period's tax return was filed on March 30, 2020. [**EXHIBIT M-2**, p. 1]. Due to Barron Petroleum's late payment, the IRS assessed a penalty in the amount of \$155.20 and interest in the amount of \$125.59 on March 30, 2020. [**EXHIBIT M-2**, p. 1].

63. On July 13, 2020, the IRS assessed a "federal tax deposit penalty" in the amount of \$7,701.97 and a second one in the amount of \$776.02; a "penalty for late payment" in the amount of \$543.22; and interest in the amount of \$216.89. [**EXHIBIT M-2**, p. 2]. The transcript also reflects that the IRS reduced or removed the second "federal tax deposit penalty" in the amount of \$776.02 on July 13, 2020. [**EXHIBIT M-2**, p. 2].

64. The IRS further reduced or removed a "penalty for late payment of tax" on July 27, 2020, in the amount of \$232.81. [**EXHIBIT M-2**, p. 2]. Despite the reduction or removal of a penalty on July 27, 2020, the IRS charged Barron Petroleum interest in the amount of \$26.35 on that same day. [**EXHIBIT M-2**, p. 2].

65. On August 10, 2020, the IRS assessed another penalty in the amount of \$77.60 and interest in the amount of \$26.73. [**EXHIBIT M-2**, p. 2].

66. The IRS transcript reflects a line item acknowledging "bankruptcy or other legal action filed" on December 9, 2021. [**EXHIBIT M-2**, p. 2]. Despite acknowledgment of this Case, two collection due process appeal hearings were held relating to IRS notices of intent to levy and a post-Receivership filed federal tax lien.

67. Once the Receiver learned that outstanding taxes in the amount of \$15,520.40 were due for Barron Petroleum's pre-Receivership payroll taxes for this period, payment (not including penalties and/or interest) was remitted by the Receiver to the IRS on November 25, 2024. [EXHIBIT S]. The IRS did not process this payment until December 2, 2024. [EXHIBIT M-2, p. 2].

68. Nevertheless, the IRS transcript reflects "First Levy Issued on Module" on February 3, 2025, again in violation of the Receivership Order. [EXHIBIT M-2, p. 2].

69. In summary, the IRS transcript reflects an outstanding account balance plus accruals amount of \$18,735.95 for penalties, interest and late payments for this period for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 941). [EXHIBIT M-2, p. 1].

iii. Tax Period Ending December 31, 2020 – IRS Form 941

70. Based on the IRS transcript, on April 22, 2021, Barron Petroleum made a pre-Receivership "payment with return" in the amount of \$23,274.56 for payroll taxes due for the fourth quarter of 2020. [EXHIBIT M-4, p. 2].

71. However, the transcript reflects that Barron Petroleum filed its tax return for this period on August 2, 2021. [EXHIBIT M-4, p. 1]. Once the tax return was processed, the IRS immediately assessed penalties in the amounts of \$3,142.07, \$2,327.46, and \$814.61 and interest in the amount of \$400.32 on the same date. [EXHIBIT M-4, p. 1].

72. On September 6, 2021, the IRS assessed additional penalties in the amounts of \$1,163.73 and \$116.37 and interest in the amount of \$86.30. [EXHIBIT M-4, p. 2]. On that same date, the IRS transcript reflects a line item for the reduction or removal of federal tax deposit penalty in the amount of \$1,163.73. [EXHIBIT M-4, p. 2].

73. The IRS further reduced or removed penalties and interest in the amounts of \$581.86 and \$258.27, respectively, on September 20, 2021. [**EXHIBIT M-4**, p. 2].

74. The IRS transcript reflects a line item acknowledging “bankruptcy or other legal action filed” on December 9, 2021. [**EXHIBIT M-4**, p. 2]. Despite acknowledgment of this Case, in October 2022, the IRS began issuing notices of intent to levy and ultimately filed a federal tax lien for this period. [**EXHIBIT M-4**, p. 2].

75. In summary, the IRS transcript reflects an outstanding account balance for penalties, interest, and late fees plus accruals amount of \$7,589.99 for this period for Barron Petroleum’s pre-Receivership payroll taxes (IRS Form 941). [**EXHIBIT M-4**, p. 1].

iv. Tax Period Ending March 31, 2021 – IRS Form 941

76. The IRS transcript for the tax period ending on March 31, 2021, for Barron Petroleum’s pre-Receivership payroll taxes (IRS Form 941) reflects that federal tax deposits were made on April 22, 2021, in the amounts of \$23,274.56 and \$127,173.56. [**EXHIBIT M-5**, p. 1]. However, there is a separate line item on the same date that reflects “removed payment with return” in the amount of \$23,274.56. [**EXHIBIT M-5**, p. 1].

77. The transcript also states that the “tax return [was] secured” on June 28, 2021, yet it does not show “tax return filed” until August 2, 2021. [**EXHIBIT M-5**, p. 1]. Once the tax return was processed, the IRS immediately assessed penalties in the amount of \$12,717.35 on August 2, 2021. [**EXHIBIT M-5**, p. 1].

78. The IRS transcript reflects a line item acknowledging “bankruptcy or other legal action filed” on December 9, 2021. [**EXHIBIT M-5**, p. 2]. Despite acknowledgment of this Case, the IRS continued collection attempts in November 2022 in violation of the Receivership Order. [**EXHIBIT M-5**, p. 2].

79. In summary, the IRS transcript reflects an outstanding account balance plus accruals amount of \$16,026.77 for this period for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 941). [**EXHIBIT M-5**, p. 1].

v. Tax Period Ending June 30, 2021 – IRS Form 941

80. Based on the IRS transcript for the tax period ending on June 30, 2021, for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 941), no pre-Receivership payment was made and no tax return was filed. [**EXHIBIT M-6**, p. 1].

81. The Receiver has not received a notice from the IRS that any outstanding balance was due for this period's payroll taxes. Based on A&C's research, the Receiver learned that Barron Petroleum did not file an IRS Form 941 for this period or remit any payment due to the IRS.

82. On October 10, 2024, the Receiver submitted IRS Form 941 tax return for this period to the IRS. [**EXHIBIT O**].

83. The IRS transcript shows that the IRS logged the tax return filing for this period on December 30, 2024—over two and one-half months later. [**EXHIBIT M-6**, p. 1].

84. The IRS transcript reflects that on December 30, 2024, penalties were assessed in the amounts of \$51,211.50, \$22,760.64, and \$46,659.37, and interest was charged in the amount of \$65,137.80. [**EXHIBIT M-6**, p. 1].

85. On January 8, 2025, the Receiver remitted payment to the IRS in the amount of \$227,606.66 for pre-Receivership payroll taxes for this period. [**EXHIBIT T**].

86. In summary, the IRS transcript reflects an outstanding account balance plus accruals amount of \$189,807.39 for this period for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 941). [**EXHIBIT M-6**, p. 1].

vi. Tax Period Ending September 30, 2021 – IRS Form 941

87. Based on the IRS transcript for the tax period ending on September 30, 2021, for Barron Petroleum’s pre-Receivership payroll taxes (IRS Form 941), no pre-Receivership payment was made and no tax return was filed. [**EXHIBIT M-7**, p. 1].

88. On May 20, 2024, the IRS issued a notice to Barron Petroleum, which stated that no IRS Form 941 tax return had been filed for the third quarter of 2021. [**EXHIBIT U**, p. 1].

89. On June 19, 2024, the Receiver submitted IRS Form 941 for this period to the IRS, noting that Barron Petroleum’s books and records included entries for this period’s payroll tax payments, which were discovered to be incorrect. [**EXHIBIT V**, pp. 1–2].

90. According to the transcript, the IRS did not process the filing of the return until September 23, 2024—over three months later. [**EXHIBIT M-7**, p. 1]. Once the tax return was processed, the IRS immediately assessed penalties in the amounts of \$23,633.65 and \$18,381.73 and interest in the amount of \$25,526.47 on the same date. [**EXHIBIT M-7**, p. 1].

91. On October 1, 2024, the Receiver remitted payment to the IRS in the amount of \$105,038.44 for this period’s taxes. [**EXHIBIT W**]. The IRS transcript reflects this payment on October 15, 2024. [**EXHIBIT M-7**, p. 1].

92. On March 10, 2025, the transcript reflects “tax period blocked from automated levy program,” yet on April 21, 2025, it reflects “Collection due process Notice of Intent to Levy – issued.” [**EXHIBIT M-7**, p. 2].

93. In summary, the IRS transcript reflects an outstanding account balance for interest, penalties, and late fees in the amount of \$71,555.16 for this period for Barron Petroleum’s pre-Receivership payroll taxes (IRS Form 941). [**EXHIBIT M-7**, p. 1].

vii. Tax Period Ending December 31, 2021 – IRS Form 941

94. The IRS transcript for the tax period ending on December 31, 2021, for Barron Petroleum’s pre-Receivership payroll taxes (IRS Form 941) reflects that “payment with return” was made on April 22, 2021, in the amount of \$23,274.56. **[EXHIBIT M-8, p. 1]**. However, there is a separate line item on the same date that reflects “removed payment with return” in the amount of \$23,274.56. **[EXHIBIT M-8, p. 1]**.

95. On May 27, 2024, the IRS issued a notice to Barron Petroleum, which stated that no IRS Form 941 tax return had been filed for the fourth quarter of 2021. **[EXHIBIT X, p. 1]**.

96. On June 19, 2024, the Receiver submitted IRS Form 941 for this period to the IRS, noting that Barron Petroleum’s books and records included entries for this tax year’s payroll tax payments, which was established as incorrect pursuant to further due diligence and A&C’s research. **[EXHIBIT Y, pp. 1–2]**.

97. The IRS transcript states that the tax return was not filed until September 23, 2024. **[EXHIBIT M-8, p. 1]**. Once the tax return was processed, the IRS immediately assessed penalties in the amounts of \$5,820.64, \$2,586.95, and \$4,139.12 and interest in the amount of \$6,000.74 on that same date. **[EXHIBIT M-8, pp. 1–2]**.

98. On October 1, 2024, the Receiver remitted payment to the IRS in the amount of \$25,869.51 for this period’s taxes. **[EXHIBIT Z]**. The IRS transcript reflects this payment on October 15, 2024. **[EXHIBIT M-8, p. 1]**.

99. Once the Receiver’s payment was processed, the IRS assessed penalties in the amounts of \$1,293.47 and \$129.35 and interest in the amount of \$341.07 on October 28, 2024. **[EXHIBIT M-8, p. 2]**.

100. The IRS reduced or removed penalties and interest in the amounts of \$129.35 and \$169.05, respectively, on November 4, 2024. [**EXHIBIT M-8**, p. 2].

101. In summary, the IRS transcript reflects an outstanding account balance plus for interest, penalties, and late fees in the amount of \$20,699.77 for this period for Barron Petroleum's fourth quarter 2021 payroll taxes (IRS Form 941). [**EXHIBIT M-8**, p. 1].

viii. Tax Period Ending December 31, 2019 – IRS Form 940

102. The IRS transcript for the tax period ending on December 31, 2019, for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 940), reflects that a pre-Receivership "payment with return" in the amount of \$1,747.11 was made on February 13, 2020. [**EXHIBIT M-3**, p. 1].

103. The IRS transcript also notes the period's tax return was filed on April 20, 2020. [**EXHIBIT M-3**, p. 1]. Due to Barron Petroleum's late payment, the IRS assessed penalties in the amounts of \$78.62 and \$8.74 and interest in the amount of \$4.00 on that same date. [**EXHIBIT M-3**, p. 1].

104. The IRS transcript reflects a line item acknowledging "bankruptcy or other legal action filed" on December 9, 2021. [**EXHIBIT M-3**, p. 1]. In complete disregard for the stay provision of the Receivership Order, the IRS filed a federal tax lien against Barron Petroleum in May 2023. [**EXHIBIT M-3**, p. 2].

105. After the federal tax lien was removed in December 2023, the IRS transcript reflects that the "[t]ax period [was] blocked from automated levy program" on February 12, 2024. [**EXHIBIT M-3**, p. 2]. Nevertheless, the IRS transcript further reflects "First Levy Issued on Module" on February 3, 2025, once again in violation of the Receivership Order. [**EXHIBIT M-3**, p. 2].

106. In summary, the IRS transcript reflects an outstanding account balance plus accruals amount of \$119.99 for this period for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 940). [**EXHIBIT M-3**, p. 1].

ix. Tax Period Ending December 31, 2021 – IRS Form 940

107. Based on the IRS transcript for the tax period ending on December 31, 2021, for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 940), no pre-Receivership payment was made and no tax return was filed. [**EXHIBIT M-9**, p. 1].

108. The Receiver has not received notice from the IRS that any outstanding balance was due for this period's payroll taxes. Based on A&C's research, the Receiver learned that Barron Petroleum did not file an IRS Form 940 for this period or remit any payment due to the IRS.

109. On October 10, 2024, the Receiver submitted IRS Form 940 tax return for this period to the IRS. [**EXHIBIT AA**, p. 1]. Contemporaneously, the Receiver remitted payment to the IRS in the amount of \$3,758.14 for this tax period's fourth quarter of 2021 payroll taxes (Form 940), not including penalties and/or interest. [**EXHIBIT AA**, p. 3].

110. The IRS transcript reflects that the payment was processed on October 17, 2024, yet it also shows that it took over two and a half months for the IRS to process the tax return filing for this period, which is reflected on December 30, 2024. [**EXHIBIT M-9**, p. 1].

111. The IRS transcript reflects that on December 30, 2024, penalties were assessed in the amounts of \$845.58, \$375.80, and \$620.09, and interest was charged in the amount of \$929.01. [**EXHIBIT M-9**, pp. 1–2].

112. Notably, the transcript also reflects that the IRS blocked this tax period from the automated levy program on March 24, 2025. [**EXHIBIT M-9**, p. 2].

113. In summary, the IRS transcript reflects an outstanding account balance plus for interest, penalties, and late fees in the amount of \$2,830.71 for this period for Barron Petroleum's pre-Receivership payroll taxes (IRS Form 940). [**EXHIBIT M-9**, p. 1].

x. Notices of Intent to Levy and/or Federal Tax Liens and Appeal Hearings

114. On December 9, 2021, Barron Petroleum's IRS transcript for the tax period ending September 30, 2019 (IRS Form 941),¹⁹ reflects that "bankruptcy or other legal action filed," presumably acknowledging the Receivership Order. [**EXHIBIT M-1**, p. 2].

115. Nevertheless, the transcript also states that a "Collection Due Process Notice of Intent to Levy" was issued to Barron Petroleum on October 13, 2022. [**EXHIBIT M-1**, p. 2].

116. The Receiver received *IRS Letter 1058 – Final Notice – Notice of Intent to Levy and Notice of Your Rights to a Hearing* sent to Barron Petroleum on October 17, 2022, informing Barron Petroleum: (i) that \$62,685.28 was owed through October 23, 2022, for pre-Receivership payroll taxes, (ii) that a federal tax lien would be filed for nonpayment, and (iii) an appeal hearing could be requested on or before November 12, 2022. [**EXHIBIT BB**, p. 1].

117. On November 2, 2022, the Receiver, through her counsel, remitted *IRS Form 12153 – Request for a Collection Due Process or Equivalent Hearing* on behalf of Barron Petroleum with respect to the IRS's proposed levy, reminding the IRS of the Receivership and noting that the Receiver did not have sufficient records to calculate the correct amount of taxes (if any) due to the IRS for pre-Receivership payroll tax periods. [**EXHIBIT CC**, p. 1].

118. The IRS transcript acknowledges that the collection due process form was timely received on November 11, 2022. [**EXHIBIT M-1**, p. 2]. Additionally, the transcript includes

¹⁹ The IRS transcripts for the tax period ending December 31, 2019 (IRS Forms 940 and 941), December 31, 2020 (IRS Form 941), and March 31, 2021 (IRS Form 941) reflect the same collection due process timelines and will not be reiterated herein.

another entry on November 11, 2022, reflecting “bankruptcy or other legal action filed.” [EXHIBIT M-1], p. 2]. Further, the transcript indicates that “collection due process levy (hearing) request or levy and lien (hearing) request reversed” on November 11, 2022. [EXHIBIT M-1], p. 2].

119. Without notice to the Receiver and for unknown reasons, the IRS transcript states “removed bankruptcy or other legal action” on May 13, 2023. [EXHIBIT M-1], p. 2].

120. Shortly thereafter, the IRS transcript reflects “lien placed on assets due to balance owed” on May 19, 2023, which violates the Receivership Order. [EXHIBIT M-1], p. 2]. However, the Receiver was not aware of the filing of the federal tax lien in the amount of \$56,137.07 by the IRS against Barron Petroleum until May 30, 2023, when she received *IRS Letter 3172 – Notice of Federal Tax Lien Filing and Your Right to a Hearing Under IRC 6320*, dated May 23, 2023. [EXHIBIT DD], p. 3].

121. On June 26, 2023, the Receiver received *IRS Letter 4837 – Appeals Received Your Request for a Collection Due Process Hearing*, dated June 20, 2023, setting a telephonic appeal hearing on July 7, 2023, with an IRS appeal officer. [EXHIBIT EE], p. 1].

122. On June 27, 2023, the Receiver, through her counsel, submitted her second *IRS Form 12153 – Request for a Collection Due Process or Equivalent Hearing* on behalf of Barron Petroleum regarding the IRS’s filed notice of federal tax lien for pre-Receivership tax periods. [EXHIBIT FF], p. 3].

123. The IRS transcript reflects another “bankruptcy or other legal action filed” entry on June 29, 2023. [EXHIBIT M-1], p. 2].

124. On July 7, 2023, A&C and Receiver’s counsel appeared on behalf of the Receiver at the first IRS appeal hearing on the first notice of intent to levy with respect to Barron Petroleum.

125. On July 27, 2023, Receiver's counsel received a fax from the first IRS appeal officer, enclosing *IRS Form 12257 – Summary Notice of Determination and Waiver of Judicial Review* regarding the first notice of intent to levy against Barron Petroleum, informing the Receiver that the IRS's "proposed levy action is not sustained as all assets are under the control of the Courts due to Taxpayer being placed into a Receivership." **[EXHIBIT GG]**, pp. 2–3].

126. On August 24, 2023, the Receiver executed *IRS Form 12257 – Summary Notice of Determination and Waiver of Judicial Review* regarding the first notice of intent to levy against Barron Petroleum, which was subsequently remitted to the first IRS appeal officer by Receiver's counsel, along with a copy of the Receivership Order. **[EXHIBIT HH]**.

127. On August 28, 2023, the IRS transcript reflects another "removed bankruptcy or other legal action filed" entry. **[EXHIBIT M-1]**, p. 2].

128. The IRS transcript also reflects "Collection due process (hearing) resolved by Appeals" on August 31, 2023. **[EXHIBIT M-1]**, p. 2].

129. On September 5, 2023, the Receiver received a letter from an IRS appeal manager, dated August 31, 2023, informing the Receiver that the "proposed levy action is not sustained" and that IRS Form 12257 submitted on August 24, 2023, by the Receiver was accepted. **[EXHIBIT II]**, p. 1].

130. On October 17, 2023, the Receiver received the *IRS Letter 4837 – Appeals Received Your Request for a Collection Due Process Hearing*, dated October 13, 2023, setting a telephonic appeal hearing on November 17, 2023, with a second IRS appeal officer. **[EXHIBIT JJ]**, p. 1].

131. On November 29, 2023, Receiver's counsel appeared on behalf of the Receiver at the second IRS appeal hearing regarding the IRS's notice of federal tax lien against Barron Petroleum.

132. On that same date, Receiver's counsel received a fax from the second IRS appeal officer, enclosing *IRS Form 12257 – Summary Notice of Determination and Waiver of Judicial Review* regarding the IRS's notice of federal tax lien against Barron Petroleum, informing the Receiver that the IRS's "filing of the Notice of Federal Tax Lien (NFTL) is not sustained. . . . Since that is the case with the NFTL here, Appeals is requesting the withdraw[al] of the NFTL filing you appealed." **[EXHIBIT KK, p. 3]**.

133. Also on November 29, 2023, the Receiver executed *IRS Form 12257 – Summary Notice of Determination and Waiver of Judicial Review* regarding the IRS's notice of federal tax lien against Barron Petroleum, which was subsequently remitted to the second IRS appeal officer by Receiver's counsel. **[EXHIBIT LL]**.

134. On November 30, 2023, the IRS transcript reflects another "removed bankruptcy or other legal action filed" entry. **[EXHIBIT M-1, p. 2]**.

135. On December 22, 2023, the IRS transcript reflects that the federal tax lien was removed. **[EXHIBIT M-1, p. 2]**.

136. On January 9, 2024, the Receiver received a letter from another IRS appeal manager, dated January 3, 2024, informing the Receiver that the "Notice of Federal Tax Lien was withdrawn" and that IRS Form 12257 submitted on November 29, 2023, by the Receiver was accepted. **[EXHIBIT MM, p. 1]**.

137. The IRS transcript includes an entry on February 5, 2024, for "tax period blocked from automated levy program." **[EXHIBIT M-1, p. 2]**.

138. Notwithstanding the February 5, 2024 entry, the IRS transcript also reflects an entry for "First Levy Issued on Module" on February 3, 2025. **[EXHIBIT M-1, p. 2]**.

139. On April 24, 2025, the Receiver received *IRS Notice CP297A*, dated April 21, 2025, whereby the IRS issued a notice of seizure to Barron Petroleum to “collect your unpaid federal employment taxes” for the tax period ending September 30, 2021 (IRS Form 941) in the amount of \$71,555.16. **[EXHIBIT NN, p. 1]**. The notice also provided that an appeal of the seizure of assets and contesting future levies to collect the balance due could be requested through a collections due process hearing request on or before May 21, 2025. **[EXHIBIT NN, p. 1]**. The notice did not distinguish between the actual taxes that were paid and the claims for interest, penalties, and late fees.

140. On May 1, 2025, the Receiver received a second *IRS Notice CP297A*, dated April 28, 2025, whereby the IRS issued a notice of seizure to Barron Petroleum to “collect your unpaid federal employment taxes” for the tax period ending June 30, 2021 (IRS Form 941) in the amount of \$190,062.35. **[EXHIBIT OO, p. 1]**. The notice also provided that an appeal of the seizure of assets and contesting future levies to collect the balance due could be requested through a collections due process hearing request on or before May 28, 2025. **[EXHIBIT OO, p. 1]**. The notice did not distinguish between the actual taxes that were paid and the claims for interest, penalties, and late fees.

141. On May 5, 2025, the Receiver notified the IRS via letters for both tax periods that she was unable to pay the more than one-hundred thousand dollars in penalties, interest, and late fees allegedly due, which do not include base tax amounts, without a Court order authorizing such payment of associated amounts and, again, reiterated the stay provisions of the Receivership Order. **[EXHIBIT PP, p. 1; EXHIBIT QQ, p. 1]**. The Receiver also submitted *IRS Form 12153 – Requests for a Collection Due Process or Equivalent Hearing* for both periods in the same correspondence packages to the IRS on May 5, 2025. **[EXHIBIT PP, p. 3; EXHIBIT QQ, p. 3]**.

142. On May 15, 2025, the Receiver received a third *IRS Notice CP297A*, dated May 12, 2025, whereby the IRS issued a notice of seizure to Barron Petroleum to “collect your unpaid federal employment taxes” for the tax period ending December 31, 2021 (IRS Form 941) in the amount of \$20,783.30. [**EXHIBIT RR**, p. 1]. The notice also provided that an appeal of the seizure of assets and contesting future levies to collect the balance due could be requested through a collections due process hearing request on or before June 11, 2025. [**EXHIBIT RR**, p. 1]. The notice did not distinguish between the actual taxes that were paid and the claims for interest, penalties, and late fees.

143. The Receiver notified the IRS again via letter on the same date that she was unable to pay the penalties, interest, and late fees allegedly due for the tax period ending December 31, 2021, which do not include base tax amounts, without a Court order authorizing such payment of associated amounts and reiterated the stay provisions of the Receivership Order. [**EXHIBIT SS**, p. 1]. The Receiver also submitted *IRS Form 12153 – Requests for a Collection Due Process or Equivalent Hearing* for both periods in the same correspondence package to the IRS. [**EXHIBIT SS**, p. 3].

144. The Receiver has not received any reply to the correspondences or notices of appeal hearing(s) from the IRS. Receiver’s counsel anticipates appearing again before the IRS appeal officer(s) and informing the officer(s) of the stay provisions of the Receivership Order and the filing of this Motion, which seeks to have the IRS to formally appear before this Court for a determination of any penalties, interest, and late fees that the Receiver must pay to the IRS.

Affected Entities’ Non-Payment of Certain Taxes and/or Filing Returns

145. In or around mid-June 2024, the Receiver learned that certain federal tax obligations of Barron Petroleum, AOS, and Ventures (together, the “Affected Entities”) had not

been paid and/or reported. These obligations included federal tax liabilities of the employees of Barron Petroleum, AOS, and Ventures, which the Affected Entities were obligated to withhold, collect, and pay to the IRS.

146. Through A&C's investigation, it was discovered that managers, officers, employees, and/or directors of the Affected Entities made entries in the Affected Entities' books and records showing that federal tax deposits were made; however, the entries were not accurate and payments were either partially or never made to the IRS.

ARGUMENT AND AUTHORITY

147. To the Receiver's knowledge, she has paid all outstanding taxes owed for the Affected Entities' Payroll Taxes and/or Employment Taxes. However, the IRS claims approximately \$340,000.00 in penalties, interest, and late filing fees are due and owing. This amount includes penalties for non-filing of the relevant form, interest on late payments, penalties on late payments, penalties for failure to make proper federal tax deposit, and/or fees and other expenses for collection.

148. While the IRS did not participate in the Claims Procedure as required by this Court's November 6, 2023 *Order* [ECF No. 431] granting the Claims Motion, the Receiver is not taking the position that the IRS should not be paid past-due principal amounts attributable to Payroll Taxes and/or Employment Taxes. In fact, the Receiver has paid all such amounts in full.

149. The Receiver has an ongoing obligation to the investors who have been harmed by this Case's fraudulent investment scheme and must return as many funds as possible to them. Therefore, she requests that this Court determine the amount, if any, of any penalties, interest, and late filing fees owed by the Receivership Parties, including the Affected Entities, to the IRS.

150. Sections 6651(a)(1), 6652(a), and 6656(a) of the I.R.C. provide that failure to make the requisite payment or return shall have penalties imposed unless “reasonable cause” can be shown. Applicable Treasury Regulations (the “Regulations”) provide some guidance on the meaning of “reasonable cause.” “[W]hether a taxpayer acted with reasonable cause and in good faith is made on a case-by-case basis, taking into account all pertinent facts and circumstances.”²⁰ The Regulations go on to explicitly state what is not considered reasonable cause and good faith, providing that the “most important factor is the extent of the taxpayer’s effort to assess the taxpayer’s proper liability.”²¹ The Receiver believes the circumstances of this Case constitute reasonable case and good faith, particularly given the continued harm to investors if Receivership funds must be paid to the IRS in lieu of any future distribution to the investors in Class 4a.

151. The Receiver does not dispute that during the tax periods in question, some of the Affected Entities failed to timely file tax returns, failed to pay and/or report Payroll Taxes and/or Employment Taxes, and otherwise failed obligations under the I.R.C., and, in turn, the IRS has imposed penalties, fees, and interest under sections 6651(a)(1), 6651(a)(2), and 6656 of the I.R.C.

152. The Receiver has attempted to resolve the outstanding issues with the IRS since spring 2022. The Receiver, her counsel, and A&C have spoken with multiple IRS personnel and made numerous requests that an agent or point of contact be designated for the Receivership Parties to facilitate communications and attempt to resolve or narrow the outstanding issues. However, the IRS has not done so.

153. Moreover, the Receiver, her counsel, and A&C have no way to communicate with the IRS outside of calling the general IRS phone numbers provided on the IRS website or on a

²⁰ Treas. Reg. § 1.6664-4(b)(1).

²¹ *Id.*

respective notice or letter received, which results in extensive hold times and the respective personnel's inability to resolve the issue or answer questions relating to the Receivership Parties and/or impacting the Receivership.

154. Even though the Receiver and her counsel have communicated with tax counsel for the United States Department of Justice in attempts to narrow or resolve the outstanding IRS issues presented in this Case, the IRS has not made a formal referral to the Tax Division for the United States Department of Justice regarding this Receivership or the Receivership Parties, including the Affected Entities. The Receiver's only option to address the outstanding issues with the IRS is to ask this Court to determine whether "reasonable cause" exists for the abatement of any IRS penalties, interest, and/or late filing fees, whether known or unknown, that are allegedly owed by the Receivership Parties, including the Affected Entities.

155. The Receiver cannot in good faith and without an Order of this Court submit an offer-in-compromise to resolve the outstanding issues relating to penalties, interest, and/or late filing fees because section 7122 of the I.R.C. requires that any offer-in-compromise be "accompanied by the payment of 20 percent of the amount of such offer." *See* I.R.C. § 7122.

156. Upon review of the Affected Entities' books and records and information provided on the Affected Entities' IRS tax transcripts, the Receiver was able to identify the following outstanding balances, which do not include base tax amounts:

ENTITY	Form	TAX PERIOD	ORIGINAL TAX BALANCE OUTSTANDING FOR PERIOD	TAX AMOUNT PAID BY RECEIVER	REMAINING TAX OWED	CURRENT BALANCE PER TRANSCRIPT	TOTAL PENALTIES FROM TRANSCRIPTS	CALCULATED ESTIMATED INTEREST ON PENALTY	CALCULATED ESTIMATED INTEREST ON TAX	PENALTIES + CALCULATED TOTAL INTEREST
AOS	941	Q2 2021	\$ -	\$ -	\$ -	\$ 836.93	\$ 669.59	\$ 167.50	\$ -	\$ 837.09
AOS	941	Q4 2021	\$ 2,375.61	\$ (2,375.61)	\$ -	\$ 1,540.86	\$ 927.60	\$ 139.87	\$ 482.76	\$ 1,550.23
AOS	940	2021	\$ 15.21	\$ (15.21)	\$ -	\$ 9.90	\$ 5.93	\$ 0.86	\$ 3.09	\$ 9.88
						\$ 2,387.69	\$ 1,603.12	\$ 308.23	\$ 485.85	\$ 2,397.20
Heartland Group Ventures	941	Q4 2021	\$ 3,474.62	\$ (3,474.62)	\$ -	\$ 2,350.59	\$ 1,580.95	\$ 229.41	\$ 540.86	\$ 2,351.22
Barron Petroleum	941	Q3 2019	\$ 8,956.90	\$ (8,956.90)	\$ -	\$ 7,251.26	\$ 2,872.37	\$ 753.02	\$ 3,642.29	\$ 7,267.68
Barron Petroleum	941	Q4 2019	\$ 15,520.40	\$ (15,520.40)	\$ -	\$ 18,715.30	\$ 11,582.07	\$ 2,481.99	\$ 4,674.86	\$ 18,738.92
Barron Petroleum	941	Q4 2020	\$ -	\$ -	\$ -	\$ 7,579.81	\$ 5,560.38	\$ 1,716.06	\$ 197.34	\$ 7,473.79
Barron Petroleum	941	Q1 2021	\$ -	\$ -	\$ -	\$ 16,005.28	\$ 12,717.35	\$ 3,293.63	\$ -	\$ 16,010.98
Barron Petroleum	941	Q2 2021	\$ 227,606.66	\$ (227,606.66)	\$ -	\$ 189,552.78	\$ 120,631.51	\$ 14,675.05	\$ 54,317.83	\$ 189,624.39
Barron Petroleum	941	Q3 2021	\$ 105,038.44	\$ (105,038.44)	\$ -	\$ 71,459.88	\$ 42,540.57	\$ 6,679.05	\$ 22,271.62	\$ 71,491.24
Barron Petroleum	941	Q4 2021	\$ 25,869.51	\$ (25,869.51)	\$ -	\$ 20,561.31	\$ 13,671.13	\$ 1,722.99	\$ 5,241.69	\$ 20,635.81
Barron Petroleum	940	2019	\$ -	\$ -	\$ -	\$ 119.83	\$ 87.36	\$ 28.51	\$ 6.29	\$ 122.17
Barron Petroleum	940	2021	\$ 3,758.14	\$ (3,758.14)	\$ -	\$ 2,826.91	\$ 1,841.47	\$ 223.11	\$ 763.19	\$ 2,827.76
						\$ 334,072.36	\$ 211,504.21	\$ 31,573.41	\$ 91,115.12	\$ 334,192.74
			\$ 392,615.49	\$ (392,615.49)	\$ -	\$ 338,810.64	\$ 214,688.28	\$ 32,111.05	\$ 92,141.82	\$ 338,941.15

157. There is little relevant case law that that aligns with the facts or issues presented in this Receivership. In *United States v. Boyle*,²² the respondent relied on the advice of counsel for his mother's estate to comply with applicable tax law. The United States Supreme Court found that it was not reasonable for the respondent to assume that the estate's attorney would comply with the respondent's obligations under the statute rather than just provide advice.²³ The Court found in *Highlander Alloys*, that the respondents' poor recordkeeping caused them to take improper deductions and, as a result, accuracy-related penalties were imposed by the IRS.²⁴ The respondents sought to have the entire amount of penalties eliminated for "reasonable cause."²⁵ The bankruptcy court reduced the penalties on other grounds but did not eliminate them entirely because it did not find "reasonable cause" under the I.R.C., which was affirmed by the district court.²⁶

²² *United States v. Boyle*, 469 U.S. 241 (1985).

²³ *Boyle*, 469 U.S. at 252.

²⁴ *IRS v. Highlanders Alloys, LLC (In re Alloys, LLC)*, 551 B.R. 235, 237 (S.D. W. Va. 2014).

²⁵ *Id.*

²⁶ 551 B.R. at 237, 248.

158. Here, once aware of the tax liabilities, the Receiver and her team immediately began the process of preparing and filing the missing returns for the Affected Entities and paying the principal amounts due, where applicable.

Reasonable Cause Can Be Found for Failure to File and/or Pay Related Penalties Under I.R.C. § 6651

159. Section 6651(a) of the I.R.C. imposes a five (5) percent monthly penalty, but not to exceed twenty-five (25) percent in the aggregate, for failure to file a tax return, unless “such failure is due to reasonable cause and not due to willful neglect.”²⁷ Section 6651(b) of the I.R.C. imposes a one-half (1/2) percent monthly penalty in addition to the failure to file penalty, but not to exceed not to exceed twenty-five (25) percent in the aggregate, for failure to pay the amount that should have been paid, or, if late filed, was shown on the filed tax return, unless “such failure is due to reasonable cause and not due to willful neglect.”²⁸

160. The IRS’s imposition of the failure to file and failure to pay penalties are presumptively correct.²⁹ The taxpayer has the burden of proving that the IRS’s determination is erroneous and that it did what a reasonably prudent person would have done under the circumstances.³⁰

161. “[T]o obtain abatement of Employment tax penalties imposed under [I.R.C.] §§ 6651 and 6656, the taxpayer must bear the heavy burden of proving that the (1) failure did not come from “willful neglect;” and (2) the failure was occasioned by “reasonable cause.”³¹ It is important to note that “reasonable cause” and “willful neglect” are not defined in the I.R.C.³² The United States Supreme Court has defined “willful neglect” as used in I.R.C. § 6651(a)(1) as a

²⁷ I.R.C. § 6651(a)(1).

²⁸ I.R.C. § 6651(a)(3).

²⁹ See *Mortensen v. Comm’r*, 440 F.3d 375, 385 (6th Cir. 2006)(citation omitted).

³⁰ *Id.*.

³¹ *Staff IT, Inc. v. United States*, 482 F.3d 792, 798 (5th Cir. 2007).

³² *Id.*

“conscious intentional failure or reckless indifference.”³³ There are no facts to support a finding of “willful neglect” by the Receiver or her team throughout this Case.

162. Internal Revenue Manual (“I.R.M.”) 20.1.1.3.2 provides an understanding of how the IRS determines “reasonable cause.”³⁴ “Reasonable cause is based on all the facts and circumstances . . . and is generally granted when the taxpayer exercised ordinary business care and prudence in determining their tax obligations but was nevertheless unable to comply with those obligations.”³⁵

163. The Receiver and her team have made reasonable efforts to determine the tax liability of the Affected Entities. As this Court knows, the Receiver had minimal cooperation and assistance from former management of the Affected Entities. Furthermore, the electronic devices containing the QuickBooks Desktop files were either inaccessible or not in the Receiver’s possession, as directed by the Commission.

164. The Receiver and her team exercised ordinary business care and prudence to determine the Affected Entities’ tax obligations, if any. Once the tax obligations were discovered, A&C began preparing and filing the missing tax returns for the Affected Entities, and the Receiver began paying outstanding principal amounts to the IRS. The Receiver and her team have spent hundreds of hours to date examining and reviewing the books and records of the Affected Entities, analyzing liability of the Affected Entities, submitting forms to the IRS to receive official transcripts, remitting missing tax returns, responding to IRS correspondence and notices, and appearing at IRS appeal hearings. To date, the Receiver has remitted **\$392,615.49** in base tax payments to the IRS on behalf of the Affected Entities.

³³ *Id.*

³⁴ *See generally* I.R.M. 20.1.1.3.2.

³⁵ *See id.*

Barron Petroleum

165. Barron Petroleum's accounting records had entries allegedly reflecting actual and timely payments of the Payroll Taxes and/or Employment Taxes and the filing of associated tax returns. The Receiver learned that Barron Petroleum's records were false once the IRS began issuing notices. The Receiver then immediately directed A&C to analyze bank records related to Barron Petroleum's tax payment history and obtain transcripts from the IRS for "official" documentation regarding tax returns and deposits. As shown above, the Receiver has paid \$372,782.05 to the IRS for outstanding pre-Receivership taxes due by Barron Petroleum. Recent IRS transcripts for Barron Petroleum reflect penalties, interest,³⁶ and other late fees allegedly due to the IRS totaling approximately \$334,200.00.

Ventures and AOS

166. A&C discovered that the accounting for Ventures and AOS was not reconciled for the tax year 2021, and the available QuickBooks data was largely incomplete. At the Receiver's direction, A&C undertook the process of reconciling the accounting records for Ventures and AOS based on bank statement analysis. As shown above, the Receiver has paid \$2,390.82 and \$3,474.62 to the IRS for outstanding pre-Receivership taxes due by AOS and Ventures, respectively. Recent IRS transcripts for Ventures and AOS reflect penalties, interest, and other late fees allegedly due to the IRS that total approximately \$4,800.00.

167. While not directly on point, the Third Circuit Court of Appeals has previously held in *In re American Biomaterials Corp.*³⁷ that the failure to timely file returns, make deposits, and pay taxes stemming from the criminal actions of a company's officers prevented the entity from

³⁶ Interest continues to accrue on the allegedly due and outstanding balances. Thus, the interest amount reflected on a IRS transcript is only current through the date of the transcript and will continue to increase each day.

³⁷*In re Am. Biomaterials Corp.*, 954 F.2d 919 (3d Cir. 1992).

fulfilling its duties under the I.R.C., which constituted reasonable cause to escape associated penalties.³⁸

168. Considering all pertinent facts and circumstances in this Case, the Receiver acted with due care and as a reasonable or ordinary prudent person would do in these circumstances. Thus, this Court should find “reasonable cause” exists to abate any and all failure to file and/or pay penalties assessed by the IRS against the Affected Entities.

Reasonable Cause Can Be Found for Failure to Make Timely Deposits Penalties Under I.R.C. § 6656

169. Section 6656(b)(1)(B) of the I.R.C. imposes a fifteen (15) percent penalty where the tax is not deposited on or before “[t]he day 10 days after the date of the first delinquency notice to the taxpayer under[I.R.C.] section 6303”³⁹ unless “such failure is due to reasonable cause and not due to willful neglect.”⁴⁰ The Regulations further provide that the IRS will generally waive the requisite penalty if a taxpayers failure to deposit was “inadvertent.”⁴¹

170. “A taxpayer has a heavy burden in establishing that it had reasonable cause not to file, pay, or deposit payroll taxes.”⁴² [T]he taxpayer must prove that (1) the failure did not result from “willful neglect”; and (2) the failure was occasioned by “reasonable cause”.⁴³ Again, “reasonable cause” and “willful neglect” are not defined in the I.R.C.⁴⁴ The United States

³⁸ See *In re Am. Biomaterials Corp.*, 954 F.2d at 927 (“[W]e hold that when the officers of a corporation commit criminal acts against the corporation, they do so in the absence of apparent authority. Where their crimes are proved to be the cause of the corporation’s failures to fulfill its duties under the tax code, as the district court found, the corporation is not automatically vicariously responsible for the penalties resulting from those failures.”).

³⁹ I.R.C. § 6656(b)(1)(B)(i).

⁴⁰ I.R.C. § 6656(b)(1)(B).

⁴¹ Treas. Reg. § 301.6656-1(a)(1)(i).

⁴² *Staff IT, Inc. v. United States*, 482 F.3d 792, 800 (5th Cir. 2007).

⁴³ See *United States v. Boyle*, 469 U.S. 241, 245 (1985)(citing I.R.C. § 6651(a)(1)); *E. Wind Indus. v. United States*, 196 F.3d 499, 504 (3d Cir. 1999); see also *Q.E.D., Inc. v. United States*, 55 Fed. Cl. 140, 143–44 (2003)(applying the “willful neglect” definition created by the United States Supreme Court in *Boyle* to I.R.C. §6656, stating “Sections 6651(a) and 6656 of the Internal Revenue Code authorize the IRS to impose penalties for failure to pay or deposit employment taxes when due unless the taxpayer proves by preponderance of the evidence that such failure is due to reasonable cause and not due to willful neglect.”).

⁴⁴ *Boyle* at 246.

Supreme Court has defined “willful neglect” as used in I.R.C. § 6656 as a “conscious intentional failure or reckless indifference.”⁴⁵ The facts presented here are not the result of “willful neglect” by the Receiver or her team.

171. The Receiver has made reasonable efforts to ascertain the tax liability of the Affected Entities. Minimal cooperation and assistance was given to the Receiver by the Affected Entities’ former management. Further, the electronic devices that contained the QuickBooks Desktop files were either inaccessible and/or not in the Receiver’s possession, at the direction of the Commission.

172. The Receiver and her team exercised ordinary business care and prudence to determine the Affected Entities’ tax obligations. Once the tax obligations were discovered, A&C began preparing and filing the multiple missing tax returns for the Affected Entities, and the Receiver began paying outstanding principal amounts to the IRS. The Receiver and her team have spent hundreds of hours examining and reviewing the books and records of the Affected Entities, analyzing liability of the Affected Entities, submitting forms to the IRS to receive official transcripts, remitting missing tax returns, responding to IRS correspondence and notices, and appearing at IRS appeal hearings. To date, the Receiver has remitted **\$392,615.49** in base tax payments to the IRS on behalf of the Affected Entities for Payroll Taxes and/or Employment Taxes.

Barron Petroleum

173. Barron Petroleum’s accounting records had entries allegedly reflecting actual and timely payments of the Payroll Taxes and/or Employment Taxes and the filing of associated tax returns. Again, the Receiver learned that was false when the IRS began issuing notices to the

⁴⁵ *Id.*

contrary. The Receiver directed A&C to analyze Barron Petroleum's tax payment history and obtain transcripts from the IRS for "official" documentation regarding tax returns and deposits. As shown above, the Receiver has paid \$372,782.05 to the IRS for outstanding pre-Receivership payroll taxes due by Barron Petroleum. Recent IRS transcripts for Barron Petroleum reflect penalties, interest, and other late fees allegedly due that total approximately \$334,200.00.

Ventures and AOS

174. A&C discovered that the accounting for Ventures and AOS was not reconciled for the tax year 2021, and the available QuickBooks data was largely incomplete. A&C reconciled the accounting records for Ventures and AOS based on bank statement analysis. As shown above, the Receiver has paid \$2,390.82 and \$3,474.62 to the IRS for outstanding pre-Receivership payroll taxes due by AOS and Ventures, respectively. Recent IRS transcripts for Ventures and AOS reflect penalties, interest, and other late fees totaling approximately \$4,800.00.

175. The Receiver has clearly acted with due care and as a reasonable or ordinary prudent person would do in these circumstances. Given the facts and circumstances presented herein, the Receiver requests that this Court find that "reasonable cause" exists to abate any and all failure to file and/or pay penalties assessed by the IRS against the Affected Entities.

NOTICE

176. Notice of this Motion has been given to the IRS, the Attorney General of the United States, the United States Attorney's Office for the Northern District of Texas, the Tax Division of the United States Department of Justice, and the Commission.

CONCLUSION

177. The Receiver has made multiple attempts to contact the IRS regarding the abatement or elimination of the penalties with no success. Instead, the IRS has sent letters

regarding its intent to levy and/or seizure of Affected Entities' assets for failure to pay outstanding balances relating to penalties, interest, and/or late filing fees.

178. The facts and circumstances of this Receivership show that abatement of penalties, interest, and late filing fees for Payroll Taxes and/or Employment Taxes is warranted and "reasonable cause" exists here because the Receiver exercised ordinary business care, judgment, and prudence when filing missing tax returns and/or remitting payment of outstanding taxes of the Affected Entities.

179. The Receiver cannot in good faith voluntarily pay at minimum \$338,810.64 in penalties, interest, and late filing fees allegedly due by the Affected Entities to the IRS when the IRS did not participate in the Court-approved Claims Procedure. As indicated numerous times by Receiver's counsel to the IRS in written correspondence, the Receiver requires a Court Order to remit any such balances to the IRS.

180. Further, the Receiver's payment of any allegedly due amounts to the IRS would result in the reduction of any distribution to Heartland investors who are allowed Class 4a claimants, as any such funds available are directly attributable to the liquidation, disposition, and/or sale of Receivership Assets and/or the result of successful settlements of Receivership Estates' causes of action.

181. Moreover, the IRS could find the Receiver personally liable, despite the Receivership Order's provision to the contrary, for any outstanding balances of the Receivership Parties, including the Affected Entities, if payment is not remitted by the Receiver for the allegedly due outstanding balances.⁴⁶

182. Therefore, the Receiver seeks an Order of this Court finding that she and her

⁴⁶ See Receivership Order, ¶ 52.

Retained Personnel exercised reasonable business care, judgment, and prudence with respect to filing past due tax returns and remitting payments of principal relating to pre-Receivership Payroll Taxes and/or Employment Taxes of the Affected Entities.

183. Additionally, the Receiver requests that this Court find “reasonable cause” exists to abate any and all allegedly due IRS penalties, interest, and late filing fees, which are known or unknown, of the Receivership Parties, including the Affected Entities.

WHEREFORE, PREMISES CONSIDERED, the Receiver respectfully requests that, upon a hearing and consideration of this Motion, the Court enter the Proposed Order, substantially in the form attached hereto as **Exhibit A**, granting the Motion and finding that (1) the Receiver exercised reasonable business care, judgment, and prudence with respect to filing past due tax returns and remitting payments of principal relating to pre-Receivership Payroll Taxes and/or Employment Taxes of the Affected Entities, (2) “reasonable cause” exists to abate any and all allegedly due IRS penalties, interest, and late filing fees, which are known or unknown, of the Receivership Parties, including the Affected Entities, and (3) the IRS has no allowed claim amount in this Case against any of the Receivership Parties. The Receiver also prays that the Court grant such other and further relief, general or special, at law or in equity, to which she may be entitled.

Dated: June 3, 2025

Respectfully submitted,

By: /s/ Danielle Rushing Behrends

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COUNSEL TO RECEIVER

CERTIFICATE OF CONFERENCE

I hereby certify that on May 30, 2025, I conferred with counsel for Plaintiff, United States Securities and Exchange Commission (the “Commission”) regarding the relief requested herein.

The Commission does not oppose the relief requested herein.

/s/ Danielle Rushing Behrends

Danielle Rushing Behrends

CERTIFICATE OF SERVICE

I hereby certify that on June 3, 2025, the foregoing document was served via CM/ECF on all parties appearing in this Case, including Plaintiff, United States Securities and Exchange Commission, and via email or U.S. First Class mail on the following unrepresented parties:

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/s/ Dominique A. Douglas
Dominique A. Douglas

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;
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; ENCYPER
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

ORDER GRANTING RECEIVER'S MOTION TO DETERMINE REASONABLE CAUSE EXISTS TO ABATE IRS PENALTIES, INTEREST, AND LATE FILING FEES

Before the Court is the *Receiver's Motion to Determine Reasonable Cause Exists to Abate IRS Penalties, Interest, and Late Filing Fees* (the "Motion"),¹ filed by Deborah D. Williamson, Court-appointed Receiver in the Case, pursuant to the Court's *Order Appointing Receiver*² entered on December 2, 2021. After considering the Motion, the arguments of counsel, and the evidence presented at the hearing conducted on _____, 2025, and the record in evidence, the Court finds that the Receiver provided due and sufficient notice of the Motion, and it appearing no other or further notice need be provided; having reviewed the Motion, and all objections to the relief sought in the Motion, if any; and after due deliberation and good sufficient cause appearing, therefore, **IT IS FOUND AND DETERMINED THAT:**

1. The findings of fact and conclusions of law set forth in this Order constitute the Court's findings of fact and conclusions of law pursuant to Federal Rule of Civil Procedure 52(b). To the extent any of the following findings of fact constitute conclusions of law, they are hereby adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are hereby adopted as such. Any findings of fact or conclusions of law stated by the Court on the record at the _____, 2025 hearing are incorporated herein by reference, to the extent they are not inconsistent with this Order.

2. The statutory and legal bases for the relief requested in the Motion are sections 6651(a) and 6656 of title 26 of the United States Code and relevant provisions of the Treasury Regulations and Internal Revenue Manual.

¹ Capitalized terms used but not otherwise defined herein have the meanings respectively ascribed in the Motion.

² ECF No. 17.

3. The Receiver’s counsel mailed copies of the Claims Motion and the November 6, 2023 *Order* to the IRS at various mailing addresses on November 14, 2023, providing actual notice of the Court-ordered claims bar date of February 5, 2024, at 11:59 p.m. Central (the “Claims Bar Date”).

4. Notwithstanding actual and publication notice, the IRS did not timely submit an electronic or paper proof of claim form to the Receiver’s claims and noticing agent indicating any outstanding amounts due from any of the Receivership Parties.

5. The IRS did not timely submit prior to the Claims Bar Date, which deadline included governmental agencies such as the IRS, or otherwise provide notice to the Receiver of its intent to submit a Court-approved claim form for any of the Receivership Parties in this Case.

6. The Receiver has paid all outstanding taxes owed to the IRS for the Affected Entities’ Payroll Taxes and Employment Taxes, totaling \$392,615.49.

7. The Receiver has shown that “reasonable cause” exists to abate any and all penalties, interest, and late filing fees allegedly due to the IRS by the Affected Entities under 26 U.S.C. § 6651(a).

8. The Receiver has shown that “reasonable cause” exists to abate any and all penalties, interest, and late filing fees/ allegedly due to the IRS by the Affected Entities under 26 U.S.C. § 6656.

9. The Receiver and her team of professionals exercised ordinary business care, judgment, and prudence in determining the tax obligations for the Affected Entities, and there is no finding of “willful neglect” by the Receiver or her team of professionals.

10. The legal and factual bases set forth in the Motion and at the hearing on the Motion establish “reasonable cause” for the relief granted herein.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

11. All defined terms utilized by the Receiver in the Motion are hereby approved and incorporated in this Order.

12. The Receiver’s Motion is **GRANTED**.

13. The Receiver has properly served the Motion upon IRS, the Attorney General of the United States, the United States Attorney’s Office for the Northern District of Texas, the Tax Division of the United States Department of Justice, and the Commission.

14. The IRS failed to submit a Proof of Claim to the Receiver’s claims and noticing agent on or before the Claims Bar Date, as required by this Court’s Claims Motion Order.

15. The Receiver has presented sufficient evidence showing that “reasonable cause” exists to abate any and all penalties, interest, and/or late filing fees allegedly due to the IRS by the Affected Entities.

16. The Receiver and her team of professionals exercised ordinary business care, judgment, and prudence in determining the tax obligations for the Affected Entities.

17. Any and all penalties, interest, and/or late filing fees allegedly due to the IRS by the Affected Entities, which are known or unknown, are **ABATED**.

18. The IRS does not have a timely or allowed claim amount in this Receivership against any of the Receivership Parties, including the Affected Entities.

19. This Court retains jurisdiction to, among other things, interpret, implement, and enforce the terms and provisions of this Order and resolve all disputes that may arise from application or implementation of this Order.

Signed this ____ day of _____, 2025.

HAL R. RAY, JR.
UNITED STATES MAGISTRATE JUDGE

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