

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

ARTHUR NADEL,
SCOOP CAPITAL, LLC,
SCOOP MANAGEMENT, INC.,

Defendants.

CASE NO.: 8:09-cv-0087-T-33CPT

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY IRA FUND, LTD,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.

**RECEIVER'S VERIFIED MOTION FOR APPROVAL OF PRIVATE SALE
OF ASSETS OF QUEST ENERGY MANAGEMENT GROUP, INC.**

Burton W. Wiand, as receiver (the “**Receiver**”) for Quest Energy Management Group, Inc. (“**Quest**”), moves the Court for an order, in substantially the form attached as **Exhibit 1**, authorizing him to sell certain Quest assets to Archer Petroleum, Ltd. (“**Archer**” or the “**Purchaser**”), free and clear of all claims, liens, and encumbrances. As explained in Section III below, any existing claims, liens, or encumbrances on Quest or its assets will transfer to the proceeds of the sale and be resolved through the claims process established in

this action. The Court has previously utilized this procedure in connection with other asset sales. *See* Docs. 842, 1151 (granting motion to approve sale and transferring lien to sale proceeds). As in those matters, the Court’s utilization of a similar procedure here will protect the interests of all claimants while also allowing the proposed sale to close in a timely manner.

BACKGROUND

On January 21, 2009, the Securities and Exchange Commission (“SEC”) initiated this action to prevent the defendants from further defrauding investors in hedge funds the defendants operated. That same day, the Court entered an order appointing Burton W. Wiand as Receiver for defendants Scoop Capital, LLC, and Scoop Management, Inc., and relief defendants Scoop Real Estate, L.P.; Valhalla Investment Partners, L.P.; Valhalla Management, Inc.; Victory Fund, Ltd.; Victory IRA Fund, Ltd.; Viking IRA Fund, LLC; Viking Fund, LLC; and Viking Management, LLC. Doc. 8. The Court subsequently granted several motions to expand the scope of the Receivership to include other entities owned or controlled by Arthur Nadel (“Nadel”). *See generally* Docs. 17, 44, 68, 81, 153, 172, 454, 911, 916, 1024. All of the entities in receivership are collectively referred to as the “**Receivership Entities**.” The Court directed the Receiver to, among other things, administer and manage the business affairs, funds, assets, and any other property of the Receivership Entities. *See, e.g.*, Doc. 8.

Quest And Its Assets

Quest is an oil and gas exploration and production company based in Texas. Paul Downey was its Chief Executive Officer, and his son Jeff Downey was its Chief Operating

Officer (collectively, the “**Downeys**”). Viking Oil & Gas, LLC (“**Viking Oil**”) is a Florida limited liability company formed in January 2006 by Neil and Christopher Moody (the “**Moodys**”) to make investments in Quest. The Moodys funded Viking Oil with proceeds from Nadel’s scheme, and as a result, the Court expanded the Receivership to include Viking Oil on July 15, 2009. Doc. 153. Between February 2006 and April 2007, through Viking Oil, the Moodys invested at least \$4 million in Quest. As a result, the Receiver filed a motion to expand the Receivership to include Quest (Doc. 993), and the Court granted that motion on May 24, 2013 (Doc. 1024). Although Quest is one of the Receivership Entities, the Receiver has administrated Quest independently, as directed by the Hon. Richard A. Lazzara (the “**Quest Receivership**” and the “**Quest Estate**”).

Since the inception of the Quest Receivership in May 2013, the Receiver has managed and operated Quest, including its oil and gas leases. The company generates revenue by selling its production, but that revenue has varied sharply with oil and gas prices, and it has not historically exceeded Quest’s operating costs by a material margin. As such and as explained in more detail below, the Receiver has long sought to sell Quest to monetize its assets for the Quest Estate and eventual distribution to creditors. The Receiver’s efforts, however, have been complicated by the fraudulent manner in which the Downeys operated Quest. *See, e.g., S.E.C. v. P. Downey et al.*, Case No. 1:14-cv-185 (N.D. Tex.).¹

¹ The SEC asserted claims against the Downeys for their violations of the anti-fraud provisions of the federal securities laws in connection with their activities on behalf of Quest. On July 25, 2016, the court presiding over the enforcement action entered an order granting summary judgment in favor of the SEC on its claims against the Downeys. On September 29, 2016, the court granted the SEC’s motion for remedies and entered final judgments as to all defendants. In addition to entering final judgments, the court also made specific findings as to the defendants, including that Jeff and Paul Downey (1) “raised \$4.9 million from 17

The Receiver's Marketing Efforts

The Receiver's marketing efforts for Quest began with communications with various individuals with ties to the oil and gas exploration industry to generate referrals of interested buyers and through communications with potential buyers familiar with Quest. Those communications, however, resulted in no meaningful offers. The Receiver sought advice from various individuals with knowledge of the oil and gas exploration industry to determine the best way to market Quest for sale. As a result of those efforts, two marketing firms submitted proposals to the Receiver. After careful consideration, the Receiver determined that selling Quest through a private sale with the assistance of WhiteHorse Partners, LLC ("**WhiteHorse**") was in the best interests of the Quest Estate, as he believed it would provide the best opportunity to market Quest to the widest audience for the most value.

WhiteHorse is a boutique advisory firm based in Nashville, Tennessee familiar with the oil and gas industry. It has marketed and sold (or is currently marketing and in the process of selling) companies similar to Quest. WhiteHorse presented the Receiver with a proposed Marketing Engagement Agreement that sought a non-refundable \$5,000 retainer and a 6% commission of the sale price of Quest. The \$5,000 retainer will be credited at the time of closing. On October 28, 2014, the Receiver filed a renewed motion for leave to

investors in a fraudulent offering of securities"; (2) "acted with a high level of scienter, knowingly deceiving investors about virtually every aspect of the investment"; (3) concealed the Receiver's appointment from Quest's investors; and (4) exhibited "misconduct [that] was extremely egregious." *S.E.C. v. P. Downey et al.*, Case No. 1:14-cv-185, order granting SEC's motion for summary judgment, Doc. 117 at 2-3 (N.D. Tex. Sept. 29, 1996). The court ordered the Downeys to disgorge \$4.9 million plus \$1.1 million in interest and to pay a civil penalty of \$178,156 each. As far as the Receiver is aware, the Downeys have not paid anything toward the disgorgement or penalty.

retain WhiteHorse. Doc. 1144. On November 12, 2014, the Court granted the Receiver's motion. Doc. 1148. WhiteHorse's marketing strategy for Quest included:

- A complete review of the documentation related to Quest's current and past operations including its current and past accounting databases so consolidated financial statements could be prepared;
- A determination of Quest's market value;
- The development of a marketing plan aimed at locating qualified purchasers;
- The preparation of a marketing memorandum which outlined relevant details about Quest;
- The execution of a marketing initiative;
- The qualification of potential buyers to ensure their financial ability to conclude a transaction to buy Quest and a review of their prior transactions and experience with entities such as Quest;
- Conducting tours of Quest's properties and speaking with personnel;
- The analysis of all offers;
- Assisting with the negotiation of a letter of intent or purchase offer; and
- Working on closing the sale transaction, including due diligence.

Efforts by WhiteHorse and the Receiver led to multiple inquiries and offers from potential purchasers, but for various reasons (due diligence, market conditions, the potential purchaser's inability to obtain financing, *etc.*), none of those inquiries resulted in a transaction – until now.

The Agreement To Sell The Assets To Archer Petroleum, Ltd.

The Receiver has reached an agreement to sell almost all of Quest's assets, including its oil and gas leases, to Archer for \$1,000,000.² The transaction is documented by the Asset Purchase Agreement attached hereto as **Exhibit 2** (the "APA"), but it is expressly contingent upon the Court's approval of the proposed sale. Archer has already paid a \$100,000 earnest money deposit to the Receiver, and that money will become nonrefundable once the Court enters an order approving the sale. *See* APA § 4.a. & Ex. B. The assets subject to the agreement are set forth in Sections 1 and 2 of Exhibit A to the APA (the "Assets"). Section 3, on the other hand, excludes certain assets from the transaction, including (1) bank accounts and financial instruments; (2) the real property located at 64 South Jacobs Street in Albany, Texas; and (3) any leases not specified in Section 1. *See* APA Ex. A. The Receiver seeks the Court's approval of the APA and the sale generally pursuant to 28 U.S.C. § 2001(b).

The Proposed Private Sale Of The Assets

In receivership actions, private sales of real property or interests therein are governed by 28 U.S.C. § 2001(b) ("**Section 2001(b)**"):

After a hearing, of which notice to all interested parties shall be given by publication or otherwise as the court directs, the court may order the sale of such realty or interest or any part thereof at private sale for cash or other consideration and upon such terms and conditions as the court approves, if it finds that the best interests of the estate will be conserved thereby. Before confirmation of any private sale, the court shall appoint three disinterested persons to appraise such property or different groups of three appraisers each to appraise properties of different classes or situated in different localities. No private sale shall be confirmed at a price less than two-thirds of the appraised value. Before confirmation of any private sale, the terms thereof shall be published in such newspaper or newspapers of general circulation as the court

² As noted above, pursuant to their Court-approved engagement agreement, WhiteHorse is entitled to a 6% commission on this amount. The Quest Estate will thus net \$940,000.

directs at least ten days before confirmation. The private sale shall not be confirmed if a bona fide offer is made, under conditions prescribed by the court, which guarantees at least a 10 per centum increase over the price offered in the private sale.

28 U.S.C. § 2001(b).³ In other words, Section 2001(b) has three primary components: (1) publishing the proposed sale in a newspaper of general circulation at least ten days before confirmation of the sale; (2) obtaining three appraisals of the Assets to be sold; and (3) setting a hearing to approve the sale. *Id.*

To comply with the first prong of Section 2001(b), the Receiver will publish a notice of the proposed sale for one day in the Abilene Reporter-News, which is regularly issued and of general circulation in the district where Quest is located. A copy of the notice is attached as **Exhibit 3**. The Receiver will also publish this motion and the notice on his website – www.nadelreceivership.com. No less than 10 days after publication of the notice, the Receiver will inform the Court whether any potential purchaser submitted a “bona fide offer,” as contemplated by Section 2001(b).

As explained below in Section II, the Receiver asks the Court to grant this motion without requiring him to obtain three formal appraisals. To ensure the fairness of the sale to the Quest Estate, the Receiver has obtained an asset valuation from Jordan Taylor Buckingham, a petroleum engineer – a copy of which is attached hereto as **Exhibit 4** (the “**Valuation**”). As documented in the Valuation, Mr. Buckingham performed a “decline

³ Section 2001(b) governs because Quest’s most valuable assets are its oil and gas leases, which are interests in real property. Certain other assets subject to the APA constitute personal property, but personal property is also sold in accordance with Section 2001(b). *See* 28 U.S.C. § 2004 (“Any personalty sold under any order or decree of any court of the United States shall be sold in accordance with section 2001 of this title, unless the court orders otherwise.”).

curve analysis on producing leases using historical production data from the TX Railroad Commission (RRC), historical WTI oil and gas pricing, operations expense data from Quest EMG, Inc., and known standard operation well costs in RRC District 7B.” *Id.* at 3. Based on this analysis, Mr. Buckingham valued the Assets at \$964,457.54. The Valuation demonstrates that the APA’s purchase price is fair to the Quest Estate, even after accounting for WhiteHorse’s commission.

As also explained below in Section II, the Receiver asks the Court to dispense with the need for a hearing and to grant this motion on the papers, assuming no party files an opposition necessitating a hearing and no potential purchaser submits a “bona fide offer” necessitating a hearing.⁴ This will conserve the sale price for the benefit of creditors as opposed to eroding it through administrative expenses. The Receiver will inform the Court whether any party has submitted a “bona fide offer” promptly after completing the publication and notice requirements of Section 2001(b). The Receiver asks that the Court defer ruling on this motion until the Receiver has filed that notice.

The Quest Claims Process And Claims Against The Assets

In addition to the Court’s approval, the APA is also expressly conditioned on the transfer of the Assets to Archer free and clear of all claims, liens, and encumbrances. *See* APA §§ 2, 9(f). On June 15, 2016, the Receiver filed his Unopposed Motion to (1) Approve Procedure to Administer Claims and Proof of Claim Form, (2) Establish Deadline for Filing Proofs of Claim, and (3) Permit Notice by Mail and Publication. *See* Doc. 1240 (the “**Quest Claims Motion**”). The Court granted the motion on June 17, 2016, thus establishing the

⁴ The Receiver will serve a copy of this motion on counsel for the secured creditors identified on pages 9-13 and in the certificate of service.

“Quest Claims Process.” Doc. 1241. Investors and other creditors then submitted 93 claims, which the Receiver reviewed and evaluated.

On March 7, 2019, the Receiver filed his Motion to (1) Approve Determination and Priority of Claims, (2) Pool Receivership Assets and Liabilities, (3) Approve Plan of Distribution, and (4) Establish Objection Procedure. *See* Doc. 1383 (the **“Quest Determination Motion”**). In the Quest Determination Motion, the Receiver recommended that claims be allowed in full, allowed in part, or denied. As explained below, certain claims are secured by or otherwise constitute encumbrances on the Assets.

Class 1 Claims From Taxing Authorities

Five taxing authorities in Texas (the **“Taxing Authorities”**) submitted claims in the Quest Claims Process:

- The Brown County Appraisal District filed a proof of claim form with the Receiver on behalf of Brown County, Texas for unpaid property taxes from 2012 through 2016 in the amount of \$34,602.72;
- The Callahan County Appraisal District filed a proof of claim form with the Receiver on behalf of the County of Callahan, Texas for unpaid property taxes from 2012 through 2016 in the amount of \$9,136.84;
- The Guadalupe County Appraisal District filed a proof of claim form with the Receiver on behalf of the County of Guadalupe, Texas for unpaid property taxes from 2012 through 2016 in the amount of \$96.54;
- The Shackelford County Appraisal District filed a proof of claim form with the Receiver on behalf of the County of Shackelford, Texas for unpaid property taxes from 2012 through 2016 in the amount of \$284,893.80; and
- The Denton County Appraisal District filed a proof of claim form with the Receiver on behalf of the County of Denton, Texas for unpaid property taxes from 2012 through 2016 in the amount of \$12,633.36;

The Receiver denied the claim from Denton County because it appeared to be related to a non-Receivership entity, but he assigned the other claims to Class 1 – *i.e.*, the highest priority. Given the limited assets available to all creditors, the Receiver also recommended the claims be allowed only in part – *i.e.*, without any entitlement to late fees or penalty interest. The Taxing Authorities objected to the Receiver’s determination, and the parties began working through the objection procedure set forth in the Quest Determination Motion. Counsel for the Taxing Authorities informed the Receiver that the foregoing claim amounts increased between 2016 and the present to a total of approximately \$379,852 due to the accrual of additional taxes, penalties, and interest. The Receiver has recently agreed to allow the claims submitted by the Taxing Authorities as Class 1 claims in the total amount of \$300,000, and he has separately moved the Court to approve that agreement. Through this motion, the Receiver asks the Court to transfer the Taxing Authorities’ liens from Quest’s Assets to the proceeds of this proposed sale so that the Assets can be sold to the Purchaser free and clear of all claims, liens, and encumbrances.

Class 2 Claims From Secured Creditors

a. Van Operating Ltd. (“Van Operating”)

Van Operating submitted a claim for \$795,201.59 based on a loan Quest assumed in 2007. *See* Claim No. 6. Specifically, Van Operating loaned Musselman Petroleum and Land Company and John. E. Musselman (collectively, “**Musselman**”) \$832,000 in 1998, which loan was secured by certain oil and gas leases and related equipment (the “**Musselman Loan**”). On January 1, 2007, Quest assumed the Musselman Loan along with Musselman’s interests in the secured property. As part of that transaction, Quest entered into an

“assumption, modification and renewal agreement” with Van Operating (the “**Renewal Note**”), pursuant to which the parties stipulated that, as of January 1, 2007, the outstanding principal balance of the Renewal Note was \$832,000, which amount “shall bear interest at ten percent (10%) per annum.”

On December 29, 2011, Quest and Van Operating entered into a modification and renewal agreement, pursuant to which the parties stipulated that the outstanding principal balance of the Renewal Note was \$652,005.86. The parties also extended the maturity date of the Renewal Note to March 31, 2012, and provided that Quest would cause the companies that purchased its oil and gas production to pay 50% of any future purchase amounts directly to Van Operating. Paul Downey guaranteed all indebtedness under the Renewal Note.

Between the issuance of the Renewal Note on January 1, 2007, and Quest’s inclusion in this Receivership on May 24, 2013, Quest paid Van Operating \$719,072.60, which includes total principal payments of \$335,385.48 and total interest payments of \$383,687.12. Van Operating thus has already received nearly 87% of the original loan amount. The Renewal Note’s outstanding principal balance on or shortly before Quest’s inclusion in this Receivership was \$496,614.52. Van Operating arrived at its claim amount by adding \$89,011.85 in legal fees and \$207,157.50 in interest, the recovery of which would not be equitable under these circumstances. In Exhibit C to the Quest Determination Motion, the Receiver recommended that Van Operating’s claim be allowed but only in the amount of the outstanding principal balance of the Renewal Note at the time of the Receiver’s appointment – *i.e.*, \$496,614.52. Van Operating did not object to the Receiver’s determination.

b. First National Bank of Albany (“Bank of Albany”)

Bank of Albany submitted a claim for \$198,250.14 plus unspecified “interest from 9/12/2013” based on two loans it made to Quest and the Downeys. *See* Claim No. 5. On October 13, 2010, Bank of Albany loaned Quest \$700,000 (the “**2010 Loan**”), which was secured by certain oil and gas leases, personal property, and equipment. The Downeys also personally guaranteed the 2010 Loan. On February 26, 2013, Bank of Albany and Quest entered into a “modification, renewal and extension” of the 2010 Loan, pursuant to which the parties acknowledged that the outstanding principal balance of the loan at the time of the modification was \$213,057.30. The Court expanded this Receivership to include Quest shortly thereafter – on May 24, 2013, at which time the outstanding principal balance of the 2010 Loan was approximately \$151,728. During the life of the 2010 Loan, Quest paid Bank of Albany approximately \$555,739, which includes total principal payments of approximately \$492,247 and total interest payments of approximately \$63,492. As explained in the Quest Determination Motion, the Receiver concluded that the portion of Bank of Albany’s claim related to the 2010 Loan should be denied. *See* Doc. 1383 at 16-18.

On April 17, 2006, Bank of Albany loaned \$76,000 to Quest, “by and through Jeff Downey, Vice-President,” for the purchase of certain real property in Shackelford County, Texas, from which the Downeys operated Quest (the “**Office**” and the “**Office Loan**”). *See* Claim No. 5. As set forth in Exhibit C to the Quest Determination Motion, the Receiver concluded that Bank of Albany’s claim with respect to the Office Loan should be allowed in the amount of \$46,522.00, which is the approximate outstanding principal balance of that loan at the time of the Receiver’s appointment.

Bank of Albany filed a motion with the Court regarding the Receiver's determination (Doc. 1387), which the Receiver construed as an objection. Pursuant to the Court's order on the motion (Doc. 1397), the Receiver began attempts to resolve the objection through the Quest Claims Process. Based on those negotiations, the Receiver has agreed to transfer the Office to Bank of Albany in full satisfaction of its claim with respect to both the 2010 Loan and the Office Loan. To accomplish this, the Receiver has separately moved the Court to abandon the Office and to lift the stay restraining interference with Receivership assets as to the bank, so it can foreclose on the Office. Through this motion, the Receiver asks the Court to transfer Bank of Albany's liens from Quest's Assets to the Office so that the Assets can be sold to the Purchaser free and clear of all claims, liens, and encumbrances.⁵

Class 3 and Other Unsecured Creditors

Although the Downeys fraudulently represented to investors in Quest that their investments were "secured," "senior," or "preferred," the Receiver has not been able to identify any such valid security interests. Claimants with unsecured claims submitted five objections to the Receiver's determination of their claims. *See* Doc. 1395. The Receiver resolved one of those objections (Claim No. 72). Claimants abandoned three other objections during the Court-approved resolution process set forth on the Quest Determination Motion (Claim Nos. 73, 75, 79). As such, only one claim objection remains for resolution (Claim No. 17). The Receiver will separately move the Court to overrule that objection, but this issue does not need to be resolved before the Court grants this motion.

⁵ Archer is not purchasing the Office, but the Receiver's settlement of Bank of Albany's claim and objection resolves its liens against both the Office and the oil and gas leases.

It is possible and perhaps likely that the Receiver will not have sufficient funds to make a distribution to Class 3 and other unsecured creditors after the payment of administrative expenses and Class 1 and 2 claims. If the Court grants this motion and the sale of the Assets to Archer closes successfully, the Receiver will calculate and propose a plan of distribution once he is in possession of all available funds.

MEMORANDUM OF LAW

I. THE COURT HAS BROAD POWERS OVER THIS RECEIVERSHIP'S ADMINISTRATION

The Court's power to supervise an equity receivership and to determine the appropriate actions to be taken in the administration of the receivership is extremely broad. *S.E.C. v. Elliott*, 953 F.2d 1560, 1566 (11th Cir. 1992); *S.E.C. v. Hardy*, 803 F.2d 1034, 1038 (9th Cir. 1986). The Court's wide discretion derives from the inherent powers of an equity court to fashion relief. *Elliott*, 953 F.2d at 1566; *S.E.C. v. Safety Finance Service, Inc.*, 674 F.2d 368, 372 (5th Cir. 1982). A court imposing a receivership assumes custody and control of all assets and property of the receivership, and it has broad equitable authority to issue all orders necessary for the proper administration of the receivership estate. *See S.E.C. v. Credit Bancorp Ltd.*, 290 F.3d 80, 82-83 (2d Cir. 2002); *S.E.C. v. Wencke*, 622 F.2d 1363, 1370 (9th Cir. 1980). The court may enter such orders as may be appropriate and necessary for a receiver to fulfill his duty to preserve and maintain the property and funds within the receivership estate. *See, e.g., Official Comm. Of Unsecured Creditors of Worldcom, Inc. v. S.E.C.*, 467 F.3d 73, 81 (2d Cir. 2006). The goal of a receiver charged with liquidating assets is to obtain the best value available under the circumstances. *Fleet Nat'l Bank v. H & D Entertainment, Inc.*, 926 F. Supp. 226, 239-40 (D. Mass. 1996) (citations omitted). Further,

the paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See, e.g., Four B. Corp. v. Food Barn Stores, Inc.*, 107 F.3d 558, 564-65 (8th Cir. 1997).

Any action taken by a district court in the exercise of its discretion is subject to great deference by appellate courts. *See United States v. Branch Coal*, 390 F. 2d 7, 10 (3d Cir. 1969). Such discretion is especially important considering that one of the ultimate purposes of a receiver's appointment is to provide a method of gathering, preserving, and ultimately liquidating assets to return funds to creditors. *See S.E.C. v. Safety Fin. Serv., Inc.*, 674 F.2d 368, 372 (5th Cir. 1982) (court overseeing equity receivership enjoys "wide discretionary power" related to its "concern for orderly administration") (citations omitted).

II. THE COURT HAS THE AUTHORITY TO WAIVE THE PORTIONS OF SECTION 2001(b) REGARDING THREE APPRAISALS AND A HEARING

A. The Court Should Approve The Sale Based On The Valuation

Section 2001(b) contemplates that a Receiver will obtain three appraisals in connection with a private sale of real property or interests therein, but the Court has the equitable authority under the principles discussed above to waive strict compliance with that provision. The Receiver asks the Court to do so here for six independent reasons. First, the Valuation attached as Exhibit 4 is detailed, comprehensive, and more than adequate to support the reasonableness of the purchase price set forth in the APA. Second, valuations of operating businesses are expensive and obtaining two more would only increase administrative costs and fees. Third, Quest's assets are extremely limited and could be insufficient to afford any distribution to Class 3 investor claimants. Fourth, the Receiver and WhiteHorse have marketed Quest and/or its assets for several years, and the Receiver has not

been able to consummate a transaction at a higher price. Fifth, the Receiver was negotiating with other potential purchasers earlier this year, and their offers were substantially lower than the purchase price set forth in the APA. And sixth, Section 2001(b) contains a mechanism for interested parties to submit a higher bid following the Receiver's publication of the terms of this sale, and the use of the Valuation in place of three appraisals will not materially impair the purpose of that mechanism.

The Court has previously either waived or determined the Receiver substantially complied with the appraisal provisions in Section 2001(b) under similar circumstances. *See, e.g.*, Docs 1368 & 1370 (finding substantial compliance based on "an opinion of value letter" from a land specialist); 1300 & 1301 (same based on a single appraisal); 1229 & 1230 (same); 1150 & 1151 (same); 1109 & 1110 (finding substantial compliance regarding the Receiver's sale of the assets of Tradewind, LLC – an operating business – based on a single valuation); 1074 & 1075 (waiving requirements of Section 2001(b) and requiring no appraisals of assets belonging to Respiro, Inc. – a medical device company – due to limited value). The Court's waiver or modification of Section 2001(b) is also consistent with decisions from other courts considering these issues. *See, e.g., S.E.C. v. Kirkland*, 2009 WL 1439087, at *3 (M.D. Fla. May 22, 2009) (recommending approval of sale based on one appraisal); *S.E.C. v. Billion Coupons, Inc.*, 2009 WL 2143531, *3 (D. Hawaii 2009) (authorizing sale without obtaining any appraisals given sufficient safeguards).

B. If No Other Purchaser Submits A Bona Fide Offer, The Court Should Approve The Sale Without A Hearing

The Receiver also asks the Court to dispense with the need for a hearing and to grant this motion on the papers, assuming no party files an opposition necessitating a hearing and

no potential purchaser submits a “bona fide offer” necessitating a hearing. This will conserve the sale price for the benefit of creditors as opposed to eroding it through administrative expenses. The Receiver will inform the Court whether any party has submitted a “bona fide offer” promptly after completing the publication and notice requirements of Section 2001(b). All (or almost all) of the Receiver’s motions to approve the private sale of personal or real property in this action have been decided on the papers. For example, when the Receiver sold the assets of Tradewind, LLC, the Court found that the Receiver “had not received any bona fide offer as described in 28 U.S.C. § 2001(b) [and] ... in lieu of a hearing on the [m]otion, the filing of the [m]otion in the Court’s public docket and its publication on the Receivership’s website and in the Newnan Times Herald provided sufficient notice and opportunity for any party to be heard in accordance with 28 U.S.C. § 2001(b).” Doc. 1110. The Receiver asks that the Court defer ruling on this motion until the Receiver has filed the notice of receipt (or not) of any bona fide offer pursuant to Section 2001(b).

III. THE COURT HAS THE AUTHORITY TO TRANSFER THE ASSETS TO ARCHER FREE AND CLEAR OF ALL CLAIMS, LIENS, AND ENCUMBRANCES

The APA is contingent upon the Receiver’s ability to transfer the Assets to the Purchaser free and clear of all claims, liens, and encumbrances, including those filed in the Quest Claims Process. *See* APA §§ 2, 9(f). That contingency is necessary because the value of the claims against Quest is far greater than the value of Quest’s assets due to the Downey’s fraud. No commercially-reasonable purchaser would agree to acquire Quest or its assets subject to its extensive liabilities. Under similar circumstances, the Court has

previously transferred the pertinent claims, liens, and encumbrances from the assets the Receiver sought to sell to the proceeds of the sale for subsequent resolution through additional proceedings. *See, e.g.*, Docs. 823 & 842 (regarding a lien by a secured creditor against property in North Carolina), 1229 & 1230 (transferring title free and clear despite federal tax lien); 1150 & 1151 (same regarding a different secured creditor and North Carolina property). These orders involved secured (or purportedly secured) encumbrances on the subject assets by lenders and a taxing authority, and as a result, they are substantively identical to this matter and the encumbrances described above in the background section.

The relief sought in this motion falls squarely within the Court's powers and is in the best interests of Quest and its creditors. That relief is also consistent with precedent, which establishes that a court of equity – like this one in these proceedings – may authorize the sale of property free and clear of all claims, liens, and encumbrances. *See, e.g., Miners' Bank of Wilkes-Barre v. Acker*, 66 F.2d 850, 853 (3d Cir. 1933); *People's-Pittsburgh Trust Co. v. Hirsch*, 65 F.2d 972, 973 (3d Cir. 1933). In part, a court has this authority because when a court of competent jurisdiction takes possession of property through its officers – like this Court has done with Quest through the Receiver – it has jurisdiction and authority to determine all questions about title, possession, and control of the property. *Isaacs v. Hobbs Tie & Timber Co.*, 282 U.S. 734, 737-38 (1931).

Importantly, the Receiver is not asking the Court to extinguish, overrule, or otherwise impair any creditor's claim. He is only asking the Court to shift the creditors' claims from the Assets to the sale proceeds. This will allow the Receiver to sell the Assets and eliminate

ongoing maintenance costs and market risk. The creditors' claims can then be addressed through the Quest Claims Process, if necessary.

CONCLUSION

The Receiver moves the Court for entry of an order (in substantially the form of the proposed order attached as **Exhibit 1**) to sell the Quest Assets to Archer, free and clear of all claims, liens, and encumbrances in accordance with the terms and conditions set forth above and in the APA.

CERTIFICATE UNDER LOCAL RULE 3.01(g)

Undersigned counsel for the Receiver has conferred with counsel for the SEC and is authorized to represent to the Court that the SEC does not oppose the relief requested in this motion. Counsel for the Receiver has not conferred with any of the 93 claimants that submitted claims in the Quest Claims Process, including the Class 1 and Class 2 creditors described in this motion, but as explained in footnote 4, the Receiver is serving this motion on counsel for those Class 1 and Class 2 creditors.

VERIFICATION OF RECEIVER

I, Burton W. Wiand, Court-Appointed Receiver in the above-styled matter, hereby certify that the information contained in this motion is true and correct to the best of my knowledge and belief.

s/ Burton W. Wiand
Burton W. Wiand, Court-Appointed Receiver

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on July 24, 2019, I filed the foregoing with the Clerk of the Court by using the CM/ECF system. I also served a copy of the foregoing via email and U.S. Mail on the following counsel for Class 1 and Class 2 creditors:

Tara LeDay
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s/Jared J. Perez

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Tel: 813-347-5100
Fax: 813-347-5198

Attorney for the Receiver

EXHIBIT 1

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

ARTHUR NADEL,
SCOOP CAPITAL, LLC,
SCOOP MANAGEMENT, INC.,

Defendants.

CASE NO.: 8:09-cv-0087-T-33CPT

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY IRA FUND, LTD,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.

ORDER

Before the Court is the Receiver's Verified Motion for Approval of Private Sale of Assets of Quest Energy Management Group, Inc. (the "Motion") (Dkt. ____). Upon due consideration of the Receiver's powers as set forth in the Order Appointing Receiver (Dkt. 8), the Orders Reappointing Receiver (Dkts. 140, 316, 493, 935, and 984), and applicable law, it is **ORDERED AND ADJUDGED** that the Motion is **GRANTED**. The Court finds that the transaction reflected in the Asset Purchase Agreement attached to the Motion as Exhibit 2 is in the best interest of the Quest Estate for the reasons detailed in the Motion. The Court also finds that the Motion includes sufficient grounds for waiving the appraisal requirements of 28 U.S.C. § 2001(b), given the

Valuation attached to the Motion as Exhibit 4. In lieu of a hearing on the Motion, the Court finds that the filing of the Motion in the Court's public docket, its publication on the Receiver's website, and the publication of the terms of this transaction in accordance with 28 U.S.C. § 2001(b) provided sufficient notice and opportunity for any interested party to be heard.

The Court specifically approves the sale of the assets of Quest Energy Management Group, Inc. to Archer Petroleum Ltd. as provided for in the Asset Purchase Agreement attached to the Motion as Exhibit 2. The Receiver is hereby directed to transfer free and clear of all claims, liens, and encumbrances the assets of Quest Energy Management Group, Inc. to Archer Petroleum Ltd., pursuant to the Asset Purchase Agreement. Any liens or encumbrances, including tax liens and any taxes or fees due, on the real or personal property transferred pursuant to the Asset Purchase Agreement shall attach to the proceeds of the sale (or, in the case of Bank of Albany, to the Office, as defined and explained in the Motion) and shall be resolved through the claims process established in this action. Archer Petroleum Ltd. shall not be responsible for any property taxes assessed before the Effective Date of the Asset Purchase Agreement.

Furthermore, Quest Energy Management Group, Inc.'s interests, rights, and obligations as tenant under any and all oil and gas leases between it and various lessors, as well as Quest Energy Management Group, Inc.'s interests, rights, and obligations as lessee under the various oil and gas leases, as more particularly described in the Motion and Asset Purchase Agreement, are hereby assigned and transferred to Archer Petroleum Ltd.

DONE and **ORDERED** in chambers in Tampa, Florida this ____ day of _____, 2019.

UNITED STATES DISTRICT JUDGE

COPIES FURNISHED TO:
Counsel of Record

EXHIBIT 2

Execution Version

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the “Agreement”), effective as of thirty days after the court in *Securities and Exchange Commission v. Arthur Nadel, et al.*, Case No: 8:09-cv-87-T-26TBM in the United States District Court for the Middle District of Florida issues its final order approving the sale described herein (the “Effective Date”), by and between **ARCHER PETROLEUM, LTD.**, a Texas Corporation whose address is P.O. Box 1544 McKinney, TX 75070 (the “Buyer”), and **BURTON W. WIAND, as Receiver for Quest Energy Management Group, Inc.**, a Delaware limited liability company, whose address is 5505 West Gray Street, Tampa, Florida 33609 (the “Seller”). The Buyer and Seller are each a “Party” to this Agreement and are collectively the “Parties”.

RECITAL

WHEREAS, the United States District Court for the Middle District of Florida, Tampa Division (the “Court”), appointed Burton W. Wiand on January 21, 2009 as Receiver over various entities, and on May 24, 2013 appointed Burton W. Wiand as Receiver over Quest Energy Management Group, Inc. (collectively, the “Receivership”), in the action styled *Securities and Exchange Commission v. Arthur Nadel, et al.*, Case No: 8:09-cv-87-T-26TBM (the “Action”).

WHEREAS, Quest Energy Management Group, Inc. owns and leases various oil and gas properties and an operating company, Quest Operating, LLC., either of record or beneficially, located in west Texas and more particularly described herein and in **Exhibit A** attached hereto.

WHEREAS, subject to approval by the Court, compliance with the publication requirements of 28 U.S.C. § 2001(b), and the non-receipt of a Bona Fide Offer (defined below), Seller desires to sell and Buyer desires to purchase the Assets pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

OPERATIVE TERMS1. **Sale and Transfer of Assets.**

(a) Seller shall sell, transfer, and deliver to Buyer, pursuant to the Order (as defined herein) from the Court, and Buyer shall purchase from Seller all of the Seller’s rights, title, and interest in the Assets described in Exhibit “A”, free and clear of all liens, claims, encumbrances, and restrictions, as specified in the Order.

(b) The Assets are sold on an “as is” “where is” basis, with all faults and without representations, express or implied, of any type, kind, character or nature, including but not limited to, suitability of the assets for any use, and without warranties, express or implied, of any type, kind, character or nature, including but not limited to, suitability of

the assets for any use, and without recourse, express or implied, of any type, kind, character or nature, save and except the express representations and warranties set forth in this Agreement.

2. Contingencies. This Agreement is contingent upon (1) compliance with the publication procedures required by 28 U.S.C. § 2001(b), and (2) the non-receipt by Seller of a bona fide offer, under conditions prescribed by the Court, as described in 28 U.S.C. § 2001(b) (a “Bona Fide Offer”). Buyer understands and acknowledges that 28 U.S.C. § 2001(b) prohibits the Court’s approval and confirmation of the transaction contemplated by this Agreement if Seller receives a Bona Fide Offer. As such, upon receipt of a Bona Fide Offer, Seller shall have the exclusive right to terminate this Agreement, and Buyer’s sole and exclusive remedy for such termination is limited to the return of its Deposit, as set forth below. If the Seller does not receive a Bona Fide Offer after compliance with the publication procedures required by 28 U.S.C. § 2001(b), this Agreement is further contingent upon Seller obtaining an Order in substantially the form as Exhibit “B” attached hereto (the “Order”) approving: (1) the sale of the Assets described in Exhibit “A” to Buyer free and clear of all liens, claims, encumbrances, and restrictions as provided for in the order of the United States District Court approving this transaction and (2) Buyer’s quiet enjoyment of all assets assigned to and assumed by Buyer (collectively, the “Contingencies”).

3. Purchase Price. The purchase price to be paid by Buyer to Seller for the Assets shall be the sum of **ONE MILLION DOLLARS AND NO/100 (\$1,000,000)** (the “Purchase Price”) in cash or its equivalent at the Closing (hereinafter defined). The Purchase Price shall be the net amount the Seller shall receive at the closing. In no event shall Seller receive less than **\$1,000,000** for the sale of the Assets.

4. Earnest Money Deposit. Within three (3) days of the execution of this Agreement by both parties hereto, the Buyer will deposit with the Escrow Agent the sum of **ONE HUNDRED THOUSAND DOLLARS AND NO/100 (\$100,000)** in readily available funds as an earnest money deposit (“Earnest Money Deposit”). Buyer and Seller mutually agree that Wiand Guerra King P.A. shall serve as the Escrow Agent. The Earnest Money Deposit shall be applied at Closing to the Purchase Price to be paid to Seller by Buyer at Closing. The terms of this Agreement shall serve as the escrow instructions for this transaction.

(a) Buyer hereby acknowledges and agrees that the Earnest Money Deposit becomes nonrefundable on the date the Court enters an Order in substantially the form as Exhibit “B” approving the sale of the Assets to Buyer.

(b) In the event that Seller cannot satisfy the Contingencies within thirty (30) days from the date of the issuance of the Order (the “Contingencies Period”) or is otherwise unable to conclude the transaction contemplated hereunder, Seller shall return the Earnest Money Deposit to Buyer within fifteen (15) business days following the expiration of the Contingencies Period.

(c) Buyer acknowledges and agrees that no interest will be paid on the Earnest Money Deposit.

5. Closing. The closing of the transaction contemplated by this Agreement and delivery of the Bill of Sale (hereinafter defined) (the "Closing") shall occur by the Closing Date (hereinafter defined). The Closing shall be conducted at 212 E. Virginia St. McKinney, TX 75069.

6. Closing Date. Buyer and Seller agree that Closing shall occur within thirty (30) days of the Court's approval of the sale through entry of the Order.

7. Buyer's Deliveries at Closing. At the Closing, Buyer shall deliver the following items to Seller:

(a) the Purchase Price (\$1,000,000) for the Assets, payable in the manner described in Section 3 above;

(b) such other documents and certificates as Seller may reasonably and timely request.

8. Seller's Deliveries at Closing. At the Closing, Seller shall deliver the following items to Buyer:

(a) an Order in the substantially the form attached as Exhibit "B" hereto from the Court approving the sale of the Assets;

(b) a Bill of Sale and an Assignment in the substantially the form attached as Exhibit "C" hereto, duly signed by Seller;

(c) such other documents and certificates as Buyer may reasonably and timely request.

(d) All technical and legal data, records and documents related to the Wells, Leases, Units, and Equipment.

9. Seller's Representations, Warranties, and Covenants. Seller represents, warrants, and covenants to Buyer as follows:

(a) Valid and Enforceable Agreement. This Agreement constitutes a valid and binding agreement of the Seller enforceable in accordance with its terms.

(b) Title.

(i) Seller acquired title to the Assets described in Exhibit "A", and with the approval of the Court after Seller's compliance with the publication requirements of 28 U.S.C. § 2001(b) and the non-receipt of a Bona Fide Offer, the Assets shall be sold to Buyer as evidenced by the Bill of Sale, substantially in the form attached hereto as Exhibit "C", free and clear of all liens, claims, encumbrances, and restrictions as provided for in the Order approving this transaction.

(ii) The Assets are sold on an “as is” “where is” basis, with all faults and without representations, express or implied, of any type, kind, character or nature, including but not limited to, suitability of the assets for any use, and without warranties, express or implied, of any type, kind, character or nature, including but not limited to, suitability of the assets for any use, and without recourse, express or implied, of any type, kind, character or nature, save and except the express representations and warranties set forth in this Agreement.

(c) Assignment of Oil and Gas Leases. The Order from the Court shall specifically grant Buyer quiet enjoyment of the Oil and Gas Leases transferred pursuant to this agreement in which Quest Energy Management Group, Inc. is the current Lessee. Buyer and Seller acknowledge that it is the intent of this Agreement to sell, assign and convey all leasehold interest of Seller in the lands upon which the Wells listed in Exhibit A are located.

(d) Authority. After the execution, delivery, and performance of this Agreement and any documents incidental thereto and the authorization and approval of the Court of the transaction contemplated hereby, Seller will have all requisite corporate powers and authority to consummate this transaction.

(e) General. None of the representations or warranties by Seller in this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make statements or facts contained therein not misleading.

(f) Liens. The Assets described in Exhibit “A” will be transferred to Buyer free and clear of any liens or encumbrances, including tax liens as provided for by the Court’s Order approving this Agreement.

10. Buyer’s Representations and Warranties. Buyer represents and warrants to Seller as follows:

(a) Organization. Buyer is a limited liability company duly organized and validly existing and is in good standing under the laws of the State of Texas.

(b) Assumption of Oil and Gas Leases. Buyer expressly agrees to assume and perform all of the duties as required under any Oil and Gas Lease in which Quest Energy Management Group, Inc. is the Lessee, including any plugging obligations if any that may exist and apply to the transferred leases.

(c) Authority. The execution, delivery, and performance of this Agreement and any documents incidental thereto, and the consummation of the transactions contemplated hereby have been duly authorized and Buyer has all requisite corporate powers and authority to consummate this transaction.

(d) Valid and Enforceable Agreement. This Agreement constitutes a valid and binding agreement of Buyer enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby violates or conflicts with the Articles of Organization or Operating

Agreement of Buyer or, subject to obtaining necessary consents, any agreement or other restriction of any kind or character to which Buyer is a party or by which Buyer is bound.

(e) Due Diligence. Buyer has conducted and completed any and all due diligence it deems or deemed necessary prior to completing the purchase contemplated herein and Buyer has reviewed all leases, subleases, and leasehold agreements relating to this Agreement.

(f) Absence of Warranties from Seller. Buyer acknowledges that Seller has made no warranties with respect to the Assets, including the validity of any leases, subleases, and/or leasehold agreements relating to this Agreement. Buyer is purchasing the Assets on an "as is" "where is" basis, with all faults and without representations, express or implied, of any type, kind, character or nature, including but not limited to, suitability of the assets for any use, and without warranties, express or implied, of any type, kind, character or nature, including but not limited to, suitability of the Assets for any use, and without recourse, express or implied, of any type, kind, character or nature, save and except the express representations and warranties set forth in this agreement.

(g) General. None of the representations or warranties by Buyer in this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make statements or facts contained therein not misleading.

11. Expenses and Taxes. Each party hereto shall pay its own expenses and costs incident to the preparation of this Agreement and the consummation of the transactions contemplated hereby, including but are not limited to, attorney fees. If any portion of the transactions to be effected pursuant hereto shall be determined to be subject to sales or use or any other taxes, Buyer shall be liable therefore and shall promptly pay the same. Real Estate Taxes, assessments, if any, and any assessments, insurance premiums, charges, and other items attributable to the Assets shall be shall be prorated as of the date of Closing, based upon an actual 365 day year, as is customary. Meters for all public utilities (including water) being used by Quest Energy Management Group, Inc. for the operation of the Assets shall be ordered read on the day prior to closing.

12. Amendments. This Agreement may only be amended or modified by written instrument executed by the Parties.

13. Notices. Any notice, request, information, or other document to be given hereunder to any Party by any other Party shall be in writing and shall have been deemed to have been given (i) when personally delivered, sent by facsimile (with hard copy to follow), or sent by reputable overnight express courier (charges prepaid), or (ii) five (5) days following mailing by certified or registered mail, postage prepaid and return receipt requested. Unless another address is specified in writing, notices, demands, and communications to Seller and Buyer shall be sent to the addresses indicated below:

(a) If as to Seller:

Burton W. Wiand, as Receiver for Quest Energy Management Group, Inc.
c/o Wiand Guerra King P.A.
5505 Gray Street
Tampa, Florida 33609
Attention: Jeffrey C. Rizzo

(b) If as to Buyer:

Archer Petroleum Ltd..
P.O. Box 1554
McKinney, TX 75070
Attention: Andrew Hudson

Any Party may change the address to which notices hereunder are to be sent by giving written notice of such change of address as provided above.

14. Waiver. No waiver by either Party hereto of any condition or any breach of any term, covenant, representation, or warranty contained in this Agreement shall be deemed or construed as a further or continuing waiver of such condition or breach or waiver of any other or subsequent condition or the breach of any other term, covenant, representation, or warranty contained in this Agreement.

15. Severability. If any provision of this Agreement is determined to be illegal or unenforceable, such provision will be deemed amended to the extent necessary to conform to applicable law or, if it cannot be so amended without materially altering the intention of the Parties, it will be deemed stricken and the remainder of the Agreement will remain in full force and effect.

16. Counterparts. Any number of counterparts of this Agreement may be executed and each such executed counterpart shall be deemed to be an original.

17. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the Parties hereto, their respective heirs, successors, and assigns.

18. Entire Agreement. This Agreement and the instruments delivered pursuant hereto constitute the entire agreement between the Parties hereto and supersede all prior agreements and understanding, oral or written, between the Parties relating to the subject matter hereof.

19. Governing Law, Jurisdiction, and Venue. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Texas. Buyer and Seller hereby agree (i) that all disputes and matters whatsoever arising under, in connection with, or incident to this Agreement shall be exclusively litigated as a summary proceeding in *SECURITIES AND EXCHANGE COMMISSION V. ARTHUR NADEL, ET AL.*, CASE NO: 8:09-CV-87-T-26TBMIN AND BEFORE THE UNITED STATES DISTRICT COURT, MIDDLE DISTRICT OF FLORIDA, TAMPA DIVISION, in Hillsborough County in the State of Florida, to the exclusion of any other court, and (ii) to irrevocably submit to the exclusive jurisdiction of the UNITED STATES DISTRICT COURT, MIDDLE DISTRICT OF FLORIDA, TAMPA DIVISION, in Hillsborough County in the State of Florida, in any action or proceeding arising out

of or relating to this Agreement, and hereby irrevocably waive any objection to the laying of venue of any such action or proceeding in any such court and any claim that any such action or proceeding has been brought in an inconvenient forum. A final judgment in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

20. Remedy. In the event that Seller receives a Bona Fide Offer or the Court does not approve of the sale of the Assets, i.e., if the Contingencies are not satisfied on or before the Closing Date, Buyer acknowledges and agrees that its sole and exclusive remedy is to seek return of the Deposit from Seller. Seller's sole and exclusive remedy for any breach of this contract by Buyer is to keep the Deposit. Seller shall have no specific performance remedy. This Agreement, when duly executed by the Parties, constitutes the express waiver in writing of any other remedy, whether legal or equitable, that may be available to the Buyer.

21. Indemnification. Buyer expressly acknowledges and agrees that Seller provides NO indemnification from and against any loss, claim and/or damage arising under any circumstance related to the Assets or this Agreement, and Section 20 sets forth the Buyer's sole and exclusive remedy under this Agreement.

22. Broker's Commissions. Seller and Buyer represent and warrant each to the other that they have not dealt with any real estate broker, sales person or finder in connection with this transaction other than Whitehorse Partners, LLC ("Listing Broker"). At Closing, Seller agrees to a six percent (6%) commission to Listing Broker pursuant to a separate written agreement by and between Seller and Listing Broker, less the amount of any retainer fee previously paid by the Seller to Listing Broker. In no event shall the total sales commission owed by the Seller exceed six percent (6%) of the Purchase Price.

23. Survival of Representations and Warranties. All of the respective representations and warranties of the Parties to this Agreement shall survive the consummation of the transactions contemplated hereby.

24. Further Assurances. Buyer and Seller shall execute and deliver such additional documents and take such additional action as may be necessary or desirable to effectuate the provisions and purposes of this Agreement.

25. Attorneys' Fees and Costs. In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Agreement, the prevailing party will be entitled to, from the non-prevailing party, reimbursement of its attorneys' fees (including, but not limited to, attorneys' fees, paralegals' fees and legal assistants' fees), costs and expenses incurred in the preparation for and in connection with any trial, appeal, or bankruptcy proceeding.

IN WITNESS WHEREOF, the Buyer and Seller hereto have caused this Agreement to be duly executed as of the date first above written.

BUYER:

ARCHER PETROLEUM LTD.



ANDREW HUDSON

SELLER:

**BURTON W. WIAND, AS RECEIVER FOR QUEST
ENERGY MANAGEMENT GROUP, INC.**



BURTON W. WIAND, AS RECEIVER
FOR QUEST ENERGY MANAGEMENT GROUP, INC.

Exhibit A**Assets****1) Oil and Gas Leases.**

- The Musselman Caddo Unit (MCU) in Shackelford County, Texas - All rights, title, and interests in and under the oil, gas and mineral leases more fully described in the Assignment and Bill of Sale dated January 1, 2007 between Musselman Petroleum and Land Company and Quest Energy Management Group, Inc. which was recorded in the public records of Shackelford County, Texas at Vol. 0517, Page 0717, a copy of which is attached hereto as Exhibit A-1;
- The Kilgore Ranch project in Brown County, Texas – All rights, title, and interests in and under the oil, gas and mineral leases more fully described in the Assignment and Bill of Sale with an effective date of April 1, 2006 between Premiere Consolidated Oil and Gas, LLC and Quest Energy Management Group, Inc. which was recorded in the public records of Brown County, Texas at Volume 1623, Page 140 and All rights, title, and interests in and under the oil, gas and mineral leases more fully described in the Assignment and Bill of Sale with an effective date of April 1, 2006 between Premiere Consolidated Oil and Gas, LLC and Quest Energy Management Group, Inc. which was recorded in the public records of Brown County, Texas at Volume 1614, Page 709, copies of which are attached hereto as Exhibits A-2 and A-3, respectively; and,
- Any and all other leases or wells listed, and all leasehold interest of Seller in the lands upon which the Wells are located

List of Current Leases/Wells

API No.	Lease #	Lease Name	District	Well No.	Oil/Gas	County
'04930722	'25003	KILGORE, J. C. "A"	'7B	01AW	O	BROWN
'04931218	'00222	KILGORE, E. P.	'7B	12	O	BROWN
'04931456	'00222	KILGORE, E. P.	'7B	13	O	BROWN
'04931624	'00222	KILGORE, E. P.	'7B	9	O	BROWN
'04932020	'00292	HENRY, MACK	'7B	13	O	BROWN
'04932182	'00222	KILGORE, E. P.	'7B	17	O	BROWN
'04932713	'00222	KILGORE, E. P.	'7B	16	O	BROWN
'04933202	'18449	KILGORE "B"	'7B	2	O	BROWN
'04933543	'27628	K & Y "A"	'7B	1	O	BROWN
'04933747	'18449	KILGORE "B"	'7B	5	O	BROWN

'04934224	'26252	KILGORE, E.	'7B	6	O	BROWN
'04935384	'28136	KILGORE, E.P. K-100	'7B	7	O	BROWN
'04935438	'18449	KILGORE "B"	'7B	W 1	O	BROWN
'04935457	'26752	KILGORE "G"	'7B	1	O	BROWN
'04935573	'21979	SHULTS, HOLLIS "B"	'7B	10	O	BROWN
'04935574	'18449	KILGORE "B"	'7B	9	O	BROWN
'04935583	'28567	K & Y -A-	'7B	5	O	BROWN
'04935586	'28567	K & Y -A-	'7B	2	O	BROWN
'04935597	'26752	KILGORE "G"	'7B	4	O	BROWN
'04935598	'26752	KILGORE "G"	'7B	3	O	BROWN
'04935674	'26581	ARMSTRONG, ROY	'7B	15	O	BROWN
'04935708	'26390	KILGORE, E. P. "F"	'7B	3A	O	BROWN
'04935723	'00222	KILGORE, E. P.	'7B	20	O	BROWN
'04936030	'25003	KILGORE, J. C. "A"	'7B	2Q	O	BROWN
'04936032	'25003	KILGORE, J. C. "A"	'7B	1Q	O	BROWN
'04980484	'00222	KILGORE, E. P.	'7B	10	O	BROWN
'04980560	'28136	KILGORE, E.P. K-100	'7B	2	O	BROWN
'05936672	'29782	SNYDER RANCH	'7B	1	O	CALLAHAN
'41732413	'241787	MUSSELMAN "29"	'7B	291J	G	SHACKELFORD
'41733405	'22957	MUSSELMAN CADDO UNIT	'7B	271	O	SHACKELFORD
'41733443	'22957	MUSSELMAN CADDO UNIT	'7B	290	O	SHACKELFORD
'41734879	'22957	MUSSELMAN CADDO UNIT	'7B	273	O	SHACKELFORD
'41735201	'22957	MUSSELMAN CADDO UNIT	'7B	282	O	SHACKELFORD
'41735202	'22957	MUSSELMAN CADDO UNIT	'7B	280	O	SHACKELFORD
'41736736	'22957	MUSSELMAN CADDO UNIT	'7B	251	O	SHACKELFORD
'41780017	'017788	MUSSELMAN CADDO UNIT	'7B	281	G	SHACKELFORD

Musselman Caddo Unit
 Henry, Mack
 Kilgore -A- #1
 Kilgore, J.C. "B" #1
 Kilgore, E.P. "F" #2
 Kilgore, E.P. K-100 #3
 Collier, V.H. #1
 Collier, V.H. "B" #1

Well #s 250, 272, 274, 260
 Well #s 3, 7

2) **Other Assets.**

All assets of Seller including but not limited to all oil & gas equipment including in any yards, in any shops or storage, and on the wells and leases, including all oil and water tanks and heaters and separators, along with any pumps, piping, furniture, fixtures, equipment, tools and file cabinets, if any, asphalt and concrete ramp areas, and present storm water drainage system as well as the following:

2009 GMC 2500 Truck
2010 Ford F-250
2011 Ford F-250
2011 Ford F-250
1993 International 2-ton 40bbl Water Truck
1993 International 2-ton 40bbl Water Truck
GMC 2-ton Winch Truck
Volvo MC70B Skid Steer
John Deere 310B Backhoe
2007 Kawasaki 610 Mule
Maxey 12' Utility Trailer
BigTex 22' Gooseneck Flatbed Trailer
Maxey 20' Utility Trailer
BigTex 30' Pipe Trailer
Trailer with Lincoln Welder and Cutting Torch

3) **Assets Specifically Not Included.**

- a) This Agreement does not include the cash assets of Quest Energy Management Group, Inc. held at any financial institutions or any other financial instruments owned by Quest Energy management Group, Inc. including, but not limited to CDs.
- b) This Agreement does not include the real property owned by Quest Energy Management Group, Inc. which is located at 64 South Jacobs Street, Albany, Texas 76430.
- c) This transaction does not include any leases not specifically listed herein, however, Buyer and Seller acknowledge that it is the intent of this Agreement to sell, assign and convey all leasehold interest of Seller in the lands upon which the Wells listed in Exhibit A are located.

Exhibit A-1

The Musselman Caddo Unit (MCU) Assignment and Bill of Sale

Exhibit A-2

The Kilgore Ranch Assignment and Bill of Sale

Exhibit A-3

The Kilgore Ranch Assignment and Bill of Sale

Exhibit B

Proposed Court Order

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

ARTHUR NADEL,
SCOOP CAPITAL, LLC,
SCOOP MANAGEMENT, INC.,

Defendants.

CASE NO.: 8:09-cv-0087-T-26TBM

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY IRA FUND, LTD,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.

ORDER

Before the Court is the Receiver's Unopposed Verified Motion for Approval of Sale of Assets of Quest Energy Management Group, Inc. (the "Motion") (Dkt. ____). Upon due consideration of the Receiver's powers as set forth in the Order Appointing Receiver (Dkt. 8), the Orders Reappointing Receiver (Dkts. 140, 316, 493, 935 and 984), and applicable law, it is **ORDERED AND ADJUDGED** that the Motion is **GRANTED**. The Court finds that the transaction reflected in the Asset Purchase Agreement attached to the Motion is in the best interest

of the Receivership estate for the reasons detailed in the Motion. The Court also finds that the Motion includes sufficient grounds for waiving the appraisal requirements of 28 U.S.C. § 2001(b) under the discretion afforded this Court by 28 U.S.C. § 2004. In lieu of a hearing on the Motion, the Court finds that the filing of the Motion in the Court's public docket, its publication on the Receivership's website, and the publication of the terms of this transaction in accordance with 28 U.S.C. § 2001(b) provided sufficient notice and opportunity for any interested party to be heard.

Thus, the Court specifically approves the sale of the assets of Quest Energy Management Group, Inc. to Archer Petroleum Ltd. as provided for in the Asset Purchase Agreement attached as Exhibit __ to the Motion. The Receiver is hereby directed to transfer free and clear of all claims, liens, and encumbrances the assets of Quest Energy Management Group, Inc. to Archer Petroleum Ltd. pursuant to the Asset Purchase Agreement attached as Exhibit __ to the Motion. Any liens or encumbrances, including tax liens, on the real or personal property transferred pursuant to the Asset Purchase Agreement shall attach to the proceeds of the sale and shall be resolved through the claims process established in this action.

Furthermore, Quest Energy Management Group, Inc. interests, rights, and obligations as tenant under any and all oil and gas leases between it and various lessors, as well as Quest Energy Management Group, Inc.'s interests, rights, and obligations as lessee under the various oil and gas leases, as both are more particularly described in the Motion, are hereby assigned and transferred to Archer Petroleum Ltd.

DONE and ORDERED in chambers in Tampa, Florida this ____ day of _____, 2019.

UNITED STATES DISTRICT JUDGE

COPIES FURNISHED TO:
Counsel of Record

Exhibit C

Bill of Sale

1. Sale and Transfer of Assets. For good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, Burton W. Wiand, as Receiver for Quest Energy Management Group, Inc., a Delaware limited liability company ("Assignor"), hereby sells, transfers, assigns, conveys, grants and delivers to Archer Petroleum Ltd., a Texas Corporation ("Assignee"), effective as the date hereof, all of Assignor's right, title and interest in and to all of the Assets (as defined in the Asset Purchase Agreement between Assignor and Assignee dated _____, 2019).

2. Representations and Warranties. Assignor hereby covenants with Assignee that: (a) Assignor is the lawful owner of the Assets with the free and unrestricted right to sell the same; (b) the Assets are free and clear of all liens, claims and encumbrances of any nature whatsoever; (c) Assignor warrants and will defend title to the Assets hereby transferred against all claims and demands of all persons whomsoever; and (d) Assignor will execute and deliver such other documents and take such actions as Assignee may reasonably request from time to time to further evidence the transfer of the Purchased Assets as contemplated hereby.

3. Further Actions. Assignor agrees to take all steps reasonably necessary to establish the record of Assignee's title to the Assets and, at the request of Assignee, to execute and deliver further instruments of transfer and assignment and take such other action as Assignee may reasonably request to more effectively transfer and assign to and vest in Assignee each of the Assets.

Assignor has executed this Bill of Sale as of _____, 2019.

Burton W. Wiand, as Receiver for
Quest Energy Management Group, Inc.

Burton W. Wiand, as Receiver for
Quest Energy Management Group, Inc.

EXHIBIT 3

NOTICE OF SALE

LEGAL NOTICE: Pursuant to 28 U.S.C. § 2001, Burton W. Wiand, as Receiver (“Receiver”) appointed in the matter of *SECURITIES AND EXCHANGE COMMISSION V. ARTHUR NADEL, ET AL.*, CASE NO: 8:09-CV-87-T-26TBM (U.S.D.C., M.D. Fla.), will conduct a private sale of the assets of Quest Energy Management Group, Inc. for \$1,000,000. The sale is subject to the approval of the United States District Court. Pursuant to 28 U.S.C. § 2001, bona fide offers that exceed the sale price by 10% must be submitted to the Receiver. All such bona fide offers must be delivered to and received by the Receiver within 10 days of the publication of this Notice. All inquiries regarding the assets or the sale should be made to the Receiver at (813) 347-5100.

EXHIBIT 4

ASSET VALUATION

Quest EMG, Inc.

COMPLETED BY:

Jordan Taylor Buckingham

Petroleum Engineer

University of Texas at Austin

Cockrell School of Engineering

05/18/19

TABLE OF CONTENTS

<i>SUMMARY</i>	2
<i>LEASE ANALYSIS</i>	3
<i>DECLINE CURVE ANALYSIS</i>	3
<i>NET REVENUE ANALYSIS</i>	9
<i>OPERATIONS EXPENSE & PLUGGING LIABILITY</i>	10
<i>OTHER ASSETS AND FINAL VALUATION</i>	13
<i>CLOSING COMMENTS</i>	15

SUMMARY

This document has been prepared to estimate the value of assets provided on an Exhibit “A” describing the assets of Quest EMG, Inc., holding TX RRC Oil and Gas Operator Number 684615. The final valuation amounts on this report were calculated using decline curve analysis on producing leases using historical production data from the TX Railroad Commission (RRC), historical WTI oil and gas pricing, operations expense data from Quest EMG, Inc., and known standard operation well costs in RRC District 7B.

Generally, production revenue estimates for the sale of oil and gas leases are projected as 36 months, 42 months, or 48 months of net profit. After analysis, I estimate the total value of the assets of Quest EMG, Inc. described on mentioned Exhibit “A” as the value described in Table 1 below. This is based on 48 months of net profit.

TABLE 1

QUEST EMG, INC ASSET VALUATION	
Projected Value of Assets	\$ 964,457.54

In summary, while there is promising production and revenue potential in these leases, they bring with them a tremendous amount of operations expense and plugging liability due to the number of wells involved and the ratio of producing wells to non-producing wells. The following pages will describe in detail how this valuation was calculated. This report includes valuations of 36 months, 42 months, and 48 months. Generally, 48 months of net profit is considered an excellent value for the seller.

LEASE ANALYSIS

The first step was to take all of the leases and pull production data on each from the Texas Railroad Commission website. Upon evaluation of nineteen separate leases, I found that only five showed recent production data. Most that showed previous production data showed no production numbers in the past five years. Table 2 below provides the production status of each lease.

TABLE 2

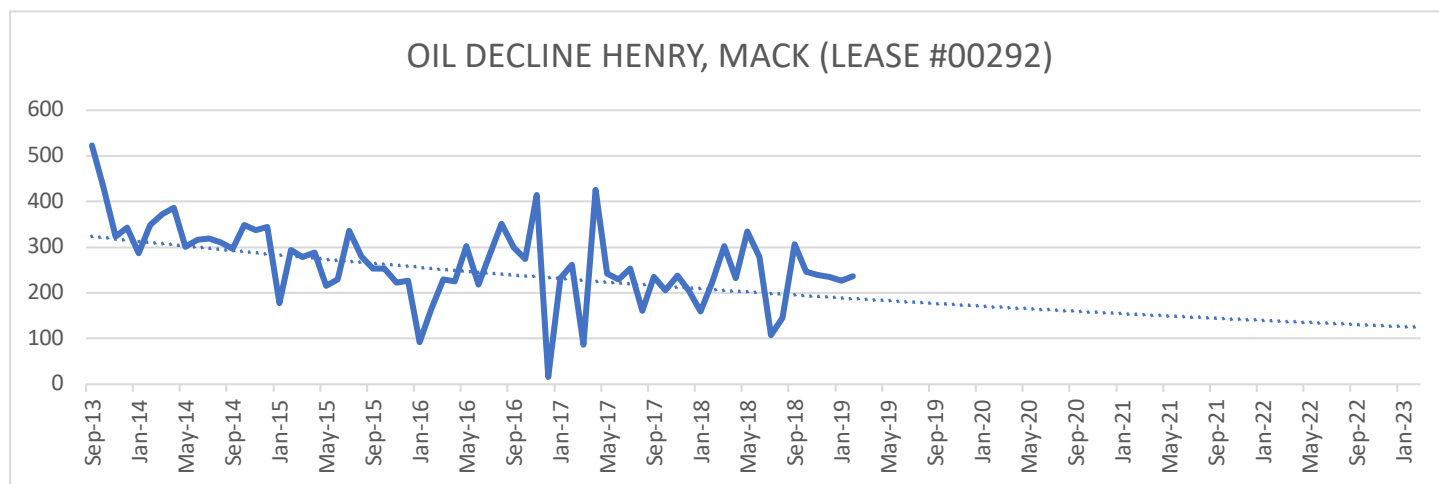
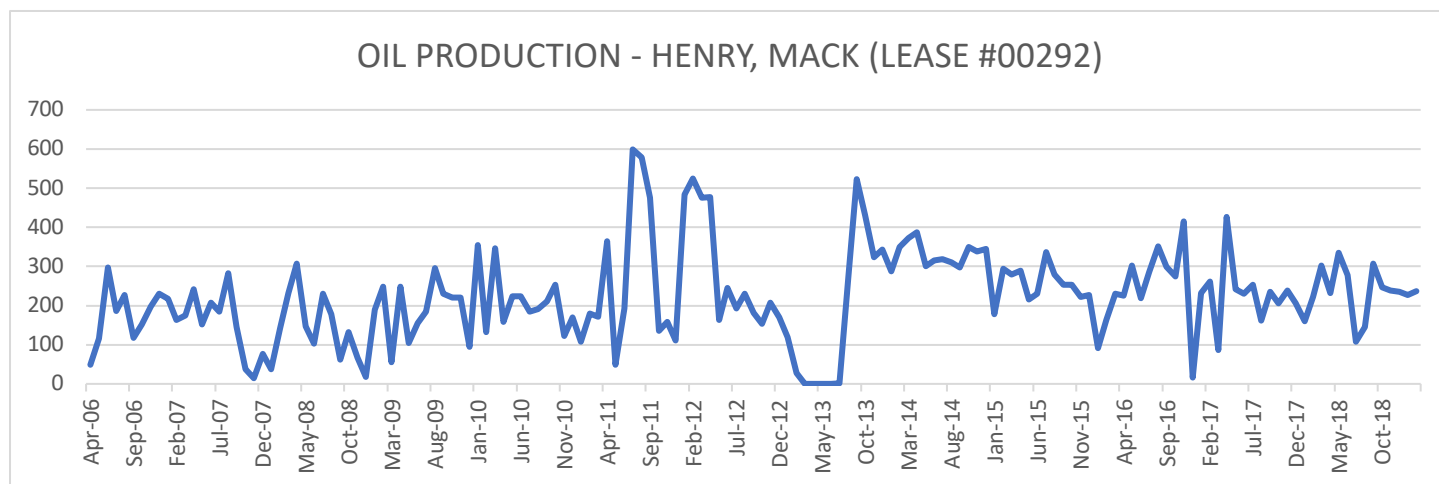
LEASE NUMBER	LEASE NAME BY TX RRC	WELL NUMBERS	PRODUCTION STATUS	LAST PRODUCTION DATA	NUMBER OF WELLS
00292	HENRY, MACK	3, 7, 13	PRODUCING	February-19	3
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	PRODUCING	February-19	10
25905	COLLIER, V.H.	1	PRODUCING	February-19	1
25964	V. H. "B"	1	PRODUCING	February-19	1
28136	KILGORE, E.P. K-100	2, 3, 7	PRODUCING	February-19	3
00222	KILGORE, E. P.	9, 10, 12, 13, 16, 17, 20	NOT PRODUCING	January-13	7
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	NOT PRODUCING	November-06	4
18449	KILGORE "B"	2, 5, 9, W1	NOT PRODUCING	May-13	4
21979	SHULTS, HOLLIS "B"	10	NOT PRODUCING	August-12	1
26252	KILGORE, E.	6	NOT PRODUCING	NONE	1
26390	KILGORE, E. P. "F"	2, 3A	NOT PRODUCING	November-06	2
26581	ARMSTRONG, ROY	15	NOT PRODUCING	December-10	1
26589	KILGORE, J.C. "B"	1	NOT PRODUCING	NONE	1
26752	KILGORE "G"	1, 3, 4	NOT PRODUCING	NONE	3
27628	K & Y "A"	1	NOT PRODUCING	May-13	1
28567	K & Y -A-	2, 5	NOT PRODUCING	August-12	2
29782	SNYDER RANCH	1	NOT PRODUCING	August-11	1
017788	MUSSELMAN CADDO UNIT	281	NOT PRODUCING	May-07	1
241787	MUSSELMAN "29"	291J	NOT PRODUCING	April-08	1

After speaking with the asset management team and production superintendent, I found that the production was coming from ten active wells in the five producing fields.

DECLINE CURVE ANALYSIS

I pulled production data on each lease and completed a decline curve analysis on the five which showed production data. The following charts show the production plot and plotted exponential decline curve of each of the five producing properties.

Looking at the historical data on the HENRY, MACK (LEASE #00292), I found oil production, but no gas production. I chose a starting point of September 2013 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.

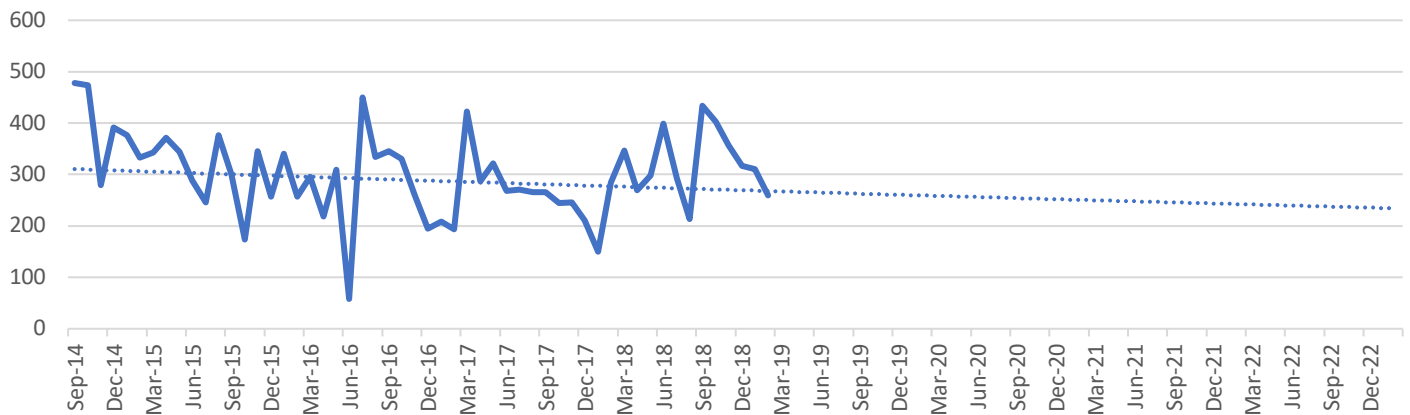


Looking at the historical data on the MUSSELMAN CADDO UNIT (LEASE #22957), I found both oil and gas production. I chose a starting point of September 2014 for the decline curve analysis on the oil and also September 2014 for the decline curve analysis on the gas. You can see on the charts the likely trend for the production to continue 48 monthly periods into the future.

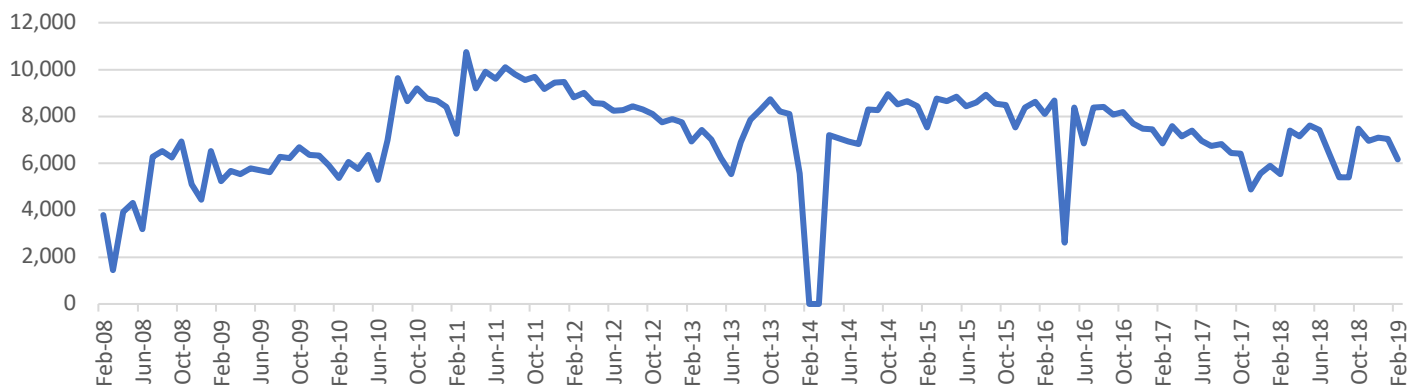
OIL PRODUCTION - MUSSELMAN CADDO UNIT (LEASE #22957)

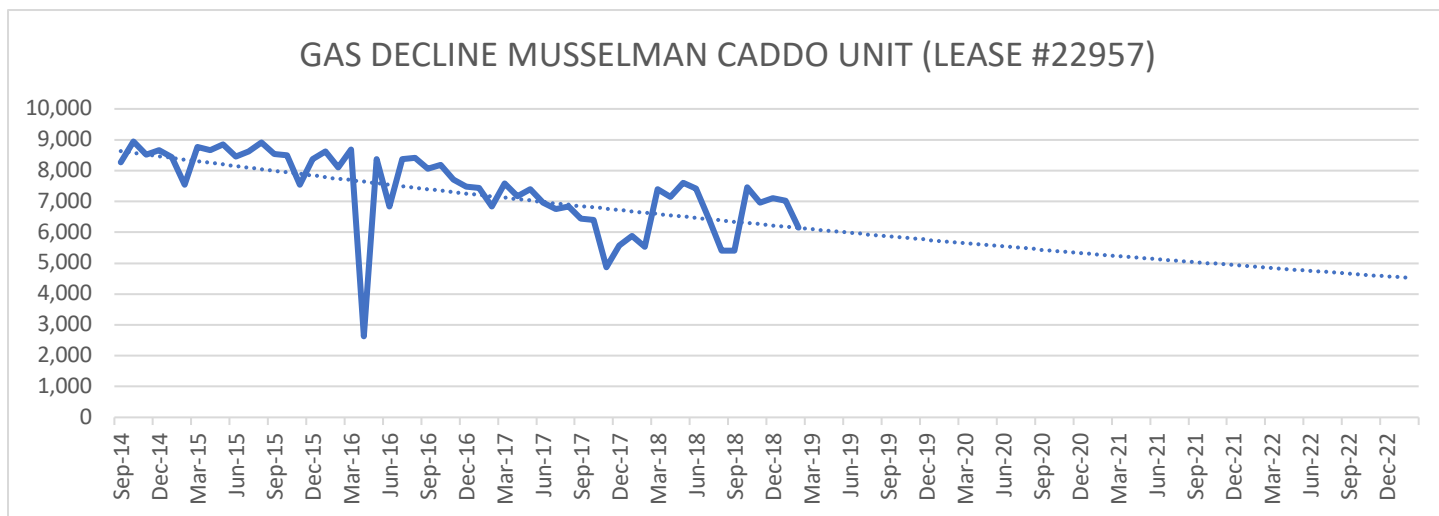


OIL DECLINE MUSSELMAN CADDO UNIT (LEASE #22957)

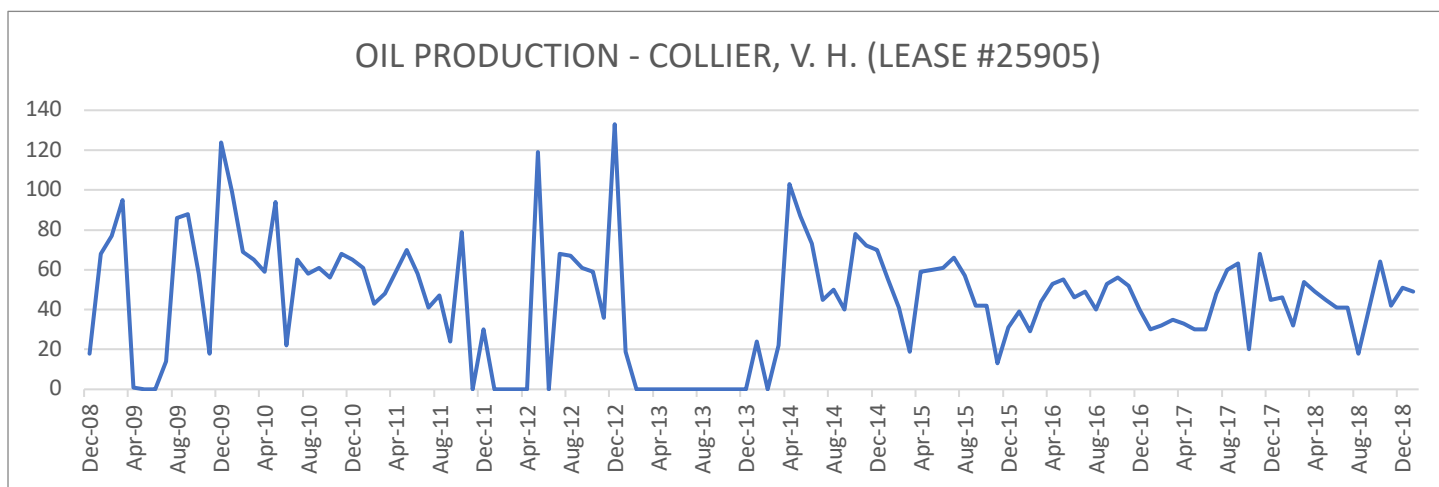


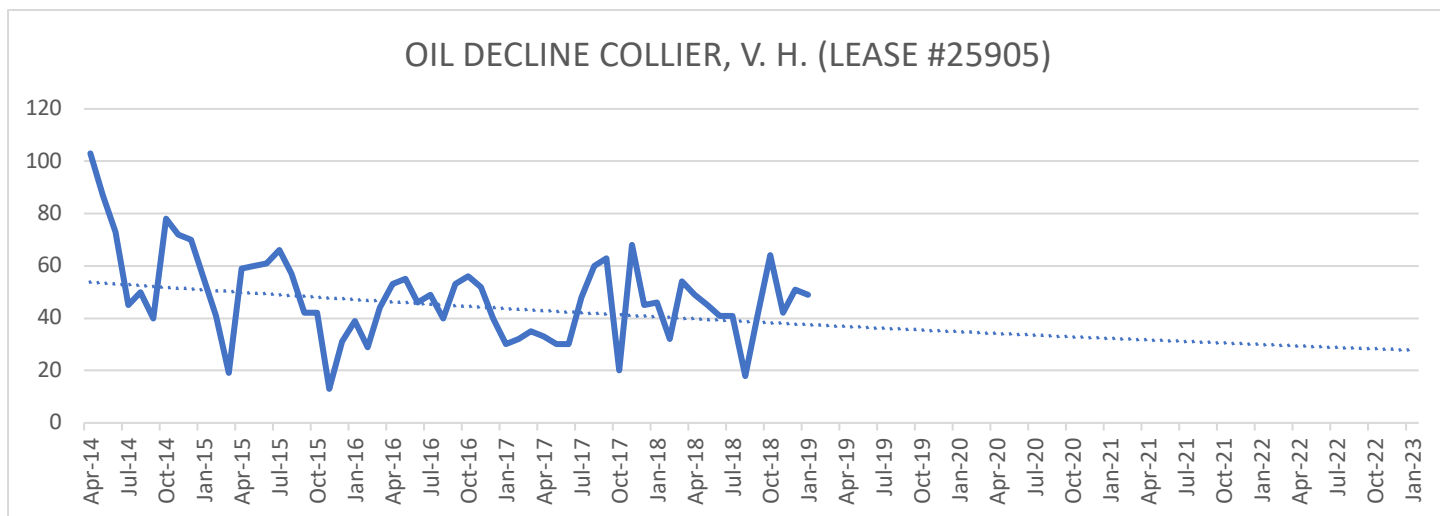
GAS PRODUCTION - MUSSELMAN CADDO UNIT (LEASE #22957)



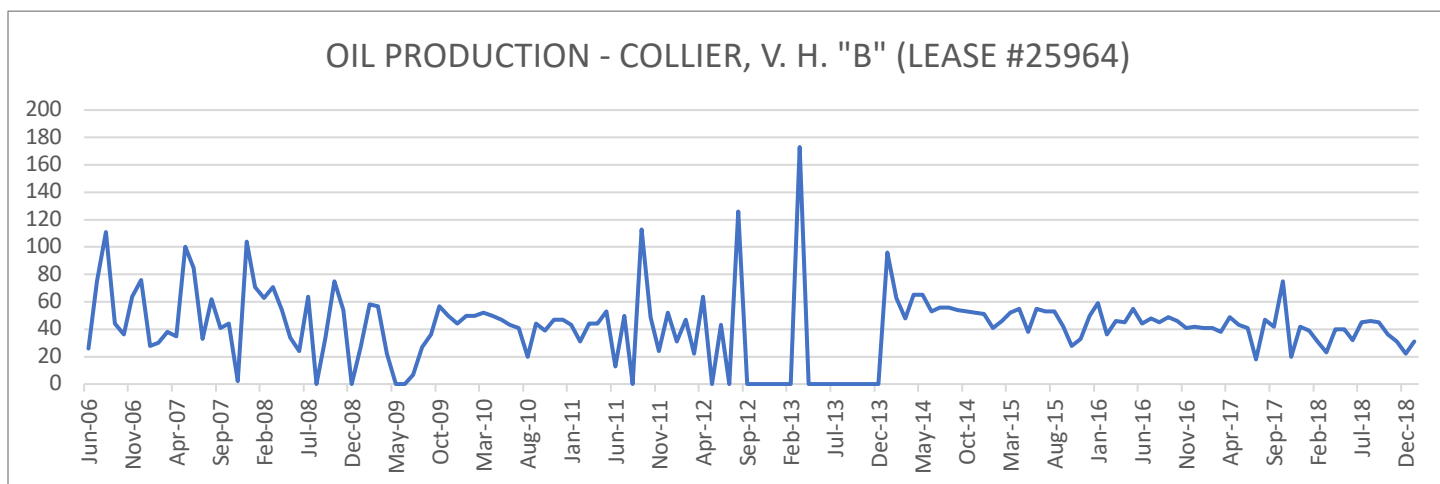


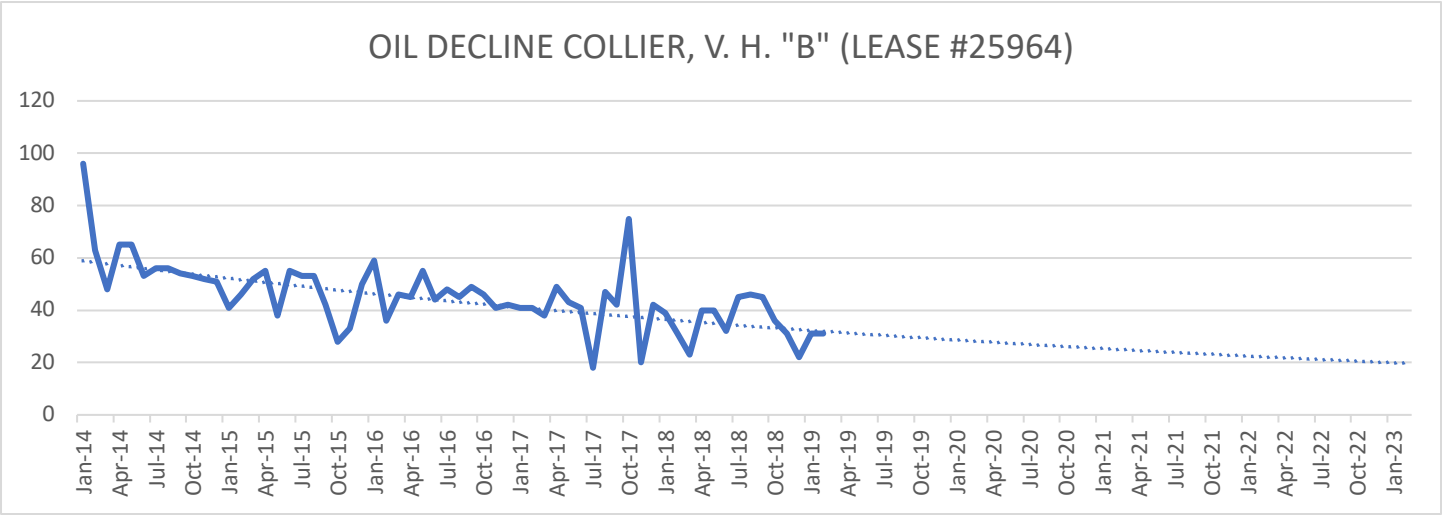
Looking at the historical data on the COLLIER, V. H. (LEASE #25905), I found oil production, but no gas production. I chose a starting point of April 2014 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.



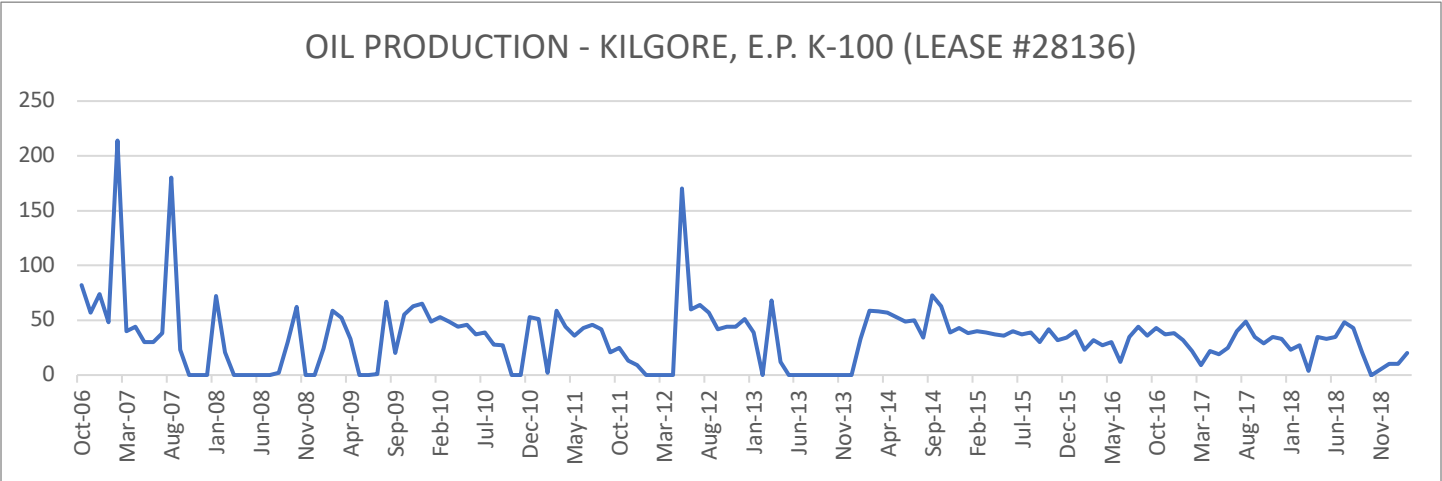


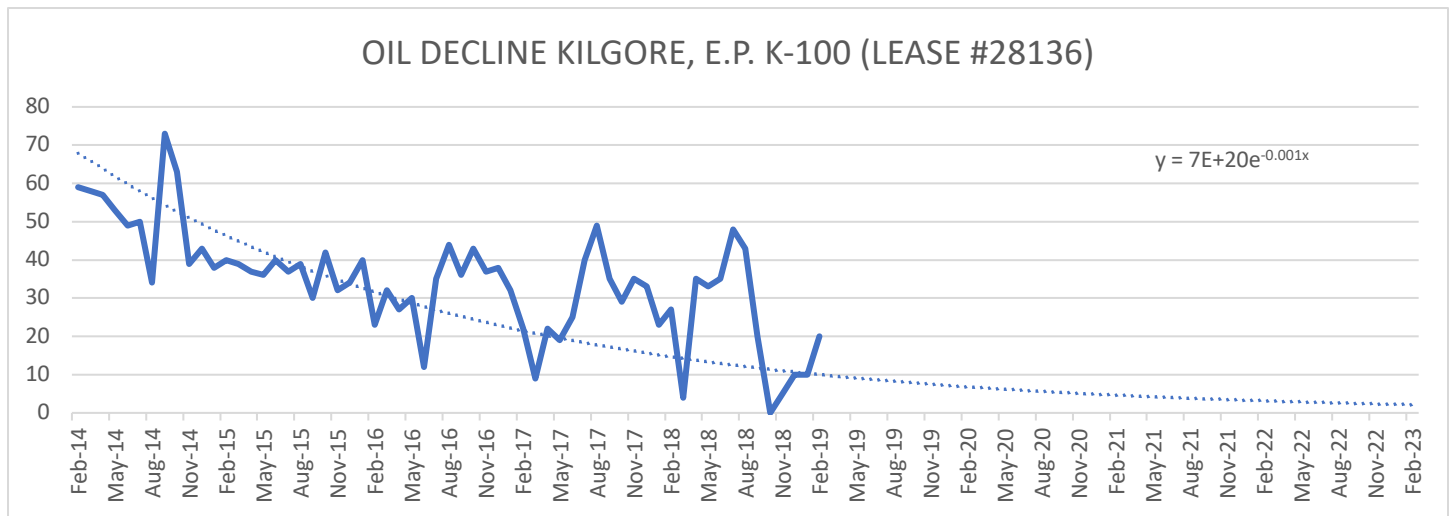
Looking at the historical data on the COLLIER, V. H. "B" (LEASE #25964), I found oil production, but no gas production. I chose a starting point of January 2014 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.





Finally, looking at the historical data on the KILGORE, E.P. K-100 (LEASE #28136), I found oil production, but no gas production. I chose a starting point of February 2014 for the decline curve analysis. You can see on the chart the likely trend for the production to continue 48 monthly periods into the future.





NET REVENUE ANALYSIS

With the decline curve analysis complete, I was able to extrapolate into the future to estimate potential net revenue using net revenue interest after royalty interest payments but before operating expenses and liabilities were factored in. Ownership interest was obtained from the Division of Interest provided by Transoil Marketing, LLC. These numbers were calculated with a three-year average WTI oil price of \$55.87/BBL and a three-year average WTI gas price of \$3.13/MCF. In addition, the start point of the decline was taken as the six-month average of the last production on record September 2018-February 2019. From there, 36 month, 42 month, and 48 month potential revenues were calculated using exponential decline constants derived from the data seen in the decline curve analysis charts above. Table 3 below shows the revenues as described.

TABLE 3

36 MONTH NET REVENUE						
LEASE NUMBER	LEASE NAME	OIL REVENUE	GAS REVENUE	TOTAL REVENUE	OWNERSHIP	NET REVENUE
00292	HENRY, MACK	\$ 433,233.88	\$ -	\$ 433,233.88	74.640000%	\$ 323,365.77
22957	MUSSELMAN CADDO UNIT	\$ 652,483.46	\$ 704,473.40	\$ 1,356,956.86	78.640647%	\$ 1,067,119.65
25905	COLLIER, V.H.	\$ 91,281.31	\$ -	\$ 91,281.31	80.250000%	\$ 73,253.25
25964	V. H. "B"	\$ 59,672.08	\$ -	\$ 59,672.08	80.250000%	\$ 47,886.84
28136	KILGORE, E.P. K-100	\$ 13,374.27	\$ -	\$ 13,374.27	79.000000%	\$ 10,565.68
		\$ 1,250,045.01	\$ 704,473.40	\$ 1,954,518.41		\$ 1,522,191.20

42 MONTH NET REVENUE						
LEASE NUMBER	LEASE NAME	OIL VALUE	GAS VALUE	TOTAL REVENUE	OWNERSHIP	NET REVENUE
00292	HENRY, MACK	\$ 493,558.02	\$ -	\$ 493,558.02	74.640000%	\$ 368,391.70
22957	MUSSELMAN CADDO UNIT	\$ 752,792.81	\$ 812,775.40	\$ 1,565,568.21	78.640647%	\$ 1,231,172.97
25905	COLLIER, V.H.	\$ 105,125.64	\$ -	\$ 105,125.64	80.250000%	\$ 84,363.33
25964	V. H. "B"	\$ 67,686.98	\$ -	\$ 67,686.98	80.250000%	\$ 54,318.80
28136	KILGORE, E.P. K-100	\$ 14,485.95	\$ -	\$ 14,485.95	79.000000%	\$ 11,443.90
		\$ 1,433,649.39	\$ 812,775.40	\$ 2,246,424.79		\$ 1,766,602.99

48 MONTH NET REVENUE						
LEASE NUMBER	LEASE NAME	OIL VALUE	GAS VALUE	TOTAL REVENUE	OWNERSHIP	NET REVENUE
00292	HENRY, MACK	\$ 550,922.12	\$ -	\$ 550,922.12	74.640000%	\$ 411,208.27
22957	MUSSELMAN CADDO UNIT	\$ 850,835.22	\$ 918,629.84	\$ 1,769,465.06	78.640647%	\$ 1,391,518.77
25905	COLLIER, V.H.	\$ 118,605.88	\$ -	\$ 118,605.88	80.250000%	\$ 95,181.22
25964	V. H. "B"	\$ 75,233.98	\$ -	\$ 75,233.98	80.250000%	\$ 60,375.27
28136	KILGORE, E.P. K-100	\$ 15,410.14	\$ -	\$ 15,410.14	79.000000%	\$ 12,174.01
		\$ 1,611,007.34	\$ 918,629.84	\$ 2,529,637.18		\$ 1,989,323.05

These numbers obviously increase as you take them out from 36 to 42 to 48 months. This would be the collected revenues before operations expense and liabilities are factored in.

OPERATIONS EXPENSE & PLUGGING LIABILITY

With the decline curve and revenue analysis complete, we now move on to the operations expense. There are many factors that play into operations expense. I will note that if an operator with an active P-5 with the TX RRC is involved in purchasing these wells, that can definitely make it more economic for purchase due to being able to operate the wells in house. For this valuation, I am assuming that the purchaser would not be operating, and the investment group would have to pay operations expenses at the going rate per well along with standard expenses associated with electricity, water hauling, workover, routine maintenance, etc.

Standard operating rates on a per well basis in RRC District 7B at this well depth generally range from \$150.00 to \$300.00 per well per month. These are in place even on non-producers, because the paperwork and filings must still be completed on wells and leases as required by the TX RRC. In this scenario, the cost of \$200.00 per well per month was utilized. Electricity and water hauling expenses were spread across the producing leases relative

to their number of producing wells at an average of \$2,400 per month provided by the operator. I assumed one workover per producing well in the 36-48 month period with each workover calculated at \$5,000.00.

As for plugging liability, that is a rather large calculation due to the number of non-producing wells that come along with these leases. The expense of plugging wells depends on the depth of fresh water and the number of plugs required by the TX RRC. Generally in this depth range, plugging expense ranges from \$7,500.00 to \$20,000.00 per well. The plugging liability in this scenario is calculated at \$10,000 per well. Table 4 below reveals the plugging liability and operations expense associated with the leases.

TABLE 4

36 MONTH EXPENSE					
LEASE NUMBER	LEASE NAME	PLUGGING LIABILITY	OPERATING EXPENSE	ELECTRIC & WATER HAULING	WORKOVER EXPENSE
00292	HENRY, MACK	\$ 30,000.00	\$ 21,600.00	\$ 25,920.00	\$ 15,000.00
22957	MUSSELMAN CADDO UNIT	\$ 100,000.00	\$ 72,000.00	\$ 25,920.00	\$ 15,000.00
25905	COLLIER, V.H.	\$ 10,000.00	\$ 7,200.00	\$ 8,640.00	\$ 5,000.00
25964	V. H. "B"	\$ 10,000.00	\$ 7,200.00	\$ 8,640.00	\$ 5,000.00
28136	KILGORE, E.P. K-100	\$ 30,000.00	\$ 21,600.00	\$ 17,280.00	\$ 10,000.00
00222	KILGORE, E. P.	\$ 70,000.00	\$ 50,400.00	-	-
25003	KILGORE, J. C. "A"	\$ 40,000.00	\$ 28,800.00	-	-
18449	KILGORE "B"	\$ 40,000.00	\$ 28,800.00	-	-
21979	SHULTS, HOLLIS "B"	\$ 10,000.00	\$ 7,200.00	-	-
26252	KILGORE, E.	\$ 10,000.00	\$ 7,200.00	-	-
26390	KILGORE, E. P. "F"	\$ 20,000.00	\$ 14,400.00	-	-
26581	ARMSTRONG, ROY	\$ 10,000.00	\$ 7,200.00	-	-
26589	KILGORE, J.C. "B"	\$ 10,000.00	\$ 7,200.00	-	-
26752	KILGORE "G"	\$ 30,000.00	\$ 21,600.00	-	-
27628	K & Y "A"	\$ 10,000.00	\$ 7,200.00	-	-
28567	K & Y -A-	\$ 20,000.00	\$ 14,400.00	-	-
29782	SNYDER RANCH	\$ 10,000.00	\$ 7,200.00	-	-
017788	MUSSELMAN CADDO UNIT	\$ 10,000.00	\$ 7,200.00	-	-
241787	MUSSELMAN "29"	\$ 10,000.00	\$ 7,200.00	-	-
		\$ 480,000.00	\$ 345,600.00	\$ 86,400.00	\$ 50,000.00

42 MONTH EXPENSE					
LEASE NUMBER	LEASE NAME	PLUGGING LIABILITY	OPERATING EXPENSE	ELECTRIC & WATER HAULING	WORKOVER EXPENSE
00292	HENRY, MACK	\$ 30,000.00	\$ 25,200.00	\$ 30,240.00	\$ 15,000.00
22957	MUSSELMAN CADDO UNIT	\$ 100,000.00	\$ 84,000.00	\$ 30,240.00	\$ 15,000.00
25905	COLLIER, V.H.	\$ 10,000.00	\$ 8,400.00	\$ 10,080.00	\$ 5,000.00
25964	V. H. "B"	\$ 10,000.00	\$ 8,400.00	\$ 10,080.00	\$ 5,000.00
28136	KILGORE, E.P. K-100	\$ 30,000.00	\$ 25,200.00	\$ 20,160.00	\$ 10,000.00
00222	KILGORE, E. P.	\$ 70,000.00	\$ 58,800.00	\$ -	\$ -
25003	KILGORE, J. C. "A"	\$ 40,000.00	\$ 33,600.00	\$ -	\$ -
18449	KILGORE "B"	\$ 40,000.00	\$ 33,600.00	\$ -	\$ -
21979	SHULTS, HOLLIS "B"	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
26252	KILGORE, E.	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
26390	KILGORE, E. P. "F"	\$ 20,000.00	\$ 16,800.00	\$ -	\$ -
26581	ARMSTRONG, ROY	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
26589	KILGORE, J.C. "B"	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
26752	KILGORE "G"	\$ 30,000.00	\$ 25,200.00	\$ -	\$ -
27628	K & Y "A"	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
28567	K & Y -A-	\$ 20,000.00	\$ 16,800.00	\$ -	\$ -
29782	SNYDER RANCH	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
017788	MUSSELMAN CADDO UNIT	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
241787	MUSSELMAN "29"	\$ 10,000.00	\$ 8,400.00	\$ -	\$ -
		\$ 480,000.00	\$ 403,200.00	\$ 100,800.00	\$ 50,000.00

48 MONTH EXPENSE					
LEASE NUMBER	LEASE NAME	PLUGGING LIABILITY	OPERATING EXPENSE	ELECTRIC & WATER HAULING	WORKOVER EXPENSE
00292	HENRY, MACK	\$ 30,000.00	\$ 28,800.00	\$ 34,560.00	\$ 15,000.00
22957	MUSSELMAN CADDO UNIT	\$ 100,000.00	\$ 96,000.00	\$ 34,560.00	\$ 15,000.00
25905	COLLIER, V.H.	\$ 10,000.00	\$ 9,600.00	\$ 11,520.00	\$ 5,000.00
25964	V. H. "B"	\$ 10,000.00	\$ 9,600.00	\$ 11,520.00	\$ 5,000.00
28136	KILGORE, E.P. K-100	\$ 30,000.00	\$ 28,800.00	\$ 23,040.00	\$ 10,000.00
00222	KILGORE, E. P.	\$ 70,000.00	\$ 67,200.00	\$ -	\$ -
25003	KILGORE, J. C. "A"	\$ 40,000.00	\$ 38,400.00	\$ -	\$ -
18449	KILGORE "B"	\$ 40,000.00	\$ 38,400.00	\$ -	\$ -
21979	SHULTS, HOLLIS "B"	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
26252	KILGORE, E.	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
26390	KILGORE, E. P. "F"	\$ 20,000.00	\$ 19,200.00	\$ -	\$ -
26581	ARMSTRONG, ROY	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
26589	KILGORE, J.C. "B"	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
26752	KILGORE "G"	\$ 30,000.00	\$ 28,800.00	\$ -	\$ -
27628	K & Y "A"	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
28567	K & Y -A-	\$ 20,000.00	\$ 19,200.00	\$ -	\$ -
29782	SNYDER RANCH	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
017788	MUSSELMAN CADDO UNIT	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
241787	MUSSELMAN "29"	\$ 10,000.00	\$ 9,600.00	\$ -	\$ -
		\$ 480,000.00	\$ 460,800.00	\$ 115,200.00	\$ 50,000.00

These expenses will be deducted from the previously stated revenues calculated from the net revenue interest in the final valuation.

OTHER ASSETS AND FINAL VALUATION

Now that the operations expense and plugging liability have been covered, it is time to tie it all together with a valuation. Also on the Exhibit "A" is a list of remaining assets that will be transferred with the leases. I am a petroleum engineer, not an equipment specialist, but I have been around this equipment and seen it sold and purchased. I have not seen this exact equipment, but from its age and use in the oilfield, I can imagine the shape it is in. I am including a \$100,000 valuation for all of this equipment combined in the final valuation. This is spread across all leases. If a second opinion was to be had on something in this report, I would recommend starting with a full valuation of the equipment on the list that will be transferred with the lease.

That being said, all of the valuations and operations expenses from above added together gives you the final valuation data shown in Table 5 below.

TABLE 5

36 MONTH FINAL VALUE						
LEASE NUMBER	LEASE NAME	WELL NUMBERS	NET REVENUE	EQUIPMENT VALUE	TOTAL EXPENSE	FINAL VALUE
00292	HENRY, MACK	3, 7, 13	\$ 323,365.77	\$ 5,263.16	\$ 92,520.00	\$ 236,108.93
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	\$ 1,067,119.65	\$ 5,263.16	\$ 212,920.00	\$ 859,462.81
25905	COLLIER, V.H.	1	\$ 73,253.25	\$ 5,263.16	\$ 30,840.00	\$ 47,676.41
25964	V. H. "B"	1	\$ 47,886.84	\$ 5,263.16	\$ 30,840.00	\$ 22,310.00
28136	KILGORE, E.P. K-100	2, 3, 7	\$ 10,565.68	\$ 5,263.16	\$ 78,880.00	\$ (63,051.17)
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	\$ -	\$ 5,263.16	\$ 120,400.00	\$ (115,136.84)
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	\$ -	\$ 5,263.16	\$ 68,800.00	\$ (63,536.84)
18449	KILGORE "B"	2, 5, 9, W1	\$ -	\$ 5,263.16	\$ 68,800.00	\$ (63,536.84)
21979	SHULTS, HOLLIS "B"	10	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
26252	KILGORE, E.	6	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
26390	KILGORE, E. P. "F"	2, 3A	\$ -	\$ 5,263.16	\$ 34,400.00	\$ (29,136.84)
26581	ARMSTRONG, ROY	15	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
26589	KILGORE, J.C. "B"	1	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
26752	KILGORE "G"	1, 3, 4	\$ -	\$ 5,263.16	\$ 51,600.00	\$ (46,336.84)
27628	K & Y "A"	1	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
28567	K & Y -A-	2, 5	\$ -	\$ 5,263.16	\$ 34,400.00	\$ (29,136.84)
29782	SNYDER RANCH	1	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
017788	MUSSELMAN CADDO UNIT	281	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
241787	MUSSELMAN "29"	291J	\$ -	\$ 5,263.16	\$ 17,200.00	\$ (11,936.84)
			\$ 1,522,191.20	\$ 100,000.00	\$ 962,000.00	\$ 660,191.20

42 MONTH FINAL VALUE						
LEASE NUMBER	LEASE NAME	WELL NUMBERS	NET REVENUE	EQUIPMENT VALUE	TOTAL EXPENSE	FINAL VALUE
00292	HENRY, MACK	3, 7, 13	\$ 368,391.70	\$ 5,263.16	\$ 100,440.00	\$ 273,214.86
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	\$ 1,231,172.97	\$ 5,263.16	\$ 229,240.00	\$ 1,007,196.13
25905	COLLIER, V.H.	1	\$ 84,363.33	\$ 5,263.16	\$ 33,480.00	\$ 56,146.48
25964	V. H. "B"	1	\$ 54,318.80	\$ 5,263.16	\$ 33,480.00	\$ 26,101.96
28136	KILGORE, E.P. K-100	2, 3, 7	\$ 11,443.90	\$ 5,263.16	\$ 85,360.00	\$ (68,652.94)
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	\$ -	\$ 5,263.16	\$ 128,800.00	\$ (123,536.84)
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	\$ -	\$ 5,263.16	\$ 73,600.00	\$ (68,336.84)
18449	KILGORE "B"	2, 5, 9, W1	\$ -	\$ 5,263.16	\$ 73,600.00	\$ (68,336.84)
21979	SHULTS, HOLLIS "B"	10	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
26252	KILGORE, E.	6	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
26390	KILGORE, E. P. "F"	2, 3A	\$ -	\$ 5,263.16	\$ 36,800.00	\$ (31,536.84)
26581	ARMSTRONG, ROY	15	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
26589	KILGORE, J.C. "B"	1	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
26752	KILGORE "G"	1, 3, 4	\$ -	\$ 5,263.16	\$ 55,200.00	\$ (49,936.84)
27628	K & Y "A"	1	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
28567	K & Y -A-	2, 5	\$ -	\$ 5,263.16	\$ 36,800.00	\$ (31,536.84)
29782	SNYDER RANCH	1	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
017788	MUSSELMAN CADDO UNIT	281	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
241787	MUSSELMAN "29"	291J	\$ -	\$ 5,263.16	\$ 18,400.00	\$ (13,136.84)
			\$ 1,749,690.70	\$ 100,000.00	\$ 1,034,000.00	\$ 815,690.70

48 MONTH FINAL VALUE						
LEASE NUMBER	LEASE NAME	WELL NUMBERS	NET REVENUE	EQUIPMENT VALUE	TOTAL EXPENSE	FINAL VALUE
00292	HENRY, MACK	3, 7, 13	\$ 411,208.27	\$ 5,263.16	\$ 108,360.00	\$ 308,111.43
22957	MUSSELMAN CADDO UNIT	250, 251, 260, 271, 272, 273, 274, 280, 282, 290	\$ 1,391,518.77	\$ 5,263.16	\$ 245,560.00	\$ 1,151,221.93
25905	COLLIER, V.H.	1	\$ 95,181.22	\$ 5,263.16	\$ 36,120.00	\$ 64,324.38
25964	V. H. "B"	1	\$ 60,375.27	\$ 5,263.16	\$ 36,120.00	\$ 29,518.43
28136	KILGORE, E.P. K-100	2, 3, 7	\$ 12,174.01	\$ 5,263.16	\$ 91,840.00	\$ (74,402.83)
00222	KILGORE, E. P.	9, 10, 12, 13,16, 17, 20	\$ -	\$ 5,263.16	\$ 137,200.00	\$ (131,936.84)
25003	KILGORE, J. C. "A"	01AW, 1Q, 2Q, A1	\$ -	\$ 5,263.16	\$ 78,400.00	\$ (73,136.84)
18449	KILGORE "B"	2, 5, 9, W1	\$ -	\$ 5,263.16	\$ 78,400.00	\$ (73,136.84)
21979	SHULTS, HOLLIS "B"	10	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
26252	KILGORE, E.	6	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
26390	KILGORE, E. P. "F"	2, 3A	\$ -	\$ 5,263.16	\$ 39,200.00	\$ (33,936.84)
26581	ARMSTRONG, ROY	15	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
26589	KILGORE, J.C. "B"	1	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
26752	KILGORE "G"	1, 3, 4	\$ -	\$ 5,263.16	\$ 58,800.00	\$ (53,536.84)
27628	K & Y "A"	1	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
28567	K & Y -A-	2, 5	\$ -	\$ 5,263.16	\$ 39,200.00	\$ (33,936.84)
29782	SNYDER RANCH	1	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
017788	MUSSELMAN CADDO UNIT	281	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
241787	MUSSELMAN "29"	291J	\$ -	\$ 5,263.16	\$ 19,600.00	\$ (14,336.84)
			\$ 1,970,457.54	\$ 100,000.00	\$ 1,106,000.00	\$ 964,457.54

CLOSING COMMENTS

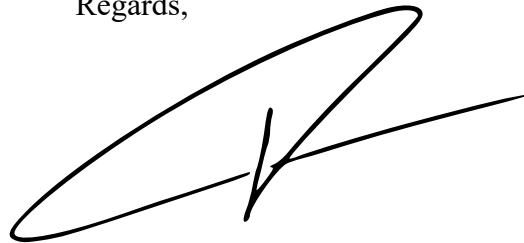
In closing, I would like to make a few points about the details of the final valuation. There are a few obvious factors, including the volatility of oil and gas pricing. The oil and gas dollar amounts used were a three-year average WTI oil price of \$55.87/BBL and a three-year average WTI gas price of \$3.13/MCF stretching from June 15, 2016 to May 15, 2019. If these values are high or low, it could drastically affect the valuation. In addition, if these wells were purchased by an active operator with P-5 with the TX RRC, the operations expenses associated with this valuation could be reduced by absorbing the additional wells into an already competent staff. Also, the workover numbers could be drastically different in reality with the age of these wells and no additional expenses were calculated for unforeseen incidents that could create more expense down the road. I have also not calculated any potential upside for stimulating wells or bringing old non-producing leases back online.

With all of this being said, we know the oil and gas space is a volatile world full of ups and downs and certain uncertainty. With an optimistic view, I'd say that this will be a long-term winner by whoever purchases it. Best case scenario would be to have an existing operating company in the mix to reduce the overhead expense of the lease and utilize revenues over time to reduce plugging liability without feeling the hit as hard as it shows up here on paper.

And finally, this is just my opinion as a petroleum engineer. This exact data given to several other engineers and valuation experts could yield entirely different results depending on the parameters chosen and calculations made.

Thank you for reading.

Regards,

A handwritten signature in black ink, consisting of a large, sweeping loop followed by a vertical stroke and a horizontal line extending to the right.

Jordan Taylor Buckingham

Petroleum Engineer

University of Texas at Austin

Cockrell School of Engineering