

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

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

Case No. 8:09-cv-0087-T-26TBM

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

Defendants,

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.

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**THE RECEIVER'S SECOND INTERIM REPORT ON
QUEST ENERGY MANAGEMENT GROUP, INC.**

Burton W. Wiand, the Court-appointed Receiver for Quest Energy Management Group, Inc. (“**Quest**” or the “**Company**”), hereby files this Second Interim Report On Quest (the “**Report**”) to inform the Court, investors, and others interested in this Receivership of

activities from August 27, 2013 through the date of the filing of this Report as well as the proposed course of action.¹

BACKGROUND

On January 21, 2009, the Securities and Exchange Commission (“**SEC**”) instituted this enforcement action following the collapse of a massive Ponzi scheme (the “**scheme**”) perpetrated by Arthur Nadel (“**Nadel**”) through hedge funds (the “**Hedge Funds**”) from 1999 until January 2009. As part of this scheme, Nadel paid himself and his purported business partners, Neil and Christopher Moody (“the **Moody**s”), more than \$90 million in bogus management and performance fees which were based on fabricated asset values and performance data. Due to that conduct, Nadel was charged and pled guilty to securities, mail, and wire fraud. Nadel was convicted of all charges and died in prison while serving a 14-year sentence.

During the course of the ten-year scheme, Nadel and the Moodys used scheme proceeds – money stolen from the Hedge Funds’ investors – to found or otherwise fund numerous businesses. Since the inception of this Receivership and in accordance with his mandate to marshal assets for the benefit of defrauded investors, the Receiver has

¹ The Receiver’s First Interim Report on Quest covered the time from the Receiver’s appointment as Receiver of Quest, May 24, 2013, through August 26, 2013 (the “**First Quest Report**”). The First Quest Report can be found on the Receiver’s website, www.nadelreceivership.com.

successfully sought expansion of the Receivership to include those businesses.² Quest is one such entity that was funded in large part with scheme proceeds.

Quest is an oil and gas exploration and production company based in Texas. Paul Downey was its Chief Executive Office, and his son Jeff Downey was its Chief Operating Officer (collectively the “**Downeys**”). The Moodys, through Viking Oil, used scheme proceeds of \$4 million to fund Quest. Through Valhalla Investment Partners, L.P., the Moodys funneled an additional \$1.1 million to Quest in exchange for a promissory note from Quest and the Downeys to Valhalla Investment Partners. In February 2009, the Receiver began communications with the Downeys for recovery of the scheme proceeds provided to Quest. After considerable time and effort, the Receiver reached a conditional agreement to resolve his claims against Quest dependent upon receipt of \$2.3 million from Quest. Quest failed to make this payment and ignored the Receiver’s repeated demands for payment. In February 2013, Quest informed the Receiver it was having cash flow problems. Because of Quest’s failings and to try to preserve Quest’s value for the benefit of the Receivership estate and, ultimately, for defrauded investors in Nadel’s scheme, on March 21, 2013, the Receiver

² Those business include: Venice Jet Center, LLC; Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; Laurel Mountain Preserve Homeowners Association, Inc.; Marguerite J. Nadel Revocable Trust UAD 8/2/07; Guy-Nadel Foundation, Inc.; Lime Avenue Enterprises, LLC; A Victorian Garden Florist, LLC; Viking Oil & Gas, LLC; Home Front Homes, LLC; Traders Investment Club; Summer Place Development Corporation; Respiro, Inc.; and Quest Energy Management Group, Inc. For more information on the Receivership as a whole, please refer to the Receiver’s regularly filed Interim Reports.

moved to expand the Receivership to include Quest (Doc. 993). The Court granted this motion on May 24, 2013 (Doc. 1024).³

I. Brief Overview of Receiver's Efforts to Date

Since his appointment on May 24, 2013, the Receiver has taken a number of steps to fulfill his mandates under the Order appointing him as Receiver for Quest. The Receiver and his attorneys promptly secured bank accounts and began to review Quest's business records. The Receiver traveled to Texas to secure Quest's office, interview personnel, and examine records and assets.⁴ The Receiver also retained the services of Wheeler, Fairman & Kelley, CPAs ("**Wheeler**"), experienced forensic accountants in Texas familiar with the oil and gas industry, to examine Quest's financial records.

³ On June 14, 2013, the Downeys filed a notice of appeal of the Court's May 24, 2013 Order to the United States Court of Appeals for the Eleventh Circuit in the name of Quest (Doc. 1027). On July 19, 2013, the appellate court informed the parties that it may lack jurisdiction over the appeal and requested briefing on this issue. On August 2, 2013, the Receiver filed his response and also moved to dismiss the appeal for lack of jurisdiction on other grounds. On September 17, 2013, the appellate court ordered that the motion to dismiss and other jurisdictional issues will be carried with the case. On October 31, 2013, the Downeys filed a motion to strike the Receiver's answer brief. The Receiver submitted an opposition to this motion on November 13, 2013. The appellate court denied the motion to strike on December 17, 2013. On February 11, 2014, the Downeys filed a motion to supplement the record which the Receiver opposed. The appellate court ruled that the motion to supplement be carried with the case. Oral argument before the Eleventh Circuit was had on May 13, 2014. The argument focused solely on jurisdictional issues. No ruling has been issued yet.

⁴ On June 5, 2013, the Receiver's attorney deposed Paul Downey in an effort to gather important information about Quest's affairs under oath. However, Mr. Downey asserted his Fifth Amendment privilege against self-incrimination and refused to answer any questions without first receiving immunity from prosecution. When asked to provide evidence before the Court, counsel for Jeff Downey indicated he would also rely on his constitutional privileges and not testify.

After reviewing Quest's operations and communicating with individuals experienced with the oil and gas exploration industry, it quickly became clear that Quest's operations were in dire straits. As discussed below, Quest faced serious regulatory issues which had resulted in its license to operate being suspended. The Receiver realized that to have any meaningful sale of Quest or its assets, he first had to resolve its many regulatory issues. The Receiver and his professionals have spent considerable time and effort resolving these regulatory issues to ensure that Quest would remain viable. While tackling these regulatory issues, the Receiver also discovered that basic well maintenance and well management had been ignored. At the time of the Receiver's appointment, Quest was producing less than seven barrels of oil per day. The Receiver implemented a repair and maintenance plan designed to increase oil and gas production while being mindful of the costs of such a plan. The Receiver's efforts have been fruitful. Quest has its license to operate, is working diligently to remain in compliance with applicable regulations, and its wells are collectively producing on average approximately 30 barrels of oil per day. Now that the Receiver has overcome many of the serious problems Quest faced at the time of his appointment, he has turned his focus to (1) further improving well production where possible and economically feasible and (2) selling Quest and its assets.

A. Overview of Findings to Date

The Receiver has formed some conclusions based on his initial review of a portion of the records obtained from Quest. While these conclusions are not final, and may change as the review becomes more complete, the Receiver believes they should be shared with the Court, the investors, and other potentially interested parties. As a result of his actions and

investigations, the Receiver has discovered that Quest (1) was severely mismanaged, in default of millions of dollars of outstanding debt, and insolvent; (2) had serious regulatory issues; (3) was sustained exclusively by money from new investors who were misled about the company's financial state or potential; and (4) was a defendant in several lawsuits and was facing other potential litigation. These findings are discussed below.

1. Quest Was Insolvent and Seriously Mismanaged

Upon review, the Receiver discovered that Quest's financial records were in disarray. Despite this challenge, the Receiver has been able to determine that Quest was insolvent almost since its inception in 2006 and expenses were outpacing revenue by more than two to one. At the time of the Receiver's appointment, the Company owed investors and others millions of dollars but had virtually no revenue with which to repay this debt. One way the Downeys had raised money on behalf of Quest from investors was through promises to repay the principal amount plus periodic interest. The Company had ceased making interest payments to those investors more than one year before the Receiver's appointment. Quest's records reflect that approximately \$19,124,326 was raised from investors between 2006 and May 2013. Due to the disorganized manner in which the Company maintained its financial records, total liabilities have not been quantified fully yet although it is clear they are very significant. Further, Quest's minimal income was insufficient even to satisfy its operating expenses, let alone its debt obligations. As a result, there was no potential for the Downeys to satisfy Quest's obligations other than by using money received from new investors to pay existing investors. The Company's operational failure and dire financial condition was not disclosed to the solicited investors.

Not only did the Downeys place Quest in dire financial conditions, but they also failed to properly manage Quest's oil and gas operations. For instance, (1) due to the Downeys' failure to comply with regulatory requirements prior to the Receiver's appointment, the renewal of Quest's Operator's License had been denied by the Texas Railroad Commission ("RRC");⁵ (2) Quest's oil and gas wells were in disrepair and the Downeys failed to make even nominal efforts to maintain them as viable producing assets; (3) the Downeys failed to file accurate production reports with the RRC; and (4) although the Downeys raised more than \$19 million from investors, it appears no more than \$1.5 million was ever used in connection with the purchase of oil and gas equipment. For more examples of the Downeys' mismanagement, please refer to the First Quest Report. As is evident from the above, without the appointment of the Receiver, the collapse of Quest was inevitable.

2. Quest Faced Significant Regulatory Issues

Well before the Receiver's appointment, in 2012, Quest was notified that various wells were not in compliance with certain regulatory requirements and that because of these compliance issues the RRC would not renew Quest's Operator's License. Without its Operator's License, Quest would have to cease operations. The Downeys failed to resolve these issues and further failed to request a hearing as permitted by law. As a result, on June 13, 2013, the RRC issued an order denying Quest's renewal application. Upon learning of the situation for the first time, the Receiver took immediate steps to resolve these issues. The

⁵ The RRC is the primary regulator of the oil and gas industry in Texas. The RRC has extensive recording and compliance requirements and also has an enforcement division to enforce those requirements.

Receiver had extensive dialogue with the RRC's enforcement counsel and secured the RRC's consent to a Motion for Rehearing of the renewal application. The Receiver retained counsel in Austin, Texas, to assist in accomplishing the tasks necessary to bring the various wells into compliance. To satisfy the RRC's demands, the Receiver was required to make considerable corrections to records which had been improperly filed with the RRC. The Receiver also had to complete substantial work on a number of wells which included plugging certain wells and resolving some environmental issues. The Receiver's professionals and remaining Quest employees expended extensive efforts to ensure compliance. All of the violations were resolved and Quest's Operator's License was renewed. The Receiver also has renewed Quest's Operator's License for 2014.

The Receiver encountered further problems when it was discovered that production reports filed with the RRC before the Receiver's appointment were inaccurate and overstated production. As a result of these false filings, the RRC severed a number of wells. Once a well is severed, no production is allowed until the regulatory issue is resolved and a reconnect fee is paid. The Receiver worked with the RRC to overcome these issues and was able to secure the RRC's consent to reconnect the pertinent wells and waive several reconnect fees. The Receiver retained a consultant to assist with resolving these issues and securing Quest's operating license as well as ensuring that the wells remain in compliance with RRC regulations.

Soon after the filing of the motion to expand the Receivership to include Quest, the Texas State Securities Board ("TSSB") contacted the Receiver because it had initiated an investigation of Quest following complaints by several Quest investors. The TSSB requested

information and assistance in its investigation of Quest and the Downeys' efforts to raise money on behalf of the Company. The Receiver cooperated with the TSSB. The TSSB has since transferred this matter to the SEC's Fort Worth Regional Office.

3. Misrepresentations Made to Investors

The Receiver's investigation to date indicates that from 2006 through May 2013, approximately \$19 million was raised by the Downeys on behalf of Quest from approximately 115 investors. Included in this sum is approximately \$5.1 million of Nadel scheme proceeds transferred to Quest by the Moodys. Based on the documents the Receiver has reviewed to date, it appears that numerous misrepresentations, or material omissions, were made to investors. For instance, the Downeys failed to disclose to investors that Quest was insolvent and did not have the financial means needed to maintain the wells, produce the amount of oil and gas represented to investors, and resolve its regulatory issues. Paul Downey also represented to investors that a Fortune 100 Company was interested in purchasing Quest's assets which purportedly would have allowed Quest to repurchase all notes at full face value and pay interest. This never came to pass and to date the Receiver has not discovered any bona fide offer by any Fortune 100 company to purchase Quest's assets. Similar representations regarding other saviors continued to be made to investors until the Receiver's appointment.

After the Receiver had filed the motion to expand the Receivership to include Quest, the Downeys secured an investment from an individual investor. The Downeys entered into an assignment of a lease agreement with this investor. The assignment purported to assign 91% of Quest's interest in an oil property lease agreement in exchange for the payment of

\$350,000 to Quest. The Downeys were fully aware of the Receiver's pending motion to expand the Receivership to include Quest yet the Receiver's investigation revealed they failed to disclose this information to the investor. Further, the Downeys did not disclose the insolvency of Quest and misrepresented to the investor how the funds obtained would be used by the Company. Without informing the investor, the Downeys used a portion of the funds received from the investor to retain an attorney for themselves and pay themselves wages while only 10% of these funds were used for well production. The assignment was not recorded until after the Receiver was appointed as Receiver of Quest. The lessors have asserted that Quest's assignment to the investor invalidated the lease because the lease agreement contains a provision prohibiting any such assignment. The assignee has indicated he will not pursue the assignment. The Receiver will vigorously contest the assignment and the alleged invalidation of the lease.

The Receiver has sent letters to Quest's known investors, royalty owners, and other creditors informing them of the Receivership and requesting contact information.

4. Pending and Prospective Litigation

At the time of the Receiver's appointment, Quest had three lawsuits seeking large amounts in damages pending against it in Texas State Courts. *Integrity Directional Services, LLC v. Quest*, Case No. 2013-028 (Tx. D. Ct. 259th Jud'l Dist., Shackelford County, TX) (seeking damages of \$899,583.50 for goods and services which were provided to Quest for which payment was not received); *Ploegsma Sulphur Co. LLC v. Quest*, Case No. 2013-17235 (Tx. D. Ct. 189th Jud'l Dist., Harris County, TX) (brought by an investor seeking damages of more than \$1.25 million for payment of a note); *Wallace d/b/a Graham Mud Co.*

and *Rocking R Drilling Co., Inc. v. Quest*, Case No. 2013-050 (Tx. D. Ct. 259th Jud'l Dist., Shackelford County, TX) (seeking to foreclose on liens for unpaid goods or services in the combined amount of \$398,722.93).⁶ Two taxing authorities have also initiated actions against Quest. *Shackelford County Appraisal District v. Quest*, Case No. 2013-070 (Tx. D. Ct. 259th Jud'l Dist., Shackelford County, TX) (seeking delinquent property taxes of approximately \$77,200.90); *County of Callahan, Texas v. Quest*, Case No. T-1994 (Tx. D. Ct. 42nd Jud'l Dist., Callahan County, Texas) (seeking delinquent property taxes of \$1,955.21). The Receiver filed Notices of Receivership and Injunction Barring Proceedings Against Quest in each action. Accordingly, these actions have been stayed as to Quest.

Further, the Receiver has reviewed documents indicating that several investors were threatening suit against Quest for the recovery of their investments. Absent the appointment of the Receiver, numerous additional claims were inevitable.

II. Current Operations and Assets

As noted above, upon the Receiver's appointment, he promptly secured Quest's bank accounts and its office located at 64 South Jacobs, Albany, Texas (the "**Office**"). At the beginning of the Receivership, Quest had only \$22,113.27 in its bank accounts.⁷ The Receiver retained experienced forensic information technology experts with the firm E-Hounds, Inc. to assist in securing and analyzing the electronic data on computers located in

⁶ These litigation matters are in addition to the Receiver's claim for approximately \$5.1 million against Quest.

⁷ Quest's payables at that time substantially exceeded this amount.

the Office. E-Hounds personnel have secured the data and are well underway in their forensic analysis.

After interviewing personnel, the Receiver determined to reduce Quest's staff. The Downeys were terminated as well as an individual involved in "investor relations" who was instrumental in disseminating information for the Downeys. Two other employees resigned. The Company retained a supervisor and two field employees. The Receiver obtained a significant volume of documents from the Office and has reviewed a substantial number of these documents. The Receiver is continuing to evaluate the Company's assets and is attempting to sell these assets. Quest's assets include (1) leases held on fields containing oil and gas wells and related equipment; (2) various vehicles; (3) residential property which is currently being used as the Office; and (4) other miscellaneous assets including office furniture, computers and the like.

A. Oil and Gas Wells

Quest maintains leases on three fields which in turn contain 90 gas and oil wells. At the time of the Receiver's last Interim Report, only five wells were producing. As a result of the Receiver's efforts since that time, eleven wells are producing. Attached as **Exhibit A** to this Report is a spreadsheet identifying each of these wells and the status of each well. The Receiver continues to evaluate the potential well output relative to the cost of making the wells productive. Since taking control of Quest, the Receiver has implemented some repair and maintenance activities designed to increase production and revenues. As noted above, it was evident from the Receiver's review of the wells that simple maintenance and basic well management had been ignored for some time. The Receiver has more than tripled production

by reinvesting a nominal amount of money in these wells. By taking relatively simple measures, the Receiver increased production from approximately seven barrels per day to approximately 30 barrels per day on average. From September 2013 through April 2014, Quest averaged approximately 30 barrels of oil per day and 190 MCF (thousand cubic feet) of gas per day, which generated an approximate average gross monthly income of \$100,000. In recent months, Quest's daily oil production has ranged between 25 and 50 barrels per day.

B. Receivership Accounting Report

Attached as **Exhibit B** to this Report is a cash accounting report showing the amount of money on hand as of May 24, 2014 less operating expenses plus revenue through April 30, 2014. This cash accounting report does not reflect non-cash or cash-equivalent assets. Thus, the value of all property discussed in this Report is not included in the accounting report. From May 24, 2013, through April 30, 2014, the Receiver generated \$954,488.86 in gross business income from Quest's ongoing operations. (Ex. B.) Quest is generating sufficient income to pay its current operating expenses.

C. Vehicles

The Receiver acquired possession and control of 16 vehicles titled in Quest's name or otherwise paid for by Quest, which primarily include trucks and trailers used in connection with business operations. One of the vehicles, however, was a 2009 BMW 535i ("**BMW**") which was being used by Paul Downey. On August 12, 2013, the Receiver filed a motion to approve the sale of the BMW for \$17,000 (Doc. 1049). The Court approved this motion on August 13, 2013 (Doc. 1050). After payment of the outstanding loan on the vehicle, the Receivership received the net amount of \$3,566.12 from this sale.

D. The Office Property

The Receiver has possession and control of the Office, which is a small free-standing structure. The Office has one known encumbrance: a loan with First National Bank with an outstanding balance as of May 2014 in the amount of \$50,409.98. Parties interested in purchasing the Office should contact:

David Cleveland
Clear Fork Realty
332 South Second
Albany, Texas 76430
Phone: (325) 762-3614
Email: clrfork@camalott.com

E. Miscellaneous Items

The Receiver also has recovered a myriad of other items that he may be able to sell, including office furniture, computers, and miscellaneous supplies. The Receiver will make reasonable efforts to maximize the amount he is able to recover from the possible sale of these items.

III. Marketing Efforts

The Receiver's marketing efforts for Quest mainly have been through 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 or the Receivership. Those communications, however, resulted in no meaningful offers. The Receiver sought advice from various individuals with knowledge of the oil and gas exploration industry in an effort to determine the best way to market Quest for sale. As a result of those efforts, two potential marketing firms submitted proposals to the Receiver. After careful consideration, the Receiver has determined that selling Quest

through a private sale with the assistance of WhiteHorse Partners, LLC (“**WhiteHorse**”) is in the best interest of the Receivership Estate as he believes it provides 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’s marketing strategy for Quest will include the following efforts:

- 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 can 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 will outline 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.

WhiteHorse has presented the Receiver with a proposed Marketing Engagement Agreement which seeks 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. The Receiver

believes the terms in the engagement agreement are fair and reasonable and that retaining WhiteHorse to market and sell Quest is in the best interest of this Receivership.

On May 14, 2014, the Receiver filed a motion for leave to retain WhiteHorse to market and sell Quest and/or its assets (Doc. 1115). On May 15, 2014, the Court denied this motion without prejudice to the motion being renewed (Doc. 1116). The Court denied the motion because it concluded that the appeal brought by the Downeys divested it of jurisdiction over this matter while the appeal is pending. As noted above, oral argument on this appeal took place on May 13, 2014. No order on the appeal has been entered yet and it is not possible to predict when such an order will be issued. If the Order expanding the Receivership to include Quest is affirmed on appeal or the appeal is dismissed for lack of jurisdiction, the Receiver will renew his motion to retain WhiteHorse.

IV. Proposed Course of Action

From the Receiver's investigation, it appears that the oil well leases held by Quest have potential value and may be able to be sold for the benefit of investors and other creditors. The Receiver will continue to evaluate the wells and their potential for production relative to the expense required to maintain the wells and make them productive. This activity is intended to generate cash flow while evaluation and liquidation activities are attempted. The Receiver will continue to work with the RRC to ensure compliance with regulatory requirements. The Receiver will evaluate and market leases in an effort to generate as much value as reasonably possible. While marketing these assets, the Receiver will continue to operate the business in an effort to preserve and enhance its value. The Receiver will continue to review financial documents and other documents from the

Company to further his investigation. The Receiver has and will continue to maintain a separate accounting of revenues and expenses for Quest. He will also continue to consider all of the information he has gathered to date, additional information he gathers, and the Company's or its assets' prospects and value to determine how to address claims held by Quest investors and other creditors. At this time, the Receiver contemplates that he will conduct a separate claims process to deal with the claims of investors and other creditors of Quest if the sale of Quest's assets warrants such a process. The Receiver, however, currently believes that the assets and potential value of Quest is significantly less than the outstanding balance of investors' investment amount in Quest.⁸

CONCLUSION

Creditors and investors in the Receivership Entities are encouraged to periodically check the informational website (www.nadelreceivership.com) for current information concerning this Receivership. The Receiver and his counsel have received an enormous amount of emails and telephone inquiries and have had to expend significant resources to address them. To minimize those expenses, creditors and investors are strongly encouraged to consult the Receiver's website before contacting the Receiver or his counsel. However, if you are an investor or creditor of Quest and have not yet provided your email or other contact information to the Receiver, please contact Jeffrey Rizzo by email to jrizzo@wiandlaw.com or telephone (813) 347-5100. The Receiver also encourages anyone who may have

⁸ On August 27, 2013, the Court *sua sponte* set a status conference which was held on September 4, 2013, to discuss whether it was financially in the best interests of the Receivership and the defrauded investors to maintain Quest as a Receivership Entity (Doc. 1055). The Court determined to maintain Quest in the Receivership at this stage.

information that may be helpful in securing further assets for the Receivership estate or identifying other potential parties who may have liability to either the Receivership estate or investors to also contact Mr. Rizzo with that information.

Dated this 23rd day of May, 2014.

Respectfully submitted,

s/Burton W. Wiand

Burton W. Wiand, Receiver

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 23, 2014, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system.

s/Gianluca Morello

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WELL	API NO.	DIST	STATUS CODE	ID NO.	LEASE NAME	FIELD NAME	PRODUCTION (May 2013 - April 2014)	STATUS	DEPTH
250	417 00947	7B	P	22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)	3,689 Barrels and 72,684 MCF (combined production for all Wells ID No. 22957)	This Well is currently producing.	4014
251	417 36736	7B	W	22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)	See Well 250 above	The Receiver is evaluating a workover plan for this Well.	3,800
260	417 35559	7B	P	22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)	See Well 250 above	This Well is producing.	4,400
264	417 34910	7B		22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)		This Well is inactive.	4,001
265	417 36735	7B	W	22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)	See Well 250 above	The Receiver is evaluating a workover plan for this Well.	3,800
271	417 33405	7B		22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)		This Well is inactive.	4,393
272	417 34843	7B	P	22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)	See Well 250 above	This Well is producing.	4,386
273	417 34879	7B		22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)		This Well is inactive.	4,380
274	417 35185	7B	P	22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)	See Well 250 above	This Well is producing.	4,006
280	417 35202	7B		22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)		This Well is inactive.	4,493

282	417 35201	7B		22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)		This Well is inactive.	4,416
290	417 33443	7B		22957	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO)		This Well is inactive.	4,380
281	417 80017	7B		017788	MUSSELMAN CADDO UNIT	MUSSELMAN (CADDO) (GAS)		This Well is inactive.	3,620
291J	417 32413	7B		241787	MUSSELMAN "29"	SHACKELFORD COUNTY REGULAR (GAS)		This Well is inactive.	4,398
3	049 80564	7B	P	00292	HENRY, MACK	BLAKE (CADDO)	3,292 Barrels (combined production for all Wells ID No. 00292)	This Well was not producing when the Receiver was appointed due to work that needed to be done. The Receiver had work done on the Well and turned it into a producing Well beginning in July 2013. This Well is temporarily down due to a broken pumpjack.	2,115
7	049 80567	7B	P	00292	HENRY, MACK	BLAKE (CADDO)	See Well 3 above	This Well was not producing when the Receiver was appointed due to work that needed to be done. The Receiver had work done on the Well and turned it into a producing Well beginning in July 2013.	2,026

1QC	049 36031	7B	P	00292	HENRY, MACK	BROWN	See Well 3 above	This Well was not producing when the Receiver was appointed due to work that needed to be done. The Receiver had work done on the Well and turned it into a producing Well beginning in July 2013.	2,500
10	049 30433	7B	R	00292	HENRY, MACK	BLAKE (CADD0)		This Well has been has been plugged.	3,266
13	049 32020	7B		00292	HENRY, MACK	BLAKE (CADD0)		This Well is inactive.	3,154
12	049 31739	7B	R	080587	HENRY, MACK	BROWN CO. REGULAR (MARBLE FALLS)		This Well has been plugged.	2,897
12	049 31218	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,236
13	049 31456	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,260
3	049 31514	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,255
8	049 31573	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,245
9	049 31624	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,256

14	049 31699	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,260
19	049 35709	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,260
20	049 35723	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,275
21	049 35731	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,250
7	049 80483	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	2,680
10	049 80484	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,235
17	049 32182	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,260
15	049 31959	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,269
18	049 32331	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,251
16	049 32713	7B		00222	KILGORE, E. P.	BROWN COUNTY REGULAR		This Well is inactive.	1,251
3		7B	W	00291	KILGORE, E	BROWN COUNTY REGULAR		This Receiver is evaluating a workover plan for this Well.	3,425
1	049 80570	7B	P	00293	KILGORE, -A-	BLAKE (CADD0)	716 Barrels	This Well is producing.	2,072
2	049 33202	7B		18449	KILGORE "B"	BROWN COUNTY REGULAR	28 Barrels	This Well is inactive.	1,257

4	049 33475	7B		18449	KILGORE "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,255
6	049 33746	7B		18449	KILGORE "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,250
5	049 33747	7B		18449	KILGORE "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,255
W 1	049 35438	7B		18449	KILGORE "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,250
9	049 35574	7B	W	18449	KILGORE "B"	BROWN COUNTY REGULAR		The Receiver is evaluating a workover plan for this Well.	1,250
1 A	049 30722	7B		25003	KILGORE, J. C. "A"	BROWN COUNTY REGULAR		This Well is inactive.	3,368
2 A	049 35006	7B		25003	KILGORE, J. C. "A"	BROWN COUNTY REGULAR		This Well is inactive.	1,200
2Q	049 36030	7B		25003	KILGORE, J. C. "A"	BROWN COUNTY REGULAR		This Well is inactive.	1,290
1Q	049 36032	7B		25003	KILGORE, J. C. "A"	BROWN COUNTY REGULAR		This Well is inactive.	1,290
1	049 35305	7B	P	25905	COLLIER, V.H.	BLAKE (CADD0)	149 Barrels	This Well was not producing when the Receiver was appointed due to work that needed to be done. The Receiver had work done on the Well and turned it into a producing Well beginning in January 2014.	2,167

1	049 35342	7B	P	25964	COLLIER, V. H. "B"	BLAKE (CADD0)	272 Barrels	This Well was not producing when the Receiver was appointed due to work that needed to be done. The Receiver had work done on the Well and turned it into a producing Well beginning in January 2014.	2,150
6	049 34224	7B		26252	KILGORE, E.	BROWN COUNTY REGULAR		This Well has been plugged.	3,701
2	049 32422	7B		26390	KILGORE, E. P. "F"	BROWN COUNTY REGULAR		This Well is inactive.	2,160
3A	049 35708	7B	W	26390	KILGORE, E. P. "F"	BROWN COUNTY REGULAR		The Receiver is evaluating a workover plan for this Well.	1,250
1	049 35454	7B		26589	KILGORE, J.C. "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,250
4	049 35597	7B		26752	KILGORE "G"	BROWN COUNTY REGULAR		This Well is inactive.	1,250
1	049 35457	7B		26752	KILGORE "G"	BROWN COUNTY REGULAR		This Well is inactive.	1,255
3	049 35598	7B		26752	KILGORE "G"	BROWN COUNTY REGULAR		This Well is inactive.	1,257

1	049 35456	7B		26785	KILGORE "C"	BROWN COUNTY REGULAR		This Well is inactive.	1,263
1	049 33543	7B	W	27628	K & Y "A"	BLAKE (CADD)	73 Barrels	The Receiver is evaluating a workover plan for this Well.	3,500
7	049 35384	7B		28136	KILGORE, E.P. K-100	BROWN COUNTY REGULAR		This Receiver is evaluating a workover plan for this Well.	2,160
3	049 30486	7B	P	28136	KILGORE, E.P. K-100	BROWN COUNTY REGULAR	207 Barrels	This Well was not producing when the Receiver was appointed due to work that needed to be done. The Receiver had work done on the Well and turned it into a producing Well beginning in January 2014.	3,425
2	049 80560	7B		28136	KILGORE, E.P. K- 100	BROWN COUNTY REGULAR		This Well is inactive.	2,405
5	049 35583	7B		28567	K & Y -A-	BROWN COUNTY REGULAR		The Receiver is evaluating a workover plan for this Well.	3,003
2	049 35586	7B		28567	K & Y -A-	BROWN COUNTY REGULAR		This Well is inactive.	3,000

5	059 30806	7B	W	245550	HATCHETT RANCH	M. G. C. (BEND) GAS		The Receiver is evaluating a workover plan for this Well.	4,200
6	059 30839	7B		11653	MAIN HATCHETT RANCH	M. G. C. (BEND)		The Receiver is evaluating a workover plan for this Well.	3,901
2	059 30918	7B	R	11653	MAIN HATCHETT RANCH	M. G. C. (BEND)		This Well is inactive.	3,839
R 1	059 31333	7B	R	106873	HATCHETT RANCH	M. G. C. (BEND)		This Well is inactive.	4,252
2	059 31381	7B	W	109043	HATCHETT RANCH	M. G. C. (BEND)		The Receiver is evaluating a workover plan for this Well.	3,985
S 4	059 33038	7B		099045	HATCHETT RANCH	CALLAHAN COUNTY REGULAR (GAS)		This Well is inactive.	4,130
S 2	059 33039	7B		097886	HATCHETT RANCH	CALLAHAN COUNTY REGULAR (GAS)		This Well is inactive.	4,112
S 3	059 33040	7B		130071	HATCHETT RANCH	M. G. C. (BEND)		This Well is inactive.	4,093

S 1	059 33041	7B		097887	HATCHETT RANCH	CALLAHAN COUNTY REGULAR (GAS)		This Well is inactive.	5,204
R 2	059 33135	7B	R	096944	HATCHETT RANCH	CALLAHAN COUNTY REGULAR (GAS)		This Well is inactive.	4,229
1	059 81973	7B	W	245555	HATCHETT RANCH	M. G. C. (BEND)		The Receiver is evaluating a workover plan for this Well.	4,133
1B	187 32882	01	R	13031	CARTER, ELWOOD - B-	SPILLER		This Well is inactive.	2,506
1	059 36672	7B		29782	SNYDER RANCH	CALLAHAN COUNTY REGULAR		This Well is inactive.	2,654
16	049 35712	7B		26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	1,250
6	049 35602	7B	R	26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	1,220
4	049 33062	7B		26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	1,250
15	049 35674	7B		26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	1,275
3	049 35553	7B		26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	1,286
2	049 35453	7B		26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	1,260
1	049 35343	7B		26581	ARMSTRONG, ROY	BROWN COUNTY REGULAR		This Well is inactive.	2,173

10	049 35573	7B		21979	SHULTS, HOLLIS "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,266
4	049 35729	7B		21980	SHULTS, HOLLIS	BROWN COUNTY REGULAR		This Well is inactive.	1,250
2	049 34193	7B		21980	SHULTS, HOLLIS	BROWN COUNTY REGULAR		This Well is inactive.	1,537
2 B	049 34284	7B		21979	SHULTS, HOLLIS "B"	BROWN COUNTY REGULAR		This Well is inactive.	1,277
1	049 32086	7B		15498	HICKMAN WEST	MARY ANGELA (CROSS CUT)		This Well is inactive.	1,260
2	049 32189	7B		15498	HICKMAN WEST	MARY ANGELA (CROSS CUT)		This Well is inactive.	1,254
4	049 32350	7B		15498	HICKMAN WEST	MARY ANGELA (CROSS CUT)		This Well is inactive.	1,261
TOTAL							8,426 Barrels 72,684 MCF		



29750 U.S. Hwy. 19 North, Suite 101
Clearwater, FL 33761

REPORT OF STANDARDIZED FUND ACCOUNTING REPORT

Quest Energy Management Group, Inc.
Tampa, FL

We have compiled the standardized fund accounting report for the period of May 24, 2013 to April 30, 2014, included in the accompanying prescribed form (Civil Court Docket No. 8:09-cv-87-T-26TBM). We have not audited or reviewed the accompanying standardized fund accounting report and accordingly, do not express an opinion or any assurance about whether the standardized fund accounting report is in accordance with the form prescribed by the Civil Court Docket No. 8:09-cv-87-T-26TBM).

Quest Energy Management Group, Inc. is responsible for the preparation and fair presentation of the standardized fund account report in accordance with requirements prescribed by the Civil Court Docket No 8:09-cv-87-T-26TBM and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the standardized fund accounting report.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist Consolidated Nadel Entities in presenting financial information in the form of a standardized fund accounting report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the standardized fund accounting report.

This standardized fund accounting report is presented in accordance with the requirements of the Civil Court Docket No. 8:09-cv-87-T-26TBM , which differ from accounting principles generally accepted in the United States of America. This report is intended solely for the information and use of the Civil Court Docket No 8:09-cv-87-T-26TBM and is not intended and should not be used by anyone other than this specified party.

A handwritten signature in dark ink, appearing to read "PDR Certified Public Accountants". The signature is written in a cursive, flowing style.

Clearwater, Florida
May 6, 2014

Standardized Fund Accounting Report
for Quest Energy Management Group, Inc. - Cash Basis
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM
Reporting Period 05/24/13 to 4/30/14

Fund Accounting (See Instructions):				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 05/24/13):			22,113.27
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income	954,488.86		
Line 3	Cash and Securities			
Line 4	Interest/Dividend Income			
Line 5	Business Asset Liquidation			
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income			
Line 8	Miscellaneous - Other (see attached)			
	Total Funds Available (Line 1 - 8):		954,488.86	976,602.13
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership in Operations			
Line 10a	Disbursements to Receiver or Other Professionals			
Line 10b	Business Asset Expenses	786,939.29		
Line 10c	Personal Asset Expenses			
Line 10d	Investment Expenses			
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments			
	Total Disbursements for Receivership Operations		786,939.29	786,939.29
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator			
	Independent Distribution Consultant (IDC)			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses			
See accountants' compilation report				

Standardized Fund Accounting Report
for Consolidated Nadel Entities - Cash Basis
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM
Reporting Period from 05/24/13 to 04/30/14

Fund Accounting (See Instructions):				
		Detail	Subtotal	Grand Total
<i>Line 11b</i>	<i>Distribution Plan Implementation Expenses:</i>			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution			
	(FAIR) Reporting Expenses			
	Total Plan Implementation Expenses			
	Total Disbursements for Distribution Expenses			
	Paid by the Fund			
<i>Line 12</i>	<i>Disbursements to Court/Other:</i>			
<i>Line 12a</i>	<i>Investment Expenses/Court Registry Investment</i>			
	System (CRIS) Fees			
<i>Line 12b</i>	<i>Federal Tax Payments</i>			
	Total Disbursements to Court/Other:			
	Total Funds Disbursed (Lines 9 - 11)			786,939.29
<i>Line 13</i>	<i>Ending Balance (As of 04/30/14)</i>			189,662.84
<i>Line 14</i>	<i>Ending Balance of Fund - Net Assets:</i>			189,662.84
<i>Line 14a</i>	<i>Cash & Cash Equivalents</i>			189,662.84
<i>Line 14b</i>	<i>Investments</i>			
<i>Line 14c</i>	<i>Other Assets or Uncleared Funds</i>			
	Total Ending Balance of Fund - Net Assets			189,662.84
	<i>See accountants' compilation report</i>			