



**IN THE DISTRICT COURT OF OKLAHOMA COUNTY**  
**STATE OF OKLAHOMA**

**FILED IN DISTRICT COURT**  
**OKLAHOMA COUNTY**

SEP 29 2016

**RICK WARREN**  
**COURT CLERK**

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OKLAHOMA DEPARTMENT OF )  
 SECURITIES, *ex rel.* IRVING L. FAUGHT, )  
 ADMINISTRATOR, )  
 )  
 Plaintiff, )  
 )  
 vs. )  
 )  
 JASMINE, INC., *et al.* )  
 )  
 Defendants. )

Case No. CJ-2013-5023

**SECOND ACCOUNTING**

The undersigned Receiver for the Estates of Jasmine, Inc. (“Jasmine”), Oklahoma Energy Exchange, LLC (“OEE”), Harrisburg Prospect Lease Fund, LLC (“Harrisburg”), Gates Oil & Gas, Ltd. (“Gates”), and Harrisburg 2 Prospect Lease Fund, LLC (“Harrisburg 2”) (collectively referred to as the “Entities”), submits the following account and report of his administration as such Receiver from November 1, 2014, through September 29, 2016 (the “Accounting Period”).

1. In accordance with the Court’s Order, the Receiver made diligent efforts to determine the identities, last-known addresses, and claims of the Entities’ creditors. The Receiver also gave notice to said identified creditors.

2. Between the initial filing of the Receiver's First Annual Accounting, and this Second Accounting,<sup>1</sup> Gates had two (2) additional claims filed that the Receiver allowed as the creditors were not previously identified and therefore did not receive notice of the receivership.

3. The following is a complete statement of all outstanding claims against Gates presented to the Receiver:

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<sup>1</sup> The Receiver has switched from accrual method used in the First Annual Accounting to cash method for this Second Accounting for ease of use.

<u>Name</u>	<u>Amount</u>	<u>Allowed</u>	<u>Rejected</u>
A & A Tank Truck Co.	\$355.33	X	
Bunch Trucking	\$39,380.00	X	
C & H Bit Company	\$10,828.18	X	
Cox's Cash & Dash, LLC	\$2,872.72	X	
Dunn Swan & Cunningham, P.C.	\$1,022.84	X	
DWJS, Inc.	\$45,570.00	X	
Henderson Supply, LLC	\$11,876.19	X	
High Tech Office Systems	\$647.79	X	
Inland Machine and Welding <sup>2</sup>	\$3,499.02	X	
Jenkins Oilfield Supply, LLC	\$831.63	X	
John Turner Roustabout	\$17,414.05	X	
McAfee & Taft Bankruptcy Fees	\$56,476.99		X
McDonald Surveying & Mapping, P.C.	\$1,830.00	X	
NELCO (Aaron Worldwide Collections)	\$298.85	X	
S&H Tank Service <sup>3</sup>	\$1,488.50	X	
S&W Power Systems	\$1,521.80	X	
Scott Coates	\$3,150.00	X	
Sooner Completions	\$7,762.50	X	
<b>TOTAL</b>	<b>\$206,826.39<sup>4</sup></b>		

4. The following is a complete statement of all outstanding claims against Jasmine presented to the Receiver:

<u>Name</u>	<u>Amount</u>	<u>Allowed</u>	<u>Rejected</u>
RD Tank Service	\$4,728.25 <sup>5</sup>	X	
First Bank & Trust Co.	\$322,153.77 <sup>6</sup>	X	
Oklahoma Corporation Comm'n (est.)	\$200,000 <sup>7</sup>		
<b>TOTAL</b>	<b>\$626,882.02</b>		

<sup>2</sup> Claim submitted after the deadline, but Receiver's records reflect claimant never received notice.

<sup>3</sup> Claim submitted after the deadline, but Receiver's records reflect claimant never received notice.

<sup>4</sup> Total of "Allowed" Claims: \$150,349.40

<sup>5</sup> This claim was paid pursuant to an order of this Court for emergency work done on a purging saltwater well.

<sup>6</sup> Deficiency judgment in Stephens County lawsuit, *First Bank & Trust Co., Duncan, Oklahoma v. Jasmine, Inc. et al.*, Case No. CJ-2014-66E.

<sup>7</sup> Unliquidated - amount contingent upon total amounts owed for claims of pollution, plugging, and cleanup liabilities. See Oklahoma Corporation Commission Contempt Citation and Complaint against Jasmine, Inc., Cause No. EN 201400059. The Receiver believes this amount will be approximately \$200,000.00.

5. The following is a complete statement of all outstanding claims against Harrisburg/  
Harrisburg 2 presented to the Receiver:

<u>Name</u>	<u>Amount</u>	<u>Allowed</u>	<u>Rejected</u>
Keystone Production Company	\$3,098.78	X	
<b>TOTAL</b>	<b>\$3,098.78</b>		

6. The following is a complete statement of all claims against OEE presented to the Receiver:

<u>Name</u>	<u>Amount</u>	<u>Allowed</u>	<u>Rejected</u>
Rural Electric Cooperative, Inc.	\$60.76	X	
United Land Company, LLC	\$50,650.11		X
<b>TOTAL</b>	<b>\$50,710.87</b>		

7. Total of all submitted or liquidated creditor claims: \$787,518.06.

8. Total of all "Allowed" and liquidated creditor claims: \$480,390.96

9. The following constitute the Accounts Receivable for all Entities (as of 8/31/16):

<u>Name</u>	<u>Amount</u>
Wiley Post revenue in suspense	\$153,745.97
Broker Suit settlement funds held in Elias, Books, Brown & Nelson, P.C. Trust Account	\$60,000.00
<b>TOTAL</b>	<b>\$213,745.97</b>

10. The following constitute Accounts Payable for all Entities (as of 8/31/16):

<u>Name</u>	<u>Amount</u>
Accumulated Legal Fees & Costs	\$123,107.48
Accumulated Receiver Fees	\$35,070.00
Magnum Energy, Inc. (Accumulated JIB/AFE for Julie, Wiley Post, Mackenzie, and Jamie Wells)	\$14,506.10
OneOK Partners	\$5,981.96
Oklahoma Tax Commission	\$448.40
<b>TOTAL</b>	<b>\$179,113.94</b>

11. The following constitute claims of equity holders in the Entities (i.e. investors):

<u>Name</u>	<u>Amount</u>
Investors in Whitebead Prospect	\$1,240,466.00 <sup>8</sup>
Investors in Harrisburg and Harrisburg 2	\$7,278,591.50
<b>TOTAL</b>	<b>\$8,519,057.50</b>

12. The following constitute all receipts for all Entities:

<u>Date</u>	<u>Nature</u>	<u>Amount</u>
November 3, 2014	Property Insurance Refund	\$983.68
November 3, 2014	Julie Well Revenue	\$1,408.21
December 3, 2014	Julie Well Revenue	\$1,865.90
December 3, 2014	Mackenzie Well Revenue	\$13.56
December 29, 2014	Mackenzie ORRI (accumulated)	\$5.79
March 18, 2015	Rolling Stock Auction	\$850.00
May 4, 2015	Julie Well Revenue	\$409.45
August 6, 2015	Partial Refund of Avansic Forensic Retainer	\$121.93
October 22, 2015	Security Deposit for Norman Property	\$1,000.00
October 28, 2015	Refund of Service Fee (Kerr County, CA)	\$10.00
October 28, 2015	November Rent – Norman Property	\$800.00
December 1, 2015	IRS Refund	\$328.18
January 18, 2016	Proceeds from sale of Norman Property	\$128,217.54
January 26, 2016	Refund from City of Norman on Norman Property	\$19.58
	<b>TOTAL</b>	<b>\$136,033.82<sup>9</sup></b>

13. The following constitute all disbursements:

<u>Date</u>	<u>Nature</u>	<u>Amount</u>
November 24, 2014	Frates Insurance – re: Rig Insurance Payment	\$ 737.04
December 8, 2014	Elias, Books, Brown & Nelson – re: Receivership Fees	\$ 166,180.56

<sup>8</sup> This amount is estimated as the total claim amount by all investors in Whitebead; but limited to funds attributable to the Jack Justice No. 3 Well. The Receiver considers one half of each original investment amount in the Whitebead as expended to drill the RLT No. 2 Well, which was plugged and abandoned as a dry hole.

<sup>9</sup> An additional \$213,745.97 is held in EBBN's Trust Account or in suspense by purchasers of production.

December 11, 2014	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
January 12, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
January 14, 2015	Campbell & Associates – re: Brinley MITs and Rig Inventory	\$ 1,177.50
January 15, 2015	Johnson, Badertscher & Moore – re: Jasmine 2013 Tax Return	\$ 347.00
February 4, 2015	First United Bank and Trust – re: Subpoena Production	\$ 35.00
February 13, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
February 13, 2015	Southern Box – re: Subpoena Production	\$ 840.25
March 17, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
March 18, 2015	Gary Criswell Auctions – re: Auctioneer Fee	\$ 85.00
April 9, 2015	Magnum Energy, Inc. – re: Accumulated JIB Expenses for Julie, Mackenzie, Jamie, and Wiley Post Wells	\$ 6,972.17
April 17, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
May 20, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
May 28, 2015	Johnson, Badertscher & Moore – re: Harrisburg 1 2014 Tax Return	\$ 2,914.00
May 28, 2015	Johnson, Badertscher & Moore – re: 2014 Harrisburg 2 Tax Return	\$ 2,121.00
June 10, 2015	Avansic – re: Forensics for Gates' Hard Drives	\$ 2,200.00
June 22, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
July 17, 2015	Frates Insurance – re: Property Insurance Payment (Rig)	\$ 737.04
July 20, 2015	Bank of America – re: Subpoena Production	\$ 50.75
September 11, 2015	First United Bank and Trust – re: Subpoena Production	\$ 75.25
September 11, 2015	Johnson, Badertscher & Moore – re: Jasmine/Gates 2014 Tax Returns	\$ 1,781.00
September 15, 2015	United States Treasury – re:	\$ 258.17

Taxes (Gates)		
September 18, 2015	Elias, Books, Brown & Nelson – re: Receivership Fees	\$ 165,532.40
September 23, 2015	McAfee & Taft – re: Fee Application per Court Order	\$ 50,221.37
September 23, 2015	BancFirst – re: Subpoena Production	\$ 478.00
September 23, 2015	BancFirst – re: Subpoena Production	\$ 81.00
October 6, 2015	US Cellular – re: Subpoena Production (Broker Case)	\$ 1,165.00
October 16, 2015	Frates Insurance – re: Property Insurance Renewal Payment (Rig)	\$ 5,300.00
October 19, 2015	B. Gray – re: 1/2 Settlement	\$ 10,000.00
October 19, 2015	Cleveland County Clerk – re: Filing Fees for Norman Property	\$ 228.50
November 11, 2015	United States Treasury – re: 4Q 2013 Back-owed 941 (Payroll) Taxes	\$ 3,075.65
November 19, 2015	BancFirst – re: Subpoena Production	\$ 150.00
November 25, 2015	Oklahoma Tax Commission – re: Jasmine 2016 Franchise Taxes	\$ 1,454.78
December 14, 2015	Oklahoma Gas & Electric – re: Norman Property	\$ 34.19
December 21, 2015	Oklahoma Natural Gas – re: Norman Property	\$ 72.42
December 29, 2015	Webb Roofing and Construction – re: Roof Replacement on Norman Property	\$ 6,160.00
January 5, 2016	Capital One – re: payoff judgment against Bobbi Gray Norman House, necessary to clear title	\$2,000.00
January 6, 2016	City of Norman – re: December utilities while Norman Property was being sold	\$104.83
January 6, 2016	Atkinson Construction – re: repairs to Norman Property, deducted from deposit	\$135.00
January 6, 2016	Magnum Energy, Inc. – re: Accumulated JIB Expenses for	\$15,130.63

Julie, Mackenzie, Jamie, and  
Wiley Post Wells

January 13, 2016	Mr. Electric – re: bring Norman Property gas piping up to code.	\$605.50
January 19, 2016	B. Gray – re: 1/2 Settlement	\$1,746.64
January 19, 2016	B. Gray – re: partial refund of security deposit	\$406.01
January 25, 2016	Oklahoma Gas & Electric – re: Norman Property	\$105.76
February 3, 2016	United States Treasury – re: 2015 taxes (Harrisburg 2)	\$1,950.00
February 3, 2016	United States Treasury – re: 2015 taxes (Harrisburg 1, Gates, Jasmine)	\$4,212.00
February 26, 2016	Campbell & Associates – re: meeting with insurance adjuster for rig audit after theft	\$495.00
March 1, 2016	Elias, Books, Brown & Nelson – re: accumulated expenses/advances	\$5,780.78
May 16, 2016	Campbell & Associates – re: locate and send releat to landowner on RLT well	\$400.00
May 16, 2016	Campbell & Associates – re: costs to plug Jack Justice #3	\$795.00
May 31, 2016	BancFirst – re: accounts service charge	\$60.00
June 30, 2016	BancFirst – re: accounts service charge	\$60.00
June 30, 2016	Magnum Energy, Inc. – re: Accumulated JIB Expenses for Julie, Mackenzie, Jamie, and Wiley Post Wells	\$26,664.05
July 31, 2016	BancFirst – re: accounts service charge	\$60.00
August 30, 2016	BancFirst – re: accounts service charge	\$60.00
	<b>TOTAL:</b>	\$496,395.52

	<u>Cash on hand</u>	<u>Reconciled Balance</u>
14. Beginning balance:	\$975,234.20	\$975,234.20
a. Balance for Gates:	\$521,295.45	\$521,295.45
b. Balance for OFE:	\$0.00	\$0.00

	c. Balance for Jasmine:	\$0.00	\$0.00
	d. Balance for Harrisburg 2:	\$324,987.25	\$324,987.25
	e. Balance for Receiver:	\$128,951.50	\$128,951.50
		<u>Cash on hand</u>	<u>Reconciled Balance</u>
15.	Ending balance:	\$611,530.19	\$825,276.16
	a. Balance for Gates:	\$273,916.74	\$273,916.74
	b. Balance for OEE:	\$0.00	\$0.00
	c. Balance for Jasmine:	\$117.36	\$117.36
	d. Balance for Harrisburg 2:	\$228,903.85	\$228,903.85
	e. Balance for Receiver:	\$108,592.24	\$322,338.21
16.	Other assets (estimated total value between \$1,000,000.00 and \$4,000,000.00):		
	a. Mid-Con U34B Drilling Rig (Gates); <sup>10</sup>		
	b. 0.172534760 working interest in Julie # 1-14 Well (Gates);		
	c. 0.7235416667 working interest in Mackenzie No. 1 Well (Gates);		
	d. 0.6500138900 working interest in Wiley Post Well (Gates); <sup>11</sup>		
	e. Brinley A-1 and Brinley C-3 inactive saltwater disposal wells (Jasmine); <sup>12</sup>		
	f. Judgments and pending claims against brokers in excess of \$2,000,000.00 for illegal/undisclosed commissions (All Entities); <sup>13</sup>		

<sup>10</sup> As of the filing of this Second Accounting, parts of the rig have been stolen. Michael Gray was arrested by the Garvin County Sheriff and charged with the theft. The Receiver has hired Larry Perdue of Asset Appraisal Corporation to market the rig. Currently, any sale is being held up by the landowner where portions of the rig have been stored.

<sup>11</sup> This asset is unsettled, but the Receiver is working on finalizing ownership in this well, for which approximately \$155,000.00 in revenue attributable to this working interest is in suspense with Enerwest Trading (the well's first purchaser).

<sup>12</sup> These wells are subject to an Oklahoma Corporation Commission Contempt Citation and Complaint against Jasmine, Inc., Cause No. EN 201400023. While the Receiver believes the issues with the Corporation Commission may be resolved, other than payment of amounts claimed by the OCC, the wells are inoperable and are a plugging liability for Jasmine.



- g. Pending claims in excess of \$150,000.00 against Eastern Starlight Energy;<sup>14</sup>
- h. Possible claims against Jimmy Gray's estate – although it appears there are no assets in his estate; and
- i. Pending claims in excess of \$3,600,000.00 against Greg Gray.<sup>15</sup>

DATED this 29 day of September, 2016.

Respectfully submitted,



Wyatt D. Swinford, OBA No. 32520  
Elias, Books, Brown & Nelson, P.C.  
Two Leadership Square  
211 N. Robinson, Suite 1300  
Oklahoma City, OK 73102  
Telephone: (405) 232-3722  
Facsimile: (405) 232-3746  
Email: njohnson@cliasbooks.com  
*Attorney for the Receiver*

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<sup>13</sup> See District Court of Oklahoma County Case No. CJ-2014-6852, *Receiver, et al. v. Pixelbridge Media, LLC, et al.*


<sup>14</sup> See District Court of Oklahoma County Case No. CJ-2014-6480, *Receiver v. Eastern Starlight Energy, et al.*

<sup>15</sup> See District Court of Oklahoma County Case No. CJ-2014-6480, *Receiver v. Gregory Gray, et al.*

**VERIFICATION**

State of Oklahoma     )  
                                  ) ss  
County of Oklahoma    )

Vance Brown, of lawful age, being first duly sworn upon oath says: that he is the Receiver for of the Entities' Estates, that he has read the above and foregoing account and report and that the same is true and correct.

  
\_\_\_\_\_  
Vance Brown

Subscribed and sworn to before me on the 29 day of September, 2016, by VANCE BROWN.

\_\_\_\_\_  
My Commission Expires

  
\_\_\_\_\_  
NOTARY PUBLIC

\_\_\_\_\_  
My Commission Number




**CERTIFICATE OF SERVICE**

I hereby certify that a true, correct and complete copy of the above and foregoing was mailed on the 29 day of September, 2016, via first-class U.S. Mail to the following counsel of record:

Irving L. Faught, Esq.  
David Lawson, Esq.  
Robert Fagnant, Esq.  
Oklahoma Department of Securities  
120 North Robinson Avenue, Suite 860  
Oklahoma City, Oklahoma 73102  
*Attorneys for Plaintiffs*

Timothy J. Bomhoff, Esq.  
McAfee & T'aft, a P.C.  
Two Leadership Square, 10<sup>th</sup> Floor  
211 North Robinson  
Oklahoma City, OK 73102  
*Attorneys for Defendants Jimmy W. Gray,  
Michael K. Gray and Lance P. Bowman*



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Wyatt D. Swinford