

The Louisiana Legislative Auditor issued a Performance Audit report dated October 24, 2024 to the Office of Conservation, Department of Energy and Natural Resources on the “Oversight of the Louisiana Oilfield Restoration Association (‘LORA’).” There were multiple recommendations in the Report and to address these issues, DENR pledged to engage the newly created Natural Resources Trust Authority created by Act 727 during the 2024 Regular Session of the Louisiana State Legislature. I was hired as the Executive Director of the NRTA and began employment on November 12, 2024. One of my first tasks was to read the report and learn as much as I could about the history and current operations of LORA.

As part of the complex and lengthy review of LORA that the NRTA is conducting, including the review of more than 5 years of bank and investment statements, I noticed a transaction in the Morgan Stanley account statements for an entity referred to as “Poydras Energy.” After researching this transaction, I believe that LORA has not been accounting for their Reserve Fund properly.

Poydras Energy had previously established a Site Specific Trust Account (SSTA) with the Office of Conservation (OoC) funded with cash and a pledged CD from Wells Fargo Bank to secure the financial security obligation for future plugging of their wells. Poydras Energy had requested the cash in the SSTA from OoC to fund improvements on their wells, as their wells were not producing. A production run from January 1, 2020 to December 31, 2022, showed only 2 of their 24 wells were producing. Essentially, the cash and CD reserves from the SSTA that had been held with the State were being used to finance an operator to make improvements on their wells.

A separate agreement dated August 25, 2020 between Louisiana Oilfield Restoration Association, Poydras Energy Partners, LLC, and the Office of Conservation (OoC) (“LORA SSTA”) allowed Poydras to replace their SSTA with OoC with a financial security instrument (FS) provided by LORA in the amount of \$2,403,832.00 to cover the SSTA requirement. The proceeds of the CD and the cash on deposit, totaling \$2,404,563.50 were released by OoC to LORA to be held in a separate reserve account (section 2 A) under the Agreement. Poydras was moving the cash in the SSTA from OoC to LORA, who would supplement the cash amount with an additional LORA financial security.

2. Upon receipt of the SSTA FS described above from LORA, OOC shall cause the SSTA Funds to be transferred to LORA to be held and partially distributed by LORA to Operator subject to the limitations and conditions set forth herein:

- A. The SSTA Funds shall be held by LORA in a reserve account.

Section 2 (B) of the Agreement allowed up to one-half of the SSTA funds (the funds that were released from OoC to LORA) or \$1,201,916.00 to be disbursed to Poydras Energy upon written Authorization and Direction from OoC. The agreement anticipated that 4 transactions would take place “upon the completion of certain work on or related to the Wells as agreed” between Poydras Energy and OoC, and approved by OoC.

2. Upon receipt of the SSTA FS described above from LORA, OOC shall cause the SSTA Funds to be transferred to LORA to be held and partially distributed by LORA to Operator subject to the limitations and conditions set forth herein:

A. The SSTA Funds shall be held by LORA in a reserve account.

B. Up to a total of one-half (½) of the SSTA Funds (or \$1,201,916.00) shall be subject to periodic distribution to Operator upon express written authorization and direction by OOC provided directly to LORA. It anticipated that such funds may be made available for distribution to Operator in four (4) separate payments in varying amounts upon the completion of certain work on or related to the Wells all as agreed

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between Operator and OOC and approved by OOC. LORA shall have no obligation or liability to inspect such work or make any determinations related to the work. LORA may rely solely on written authorization and direction provided by OOC that a distribution may be made to Operator and the amount of such distribution.

LORA deposited \$2,404,563.50 received from OoC into their Investar deposit account (Main x9225) on September 28, 2020. From this Investar account, 2 wires were sent out to "Brandon Stanko PA IOLTA." One wire was for \$140,000.00 on September 30, 2020, and another wire on October 7, 2020 for \$259,000.00. After wire fees of \$40.00 were deducted, the remaining balance of \$2,005,523.50 was deposited into Morgan Stanley Account (LORA Inc 784-028815-141).

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02/20/24Louisiana Oilfield Restoration Association Inc.
Transactions by Account

Accrual Basis

As of December 31, 2020

Type	Date	Num	Adj	Name	Memo	Cir	Split	Debit	Credit	Balance
Invoice	12/03/2020	102		Planet Resources			Accounts Recei...	1,750.00		1,231,833.23
Invoice	12/09/2020	141		Miss-Lou Operating L...			Accounts Recei...		3,500.00	1,235,333.23
Invoice	12/09/2020	141		Miss-Lou Operating L...			Accounts Recei...	700.00		1,234,633.23
Invoice	12/10/2020	143		University Field Man...			Accounts Recei...		3,500.00	1,238,133.23
Invoice	12/10/2020	143		University Field Man...			Accounts Recei...	700.00		1,237,433.23
Invoice	12/11/2020	167		Griffin & Griffin Expl...			Accounts Recei...		1,750.00	1,239,183.23
Invoice	12/11/2020	167		Griffin & Griffin Expl...			Accounts Recei...	350.00		1,238,833.23
Invoice	12/13/2020	146		Stroud Production LLC			Accounts Recei...		1,750.00	1,240,583.23
Invoice	12/13/2020	146		Stroud Production LLC			Accounts Recei...	350.00		1,240,233.23
Invoice	12/13/2020	148		Avanti Exploration Lo...			Accounts Recei...		1,750.00	1,241,983.23
Invoice	12/13/2020	148		Avanti Exploration Lo...			Accounts Recei...	350.00		1,241,633.23
Invoice	12/16/2020	149		EGH Operating LLC			Accounts Recei...		8,750.00	1,250,383.23
Invoice	12/16/2020	149		EGH Operating LLC			Accounts Recei...	1,750.00		1,248,633.23
Invoice	12/16/2020	152		Wilcox Energy Comp...			Accounts Recei...		3,500.00	1,252,133.23
Invoice	12/16/2020	152		Wilcox Energy Comp...			Accounts Recei...	700.00		1,251,433.23
Invoice	12/17/2020	154		Petroleum Inc.			Accounts Recei...		1,750.00	1,253,183.23
Invoice	12/17/2020	154		Petroleum Inc.			Accounts Recei...	350.00		1,252,833.23
Invoice	12/20/2020	156		Delta Exploration Pro...			Accounts Recei...		8,750.00	1,261,583.23
Invoice	12/20/2020	156		Delta Exploration Pro...			Accounts Recei...	1,750.00		1,259,833.23
Invoice	12/20/2020	155		CPI 5, LLC			Accounts Recei...		6,440.63	1,266,273.86
Invoice	12/20/2020	155		CPI 5, LLC			Accounts Recei...	1,288.13		1,264,985.73
Invoice	12/23/2020	170		S2 Energy Operating...	\$2,500,000.00 (LORA-E-S410-3)		Accounts Recei...		50,000.00	1,314,985.73
Invoice	12/23/2020	170		S2 Energy Operating...			Accounts Recei...	10,000.00		1,304,985.73
Invoice	12/23/2020	151		WCC Energy Group ...			Accounts Recei...		17,743.04	1,322,728.77
Invoice	12/23/2020	151		WCC Energy Group ...			Accounts Recei...	3,548.61		1,319,180.16
Invoice	12/23/2020	161		Shelf Energy LLC			Accounts Recei...		3,500.00	1,322,680.16
Invoice	12/23/2020	161		Shelf Energy LLC			Accounts Recei...	700.00		1,321,980.16
Invoice	12/23/2020	136		Mineral Ventures Inc			Accounts Recei...		8,750.00	1,330,730.16
Invoice	12/23/2020	136		Mineral Ventures Inc			Accounts Recei...	1,750.00		1,328,980.16
Invoice	12/23/2020	163		Gladney Energy Part...			Accounts Recei...		1,750.00	1,330,730.16
Invoice	12/23/2020	163		Gladney Energy Part...			Accounts Recei...	350.00		1,330,380.16
Invoice	12/23/2020	169		RL Operating Co. LLC			Accounts Recei...		1,750.00	1,332,130.16
Invoice	12/23/2020	169		RL Operating Co. LLC			Accounts Recei...	350.00		1,331,780.16
Invoice	12/23/2020	173		Dunn Exploration Co...	Pro Rata Addition		Accounts Recei...		350.00	1,332,130.16
Invoice	12/26/2020	159		Frans Oil, Inc.			Accounts Recei...	70.00		1,332,060.16
Invoice	12/26/2020	159		Frans Oil, Inc.			Accounts Recei...		4,282.25	1,336,342.41
Invoice	12/26/2020	159		Frans Oil, Inc.			Accounts Recei...	856.45		1,335,485.96
Invoice	12/26/2020	157		Calm Energy Partner...			Accounts Recei...		1,750.00	1,337,235.96
Invoice	12/26/2020	157		Calm Energy Partner...			Accounts Recei...	350.00		1,336,885.96
Total Financial Security Reserve A								307,698.49	1,485,668.46	1,336,885.96
Poydras Held Reserves										0.00
Deposit	09/28/2020				Collateral transferred from OoC for Poydras		Investar Bank ...		2,404,563.50	2,404,563.50
Check	08/02/2020			Brandon Stanko PA I...	First distribution to Poydras		Investar Sweep...	140,000.00		2,264,563.50
Check	09/30/2020			Investar Bank	Transfer Fee		Investar Sweep...	20.00		2,264,543.50
Check	10/07/2020			Brandon Stanko PA I...	second half of first distribution to Poydras		Investar Sweep...	259,000.00		2,005,543.50
Check	10/07/2020			Investar Bank	Transfer Fee		Investar Sweep...	20.00		2,005,523.50
Total Poydras Held Reserves								399,040.00	2,404,563.50	2,005,523.50
TOTAL								706,738.49	3,890,231.96	3,342,409.46

On February 4, 2021, \$255,000.00 was transferred from the Morgan Stanley account back to their Investar Main account and then wired out to “Brandon Stanko PA IOLTA” on February 5, 2021.

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02/20/24Louisiana Oilfield Restoration Association Inc.
Transactions by Account

Accrual Basis

As of December 31, 2021

Type	Date	Num	Adj	Name	Memo	Cir	Split	Debit	Credit	Balance
Invoice	11/26/2021	344		Far West Developme...			Accounts Recei...		1,750.00	3,568,940.12
Invoice	11/26/2021	344		Far West Developme...			Accounts Recei...	350.00		3,569,590.12
Invoice	11/26/2021	345		Frans Oil, Inc.			Accounts Recei...		8,750.00	3,577,340.12
Invoice	11/26/2021	345		Frans Oil, Inc.			Accounts Recei...	1,750.00		3,575,590.12
Invoice	11/26/2021	346		Lahoma Operating Inc.			Accounts Recei...		1,750.00	3,577,340.12
Invoice	11/26/2021	346		Lahoma Operating Inc.			Accounts Recei...	350.00		3,576,990.12
Invoice	11/26/2021	343		Calm Energy Partner...			Accounts Recei...		1,750.00	3,578,740.12
Invoice	11/26/2021	343		Calm Energy Partner...			Accounts Recei...	350.00		3,578,390.12
Invoice	11/26/2021	348		Shelf Energy LLC			Accounts Recei...		5,250.00	3,583,640.12
Invoice	11/26/2021	348		Shelf Energy LLC			Accounts Recei...	1,050.00		3,582,590.12
Invoice	11/26/2021	347		Planet Resources			Accounts Recei...		8,750.00	3,591,340.12
Invoice	11/26/2021	347		Planet Resources			Accounts Recei...	1,750.00		3,589,590.12
Invoice	11/29/2021	353		Salt Lick LLC			Accounts Recei...		16,598.82	3,606,188.94
Invoice	11/29/2021	353		Salt Lick LLC			Accounts Recei...	3,319.76		3,602,869.18
Invoice	11/29/2021	354		Bear Minerals LLC			Accounts Recei...		7,000.00	3,609,869.18
Invoice	11/29/2021	354		Bear Minerals LLC			Accounts Recei...	1,400.00		3,608,469.18
Invoice	11/29/2021	355		Lucky Lad			Accounts Recei...		3,500.00	3,611,969.18
Invoice	11/29/2021	355		Lucky Lad			Accounts Recei...	700.00		3,611,269.18
Invoice	12/06/2021	364		Burnite Operating LLC			Accounts Recei...		1,750.00	3,613,019.18
Invoice	12/06/2021	364		Burnite Operating LLC			Accounts Recei...	350.00		3,612,669.18
Invoice	12/06/2021	365		Oxx Resources			Accounts Recei...		8,750.00	3,621,419.18
Invoice	12/06/2021	365		Oxx Resources			Accounts Recei...	1,750.00		3,619,669.18
Invoice	12/06/2021	356		Welsh Oil Co. Inc			Accounts Recei...		1,750.00	3,621,419.18
Invoice	12/06/2021	356		Welsh Oil Co. Inc			Accounts Recei...	350.00		3,621,069.18
Invoice	12/06/2021	358		Watchtower Petroleum			Accounts Recei...		1,750.00	3,622,819.18
Invoice	12/06/2021	358		Watchtower Petroleum			Accounts Recei...	350.00		3,622,469.18
Invoice	12/09/2021	363		Texas Petroleum Inv...			Accounts Recei...		159,471.42	3,781,940.60
Invoice	12/09/2021	363		Texas Petroleum Inv...			Accounts Recei...	31,894.28		3,750,046.32
Invoice	12/09/2021	359		Discovery Operating ...			Accounts Recei...		1,750.00	3,751,796.32
Invoice	12/09/2021	359		Discovery Operating ...			Accounts Recei...	350.00		3,751,446.32
Invoice	12/09/2021	360		EnPower Resources L...			Accounts Recei...		8,750.00	3,760,196.32
Invoice	12/09/2021	360		EnPower Resources L...			Accounts Recei...	1,750.00		3,758,446.32
Invoice	12/09/2021	362		S2 Energy Operating...			Accounts Recei...		50,000.00	3,808,446.32
Invoice	12/09/2021	362		S2 Energy Operating...			Accounts Recei...	10,000.00		3,798,446.32
Invoice	12/15/2021	366		RL Operating Co. LLC			Accounts Recei...		1,750.00	3,800,196.32
Invoice	12/15/2021	366		RL Operating Co. LLC			Accounts Recei...	350.00		3,799,846.32
Invoice	12/15/2021	369		Defiance Energy Ser...	VOID:	X	Accounts Recei...		0.00	3,799,846.32
Invoice	12/15/2021	370		Geoterra Operating ...			Accounts Recei...		8,750.00	3,808,596.32
Invoice	12/15/2021	370		Geoterra Operating ...			Accounts Recei...	1,750.00		3,806,846.32
Invoice	12/15/2021	367		Rabco Contracting Co...			Accounts Recei...		8,750.00	3,815,596.32
Invoice	12/15/2021	367		Rabco Contracting Co...			Accounts Recei...	1,750.00		3,813,846.32
Invoice	12/15/2021	371		Redeemed Energy, L...			Accounts Recei...		1,750.00	3,815,596.32
Invoice	12/15/2021	371		Redeemed Energy, L...			Accounts Recei...	350.00		3,815,246.32
Invoice	12/22/2021	374		Plater Sands #1			Accounts Recei...		1,750.00	3,816,996.32
Invoice	12/22/2021	374		Plater Sands #1			Accounts Recei...	350.00		3,816,646.32
Invoice	12/22/2021	376		Zone Energy LLC			Accounts Recei...		1,750.00	3,818,396.32
Invoice	12/22/2021	376		Zone Energy LLC			Accounts Recei...	350.00		3,818,046.32
Invoice	12/27/2021	373		Black Bayou Operati...			Accounts Recei...		8,750.00	3,826,796.32
Invoice	12/27/2021	373		Black Bayou Operati...			Accounts Recei...	1,750.00		3,825,046.32
Invoice	12/27/2021	372		Murphrey Oil Compa...			Accounts Recei...		17,500.00	3,842,546.32
Invoice	12/27/2021	372		Murphrey Oil Compa...			Accounts Recei...	3,500.00		3,839,046.32
Invoice	12/28/2021	375		Baker Oil LLC			Accounts Recei...		1,750.00	3,840,796.32
Invoice	12/28/2021	375		Baker Oil LLC			Accounts Recei...	350.00		3,840,446.32
Total Financial Security Reserve A								663,674.67	3,167,235.03	3,840,446.32
Poydras Held Reserves										2,005,523.50
Check	02/05/2021			Poydras Energy Part...	Outgoing Wire Fee		Investar Sweep...	255,000.00		1,750,523.50
Check	02/05/2021			Poydras Energy Part...			Investar Sweep...	20.00		1,750,503.50
Total Poydras Held Reserves								255,020.00	0.00	1,750,503.50
TOTAL								918,694.67	3,167,235.03	5,590,949.82

We cannot find a record of supporting documentation submitted or written direction given by OoC to LORA directing the release of funds to Poydras Energy for these 3 transactions. We also cannot find any other distributions made to or on behalf of Poydras Energy on the statements provided to us for review at Kean Miller on any other dates. The payments that were made appear to have been made to a law firm rather than an entity that would be involved in work regarding well improvement.

The total of the 3 transactions (with wire fees) is \$654,000.00. The balance remaining of the Poydras Reserve Funds held by LORA after making these transfers should be \$1,750,503.50. The amount is very close to the February 28, 2021 balance of \$1,751,176.23 reported in Morgan Stanley account 784-028815-141. (The differentiation in value is likely attributed to interest earned in the account.) This amount remained in the account until it was transferred without explanation to a different Morgan Stanley Account during the last week of June 2022. The account that received the funds was titled "LA Oilfield Restoration Assoc Inc" (784-028768-141) which serves as the main recipient of LORA's required reserve deposits from the Cooperative Endeavor Agreement 20-004. This account should not have accepted the funds, as the funds should have remained independent of the LORA reserve account since they were to be used only for the SSTA for Poydras Energy.

The "LA Oilfield Restoration Assoc Inc" account was opened at Morgan Stanley in August of 2020 as contemplated in the CEA for the "Special Reserve" and slowly accumulated funds over time. This was confirmed by correspondence received from Mr. Van Mayhall, III on January 10, 2024.

LORA operates as a not-for-profit C corporation. Other than the \$5 million special reserve (the "Special Reserve") required under the Cooperative Endeavor Agreement with OOC (the "CEA"), LORA does not generally maintain significant assets for investment over a long period of time. LORA maintains a cash reserve in its Investar operating account to meet its ongoing obligations to address orphaned wells on an annual basis.

Initially, in Phase One of its operations, every dollar LORA received as "Fees" under the CEA for providing financial security was split: 80% was allocated to fund the Special Reserve and 20% was allocated to administrative fees.⁹ As noted above, LORA opened the Morgan Stanley Account in August of 2020 to pool the majority of the assets allocated to the Special Reserve. When the Special Reserve reached \$5 million, LORA entered Phase Two of its operations: 64% of every dollar it received in fees was allocated to an annual plugging budget to address orphaned wells, and 36% was allocated to administrative fees.

Poydras Energy paid their annual fee of \$84,134.12 to LORA on August 20, 2020 as required in the LORA SSTA agreement.

Louisiana Oilfield Restoration Association Inc.
Payments Received by Clients
As of December 31, 2020

Type	Date	Num	Name	Payment
Invoice	07/24/2020	100	A & F OIL PRODUCTION	10,500.00
Invoice	07/27/2020	101	Murphrey Oil Company Inc.	4,375.00
Invoice	07/29/2020	102	Louisiana Tank Inc	391.00
Invoice	07/31/2020	103	Spicy Daugx Operators Louisiana, LLC	122,500.00
Invoice	08/04/2020	104	Yellow Rock LLC	8,750.00
Invoice	08/04/2020	105	T. O. Kimbrell, LLC	1,750.00
Invoice	08/05/2020	106	1776 Energy Operators LLC	3,620.75
Invoice	08/05/2020	107	Empire Petroleum Louisiana LLC	3,500.00
Invoice	08/06/2020	108	CEP Production LLC	8,750.00
Invoice	08/09/2020	109	R&B Oil Company LLC	1,750.00
Invoice	08/09/2020	110	R&B Oil Company LLC	1,750.00
Invoice	08/10/2020	111	Southern LA Exploration Company LLC	8,750.00
Invoice	08/11/2020	112	Soldier Operating LLC	8,750.00
Invoice	08/17/2020	114	Silverhawk Resources II-C, LLC	1,750.00
Invoice	08/20/2020	115	Poydras Energy Partners, LLC	84,134.12
Invoice	08/31/2020	117	Dunn Exploration Company, Inc.	950.00

Poydras Energy did not make another fee payment to LORA the following year as required, and on December 29, 2021, then Commissioner of Conservation Richard Ieyoub sent a draw on the LORA financial security for Poydras Energy in the amount of \$2,403,832.



JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF CONSERVATION

THOMAS F. HARRIS
SECRETARY

RICHARD P. IEYOUB
COMMISSIONER OF CONSERVATION

December 29, 2021

Louisiana Oilfield Restoration Association Inc.
P.O. Box 82016
Baton Rouge, LA 70884
Attn: Van R. Mayhall, III

Re: Certified Mail No. 7019 2970 0001 0822 5627
Letter of Credit No. LORA-O-04-11
Poydras Energy Partners, LLC – OC P265

Dear Mr. Mayhall:

I, Richard P. Ieyoub, Commissioner of the Louisiana Office of Conservation, hereby notify Louisiana Oilfield Restoration Association Inc. (LORA), P.O. Box 82016, Baton Rouge, LA 70884 of the Louisiana Office of Conservation's intent to hereby draw upon the above referenced Letter of Credit in the full amount of \$2,403,832. Attached you will find a sight draft bearing reference to the subject Letter of Credit.

As a condition of the Letter of Credit, I certify that the amount of the draft is payable pursuant to regulations issued in accordance with LSA-R.S.30:1 et seq. Should LORA choose to plug and abandon the subject wells as referenced in Cooperating Agreement 20-004 in lieu of remitting payment of the Letter of Credit, please provide a plug and abandonment schedule no later than February 1, 2022.

Please expedite this transaction. You may remit the funds by cashier's check to Office of Conservation, 617 North 3rd Street, 9th Floor, Baton Rouge, Louisiana 70802, Attn: Ms. Carrie A. Wiebelt or by wire to the State Central Depository Account, Account No. 7900405426, Routing Number 021000021, J. P. Morgan Chase Bank, Baton Rouge, Louisiana. Please e-mail proof of wire transaction to carrie.wiebelt@la.gov.

If you have any questions, you may contact Carrie A. Wiebelt, (225) 342-9380 (Office of Conservation) or Mr. John Daniel, (225) 332-5966 (J. P. Morgan Chase Bank, N.A.).

Yours very truly,


RICHARD P. IEYOUB
LOUISIANA COMMISSIONER OF CONSERVATION

RPI:CAW

Attachment: Sight Draft

cc: Todd Keating Casandra Parker Latangia Brimmer Russell McGee
Poydras Energy Partners, LLC - Shannon Terry, shannon@ngenglobalenergy.com

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An Equal Opportunity Employer

Rather than fund the draw on the financial security, LORA chose to plug and abandon the subject wells covered under the agreement. I am unable to find a copy of their plug and abandonment schedule in the files as requested in Commissioner Iyoub's draw request, however LORA began to plug the wells as shown in their 2022, 2023, and 2024 Annual Reports.

Well Serial #	Well Name	Well Num	Field	Contractor	Status
227644	SL 17294	1	Wildcat	Select Oilfield Services LLC	In Progress
44833 / 82056	SL 1958	1&1D	Main Pass Block 35	Select Oilfield Services LLC	In Progress
45364/104933	SL 1958	2&2D	Main Pass Block 35	Select Oilfield Services LLC	In Progress
51155/81747	SL 1958	33&33D	Main Pass Block 35	Select Oilfield Services LLC	In Progress
122520	VUA; SL 1958 A	1	Main Pass Block 35	Select Oilfield Services LLC	In Progress
215803	SL 1958	51	Main Pass Block 35	Select Oilfield Services LLC	In Progress

2023 LORA Annual Report - Exhibit A

Well Serial #	Well Name	Well Num	Field	Contractor	Cost/Well	Status
46246	SL 1958	7	Main Pass Block 35	Select Oilfield Services LLC	\$ 228,675.22	COMPLETE
44833 / 82056	SL 1958	1&1D	Main Pass Block 35	Select Oilfield Services LLC	\$ 285,350.44	COMPLETE
106679/ 106347	SL 1958	43&43D	Main Pass Block 35	Select Oilfield Services LLC	\$ 227,206.58	COMPLETE
51155/81747	SL 1958	33&33D	Main Pass Block 35	Select Oilfield Services LLC	\$ 250,706.58	COMPLETE
122520	VUA; SL 1958 A	1	Main Pass Block 35	Select Oilfield Services LLC	\$ 205,175.22	COMPLETE
215803	SL 1958	51	Main Pass Block 35	Select Oilfield Services LLC	\$ 264,248.80	COMPLETE

Total Cost of Project \$1,461,362.84

2024 LORA Annual Report - Exhibit A

Well Serial #	Well Name	Well Num	Field	Contractor	P&A Cost	Allocated Cleanup/ Disposal Cost	Total Per Well	Status
45364	SL 1958	2	Main Pass Block 35	Select Oilfield Services LLC	\$ 127,125.00	\$ 69,577.19	\$ 196,702.19	COMPLETE
104933	SL 1958	2D	Main Pass Block 35	Select Oilfield Services LLC	\$ 127,125.00	\$ 69,577.19	\$ 196,702.19	COMPLETE
84463	SL 1958	41	Main Pass Block 35	Select Oilfield Services LLC	\$ 132,125.00	\$ 69,577.19	\$ 201,702.19	COMPLETE
85245	SL 1958	41D	Main Pass Block 35	Select Oilfield Services LLC	\$ 132,125.00	\$ 69,577.20	\$ 201,702.20	COMPLETE

Total Cost of Project \$ 796,808.77

On June 20, 2022 Assistant Commissioner John Adams sent an email to the Oilfield Site Restoration (OSR) staff requesting them to develop the plugging procedures for LORA, and to direct LORA to begin plugging the wells.

From: John Adams (DNR) <Johnny.Adams@LA.GOV>
Sent: Monday, June 20, 2022 10:39 AM
To: Christopher Sandoz <Christopher.Sandoz@LA.GOV>
Cc: Roby Fulkerson <Roby.Fulkerson@LA.GOV>; Casandra Parker <Casandra.Parker@LA.GOV>; Patrick Courreges <Patrick.Courreges@LA.GOV>
Subject: FW: Poydras wells

Chris, below is the list of Poydras wells which are not desirable to future operators. Please have appropriate staff develop plugging procedures and forward the list of wells and plugging procedures to LORA along with a request to initiate plugging operations as soon as possible.

SN	Lease	Well #
44833	SL 1958	1
82056	SL 1958	001D
122520	VUA;SL 1958 A	1
45364	SL 1958	2
104933	SL 1958	002D
46246	MPB35 9250 RB SU;SL 1958	7
51155	SL 1958	33
81747	SL 1958	033D
215803	SL 1958	51
227644	SL 20103	1

John W. Adams, Assistant Commissioner
LDNR / Office of Conservation
P.O. Box 94275
Baton Rouge, LA 70804-9275
Phone: (225) 342-7889

I am unsure as to why Assistant Commissioner Adams was directing staff and using State resources to develop and provide procedures for LORA, as LORA had been chosen to establish the program and had already plugged wells that were not related to the Poydras transaction. Of the 24 wells that are covered, 2 were transferred to new operators, 13 have been plugged by LORA, with 9 remaining. (Note that well #227644 was listed as “in progress” on the 2022 Annual Report, however, it was not included in the 2023 or 2024 report as having been completed, and just had a permit approved on February 17, 2025.)

Per Section 2 (C) of the SSTA Agreement, the Poydras funds that were transferred to LORA (after payments to Poydras Energy that were to be approved by OoC) were to be used first for the obligations of the SSTA, then once expended, the secondary source of funds for the remaining obligation under the SSTA was the Financial Security instrument provided by LORA.

- C. Except for any limited funds authorized to be distributed to Operator as provided herein, all SSTA Funds shall be held by LORA and may be utilized by LORA to satisfy any obligations of the SSTA FS or the obligations of the SSTA. Such SSTA Funds shall be the primary source for satisfying the obligations of the SSTA. The financial security provided pursuant to the SSTA FS shall be secondary to and in excess of the SSTA Funds. In no event shall LORA be liable for more than the amount of \$2,403,832.00 under or in connection with this Agreement.

The LORA SSTA has not been satisfied, as there are still wells that have not been plugged. Pursuant to Section 9 of the SSTA Agreement, the funds should still be set aside for this purpose and are not assets available for LORA.

9. Upon the satisfaction of all obligations of the SSTA and the completion of all oilfield site restoration work contemplated by the SSTA and approval of same by OOC and the termination of the SSTA in accordance with applicable law (the "SSTA Termination"), any remaining SSTA Funds shall become the property of LORA and may be retained by LORA. LORA shall have no obligation or liability for inspecting such work or making any determinations related to the work. LORA may rely solely on a writing provided by OOC authorizing and directing the payment and providing the name and contact information of the responsible party.

We requested statements from LORA for their Investment Accounts, as well as their operating accounts, and any other accounts that received fees from operators. LORA would not produce the statements to us directly, however made them available for our review at the office of their attorneys, Kean Miller. Upon review of the 2 Morgan Stanley accounts (the LORA Reserve and the Poydras segregated Reserve) and the 2 Investar accounts ('Main' and 'Receiving'), the accounts did not total the required \$5 million Reserve requirement from the CEA as stated in a letter from Van Mayhall, III, dated May 20, 2024, to Secretary Gray and then Commissioner of Conservation Bienvenu.

LORA Operations

In the 2019 Cooperative Agreement, the OOC required LORA to build and maintain a \$5 million reserve before beginning plugging operations. LORA reached this \$5 million reserve on June 28, 2022, and this reserve has been maintained at or above that level ever since.

LORA had included the Poydras reserves that were to be held for the Poydras SSTA separate and apart for all other LORA obligations. When you back out the amounts held for Poydras, the total value of the 3 accounts was only \$3,187,071.50 (Investar - \$572,815.68 and \$3,738.00; Morgan Stanley \$2,610,517.82). The approximate value of the Promissory Note loans (described later in this report and reported on their Profit and Loss Statements) in the amounts of \$200,000.00, \$139,000.00, \$98,400.49, \$100,000.00, \$89,400.00, and \$632,000.00 at this time was \$1,258,800.49 (based on maturity value, which could have been less than this amount if principal payments were made on any of the obligations), for a total estimated account value for all funds of \$4,445,871.99 as of June 30, 2022.

The Operating and Reserve Funds, as defined in the CEA, were to be funded solely from fees collected from operators (the not to exceed figure of 3.5% of the amount of the financial security) and not from other sources, such as the LORA SSTA for Poydras.

NOW, THEREFORE, LORA does hereby agree to offer to each operator in possession of a validly issued OOC operator code the opportunity to obtain financial security in compliance with LAC 43.XIX.1.104 in exchange for an annual contribution not to exceed three and one-half percent (3.5%) of the amount of financial security provided.

In order to establish a reserve account to pay amounts due under the Letter of Credit if called upon to do so, or to be expended in the event of an emergency involving Secured Wells, and further to provide the funds to address Secured Wells, LORA agrees that all fees for financial security collected from Secured Operators (the "Fees") shall be allocated as follows:

- (1) A minimum of Eighty percent (80%) of all Fees shall be utilized as operating and reserve funds (the "Operating and Reserve Funds"); and
- (2) A maximum of Twenty percent (20%) shall be utilized for the administrative and day-to-day operating expenses of LORA.

The "Transactions by Account" LORA provided as part of their 2022 Annual Report show where they took the special Poydras Reserves and allocated them between administrative and reserve funds as part of the total LORA portfolio, which also inflated their balances, as these funds were not for the Reserve and Operating accounts, but for the separate Reserve that should have been segregated for the Poydras LORA SSTA. These funds are not part of the \$5 million Reserve as required in the Cooperative Endeavor Agreement with LORA.

9:22 PM

Louisiana Oilfield Restoration Association Inc.

Transactions by Account

02/20/24

Accrual Basis

As of December 31, 2022

Type	Date	Num	Adj	Name	Memo	Clr	Split	Debit	Credit	Balance
Financial Security Reserve										3,840,446.32
Current Year Reserves for P&AB										0.00
Invoice	01/01/2022	357		TDX Energy LLC			Accounts Recei...		8,750.00	8,750.00
Invoice	01/01/2022	357		TDX Energy LLC			Accounts Recei...	3,150.00		5,600.00
Invoice	02/11/2022	399		S2 Energy Operating...			Accounts Recei...		35,390.56	40,990.56
Invoice	02/11/2022	399		S2 Energy Operating...			Accounts Recei...	12,740.60		28,249.96
Invoice	02/17/2022	407		Evangeline Natural R...			Accounts Recei...		13,258.80	41,508.76
Invoice	02/17/2022	407		Evangeline Natural R...			Accounts Recei...	4,773.17		36,735.59
Invoice	02/23/2022	409		Sundance Energy Co...			Accounts Recei...		3,500.00	40,235.59
Invoice	02/23/2022	409		Sundance Energy Co...			Accounts Recei...	1,260.00		38,975.59
Invoice	03/01/2022	411		Grease Exploration I...			Accounts Recei...		7,836.68	46,812.27
Invoice	03/01/2022	411		Grease Exploration I...			Accounts Recei...	2,821.20		43,991.07
Invoice	03/09/2022	204		Exoro Energy LLC			Accounts Recei...	0.00		43,991.07
Invoice	03/22/2022	427		Investco Oil and Gas...	VOID:	X	Accounts Recei...		17,500.00	61,491.07
Invoice	03/22/2022	427		Investco Oil and Gas...			Accounts Recei...	6,300.00		55,191.07
Invoice	03/28/2022	433		Louisiana Tank Inc			Accounts Recei...		16,696.84	71,887.91
Invoice	03/28/2022	433		Louisiana Tank Inc			Accounts Recei...	6,010.86		65,877.05
Invoice	04/05/2022	438		TYGR Operating Co...			Accounts Recei...		8,750.00	74,627.05
Invoice	04/05/2022	438		TYGR Operating Co...			Accounts Recei...	3,150.00		71,477.05
Invoice	04/18/2022	446		Dees Production			Accounts Recei...		2,422.28	73,899.33
Invoice	04/18/2022	446		Dees Production			Accounts Recei...	872.02		73,027.31
Invoice	04/18/2022	450		Texas Petroleum Inv...			Accounts Recei...		22,000.00	95,027.31
Invoice	04/18/2022	450		Texas Petroleum Inv...			Accounts Recei...	7,920.00		87,107.31
Invoice	05/11/2022	468		R&B Oil Company LLC			Accounts Recei...		5,901.00	93,008.31
Invoice	05/11/2022	468		R&B Oil Company LLC			Accounts Recei...	2,124.36		90,883.95
Invoice	05/22/2022	477		S2 Energy Operating...			Accounts Recei...		115,148.64	206,032.59
Invoice	05/22/2022	477		S2 Energy Operating...			Accounts Recei...	41,453.51		164,579.08
Invoice	05/22/2022	472		Trace Operators Inc.			Accounts Recei...		1,750.00	166,329.08
Invoice	05/22/2022	472		Trace Operators Inc.			Accounts Recei...	630.00		165,699.08
Invoice	05/22/2022	471		Burton Brothers Oil...			Accounts Recei...		500.00	166,199.08
Invoice	05/22/2022	471		Burton Brothers Oil...			Accounts Recei...	180.00		166,019.08
Invoice	05/22/2022	476		Martin Energy LLC			Accounts Recei...		1,750.00	167,769.08
Invoice	05/22/2022	476		Martin Energy LLC			Accounts Recei...	630.00		167,139.08
Invoice	06/14/2022	486		Lucky Strike Product...			Accounts Recei...		2,773.68	169,912.76
Invoice	06/14/2022	486		Lucky Strike Product...			Accounts Recei...	998.52		168,914.24
Invoice	06/14/2022	483		White River Operati...			Accounts Recei...		12,950.00	181,864.24
Invoice	06/14/2022	483		White River Operati...			Accounts Recei...	4,662.00		177,202.24
Invoice	06/14/2022	484		E2 Operating LLC			Accounts Recei...		2,928.52	180,130.76
Invoice	06/14/2022	484		E2 Operating LLC			Accounts Recei...	1,054.27		179,076.49
Invoice	06/20/2022	490		Dynamic Exploration ...			Accounts Recei...		5,897.50	184,973.99
Invoice	06/20/2022	490		Dynamic Exploration ...			Accounts Recei...	2,123.10		182,850.89
Invoice	06/20/2022	492		A & F OIL PRODUC...			Accounts Recei...		10,500.00	193,350.89
Invoice	06/20/2022	492		A & F OIL PRODUC...			Accounts Recei...	3,780.00		189,570.89
Invoice	06/20/2022	491		Henderson Oil Produ...			Accounts Recei...		5,371.17	194,942.06
Invoice	06/20/2022	491		Henderson Oil Produ...			Accounts Recei...	1,933.62		193,008.44
General Journal	06/26/2022	39	*		64% Financial Security Portion - Poydras		Poydras Held R...		1,322,750.05	1,515,758.49
General Journal	06/26/2022	39	*		64% Financial Security Portion - Poydras		Poydras Held R...	476,190.02		1,039,568.47
Invoice	06/30/2022	478		Texas Petroleum Inv...			Accounts Recei...		1,395,007.70	2,434,576.17
Invoice	06/30/2022	478		Texas Petroleum Inv...			Accounts Recei...	502,202.77		1,932,373.40
Invoice	07/01/2022	494		Gnt Operating LLC			Accounts Recei...		1,750.00	1,934,123.40
80% Financial Security Portion - Poydras										
General Journal	06/26/2022	39	*		80% Financial Security Portion - Poydras		Poydras Held R...		427,753.45	5,086,950.69
General Journal	06/26/2022	39	*		20% Admin Fee - Poydras		Poydras Held R...	85,550.69		5,001,400.00
Invoice	07/06/2022	498		Yellow Rock LLC			Accounts Recei...		8,750.00	5,010,150.00
Invoice	07/06/2022	498		Yellow Rock LLC			Accounts Recei...	1,750.00		5,008,400.00
Bill	08/02/2022	2791		Tolbert Construction			Accounts Paya...	19,950.00		4,988,450.00
Bill	08/02/2022	2789		Tolbert Construction			Accounts Paya...	14,450.00		4,974,000.00
Bill	08/02/2022	2790		Tolbert Construction			Accounts Paya...	14,360.00		4,959,640.00
Invoice	08/10/2022	516		Badger Energy, LLC			Accounts Recei...		10,500.00	4,970,140.00
Invoice	08/10/2022	516		Badger Energy, LLC			Accounts Recei...	2,100.00		4,968,040.00
Invoice	08/17/2022	518		Texas Petroleum Inv...			Accounts Recei...		39,950.00	5,007,990.00
Invoice	08/17/2022	518		Texas Petroleum Inv...			Accounts Recei...	7,990.00		5,000,000.00
Total Financial Security Reserve - Other ^A										
								381,560.42	1,541,114.10	5,000,000.00
Total Financial Security Reserve										
								2,245,193.86	5,348,859.80	6,944,112.26
Poydras Held Reserves										1,750,503.50
General Journal	06/26/2022	39	*				-SPLIT-	1,750,503.50		0.00
Total Poydras Held Reserves										0.00
								1,750,503.50	0.00	0.00

Promissory Note Investments

On April 3, 2023, LORA distributed \$780,000.00 from their Morgan Stanley investment account to their LORA "Main" account x9225 at Investar Bank. On April 14, 2023, LORA provided a counter check in the amount of \$780,000.00 to Chromos Wealth Solutions LLC to invest in a Promissory Note between Chromos and LORA. The terms of the Promissory Note, per the one page document shared with us at Kean Miller, was dated as of April 28, 2023, had an interest rate of 2.80% with interest due annually, and a final maturity of 5 years. (The Note was signed by Andrew Berthelot of Chronos and not Chromos.) It is unknown why there was a delay between the issuance of the counter check on April 14 and issuance of the Promissory Note on April 28, in which no interest was earned during this period. The Promissory Note had a provision that allowed for interest and principal to be paid monthly, a default interest rate provision, as well as early payment provisions with notice from Chromos to the noteholder. The Note did not define the interest calculation method (30/360, actual/360, actual/actual).

The investment held substantial risk for the Reserve portfolio for several reasons.

First, the firm that provided the financial instrument, Chromos Wealth Solutions LLC, is not a registered investment firm that would be under the regulation of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), who not only enforce rules, but protect investors.

Second, the Promissory Note is not a "liquid" investment, meaning the ability to liquidate the investment relies solely on the ability of the noteholder to find a purchaser for the obligation in the private market rather than a trade among the larger public market of dealers under the supervision of the SEC. Since the investment was between 2 private entities, the Note would be considered a private placement. The greater risk is the borrower's creditworthiness since the ability to repay the Note to LORA relied upon the financial strength or assets of Chromos Wealth Solutions, LLC, which is unknown. A Google search provided no results for such a business in Baton Rouge, although a search of the Louisiana Secretary of State Louisiana Business Filings website indicates Chromos Wealth Solutions LLC registered on June 16, 2020, and in good-standing as of June 7, 2024. Andrew Berthelot is listed as the Registered Agent and as an Officer. Van Mayhall, III is also listed as an Officer.

An investment such as this should have been an *"arm's length transaction"* (an investment that is between unrelated parties) as both parties would have been acting in their own best interests. Since LORA and Chromos are separate companies but controlled by the same parties (Mayhall and Berthelot), there is a chance that concessions could be made by either party to benefit the transaction that another unrelated party would not have permitted. There could also be *"self-dealing"* since Mr. Berthelot and Mr. Mayhall are fiduciaries for the funds held by LORA for the benefit of the State and operators via the Cooperative Endeavor Agreement for the issuance of a financial security, and appear to be dealing for their own personal interest.

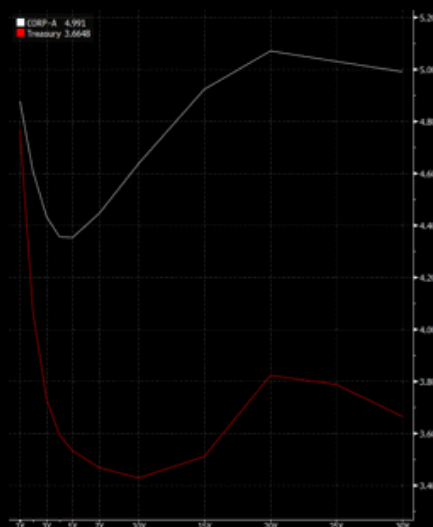
Third, the interest rate of 2.80% for a potential five year investment was significantly below a lower risk investment, such as a publicly traded 'A' rated corporate bond (4.353%) or US Government Treasury (3.533%), as shown in the Bloomberg printout below of Corporate and Treasury yields as April 28, 2023.

Enter all values and hit <GO>.

Municipal Inter-Market Yield History

Curve	Date	Tax (%)
A) Corporate A Yields (BS74)	04/28/23	Close 0.0
B) US Govt. Treasury Yields (BI550)	04/28/23	Close 0.0

	A	B		
	CORP-A	Treasury		
Term	4/28/23	4/28/23	Spread (+/- BPs)	Spread (%)
1 Yr	4.878	4.767	11	102.3
2 Yr	4.608	4.068	54	113.3
3 Yr	4.433	3.729	70	118.9
4 Yr	4.356	3.592	77	121.3
5 Yr	4.353	3.533	82	123.2
7 Yr	4.447	3.468	98	128.2
10 Yr	4.639	3.428	121	135.3
15 Yr	4.923	3.509	141	140.3
20 Yr	5.071	3.822	125	132.7
25 Yr	5.032	3.788	124	132.8
30 Yr	4.991	3.665	133	136.2

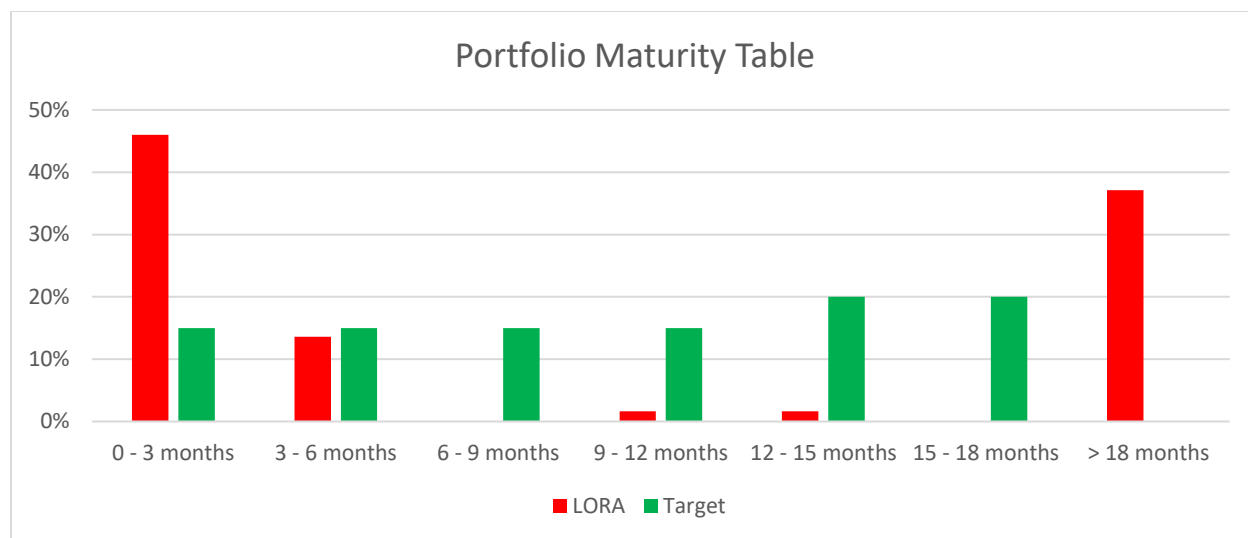


Muni yields will be grossed up by tax rates.

Expand Graph

Australia 61 2 2777 8600 Brazil 55 11 2395 9000 Europe 44 20 7330 7500 Germany 49 58 9204 1210 Hong Kong 852 2377 6000 Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 SN 1344496 CST GMT-6:00 DE1905-161 06-Jan-2025 15:59:41

The investments for LORA were invested on the shorter end predominately in cash, and then on the longer end (18 months or more; 2 Promissory Notes were for 5 years, 1 for 10 years, 2 for 15 years, and 2 were for 30 years). An equal weighted investment approach among different allocations (money market, treasury bills and notes, government agency bonds) with an 18 month horizon would have been a more prudent investment strategy for the reserve fund, providing liquidity and also staggering maturities to protect the portfolio from interest rate risk. The table below shows LORA's maturity schedule as of April 30, 2023 versus an equal weighted investment portfolio.



Chromos used the funds to make a loan to Mr. John Adams and Mrs. Laura Adams to purchase a house. Mr. Adams provided DENR with a copy of an executed Promissory Note dated April 28, 2023 for John Adams and Laura Adams to Chromos Wealth Management with an annual interest rate of 2.60%. Interest was due annually, starting April 28, 2024, however there is no final maturity on the Note. There is an early redemption period at the option of Chromos, as well as a default interest rate. The interest calculation method is also not defined in the document.

Attached to the Note that Mr. Adams provided is a Collateral Mortgage dated April 28, 2023 from John W. Adams and Laura White Adams securing the \$780,000.00 with a pledge of 6 brokerage accounts with “Edwin (sic) Jones Trust Company.” Of the 6 accounts, 3 are listed as “Traditional IRA” and 2 are listed as “Roth IRA.”

We cannot find a record of the mortgage having been recorded in either East Baton Rouge Parish or Ascension Parish for the Promissory Note. A collateral mortgage must be recorded to be valid and enforceable, therefore the pledge was invalid. The property to secure the mortgage was a pledge of Mr. and Mrs. Adams Individual Retirement Accounts and a brokerage account. IRA’s are protected by federal law from being seized to satisfy most debts. A pledge of an IRA for a mortgage is considered a “prohibited transaction” by the IRS. Engaging in a prohibited transaction would have triggered an immediate taxable event for the entire amount of the IRA.

This financial arrangement has multiple red flags. The mortgage was never recorded, therefore the debt was not secured by a lien. It is an unsecured loan with no maturity date representing 13% of the total value of the Morgan Stanley Reserve Fund and other Promissory Note investments held for the benefit of LORA as of April 30, 2023. Had the mortgage been recorded properly (with the Clerk of Court, and pledged by Edward Jones Trust Company), it is probable that the IRS would have flagged this and declared the accounts taxable.

Chromos gave Mr. and Mrs. Adams a discount of 0.20% with no monthly interest payments required (LORA loaned the funds to Chromos for 2.80%, and Chromos loaned to Mr. and Mrs. Adams for 2.60%) on the loan based on the copy of the Note provided for review, and Chromos does not appear to have

been secured by the pledged property. Since the capital financial strength of Chromos is unknown, we are unable to determine how Chromos could justify a discount to the Adams when Chromos was paying back a higher interest rate to LORA, or how Chromos could have repaid the Note in the event of non-payment by Mr. and Mrs. Adams since the mortgage securing the obligation had not been recorded.

Chromos made a transfer to LORA's Investar "Main" depository account x9225 for \$2,066.39 on August 9, 2023. 2 more deposits were made to LORA's Investar "Main" account x9225: \$200,000.00 on October 5, 2023, and \$577,933.61 on October 23, 2023. The total of these deposits equals the \$780,000.00 that was owed by Chromos to LORA to satisfy the principal amount due on the Promissory Note.

On August 13, 2024, a transfer of \$95,044.59 was made from "Arkus Manage" account x9241 at Investar to the LORA "Main" account x9225 at Investar. (Note that we were not provided statements for Arkus Manage x9241 to review. Based on our review of the 2 other deposit accounts, we believe Arkus used that account for payroll and other expenses paid by Arkus.) A typed notation on the statement provided for our review noted that "\$9,746.59 was interest related to the Chromos loan." In the January 14, 2025 correspondence, Mr. Mayhall made the following statement regarding the interest received on the loan:

3. With reference to the \$780,000 investment with Chromos Wealth Solutions, you asked us to "Please provide the transactions that show the return of the principal and interest earned to the Reserve Fund, as well as a copy of the monthly statements provided from Chromos to LORA for the investment."

We have made available for inspection the records showing the \$780,000 Chromos investment being transferred out of LORA's account on April 14, 2023. We have also made available the records showing the return of the \$780,000 principal to LORA on August 9, 2023, October 5, 2023, and October 23, 2023. The interest earned on said investment was transferred to LORA as part of a lump sum true-up on August 13, 2024, and those records have also been made available for inspection. LORA will make specific excerpts of the documents regarding these specific transactions available for inspection.

LORA notes that the \$780,000 investment with Chromos did not reduce or "leave" the \$5 million special reserve² account allocation.

Chromos did not provide monthly statements to LORA regarding this investment as it was on an annual term.

Chromos paid to Arkus the interest as part of the "lump sum true-up" a full 10 months after the final principal of the Promissory Note was paid in October 2023. Arkus then transferred it to the LORA Main deposit account. By not returning the interest on the Promissory Note for almost a year after it was paid, LORA was deprived of investment earnings on the funds during this time period. The loan was from LORA to Chromos so the interest should have been paid by Chromos back to LORA and not to Arkus.

Investing proceeds of the Reserve fund into an unsecured, illiquid investment between 2 entities that are controlled by the same individuals is not a prudent investment. Mr. Mayhall and Mr. Berthelot were directing the investments for LORA and therefore were fiduciaries for the LORA investment portfolio. Chromos did not record the mortgage as they should have, and subjected the portfolio to a potential

unsecured \$780,000.00 (plus accrued interest) loss. Rather than investing the funds in a traditional investment rated by a national ratings agency held with a regulated investment company, LORA invested the funds in a non-rated, unsecured investment with a potential 5 year maturity date at a rate much lower than prevailing market conditions.

After a meeting with then Commissioner of Conservation Monique Edwards in 2023, Mr. Mayhall sent the Commissioner a letter dated October 30, 2023 addressing some of her concerns, one of which was her concern regarding the funds held by LORA.

Protect the LORA Reserve

In our meeting, you made it clear that you had seen the effects of companies making bad investments, and what happens when the economy turns and those investments collapse. We strive to be good stewards of the LORA Reserve monies to ensure those funds are available if necessary.

In a subsequent request for documents related to non-traditional investments, Mr. Mayhall responded on January 14, 2025 that LORA had made several other loans as investments for their investment portfolio.

In addition, LORA has made certain loans to its management company, Arkus Management Services, LLC ("Arkus") and Chromos Wealth Solutions, LLC, for investment purposes.

Kean Miller allowed us to review some documents related to the loans in their office on January 16, 2025. In the packet of information was a cover sheet listing out 4 loans that had been paid off (three were to Arkus, and one to Chromos), with copies of the cover page of a Promissory Note for each. There were also 4 outstanding loans, also with a cover page of a Promissory Note. Three of the loans were to Arkus, and one was to Chromos. The investment amounts total \$1,168,866.

LORA provided a one page internally prepared spreadsheet that contained the borrower, date of origination, amount loaned, rate, and payment information. Attached to that sheet was a copy of a one page Promissory Note for each of the 8 loans. Of the 4 outstanding Promissory Notes provided for our review at Kean Miller, the terms and amounts for each are as follows:

- 1.) Loan to Arkus. Origination 1/22/2021, \$100,000.00 with a 2.0% interest rate, 5 year maturity, interest due annually (principal may be reduced annually), with an approximate balance due of \$87,454.70.
- 2.) Loan to Chromos. Origination 11/12/2021, \$89,400.00 with a 2.0% interest rate, 30 year maturity, interest due annually (principal may be reduced annually), with an approximate balance due of \$81,135.93.
- 3.) Loan to Arkus. Origination 11/1/2022, \$347,466.00 with a 2.66% interest rate, 30 year maturity, 780 bi-weekly payments of \$651.79, starting 11/1/2022 and then 14th day of month and 1st day of month, with an approximate balance of \$271,140.16.
- 4.) Loan to Arkus. Origination 5/18/2022, \$632,000.00 with a 6.0% interest rate, 15 year maturity, 48 monthly payments of \$14,842.54 starting 6/18/22 and the 18th day of the month thereafter. Interest due monthly; principal may be paid monthly.

The security for the Notes are unknown, as additional information regarding each investment was not provided to us for review. As these are private transactions, they are not governed by a federal or state agency. The purpose and source of repayment of the loans is also unknown. Interest only loans typically carry more risk for the investor, as principal is not being returned on a fixed amortized schedule. Since the underlying asset for the loan is unknown, it is possible that the asset is depreciating in value, therefore eroding the value of the principal investment. LORA is also losing income on the return of the interest that could be re-invested monthly since it is only required to be paid annually rather than monthly.

In the response to Secretary Gray dated January 10, 2025 as noted on the prior page, LORA disclosed making loans to Arkus Management (which has the same owners and officers as LORA as identified in the response) and to Chromos Wealth Solutions (which lists 2 of the officers from Arkus, according to the Secretary of State Louisiana Business Filing Page). The Secretary of State lists LORA, Arkus, and Chromos as sharing the same domicile address.

8. Provide a list of current and past owners and officers of LORA.

Van R. Mayhall, III	Shareholder	Director	President/CEO
Andrew Berthelot	Shareholder	Director	Treasurer/CFO
Jacob Dickinson	Shareholder	Director	Secretary/CAO/VP
Lance Chad Lott, Sr.	Shareholder	Director	COO/VP
Philip Marchiafava	Shareholder	Director	—

Search for Louisiana Business Filings			
Buy Certificates and Certified Copies Subscribe to Electronic Notification Print Detailed Record			
Name	Type	City	Status
CHROMOS WEALTH SOLUTIONS LLC	Limited Liability Company	BATON ROUGE	Active
Previous Names Business: CHROMOS WEALTH SOLUTIONS LLC Charter Number: 43935870K Registration Date: 6/16/2020			
Domicile Address 10626 LINKWOOD CT, SUITE C BATON ROUGE, LA 70810			
Mailing Address PO BOX 84614 BATON ROUGE, LA 70884			
Status Status: Active Annual Report Status: In Good Standing File Date: 6/16/2020 Last Report Filed: 6/7/2024 Type: Limited Liability Company			
Registered Agent(s) Agent: ANDREW BERTHELOT Address 1: 13134 DUTCHTOWN LAKES DRIVE City, State, Zip: GEISMAR, LA 70734 Appointment Date: 6/1/2022			
Officer(s) Additional Officers: No Officer: ANDREW BERTHELOT Title: Manager Address 1: 13134 DUTCHTOWN LAKES DRIVE City, State, Zip: GEISMAR, LA 70734 Officer: VAN MAYHALL Title: Manager Address 1: 425 DAVENTRY DRIVE City, State, Zip: BATON ROUGE, LA 70808			
Amendments on File (2)			
Description	Date		
Domestic LLC Agent/Domicile Change	6/1/2022		
Domestic LLC Agent/Domicile Change	7/17/2024		

In response to questions regarding LORA’s investment of funds, Mr. Mayhall responded in correspondence dated January 10, 2025 to Secretary Gray the following:

3. *As for investment of funds collected by LORA, does LORA have (or has it previously had) a written investment policy or guidelines? If not, what guides LORA’s investment decisions? Is LORA acting as its own fiduciary or is LORA employing an outside firm to advise and perform these duties? If LORA is employing an outside firm, provide the name and address of the firm, and the name and contact information for the responsible account officer. Please provide a copy of LORA’s written investment policy or guidelines, if there are any.*

LORA does not currently have a written investment policy, but it does have certain unwritten guidelines it uses with respect to its investments, and LORA has contracted with Morgan Stanley Smith Barney LLC (“Morgan Stanley”) to provide investment services and advice.⁸

We were provided the contact information for the Financial Advisor at Morgan Stanley and contacted him regarding the accounts he administers to inquire about the fees they charge.

From: Sergio.Collette@morganstanley.com
Sent: Wednesday, January 29, 2025 3:17 PM
To: John Shiroda
Cc: vanmayhall@lora-inc.com
Subject: RE: [EXTERNAL] investment portfolio

EXTERNAL EMAIL: Please do not click on links or attachments unless you know the content is safe.

Hey John,
See answers below.

- 1.) Did you charge fees for the accounts monthly, quarterly, or annually, and if so, were the fees billed directly to LORA for payment or deducted from the accounts at Morgan Stanley?
a. LORA was not charged maintenance or custody fees.
- 2.) Was the fee charged for investment advice or custody, or simply per transaction?
a. No direct fees or commissions were charged for transactions.
- 3.) If you did not charge a fee as listed in item #1, were the only fees collected built into the purchase price of each security, meaning the firm was paid upon settlement of each security purchase?
a. For some investments, yes.
- 4.) Is the account a client directed account or does Morgan Stanley have discretion over the investments? If Morgan Stanley has discretion, when did they begin this role for LORA?
a. LORA is client directed.

Sergio D. Collette, CFP®
Vice President
Financial Advisor
The Feld Weinstein Group
Morgan Stanley Wealth Management

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Baton Rouge, LA 70802
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www.morganstanleyfa.com/thefeldweinsteingroup



Per Mr. Collette's response, Morgan Stanley is not charging a fee for custody or advisory services. The fees that Morgan Stanley are receiving are at the fund level with the money market funds (Investment Advisory fees charged by the fund company and paid to Morgan Stanley out of the returns, often referred to as 'soft dollar' fees), or built into the settlement price of the trade, which is common with publicly traded bonds and fixed income investments.

The account is self-directed, which means that LORA is directing the investment activity in the portfolio, and Morgan Stanley is simply executing the trades. If Morgan Stanley were providing Investment Advisory services, they would bill LORA either separately outside of the account, or they would deduct the fee directly from the account. We did not see any fee activity on the statements, and Morgan Stanley confirmed that they are not charging any other fees.

We requested additional information related to LORA's 2022 and 2023 Annual Reports in our request dated January 6, 2025. Profit and Loss Statements for Fiscal Years 2022 and 2023 were subsequently provided by LORA and have a line item for "Investment Management" under the Management Fee category. While preparing this report, the 2024 Annual Report with Profit and Loss Statements was provided to us as well.

11:41 AM

Louisiana Oilfield Restoration Association Inc.

01/10/25

Balance Sheet

Accrual Basis

As of December 31, 2022

	Dec 31, 22
ASSETS	
Current Assets	
Checking/Savings	
Investar Bank Operating	975,498.13
Investar Sweep Account	2,000.00
Total Checking/Savings	977,498.13
Accounts Receivable	
Accounts Receivable	280,752.43
Total Accounts Receivable	280,752.43
Other Current Assets	
Morgan Stanley Investment	
US Treasury Bill	198,342.59
Corporate Fixed Income Allocati	361,460.00
Morgan Stanley Investment - Other	3,847,413.34
Total Morgan Stanley Investment	4,407,215.93
Undeposited Funds	20,377.34
Total Other Current Assets	4,427,593.27
Total Current Assets	5,685,843.83
Other Assets	
Notes Receivable - AM	1,347,969.58
Total Other Assets	1,347,969.58
TOTAL ASSETS	7,033,813.41

11:43 AM

Louisiana Oilfield Restoration Association Inc.

01/10/25

Profit & Loss

Accrual Basis

January through December 2022

	Jan - Dec 22
Ordinary Income/Expense	
Income	
Investment Income	57,051.12
Miscellaneous Income	0.00
P&A Project Proceeds	559,230.00
Security Income	1,678,957.75
Total Income	2,295,238.87
Cost of Goods Sold	
Plugging and Abandoning Wells	559,230.00
Total COGS	559,230.00
Gross Profit	1,736,008.87
Expense	
Bank Service Charges	24.00
Bank Wiring Fees	1.75
Management Fees	
Administrative Management	1,678,957.75
Investment Management	61,400.37
Total Management Fees	1,740,358.12
Total Expense	1,740,383.87
Net Ordinary Income	-4,375.00
Net Income	-4,375.00

11:42 AM

Louisiana Oilfield Restoration Association Inc.

01/10/25

Balance Sheet

Accrual Basis

As of December 31, 2023

	Dec 31, 23
ASSETS	
Current Assets	
Checking/Savings	
Investar Bank Operating	1,802,009.07
Investar Sweep Account	2,000.00
Total Checking/Savings	1,804,009.07
Accounts Receivable	
Accounts Receivable	240,702.41
Total Accounts Receivable	240,702.41
Other Current Assets	
Morgan Stanley Investment	
Certificates of Deposit	320,995.22
Corporate Fixed Income Allocati	200,405.00
Morgan Stanley Investment - Other	3,308,477.27
Total Morgan Stanley Investment	3,829,877.49
Total Other Current Assets	3,829,877.49
Total Current Assets	5,874,588.97
Other Assets	
Notes Receivable - AM	1,036,318.86
Total Other Assets	1,036,318.86
TOTAL ASSETS	6,910,907.83

11:43 AM

Louisiana Oilfield Restoration Association Inc.

01/10/25

Profit & Loss

Accrual Basis

January through December 2023

	Jan - Dec 23
Ordinary Income/Expense	
Income	
Investment Income	161,462.76
P&A Project Proceeds	2,296,285.84
Security Income	1,252,076.69
Total Income	3,709,825.29
Cost of Goods Sold	
Plugging and Abandoning Wells	2,296,285.84
Total COGS	2,296,285.84
Gross Profit	1,413,539.45
Expense	
Bank Service Charges	-15.98
Bank Wiring Fees	14.00
Management Fees	
Administrative Management	1,252,076.69
Investment Management	161,464.74
Total Management Fees	1,413,541.43
Total Expense	1,413,539.45
Net Ordinary Income	0.00
Net Income	0.00

1:52 AM

Louisiana Oilfield Restoration Association Inc.

01/28/25

Balance Sheet

Accrual Basis

As of December 31, 2024

	Dec 31, 24
ASSETS	
Current Assets	
Checking/Savings	
Investar Bank Operating	1,528,357.70
Investar Sweep Account	2,000.00
Total Checking/Savings	1,530,357.70
Accounts Receivable	
Accounts Receivable	265,001.38
Total Accounts Receivable	265,001.38
Other Current Assets	
Morgan Stanley Investment	5,289,756.37
Total Other Current Assets	5,289,756.37
Total Current Assets	7,085,115.45
Other Assets	
Notes Receivable - AM	724,363.36
Total Other Assets	724,363.36
TOTAL ASSETS	7,809,478.81

1:52 AM

Louisiana Oilfield Restoration Association Inc.

01/28/25

Profit & Loss

Accrual Basis

January through December 2024

	Jan - Dec 24
Ordinary Income/Expense	
Income	
Investment Income	259,000.98
P&A Project Proceeds	1,588,819.67
Security Income	1,219,952.61
Total Income	3,067,773.26
Cost of Goods Sold	
Financial Security Called	300,000.00
Plugging and Abandoning Wells	1,288,819.67
Total COGS	1,588,819.67
Gross Profit	1,478,953.59
Expense	
Bank Service Charges	-1.99
Management Fees	
Administrative Management	1,219,952.61
Investment Management	356,875.76
Total Management Fees	1,576,828.37
Total Expense	1,576,826.38
Net Ordinary Income	-97,872.79
Other Income/Expense	
Other Income	
Interest Income	102,247.28
Total Other Income	102,247.28
Net Other Income	102,247.28
Net Income	4,374.49 ^A

The value of LORA's investments (Morgan Stanley and the Promissory Notes) was \$5,755,185.51 on 12/31/2022 and then decreased to \$4,866,196.35 by 12/31/2023, or a decrease of 15.4%. During this same time frame, the investment management fees increased from \$61,400.37 to \$161,464.74, which is an increase of 163%. In 2024, the investment value increased to \$6,014,119.73 and the investment management fee increased to \$356,875.75, which is an increase of 121%. In a 2 year span from January 1, 2022 to December 31, 2024, this is an increase of 480% in fees.

Based on the response received from Morgan Stanley, and Mr. Mayhalls response regarding LORA's loans to Arkus and Chromos for investments, LORA is paying the investment management fees to Arkus and Chromos. We requested copies of the statements for the fees paid, and were provided 18 statements covering the periods of 2020 to 2024. For years 2020 to 2023, all of the invoices (6 total) were from Chromos Wealth Solutions LLC with no detailed explanation of the services provided. The invoices for 2024 were all from Arkus Management Services LLC (12 total), with all but one being marked as "Paid" on December 25, 2024 (Christmas Day). The only description for the service provided was "Investment Fees from LORA Financial Security."

The amount of Investment Management Fees listed on the Annual Report also does not match the investment fee statements that we received. There were no statements provided to account for the remaining amounts of \$47,983.78 in 2022, \$188,074.46 in 2023, and \$18,457.06 in 2024.

For an investment account that has no formal investment policy and does not employ professionally licensed and regulated investment professionals (there is no record of Andrew Berthelot or Van Mayhall, III, both of Chromos Wealth Solutions and Arkus, as having an insurance license from the Louisiana State Department of Insurance or a brokerage license on the Financial Industry Regulatory Authority website), we are unable to determine what qualifications either entity and their employees have to justify investment management expenses of these amounts.

We had difficulty trying to reconcile the bank and investment statements provided to us for review at Kean Miller due to the amount of transactions and the lack of supporting invoices or transaction explanation. We noticed operator payments made to both accounts at Investar (we were told by Kean Miller attorney Eric Lockridge that one of the deposit accounts was used to collect fees and then swept daily to the other deposit account that is used to maintain operations). There were many transactions to and from an account ending x9241 maintained at Investar, but no explanation of what this account is for or what payments were made from it. The Profit and Loss statements also did not contain a "General and Administrative Expense" or "Operating Expenses" category for items such as insurance or taxes, and we did not see any entries for either on the statements, so we do not know if LORA has paid taxes or maintained insurance.

Despite LORA's pledge in a letter dated October 20, 2023 to then Commissioner of Conservation Monique Edwards to foster more transparency of their operations, LORA has only provided documentation for us to review in the offices of their attorneys, Kean Miller, claiming that the records contained "proprietary and confidential information" that they needed to protect from the public.

Increased Reporting to the OOC

As a public-private partnership with the OOC, LORA invites increased transparency and reporting. As such, we propose to begin providing quarterly status reports to the OOC regarding LORA's operations in addition to our annual reports.

Mr. Mayhall acknowledged that it was public-private partnership, however has resisted requests to allow the Louisiana Legislative Auditor the ability to perform audits of their operations and financial records since as early as 2020, as noted in recommendation #8 of the October 2024 LLA report. LORA also refused to sign an amendment to the CEA to provide access to their operations and records, as requested earlier in 2024. This has slowed down our review, as we have to request the information in writing, and then LORA delivers it to their attorney who has to schedule a time for us to come to their office and review. We were not allowed to make copies of any of the items.

In summary:

- 1.) LORA comingled funds for an SSTA with their own funds and misrepresented their fund balances, and began collecting a larger percentage for administrative fees prematurely.
- 2.) LORA did not perform their fiduciary responsibility and act in the best financial interest of the operators or the OoC.
- 3.) LORA did not prudently invest their funds.
- 4.) LORA was paying excessive investment management fees for self-directed investments with no written investment policy to firms and individuals that are not licensed or insured for investment services.
- 5.) LORA loaned a total of \$2,386,266.49 to Arkus (Mr. Mayhall is an Officer) and Chromos (Mr. Mayhall and Mr. Berthelot are Officers), who are also directors for LORA.
- 6.) LORA's financial records that were provided to us for review were inconsistent and appear to lack basic financial controls.
- 7.) LORA's Board either were not informed of the investment decisions that Mr. Mayhall and Mr. Berthelot were making, did not monitor the accounts or question any of the actions taken, or were complicit with the financial risk Mr. Mayhall and Mr. Berthelot were taking with the investment portfolio and the expenses that incurred as a result.

Had LORA allowed the Louisiana Legislative Auditor to conduct regular audits since the inception of the pilot program, I believe that many of the issues that I uncovered may have been discovered earlier. The legislation that was passed in 2024 and the support of the current Administration has allowed us to better address the OSR Fund's ability to plug orphan wells, and created the Natural Resources Trust Authority to better monitor and address financial instruments and programs within DENR.

For the reasons stated in this report, it is my recommendation that the Office of Conservation terminate the Cooperative Endeavor Agreement with the Louisiana Oilfield Restoration Association, Inc. and pursue all legal avenues available to recover any cash balance remaining and unspent for the Poydras SSTA, including the \$2,403,832.00 Financial Security guaranteed by LORA, and begin the process of developing a new financial instrument alternative for operators.