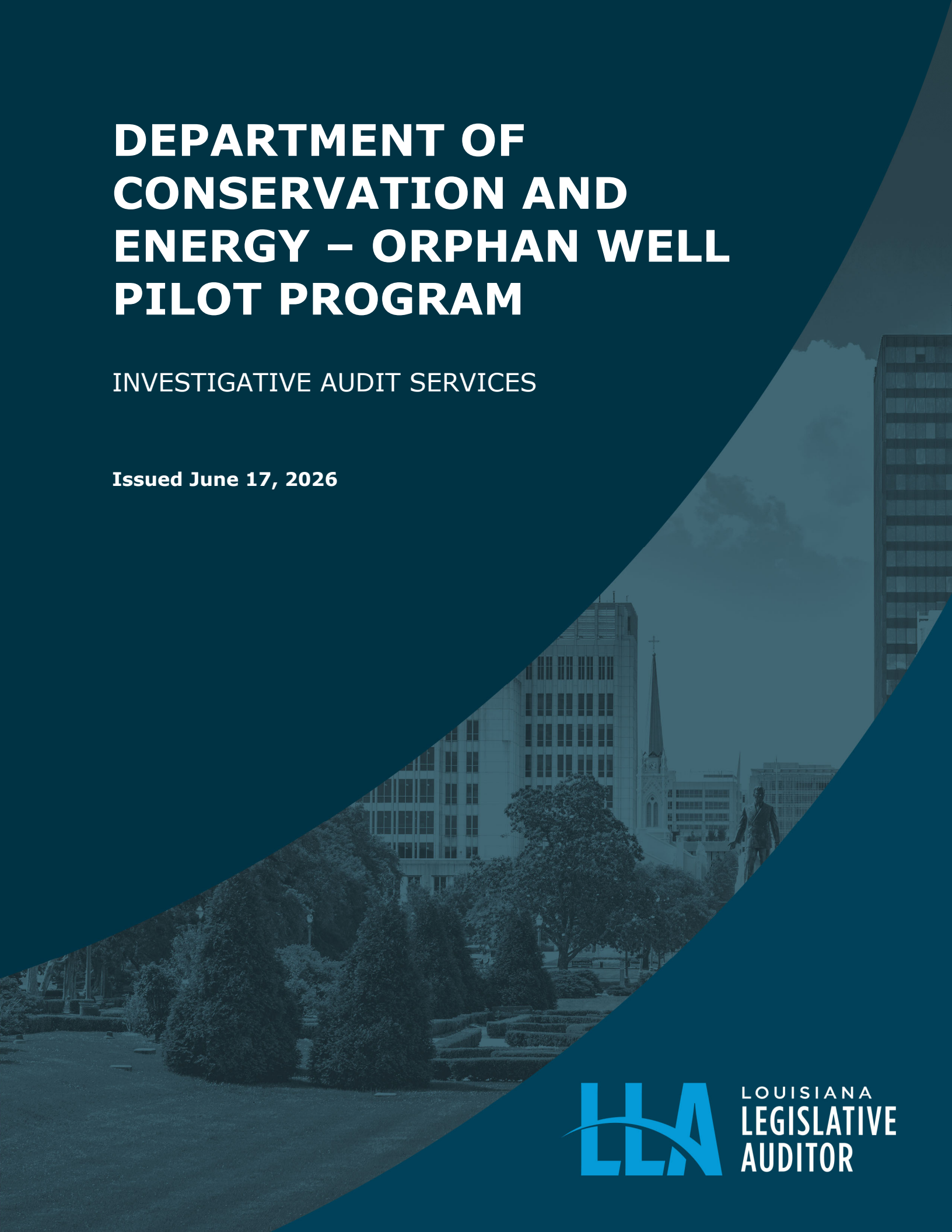
DEPARTMENT OF CONSERVATION AND ENERGY – ORPHAN WELL PILOT PROGRAM

INVESTIGATIVE AUDIT SERVICES

Issued June 17, 2026



LOUISIANA LEGISLATIVE AUDITOR

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

ASSISTANT LEGISLATIVE AUDITOR FOR INVESTIGATIONS
ROGER W. HARRIS, J.D., CCEP, CFI

INVESTIGATIVE AUDIT SENIOR MANAGER
KEVIN P. KELLEY, M.B.A., CPA, CFE

INVESTIGATIVE AUDIT TEAM
ROBERT PEREZ, CFE, CAMS
ZACHARY LEBEOUF, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3356 or Report ID No. 50240006 for additional information.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of $1.73. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Jenifer Schaye, General Counsel, at 225-339-3800.

LOUISIANA LEGISLATIVE AUDITOR

MICHAEL J. "MIKE" WAGUESPACK, CPA
LOUISIANA LEGISLATIVE AUDITOR

June 17, 2026

DUSTIN DAVIDSON, SECRETARY
DEPARTMENT OF CONSERVATION AND ENERGY
Baton Rouge, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received. The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report were delivered to the District Attorney for the 19th Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW:ch

DCE

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Office of Conservation (OC) Attorney Supervisor Assisted Three Personal Associates in Seeking Selection for the Office of Conservation's Pilot Program to Plug Orphaned Wells

Then-OC Attorney Supervisor Johnny Adams provided information to and assisted in planning the business organization of Louisiana Oilfield Restoration Association, Inc. (LORA) prior to Commissioner Richard Ieyoub's execution of a Cooperative Endeavor Agreement (CEA) with LORA in late 2019. Mr. Adams' extensive involvement appears to have contributed to the selection of Mr. Van Mayhall III for this role and to the establishment of LORA as the entity that contracted with the OC, particularly in light of his pre-existing personal relationships with the individuals who became LORA's leadership.

Administrative Fee Increase Exceeded Contractual Cap

LORA contracted with Arkus Management Services LLC (Arkus), owned by the same five owners of LORA, to provide day-to-day management, administration, and servicing of LORA in November 2019. The CEA between LORA and the OC authorized LORA to use a maximum of 20% of the financial security fees collected for administrative and day-to-day operating expenses. Since LORA contracted with Arkus to perform these services, LORA began paying 20% of financial security fees to Arkus in November 2019. In July 2022, LORA increased administrative fees paid to Arkus from 20% to 36%, resulting in approximately $1.85 million of administrative fees in excess of the contractual limit. These additional funds resulted in salary and distribution increases to Arkus' owners.

Improper Loans to OC Assistant Commissioner, Two of His Family Members, and Three of LORA's Owners

LORA loaned approximately $2,386,246 to two related entities, Arkus and Chromos Wealth Solutions, LLC (Chromos), between January 2021 and April 2023. Arkus and Chromos used those funds to make below-market-rate loans to OC Assistant Commissioner Secretary Johnny Adams, two of his family members, and three owners of LORA. Because Mr. Adams and his daughter received a personal benefit from the below-market-rate loans, Mr. Adams may have violated state law.

LORA Contracted with a Related Party for Investment Services that Resulted in Little Financial Return to LORA

LORA contracted with a related party, Chromos, to provide administrative and consulting services in connection with LORA's investments. The contract required LORA to pay Chromos the total sum of its investment earnings, less any fees, costs, penalties, or other expenses incurred if such would otherwise be deducted from the principal amount invested. LORA paid $602,148 for *"Investment Fees"* or *"Investment Income"* to Chromos or Arkus, even though Arkus was not mentioned in the contract. LORA's records show investment earnings and interest from loans to related parties totaled $647,061, which means LORA paid 93% of its investment earnings and interest received while bearing all of the associated investment risk. Since LORA paid its related parties 93% of its investment earnings, LORA realized little financial return from its investment earnings.

Employment of Johnny Adams' Children by CEA-Funded Entities

While serving as Assistant Commissioner of the Office of Conservation, Mr. Adams' two adult children were employed by Arkus and Willow Lake Well Services, LLC. Arkus shares common ownership with LORA, and Willow Lake is owned by Arkus. Since Mr. Adams' job duties included representing the OC in matters related to the LORA CEA, his involvement in matters affecting entities that employed his immediate family members may have violated state law.

OC Released Site-Specific Trust Account Funds to LORA, Which Replaced Cash Security with a Letter of Credit

The OC released $2.4 million in site-specific trust account (SSTA) funds to LORA in exchange for a letter of credit issued by LORA. This arrangement replaced cash-based financial security with a different form of financial assurance and transferred control of the SSTA funds to LORA. This transaction reduced the amount of funds available to plug and abandon the secured wells, replaced cash-based financial security with a letter of credit, and transferred control of the SSTA funds to LORA. OC personnel identified the transaction as unusual, and five wells covered under the SSTA remain unplugged and are now classified as orphaned.

BACKGROUND AND METHODOLOGY

The Louisiana Department of Energy and Natural Resources (DENR) and its Office of Conservation (OC) were established pursuant to Article IV, §1 of the Louisiana Constitution of 1974 and La. R.S. 36:351, *et seq.* to protect and regulate the state's natural resources. The OC operated within DENR under the direction of the Commissioner of Conservation, who was appointed by the Governor with the consent of the Senate for a term of four years. State law[1] authorized the Commissioner to exercise rulemaking, permitting, inspection, enforcement, and administrative hearing powers.

Act 458 of the 2025 Regular Legislative Session reorganized and renamed DENR as the Department of Conservation and Energy (C&E) effective October 1, 2025. The Act transferred the statutory powers of the Commissioner to the Secretary and divided the functions of the former Office of Conservation among C&E's Office of Enforcement, Office of Permitting and Compliance, and Office of State Resources. Because this audit covers periods prior to the reorganization, the report refers to the agency as DENR and OC.

A key area of the OC's responsibility involves addressing the problem of orphaned wells through the Oilfield Site Restoration (OSR) Program. These are oil and gas wells that were abandoned by the operator or ones in which the operator failed to comply with applicable regulations. Such wells can deteriorate over time and pose environmental and public safety risks due to potential releases of oil, gas, or saltwater, as well as methane emissions and other site contamination.

In 2016, the Legislature passed House Concurrent Resolution (HCR) 72, which urged and requested the OC through the Administrative Procedure Act to, among other things, develop an alternate method of contracting with operators or other qualified bidders for services to plug orphaned oil and gas well sites and to implement the alternative method as a pilot program for three years beginning Fiscal Year 2016-2017 (i.e., from July 1, 2016 to June 30, 2019).[A]

Then-Commissioner of Conservation Richard Ieyoub proposed the creation of a private, non-governmental entity to provide more affordable financial security[2,3] options to operators in a July 31, 2018, report to former Governor John Bel

[A] Although HCR 72 urged and requested that the pilot program be implemented for three years beginning in Fiscal Year 2016–2017 (i.e., through June 30, 2019), the OC did not execute an agreement to implement the pilot program until November 4, 2019, after the three-year period had ended. The OC promulgated LAC 43:XIX.1.104 (Financial Security) in November 2001, prior to execution of that agreement. According to OC records, the first well under the pilot program was not plugged until January 11, 2022, approximately five-and-a-half years after HCR 72 and approximately two years and two months after execution of the agreement. The pilot program was implemented through a funding mechanism in which participating operators paid fees in exchange for financial security rather than through direct expenditures of Oilfield Site Restoration Program funds described in HCR 72.

Edwards.[B] The Commissioner interviewed three candidates and ultimately executed a Cooperative Endeavor Agreement (CEA) with the non-governmental entity formed by Mr. Van Mayhall III. The OC entered into a CEA with Louisiana Oilfield Restoration Association, Inc. (LORA) on November 4, 2019, to offer reduced-cost financial security services to oil and gas well operators.

LORA is now owned by five individuals — Mr. Van Mayhall III, Mr. Jacob Dickinson, Mr. Chad Lott Sr., Mr. Phillip Marchiafava, and Mr. Andrew Berthelot — who, according to Mr. Mayhall, collectively own LORA and Arkus Management Services, LLC (Arkus). He also said Arkus, in turn, owns Willow Lake Well Services, LLC. A January 1, 2021, Act of Exchange shows the five owners of LORA — Mr. Berthelot, Mr. Dickinson, Mr. Lott, Mr. Marchiafava, and Mr. Mayhall — own an equal portion of Chromos Wealth Solutions, LLC.

In a letter dated May 2, 2025, DENR notified LORA that the OC was exercising its right to terminate the CEA. The letter further directed LORA to remit to the OC all funds held in its Reserve Account, as well as amounts equal to all securities called by the OC for covered wells not yet plugged and abandoned.

We initiated this audit in response to a complaint from DENR (now C&E).

The procedures performed during this audit included:

(1) interviewing agency employees and officials, as well as other individuals, as appropriate;

(2) examining selected documents and records of the OC;

(3) gathering and reviewing records obtained from third parties; and

(4) reviewing applicable state laws and regulations.

We appreciate the assistance provided by the East Baton Rouge Sheriff's Office.

[B] "REPORT ON OIL AND GAS WELLS AND MANAGEMENT OF ORPHANED WELLS," prepared for the Office of Governor John Bel Edwards by the Office of Conservation, Commissioner Richard P. Ieyoub, July 31, 2018.

FINDINGS AND RECOMMENDATIONS

Office of Conservation (OC) Attorney Supervisor Assisted Three Personal Associates in Seeking Selection for the Office of Conservation's Pilot Program to Plug Orphaned Wells

Then-OC Attorney Supervisor Johnny Adams provided information to and assisted in planning the business organization of Louisiana Oilfield Restoration Association, Inc. (LORA) prior to Commissioner Richard Ieyoub's execution of a Cooperative Endeavor Agreement (CEA) with LORA in late 2019. Mr. Adams' extensive involvement appears to have contributed to the selection of Mr. Van Mayhall III for this role and to the establishment of LORA as the entity that contracted with the OC, particularly in light of his pre-existing personal relationships with the individuals who became LORA's leadership.

The Louisiana House of Representatives passed House Concurrent Resolution (HCR) 72 during the 2016 regular session, urging the OC to develop an alternate method for plugging orphaned oil and gas wells. The OC promulgated Louisiana Administrative Code (LAC) 43.XIX.1.104(F), which requires well operators to maintain financial security until plugging and abandonment and associated site restoration is completed, or until the well is transferred to another operator. Under the rule, letters of credit used to satisfy this requirement must be issued by a financial institution acceptable to the Commissioner.

Johnny Adams, then a Senior Attorney at the OC and later the Assistant Commissioner, said the OC identified 25 candidates from industry professionals and former employees to implement the HCR 72 pilot program.[C] He further stated that five of those candidates expressed interest and three were interviewed by Commissioner Ieyoub and Assistant Commissioner Gary Ross.

Mr. Adams' OC records included a list of 18 candidates for the position of "Director of OSR NGO," but did not explain how the candidates were identified or evaluated. The file contained three résumés – Van Mayhall III, Chad Lott, and Jacob Dickinson – all of whom became owners of the subsequently-formed for-profit LORA. OC records do not identify who selected the initial pool of candidates; whether the candidates were contacted and, if so, by whom; or include any documentation reflecting the details of any such communications, including the reasons most of the candidates were not interested in the role. The OC entered into a CEA with LORA on November 4, 2019, for LORA to operate the pilot program.

[C] LORA is the entity that became the pilot program to plug orphaned oil and gas wells.

LORA is a for-profit corporation that registered with the Louisiana Secretary of State on September 30, 2019 — 35 days prior to the execution of CEA No. 20-004 between LORA and the OC. The key provisions of the CEA are as follows:

1. The OC recognized LORA as a financial institution acceptable to the Commissioner and agreed to accept letters of credit submitted by LORA.

2. LORA agreed to offer to each operator financial security (letters of credit) for an annual contribution not to exceed 3.5% of the amount of financial security provided.

3. A minimum of 80% of all financial security fees shall be utilized as operating and reserve funds (the "Operating and Reserve Funds").

4. No more than 20% of all financial security fees may be utilized for LORA's administrative and day-to-day operating expenses.

5. LORA agreed to deposit Operating and Reserve Funds into a reserve account until the account reached the required minimum balance of $5,000,000. LORA was also required to maintain the $5,000,000 balance, except for amounts expended to plug and abandon secured wells.

6. After the Reserve Account reached the required minimum balance of $5,000,000, LORA agreed to use up to 80% of the Operating and Reserve funds to plug and abandon other wells on the OC orphan well list that were not secured by LORA.

7. LORA agreed to submit an annual report to the OC detailing all contributions, expenses, and reserve balances and to permit the OC to inspect its records at any time to verify the accuracy of those reports. The agreement does not include any provision authorizing the Louisiana Legislative Auditor to examine LORA's records.

8. The CEA did not have an end date but could be terminated by either party upon written notice.

9. The agreement contained no provisions addressing dissolution, including the disposition of the Reserve Account balance, Operating and Reserve Funds, unused administrative fees, or the transfer or termination of financial security instruments.

Not a Financial Institution

Although the CEA designated LORA as a financial institution acceptable to the Commissioner,[D] LORA is not registered as a financial institution or regulated by the Office of Financial Institutions. Further, LORA does not meet the definition of a financial institution under state law.[4,5] State law[4] defines a financial institution as a person or entity engaged in the "business of banking," which is defined in state law[6] as (1) lending money and (2) receiving deposits or paying checks anywhere within the state. LORA's financial records indicate it does not receive deposits or maintain checking or transaction accounts. Since LORA is not engaged in the "business of banking," it does not appear to meet the statutory definition[4,5] of a financial institution.

Pilot Program Selection Process

Mr. Adams stated that the OC informally sought individuals interested in establishing a non-governmental organization (NGO) to enter into a contract in support of HCR 72 of 2016. The resolution was intended to implement a pilot program using an alternative contracting method to efficiently and cost-effectively plug large numbers of low-priority orphaned oil and gas wells.

Mr. Adams' OC email account did not contain any correspondence regarding the identification of candidates to potentially operate the pilot program, including the 25 individuals he stated were identified by the OC. However, Mr. Adams used his personal email account to notify Mr. Van Mayhall III (Mr. Mayhall), Mr. Jacob Dickinson (Mr. Dickinson), and Mr. Chad Lott Sr. (Mr. Lott) on August 21, 2019, that they were selected to interview for the director position of the OC's NGO pilot program. Attached to that email were three files: talking points on the Oilfield Site Restoration (OSR) NGO program, well plugging procedures, and a sample work permit (see attached email on the next page). Mr. Adams also stated that the attached materials *"would probably be best kept private."* In addition, Mr. Adams' OC email account reflects that he attended a game night with four of LORA's owners in 2011 and another game night with all five in 2012. These emails demonstrate that Mr. Adams had preexisting relationships with those individuals dating back to at least 2012.

[D] The phrase *"financial institution acceptable to the commissioner"* is taken directly from LAC 43:XIX.104.B.3.

Non-Profit OSR program

Subject: Non-Profit OSR program
From: John Adams <[redacted]>
Date: 8/21/2019, 1:43 PM
To: Jacob Dickinson <[redacted]>, Chad Lott <[redacted]>, Van Mayhall <[redacted]>

Congratulations, each of you have been selected to participate in interviews for the position of director of Conservation's Non-Profit OSR Program endeavor. while interviews will be scheduled at your convenience on next Thursday and Friday, attached for you review are some materials that would probably be best kept private.

Attached for your education are some talking points about the program, as well as talking points on the well plugging procedure and a sample work permit with attached specific well plugging procedure.

Attachments:

OSR NGO talking points.docx	15.8 KB
Talking Points on Well Plugging Procedure.docx	12.7 KB
Sample Work Permit and Plugging Procedure.pdf	934 KB

Mr. Adams emailed the same three individuals interview questions for the pilot program on August 26, 2019, from his personal email account in advance of interviews scheduled for August 29-30, 2019. Mr. Adams' OC and personal email accounts did not contain any other emails with interview questions or background materials sent to other candidates.

In addition, Mr. Mayhall sent an email[E] (see below) to Mr. Adams' personal email account and to Mr. Berthelot, Mr. Dickinson, and Mr. Lott on September 16, 2019, 50 days before the CEA was signed, regarding the planned organizational structure of LORA and an LLC management company. In that email, Mr. Mayhall stated that he and Mr. Adams had changed the organizational structure, and that DENR could only look at the records of LORA, not the LLC management company. The email further indicates that the C-Corp (LORA) would serve as a *"shell,"* holding the reserves and liability, and that regulators, including DENR, would be shown the books of that entity. The email also states that the LLC management company's records would be maintained separately and controlled by its owners, allowing them to *"run it how we see fit, no questions asked."*

[E] See Attachment 1 beginning on page 36.

On Mon, Sep 16, 2019 at 10:30 AM Van R. Mayhall, III <[redacted]> wrote:

Hey guys,

Johnny, just FYI, Chad and Jake and I are planning to meet next Friday to go through some of the management company stuff, but I really want to get the ball rolling on the C-Corp as soon as possible, and don't want to wait 2 weeks to get that going.

Chad and Jake, I know y'all have been discussing this for a number of years, but I think Johnny and I have changed the organizational structure up some since I came on board, and I'm not sure how much of that Johnny has been through with you. Right now the best organization structure that we have come up with is 3 separate entities: (1) a C-Corp that issues a LOC to the DNR to cover the oilfield sites and has the reserves, (2) a management LLC that will have all the employees, get the administrative fees and actually do the work, and (3) (eventually) a 501 non-profit that will be able to take donations and cap wells outside of the ones we're required to cap under the financial security program.

This might raise some questions for y'all, but Johnny, Andrew and I have been through it, and it looks like this will be the best structure for tax purposes, liability reasons, etc. The C-Corp will initially be owned by me, because I want that to be reflected in the Articles and Secretary of State if the Commissioner or anyone goes looking. However, we have a plan to change that 6 months or so down the line when we are up and running, and everything is locked in. The management company, however, will be an LLC owed by me, Chad and Jake. When everything gets up and running and there is a good amount of money flowing in, we'll execute a management agreement between the C-Corp and the LLC for the LLC to have all the employees, do all of the work, etc. The C-Corp will basically just be a shell with the reserves and the liability.

One of the best parts of this arrangement, aside from isolating us from any liability of the C-Corp, is that when the DNR wants to look at our books, we can show them the books of the C-Corp. The books of the LLC will be ours, so we can run it how we see fit, no questions asked.

Mr. Mayhall also stated in an email dated October 27, 2019,[F], that, *"As I have thought about it more, I don't think it's a good idea to put all 3 of our names on the website right now. I think it might look suspicious if the Commissioner or someone else from OOC goes on there and sees the 3 finalists from the interview process listed as the Board of Directors. A little ways down the line, we can easily say that I reached out to Johnny and asked for some names of people to help me, and he gave me y'all's names. But right away like this, it might look suspicious. And that's the last thing we need right now."* Louisiana Secretary of State records show Mr. Mayhall was the only incorporator of LORA in September 2019. This indicates Mr. Mayhall initially led LORA as described in his email messages. In the email[G] dated September 16, 2019, as shown above, Mr. Mayhall discussed structuring the organization so that ownership would be reflected in the Articles of Incorporation and Louisiana Secretary of State records *"if the Commissioner or anyone goes looking."*

We spoke with an attorney for Mr. Adams and requested an interview to discuss the pilot program selection process; however, Mr. Adams declined our request. We also spoke to the attorneys for the directors of LORA. The attorney for four of the directors told us he was not inclined to agree to an interview but would contact the directors with the offer and would advise against it. An attorney for the fifth director told us his client would agree to the interview if we provided the questions and certain documents in advance; otherwise, he would decline the request.

[F] See Attachment 2 beginning on page 39.
[G] See Attachment 1.

Mr. Adams emailed information to certain individuals prior to their interviews and stated that such information *"would probably be best kept private."* He also later participated in discussions regarding the formation of a business entity to contract with his agency (OC). Since he was an OC employee (then-Senior Attorney) who represented the OC, it appears improper for him to have provided information and participated in the formation of LORA, as his professional responsibilities were to the OC rather than to the private entity.

Administrative Fee Increase Exceeded Contractual Cap

LORA contracted with Arkus Management Services, LLC (Arkus), owned by the same five owners of LORA, to provide day-to-day management, administration, and servicing of LORA in November 2019. The CEA between LORA and the OC authorized LORA to use a maximum of 20% of the financial security fees collected for administrative and day-to-day operating expenses. Since LORA contracted with Arkus to perform these services, LORA began paying 20% of financial security fees to Arkus in November 2019. In July 2022, LORA increased administrative fees paid to Arkus from 20% to 36%, resulting in approximately $1.85 million of administrative fees in excess of the contractual limit. These additional funds resulted in salary and distribution increases to Arkus' owners.

The OC and LORA entered into a CEA in November 2019 under which the OC agreed to accept letters of credit from LORA on behalf of well operators for a pilot program to plug orphaned oil and gas wells. The CEA limited LORA to no more than 20% of all financial security fees for administrative and day-to-day operating expenses and required that at least 80% be utilized as Operating and Reserve funds.

The CEA required that the Operating and Reserve Funds be deposited into a Reserve Account until the account reached a minimum balance of $5,000,000 and that the $5,000,000 balance be maintained, except for amounts used to plug and abandon secured wells. After the minimum reserve was met, the CEA allowed LORA to use up to 80% of the Operating and Reserve Funds to plug and abandon wells on the OC orphan well list that were not secured by LORA, but made no provision for the use of those funds to plug wells secured by LORA. Because the CEA required that at least 80% of all fees be allocated to the Operating and Reserve Funds and limited the use of those funds for plugging and abandonment up to 80%, the amount of fees available for plugging and abandonment activities was limited to no more than 64% of total financial security fees.

OC and LORA signed an Act of Correction on September 7, 2022, to clarify the intent of the parties regarding the use of the 80% of the Operating and Reserve Funds, providing that LORA could plug and abandon any orphan well on the OC's list, whether secured by LORA or not, after the $5,000,000 minimum reserve was met. The Act of Correction did not modify the 20% maximum allocated for administrative costs, nor did it change the requirement that at least 80% of all fees collected be

allocated to the Operating and Reserve Funds, or the limitation that only up to 80% of the Operating and Reserve Funds may be used for plugging and abandonment activities.

LORA and Arkus signed a management agreement, effective November 15, 2019, for Arkus to perform LORA's administrative and management functions. Louisiana Secretary of State records show Arkus was formed two weeks earlier, on October 31, 2019, and that Van Mayhall III was its Manager and Registered Agent. The OC and LORA executed the CEA four days later, on November 4, 2019, authorizing LORA to operate the pilot program to plug orphaned oil and gas wells and to offer financial security to eligible well operators.[H] Mr. Mayhall told us that LORA and Arkus share the same ownership: Mr. Berthelot, Mr. Dickinson, Mr. Lott, Mr. Phillip Marchiafava, and Mr. Mayhall.

Mr. Mayhall also told us that LORA contracted with Arkus to shield LORA from liability. However, in an email dated September 16, 2019 (see Attachment 1), to Mr. Adams and four of the other individuals who later became owners of LORA and Arkus, Mr. Mayhall wrote: *"One of the best parts of this arrangement, aside from isolating us from any liability of the C-Corp* [LORA]*, is that when DNR wants to look at our books, we can show them the books of the C-Corp. The books of the LLC* [Arkus] *will be ours, so we can run it how we see fit, no questions asked."*

In an October 30, 2023, letter to the Office of Conservation Commissioner Monique Edwards, LORA president/CEO Mr. Mayhall wrote that, *"The current Cooperative Agreement states that LORA, at its inception, would reserve 80% of every dollar it received in annual fees until it reached a minimum reserve of $5 million dollars. LORA reached this minimum reserve in July of 2022…LORA…uses 64% of every dollar it receives in annual fees to plug wells,"* and that *"…all of the other costs and expenses, including taxes, insurance, administration and other such costs and expenses are paid out of the remaining 36% of the funds collected."*

The effect of the statements in Mr. Mayhall's letter was administrative fees paid to Arkus by LORA increased, which reduced the funds available to maintain the $5,000,000 reserve and to plug and abandon orphaned wells. From November 2019 to June 2022, LORA bank statements and accounting records show it paid approximately 18%, or $1,110,223,[I] to Arkus for its administrative expenses. From July 2022 to June 2025, LORA paid approximately 38%, or $4,267,317,[I] to Arkus for its administrative expenses. This means that the additional 16% resulted in $1,851,841 of administrative fees to Arkus in excess of the maximum 20%. If LORA

[H] Van Mayhall III signed the CEA on November 1, 2019, as the President of LORA. Richard Ieyoub signed the CEA on November 4, 2019, as the Commissioner of Conservation.

[I] LORA categorized a $1,750,504 transfer of SSTA funds to its investment account as financial security fees. This transfer was due to a CEA with OC regarding an SSTA with Poydras Energy Partners. LORA paid Arkus 20% administrative fees on $427,753 of the SSTA funds that were used to reach the $5,000,000 reserve. LORA paid a 36% administrative fee to Arkus for the remaining $1,322,750.

followed the 20% maximum for administrative fees it agreed to in the CEA, the $1,851,841 could have been used for well closure costs or to increase the reserve.

Mr. Mayhall's statement that 36% of financial security fees were for administrative fees differs from his April 5, 2020, email to Mr. Berthelot (see Attachment 3 beginning on page 44). Mr. Mayhall explained to Mr. Berthelot that, when the $5,000,000 reserve was established, *"the split becomes 20% to Arkus, 64% to capping wells on the orphan list, and 16% undesignated. The smart thing to do is keep investing that 16% and building up LORA's reserves."*

After LORA increased administrative fees paid to Arkus from 20% to 36% in July 2022, salaries and distributions to Arkus' owners increased substantially. Distributions to owners are not expenses, but rather a return of capital or a distribution of profits. The salaries and distributions are shown in the table below.

Salary and Distributions to Arkus' Owners (2020-2022)

	2020		2021		2022	
Name	**Salary + Bonus**	**Distribution**	**Salary + Bonus**	**Distribution**	**Salary + Bonus**	**Distribution**
A. Berthelot			$24,000	$75,256	$32,396	$120,939
J. Dickinson	$7,500	$9,500	21,000	72,650	32,396	116,613
C. Lott	7,500	7,000	18,500	81,150	57,695	110,613
P. Marchiafava	2,000		18,000	48,500	26,658	96,575
V. Mayhall	39,500	6,974	49,000	85,269	85,240	96,575
Totals:	**$56,500**	**$23,474**	**$130,500**	**$362,825**	**$234,385**	**$541,315**

Salary and Distributions to Arkus' Owners (2023-2025)

	2023		2024		2025	
Name	**Salary + Bonus**	**Distribution**	**Salary + Bonus**	**Distribution**	**Salary + Bonus**	**Distribution**
A. Berthelot	$59,615	$137,237	$110,442	$84,500	$85,449	$8,000
J. Dickinson	30,000	137,237	36,923	84,500	36,154	8,000
C. Lott	160,000	137,237	160,000	84,500	101,154	8,000
P. Marchiafava	24,000	137,237	24,000	84,500	10,154	8,000
V. Mayhall	200,000	137,237	200,000	84,500	122,692	8,000
Totals:	**$473,615**	**$686,185**	**$531,365**	**$422,500**	**$355,603**	**$40,000**

Note: 2025 data is through July 1, 2025

In addition, Arkus loaned $163,000 on September 6, 2022, to the adult son of Mr. Lott. On September 3, 2022, Mr. Adams emailed a draft collateral mortgage, and

a collateral mortgage note to Mr. Lott between Arkus and Mr. Lott's adult son. Metadata[J] for the attached file indicated Mr. Adams was the author.

The signed collateral mortgage reflects that Mr. Lott's adult son pledged his Baton Rouge residence as security for the loan. The collateral mortgage note specified a 2.66% interest rate and a five-year term, but did not specify repayment terms. Mr. Lott notarized both the collateral mortgage and collateral mortgage note. We did not find a recorded collateral mortgage in the mortgage records of the East Baton Rouge Parish Clerk of Court.

Arkus' accounting records show 33 payments of $700 from October 2022 to June 2025, followed by a $151,683 lump-sum payment on July 1, 2025. In total, Arkus received $174,783 related to this loan.

Conclusion

LORA increased the administrative fees it paid to Arkus from 20% to 36% in July 2022. Mr. Mayhall's explanation was that the additional administrative funds were needed for Arkus' increased administrative costs from administering LORA's well closure activity. However, LORA paid the costs to plug and abandon orphaned wells, not Arkus. This increase in administrative fees appears inconsistent with the terms of the CEA between the OC and LORA. In addition, Arkus appears to have used the additional 16% administrative funds from LORA to increase salaries and distributions to its owners and to make a loan to an owner's son, which contradicts Mr. Mayhall's statements.

Improper Loans to OC Assistant Commissioner, Two of His Family Members, and Three of LORA's Owners

LORA loaned approximately $2,386,246 to two related entities, Arkus and Chromos Wealth Solutions, LLC (Chromos), between January 2021 and April 2023. Arkus and Chromos used those funds to make below-market-rate loans to OC Assistant Commissioner Secretary Johnny Adams, two of his family members, and three owners of LORA. Because Mr. Adams and his daughter received a personal benefit from the below-market-rate loans, Mr. Adams may have violated state law.[7,8]

The CEA between LORA and OC required financial security fees to be split between "Operating and Reserve Funds" and "administrative and day-to-day operating expenses of LORA." LORA kept the Operating and Reserve Funds in an operating checking account and an investment account.

[J] Metadata is information stored within an electronic file that can include the author and dates and times of modification.

LORA loaned approximately $2,386,246 from its operating and reserve accounts to two related entities, Arkus and Chromos, between January 2021 and April 2023. Those loans are listed in the table below.

Loans From LORA to Arkus and Chromos			
Date of Loan	**Loan Amount**	**Borrower**	**Interest Rate**
1/22/2021	$100,000	Arkus	2.00%
3/19/2021	200,000	Arkus	6.00%
4/13/2021	139,000	Arkus	2.00%
11/12/2021	89,400	Chromos	2.00%
5/18/2022	632,000	Arkus	6.00%
5/13/2022	98,400	Arkus	2.66%
11/1/2022	347,446	Arkus	2.66%
4/28/2023	780,000	Chromos	2.80%
Total:	**$2,386,246**		

Arkus and Chromos used funds loaned by LORA from its operating and reserve funds to make three loans totaling $1,017,400 to Mr. Adams and two of his family members, and three loans totaling $536,846 to three of LORA's owners. In addition, Arkus made two loans totaling $832,000 to a local business. An email from Mr. Berthelot to Mr. Dickinson, Mr. Mayhall, and Mr. Adams stated that the borrower was a client of Mr. Berthelot. Loans from Arkus and Chromos are shown in the table below.

Loans From Arkus and Chromos					
Date of Loan	**Loan Amount**	**Borrower**	**Relationship**	**Lender**	**Interest Rate**
1/22/2021	$100,000	Van Mayhall III	LORA Owner	Arkus	2.00%
3/19/2021	200,000	Business Borrower	Client of LORA Owner Andrew Berthelot	Arkus	6.00%
4/14/2021	139,000	Mr. Adams' Adult Daughter	Daughter of OC Employee Johnny Adams	Chromos	2.00%
11/12/2021	89,400	Jacob Dickinson and Spouse	LORA Owner and Spouse	Chromos	2.00%
5/19/2022	632,000	Business Borrower	Client of LORA Owner Andrew Berthelot	Arkus	6.00%
5/25/2022	98,400	Brother of Mr. Adams' Spouse and His Wife	Brother of OC Employee Johnny Adams' Spouse and His Wife	Chromos	2.66%
11/1/2022	347,446	Andrew Berthelot	LORA Owner	Arkus	2.66%
4/28/2023	780,000	Johnny and Laura White Adams	OC Employee and Spouse	Chromos	2.60%
Total:	**$2,386,246**				

Use of Reserve Funds for Loans

Mr. Adams' personal email account included a message sent by Mr. Dickinson to LORA's owners and Mr. Adams regarding LORA board meeting minutes dated April 25, 2022. The minutes included the following statement:

"No more than $350k each of 5mil reserve, split 6 ways. Others can loan from their portion if they are not gonna use it. With 10% of Reserve as a slush that can be used for agreements less than 9 months, such as a bridge loan. Current federal imputed rate to be used as interest rate on loans."

The message was sent by Mr. Dickinson to five individuals – Mr. Adams, Mr. Berthelot, Mr. Lott, Mr. Marchiafava, and Mr. Mayhall. Because the email message was sent by one of LORA's owners to the other four owners and Mr. Adams, it appears Mr. Adams was included in this six-way split.

Loans to Mr. Adams, His Adult Daughter, and His Spouse's Brother and Wife

The following table shows the details of three loans totaling $1,017,400 to Mr. Adams and two of his family members between April 14, 2021 and April 28, 2023. Each of the loans is discussed in the sections beneath this table.

Loans to Mr. Adams, His Daughter, and His Spouse's Brother					
Date of Loan	**Loan Amount**	**Borrower**	**Relationship**	**Lender**	**Interest Rate**
4/14/2021	$139,000	Mr. Adams' Adult Daughter	Daughter of OC Employee Johnny Adams	Chromos	2.00%[K]
5/25/2022	98,400	Brother of Mr. Adams' Spouse and His Wife	Brother of Spouse of OC Employee Johnny Adams	Chromos	2.66%
4/28/2023	780,000	Johnny and Laura White Adams	OC Employee and Spouse	Chromos	2.60%
Total:	**$1,017,400**				

$139,000 Loan to Mr. Adams' Adult Daughter

Mr. Adams' adult daughter obtained a $139,000 loan from Chromos on April 14, 2021, to finance the purchase of a condominium in Baton Rouge, Louisiana. At the time of the loan, she was a college student and did not graduate until December 2022.

On April 12, 2021, Mr. Adams sent an email to Mr. Mayhall and Mr. Berthelot that included one file with three unsigned documents. Mr. Adams described the attachment to the email as *"…the documents for* [Mr. Adams' adult daughter]*…to put in place with Chromos Wealth Solutions for her Condominium Loan."* According to the file's metadata, Mr. Adams was the author of the following:

1. A $139,000 collateral mortgage prepared for Mr. Adams' adult daughter's signature, dated April 14, 2021, in favor of *"ANY FUTURE HOLDER OR*

[K] Although we did not receive a signed copy of Mr. Adams' adult daughter's promissory note or collateral mortgage, the interest rate she received from Chromos was specified within a "Payoff Demand Statement" included with records received from her financial institution.

HOLDERS" of a collateral mortgage note. The collateral mortgage required 2% annual interest and payable "on demand." We found no record in the mortgage records of East Baton Rouge Parish indicating that the collateral mortgage was ever recorded. Under Louisiana law, an unrecorded mortgage has no effect against third parties and does not preserve priority over other creditors.[L]

2. A $139,000 collateral mortgage note prepared for Mr. Adams' adult daugther's signature, dated April 14, 2021, payable to *"BEARER"* and bearing interest at 2.00% due annually. Although the note is payable *"ON DEMAND,"* it provides that principal is due and payable in full in five years. The note allows the holder to accelerate the obligation upon 180 days' written notice. The note does not require scheduled principal payments and permits principal to be reduced at the borrower's option, creating a loan structure with below-market interest, no required principal amortization, and flexible repayment terms.

3. A promissory note from Chromos to LORA in the amount of $139,000, bearing annual interest at 1%. The note appears to have been prepared in connection with the contemplated funding of the loan through related entities. However, based on available records, this promissory note was not executed or otherwise used to evidence the transaction, and the executed loan documents and bank records show that Chromos borrowed the funds from Arkus, not directly from LORA.

We were unable to obtain signed copies of Mr. Adams' adult daugther's loan documents but verified the transaction through bank records showing the movement of funds. The key events associated with this transaction are listed below:

- April 1, 2021: LORA transferred $139,000 from its main operating account to Arkus' bank account.
- April 9, 2021: Arkus transferred $139,000 to Chromos' bank account.
- April 13, 2021:
    - Arkus executed a $139,000 promissory note in favor of LORA.
    - Chromos executed a $139,000 promissory note in favor of Arkus.
    - Chromos withdrew $139,000 and obtained an official check from its bank, payable to a local title company.

[L] La. Civil Code Article 3338 provides that written instruments that establish or modify real rights in immovable property, including mortgages, are without effect as to third persons unless recorded in the appropriate mortgage or conveyance records.

- April 14, 2021: Mr. Adams' adult daughter purchased a condominium with the $139,000 official check through an act of cash sale.
- August 20, 2024: Mortgage records show that the condominium was refinanced through a local credit union with an $84,200, 30-year adjustable-rate mortgage at 5.625%. Chromos received $79,334 as part of the closing.
- August 27, 2024: Arkus' QuickBooks records show $91,536 was received from Chromos, of which $89,092 represented principal reduction of Mrs. Adams' adult daughter's loan.
- September 30, 2024: Arkus subsequently remitted $91,536 to LORA, of which $86,257 reduced LORA's "*Notes Receivable – AM*"[M] account.

Mr. Adams' adult daughter made 15 loan payments totaling $66,885 to Chromos from September 2021 to July 2024. The 16th payment was $79,334 in August 2024, and was made in connection with the refinancing of the condominium. The 15 payments were inconsistent in amount and frequency, generally occurring between two and four months apart.

Although Mr. Adams' adult daughter's loan did not require scheduled principal payments and allowed repayment to be deferred until maturity, Arkus and Chromos executed promissory notes requiring periodic payments of principal and interest on their respective obligations. However, available records indicate that these payments were not made consistently or in accordance with the stated terms. For example, Arkus' first payment to LORA, due June 30, 2021, was not made until January 20, 2022, when Arkus paid approximately $19,445. After this initial payment, Arkus made intermittent payments in varying amounts. This structure, under which the borrower was not required to make scheduled payments while related entities were obligated—but did not consistently comply—with repayment terms, does not appear to provide an economic benefit to LORA or its related entities as lenders.

We spoke to Mr. Adams' adult daughter and requested an interview. She stated that she would consult her attorney but did not call back to schedule an interview.

$98,400 Loan to the Brother of Mr. Adams' Spouse and His Wife

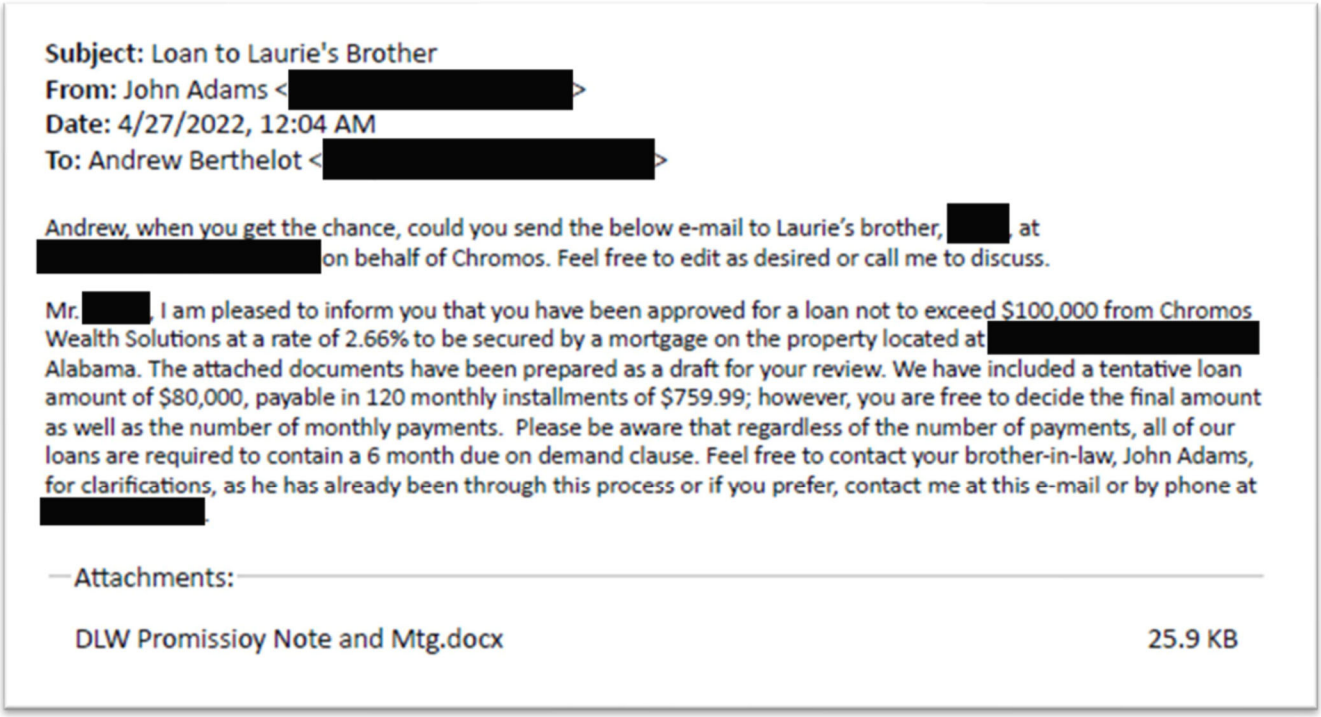
The brother of Mr. Adams' spouse and his wife obtained a $98,400 loan from Chromos at 2.66% annual interest that was secured by a home located in Alabama. The mortgage deed identifies Laura White Adams, Mr. Adams' spouse, as the acknowledger, and Elmore County assessor records list her as a co-owner of the property. However, the borrowers were the brother of Mr. Adams' spouse and his wife.

[M] "Notes Receivable – AM" is LORA's account name for funds it loaned to Arkus Management Services, LLC.

The mortgage deed listed Chromos as the mortgagee and Mr. Berthelot's home address as the mortgagee's permanent mailing address. The promissory note required monthly payments of $664 over a 180-month (15-year) term at an annual interest rate of 2.66%. The following events summarize activity related to the loan:

- May 10, 2022: LORA transferred $98,400 from its operating account to Arkus' bank account.
- May 12–13, 2022: Arkus transferred $98,400 from its bank account to Chromos.
- May 13, 2022: Mr. Mayhall, President of Arkus, signed a promissory note in favor of LORA.
- May 25, 2022: The brother of Mr. Adams' spouse and his wife signed a promissory note and mortgage deed in favor of Chromos.
- May 26, 2022: Chromos withdrew $98,400 and obtained an official check from its bank payable to another bank to apply to an existing loan.

In an April 27, 2022, email, Mr. Adams asked Mr. Berthelot to send an email to the brother of Mr. Adams' spouse on behalf of Chromos using loan approval language prepared by Mr. Adams. The language set forth the loan terms and identified Mr. Adams as a point of contact for questions. Mr. Adams also indicated that Mr. Berthelot could edit the message before sending it. The email included a promissory note and mortgage deed as an attached file. Metadata for the attached file indicated Mr. Adams was the author. The email is shown below.



Subject: Loan to Laurie's Brother
From: John Adams <[redacted]>
Date: 4/27/2022, 12:04 AM
To: Andrew Berthelot <[redacted]>

Andrew, when you get the chance, could you send the below e-mail to Laurie's brother, [redacted], at [redacted] on behalf of Chromos. Feel free to edit as desired or call me to discuss.

Mr. [redacted], I am pleased to inform you that you have been approved for a loan not to exceed $100,000 from Chromos Wealth Solutions at a rate of 2.66% to be secured by a mortgage on the property located at [redacted] Alabama. The attached documents have been prepared as a draft for your review. We have included a tentative loan amount of $80,000, payable in 120 monthly installments of $759.99; however, you are free to decide the final amount as well as the number of monthly payments. Please be aware that regardless of the number of payments, all of our loans are required to contain a 6 month due on demand clause. Feel free to contact your brother-in-law, John Adams, for clarifications, as he has already been through this process or if you prefer, contact me at this e-mail or by phone at [redacted].

Attachments:

DLW Promissioy Note and Mtg.docx 25.9 KB

The brother of Mr. Adams' spouse and his wife made loan payments to Chromos primarily through checks drawn from the brother of Mr. Adams' spouse's business account or a joint account with his wife. Chromos' records show typical monthly payments of $664, and no lump-sum payments were identified through August 2024. The total payments received through August 2024 were $17,265.

On October 16, 2024, Chromos deposited one final monthly payment of $664 and received an $86,378 electronic funds transfer from a real estate closing agency to apply to the loan for the brother of Mr. Adams' spouse and his wife. Arkus received two payments totaling $86,559 from Chromos a week later, on October 23, 2024, and reduced its notes receivable account for this loan by $86,021. That same day, Arkus transferred $86,559 to LORA, which reduced the "Notes Receivable – AM" account.

$780,000 Loan to Johnny and Laura White Adams

Mr. and Mrs. Adams obtained a $780,000 loan from Chromos to finance the purchase of a house in Baton Rouge, Louisiana, on April 28, 2023. The funds for this loan were drawn from LORA's investment account and transferred through LORA's operating bank account to Chromos. The promissory note provided for a 2.60% annual interest rate, with interest payable annually beginning April 28, 2024. The obligation was described as remaining outstanding *"until paid."* The loan was purportedly secured by a collateral mortgage on an investment account and five IRA accounts; however, the collateral mortgage was not found in the mortgage records of

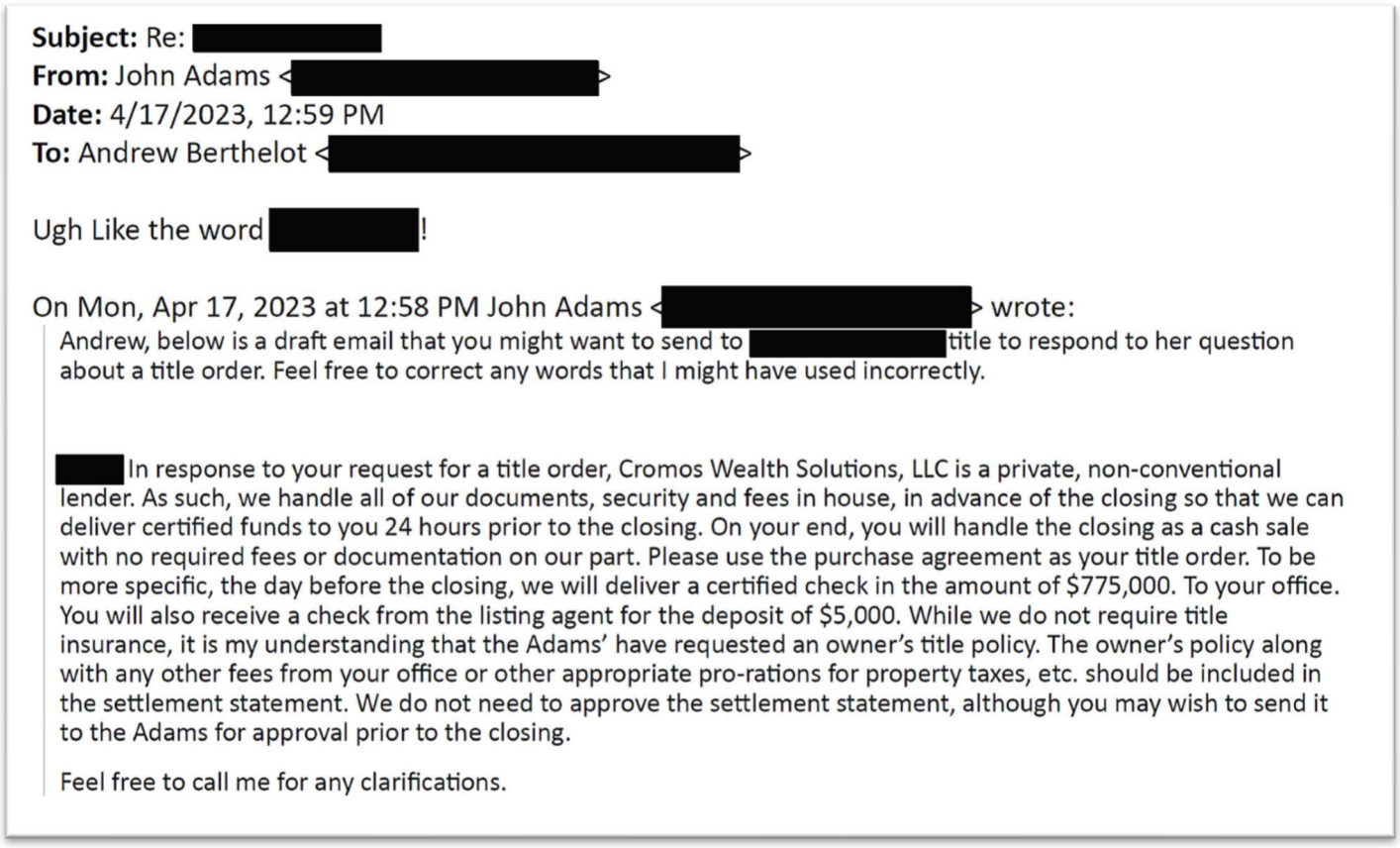
the East Baton Rouge Parish Clerk of Court. The following events summarize activity related to the loan:

- April 3, 2023: LORA withdrew $780,000 from its investment account and deposited the funds into its operating account the following day.
- April 14, 2023: LORA Chief Financial Officer Mr. Berthelot withdrew $780,000 from LORA's operating bank account and deposited the same amount in Chromos' bank account.
- April 26, 2023: Chromos withdrew $777,934 and obtained an official check from its bank payable to a local title company.[N]
- April 28, 2023:
  - Mr. Berthelot, acting as manager of Chromos, signed a promissory note in favor of LORA for $780,000.
  - Mr. and Mrs. Adams signed a promissory note in favor of Chromos for $780,000 and executed a collateral mortgage naming Chromos as mortgagee.
  - Mr. and Mrs. Adams purchased a residential property located in Baton Rouge, Louisiana, through an act of cash sale.
- September 25, 2023: Wayland Adams, Johnny Adams' father, made a $200,000 payment to Chromos.
- October 10, 2023: Mr. and Mrs. Adams obtained a $624,000 mortgage at 6.875% on the same property from a local credit union. The closing was conducted at a Baton Rouge title company.
- October 10, 2023: The title company remitted $587,680 of escrow funds to Chromos, of which $577,934 was forwarded to LORA.
- The remaining $9,746, representing interest income, remained in Chromos' bank account.

In an April 17, 2023, email, Mr. Adams provided Mr. Berthelot with language for an email to be sent to a title company regarding the closing of the Adams' property purchase. In the proposed communication, Mr. Adams described Chromos as a *"private, non-conventional lender"* and outlined how the transaction would be structured, including that the closing would be handled as a cash sale and that Chromos would deliver certified funds prior to closing. Mr. Adams further stated that Chromos did not require title insurance or closing documentation. Mr. Adams indicated

[N] The difference between the $780,000 loan amount and the $777,934 disbursed to Preferred Title was $2,066, which remained in Chromos' account and was returned to LORA on August 9, 2023.

that Mr. Berthelot could revise the language before sending it. The email is shown below.



Subject: Re: [redacted]
From: John Adams <[redacted]>
Date: 4/17/2023, 12:59 PM
To: Andrew Berthelot <[redacted]>

Ugh Like the word [redacted]!

On Mon, Apr 17, 2023 at 12:58 PM John Adams <[redacted]> wrote:

> Andrew, below is a draft email that you might want to send to [redacted] title to respond to her question about a title order. Feel free to correct any words that I might have used incorrectly.
>
> [redacted] In response to your request for a title order, Cromos Wealth Solutions, LLC is a private, non-conventional lender. As such, we handle all of our documents, security and fees in house, in advance of the closing so that we can deliver certified funds to you 24 hours prior to the closing. On your end, you will handle the closing as a cash sale with no required fees or documentation on our part. Please use the purchase agreement as your title order. To be more specific, the day before the closing, we will deliver a certified check in the amount of $775,000. To your office. You will also receive a check from the listing agent for the deposit of $5,000. While we do not require title insurance, it is my understanding that the Adams' have requested an owner's title policy. The owner's policy along with any other fees from your office or other appropriate pro-rations for property taxes, etc. should be included in the settlement statement. We do not need to approve the settlement statement, although you may wish to send it to the Adams for approval prior to the closing.
>
> Feel free to call me for any clarifications.

In an October 31, 2024, letter to Commissioner of Conservation Benjamin Bienvenu, Mr. Adams stated that he and Mrs. Adams pledged their retirement accounts as collateral for the $780,000 loan from Chromos. Attachments to the letter reflected three traditional individual retirement accounts (IRA) valued at $782,413, two Roth IRA accounts valued at $104,018, and an investment account valued at $187,679. The collateral mortgage signed by Mr. and Mrs. Adams pledges three traditional IRA accounts, two Roth IRA accounts, and an investment account. As previously noted, we did not find a recorded collateral mortgage in the mortgage records of the East Baton Rouge Parish Clerk of Court.

Under federal law,[9] if an individual pledges any portion of an IRA as security for a loan, the amount pledged is treated as a distribution in the year of the pledge. This treatment results in the loss of the account's tax-advantaged status, generates taxable income for the account holder, and may subject the account holder to an additional penalty if under age 59½.[10,11] To the extent such accounts were pledged as described, the assets would no longer be treated as part of the IRA for tax purposes, but instead would be treated as ordinary investment holdings.

In the October 31, 2024, letter to OC Commissioner Benjamin Bienvenu, Mr. Adams described himself as an outside applicant seeking financing from Chromos. An excerpt from the letter is shown below.

> *"…knowing that it would take some time to list and sell both houses, I contacted Andrew and asked if he still worked for Chromos Wealth Solutions and if so, would I be able to apply for a bridge loan through them to purchase… Andrew confirmed that Chromos could assist us with the short term bridge loan. We scheduled the closing and on April 28, 2023 Laurie and I signed a promissory note and collateral mortgage with Chromos in the amount of $780,000, using our retirement accounts, valued at more than one million dollars, as collateral…"*

However, Mr. Adams' personal email records show that, in April 2021, he prepared loan documents for his daughter's loan, and in April 2022, he drafted loan-related communications and provided proposed terms for a loan to his wife's brother and sister-in-law.

An executive at the credit union that later refinanced Mr. and Mrs. Adams' home stated that the credit union offers bridge loans to well-qualified members. She also told us the credit union was offering bridge loans in April 2023 at a 6.45% interest rate up to 80% of the property's appraised value. By contrast, Chromos financed 100% of Mr. and Mrs. Adams' home purchase at 2.60% annual interest. This below-market-interest-rate resulted in an estimated $13,470 reduction in interest compared to the credit union's bridge loan terms and allowed Mr. and Mrs. Adams to avoid making a 20% down payment of approximately $156,000. Because the loan was funded by LORA, it ultimately bore the financial risk associated with below-market, full-value financing.

Mr. Adams declined our request for an interview. Mrs. Adams initially expressed willingness to be interviewed but later declined by email.

Loans to LORA Owners and a Local Business

Arkus and Chromos made five additional loans totaling $1,368,846 using funds derived from loans provided by LORA. The borrowers included three of LORA's owners and a local business that was a client of LORA owner Mr. Berthelot's accounting practice. The loans are summarized in the table below.

Loans to LORA's Owners and a Local Business					
Date of Loan	**Loan Amount**	**Borrower**	**Relationship**	**Lender**	**Interest Rate**
1/22/2021	$100,000	Van Mayhall III	LORA Owner	Arkus	2.00%
3/19/2021	200,000	Business Borrower	Client of LORA Owner Andrew Berthelot	Arkus	6.00%
11/12/2021	89,400	Jacob Dickinson and Spouse	LORA Owner and Spouse	Chromos	2.00%
5/19/2022	632,000	Business Borrower	Client of LORA Owner Andrew Berthelot	Arkus	6.00%
11/1/2022	347,446	Andrew Berthelot	LORA Owner	Arkus	2.66%
Total:	**$1,368,846**				

$100,000 Loan to Van Mayhall III

Arkus received $100,000 from LORA's[O] operating account on February 9, 2021, and loaned those funds to Mr. Mayhall the following day. The promissory note between Arkus and LORA, signed on January 22, 2021, provided for 2% annual interest, payable annually, did not require periodic principal payments, and required repayment of the principal in full at the end of five years. Nearly a month earlier, on January 11, 2021, Mr. Adams emailed Mr. Mayhall a collateral mortgage and a collateral mortgage note between Arkus and Mr. Mayhall. The attached file's metadata indicates Mr. Adams was the author.

According to the collateral mortgage, Mr. Mayhall pledged his Baton Rouge residence as security for the loan. The collateral mortgage provided for a 2% interest rate and stated that the obligation would remain outstanding *"until paid,"* while the collateral mortgage note referenced a five-year term. Mr. Adams notarized the collateral mortgage between Mr. Mayhall and Arkus. We did not find a recorded collateral mortgage in the mortgage records of the East Baton Rouge Parish Clerk of Court.

Arkus' accounting records show that Mr. Mayhall made a $10,019 payment on December 14, 2021, followed by 68 payroll deductions from Mr. Mayhall's payroll check from Arkus of $150 per period from December 2022 through July 2025 (a total of $20,219). In July 2025, Arkus remitted $86,859 to LORA which was applied to this loan.

$200,000 Loan to Business Borrower

Arkus received a $200,000 loan from LORA's operating account on March 22, 2021. The promissory note between Arkus and LORA provides for a 6.00% annual interest rate, with interest due monthly, and required repayment through 24 consecutive monthly installments, with the remaining principal balance due at the end of the two-year term. Arkus loaned the funds to a business borrower[P] the following day, March 23, 2021. On March 22, 2021, Mr. Adams emailed Mr. Mayhall, Mr. Lott,

[O] LORA's accounting records show they recorded a Note Receivable from Arkus for the $100,000 loan.
[P] The borrower was a client of Mr. Berthelot's accounting firm, Berthelot Accounting LLC. Mr. Berthelot is the registered agent and manager of Berthelot Accounting, LLC.

Mr. Dickinson, and Mr. Berthelot a collateral mortgage between Arkus and the business borrower. The attached file's metadata indicates Mr. Adams was the author of the collateral mortgage.

The collateral mortgage shows that the business borrower pledged equipment, received a 6% interest rate, and the loan was payable in 24 equal monthly installments. Mr. Adams notarized the collateral mortgage. We did not find a recorded collateral mortgage in the mortgage records of the Ascension Parish Clerk of Court. Arkus' accounting records indicate that the loan was repaid in full by the business borrower in accordance with its terms.

$89,400 Loan to Jacob Bryan Dickinson and Spouse

Arkus received $89,400 from LORA's operating account on November 15, 2021; that same day Chromos received $90,000 from Arkus. On November 17, 2021, Chromos withdrew $90,588 and obtained an official check payable to a local title company in connection with a loan to Mr. Dickinson and his spouse in the amount of $89,400.

A promissory note, signed by Chromos, between Chromos and LORA provided for 2% annual interest, payable annually, did not require periodic principal payments, and required repayment of the principal in full at the end of 30 years. The second promissory note, also signed by Chromos, was between Arkus and Chromos and provided a 1% annual interest rate, $288 monthly payments, and a 30-year term. However, there was no promissory note between Arkus and LORA. This structure differs from other loans reviewed; here, Arkus received funds from LORA, but did not sign a promissory note.

On November 3, 2021, Mr. Adams emailed Mr. Dickinson a file that included the following three documents: a collateral mortgage, collateral mortgage note, and a promissory note. Metadata for the attached file indicates Mr. Adams was their author. The collateral mortgage was signed by Mr. Berthelot and Mr. and Mrs. Dickinson on November 12, 2021. It provides for a 2% interest rate until paid and reflects that Mr. Dickinson and his spouse pledged their land in St. Tammany Parish as collateral for the loan. The collateral mortgage note provides for a 2% annual interest rate, with interest due annually, and a 30-year term. Mr. Adams notarized the collateral mortgage and collateral mortgage note.

Arkus' accounting records show the borrowers made 64 payments totaling $13,366 from November 2021 through May 2025. In July 2025, Arkus remitted $80,309 to LORA, which was applied to this loan.

$632,000 Loan to Business Borrower

Arkus received $632,000 from LORA's operating account on May 18, 2022. The promissory note between Arkus and LORA provided for 6% annual interest until paid with interest due monthly, and required repayment through 48 consecutive monthly installments. In addition, the remaining principal balance was due at the end of a

15-year term. Arkus loaned the funds to the business borrower on May 20, 2022. Four days earlier, on May 16, 2022, Mr. Adams emailed Mr. Berthelot two files. One file contained the business borrower's collateral mortgage and collateral mortgage note. The second file included the certificate of authority between Arkus and LORA. Metadata for both attached files indicates Mr. Adams was the author.

The collateral mortgage reflects that the business borrower pledged equipment as security for the loan. The loan documents provided for a 6% interest rate and repayment through 48 equal monthly installments. Mr. Adams notarized the collateral mortgage. We did not find a recorded collateral mortgage in the mortgage records of the Ascension Parish Clerk of Court.

Arkus' accounting records show 37 monthly payments from June 2022 to June 2025 totaling $549,174. The business borrower told us Arkus sent him a notice in May 2025, requiring payment of the remaining loan balance, and that he was in the process of securing financing to satisfy the loan obligation.

$347,446 Loan to Andrew Berthelot

Arkus received $350,000 from LORA's operating account on April 26, 2022. On May 24, 2022, Arkus transferred $345,704 to a local title company in connection with a loan to Mr. Berthelot. The promissory note between Arkus and LORA provided for interest at 2.66% per year, with interest payable bi-weekly, and required 780 consecutive bi-weekly installments over a 30-year term, with the remaining balance due at maturity and permitting bi-weekly reductions of principal. Mr. Adams emailed Mr. Berthelot a file containing a promissory note between Arkus and LORA, a collateral mortgage and a collateral mortgage note on April 26, 2022. Metadata for the attached file indicates Mr. Adams' was the author.

On November 1, 2022, Mr. Berthelot signed a promissory note in favor of Arkus for $347,466. The promissory note provided for 780 bi-weekly payments of approximately $652 at an interest rate of 2.66%, with the remaining principal balance due at the end of a 30-year term. We did not receive a collateral mortgage or collateral mortgage note. We did not find a recorded collateral mortgage in the mortgage records of the Ascension Parish Clerk of Court.

Arkus' accounting records show 75 payments totaling $374,248 from June 2022 through June 2025, which included two lump-sum payments: $50,000 on September 13, 2023, and $266,749 on June 17, 2025. On June 17, 2025, Arkus remitted $268,028 to LORA, which was applied to this loan.

Conclusion

Mr. Adams assisted three prospective participants, who became owners of LORA, in the OC's selection process for the OSR NGO program, including providing interview materials and guidance. He also assisted in structuring LORA and its related entities to operate the OSR NGO program and its related entities. Subsequent transactions show that Mr. Adams and members of his immediate family received

financial benefits through the below-market-rate loans from entities funded by LORA. Internal communications also reference a six-way split among individuals associated with LORA. In doing so, he may have violated state law.[7,8]

LORA Contracted with a Related Party for Investment Services that Resulted in Little Financial Return to LORA

LORA contracted with a related party, Chromos, to provide administrative and consulting services in connection with LORA's investments. The contract required LORA to pay Chromos the total sum of its investment earnings, less any fees, costs, penalties, or other expenses incurred if such would otherwise be deducted from the principal amount invested. LORA paid $602,148 for "Investment Fees" or "Investment Income" to Chromos or Arkus, even though Arkus was not mentioned in the contract. LORA's records show investment earnings and interest from loans to related parties totaled $647,061, which means LORA paid 93% of its investment earnings and interest received while bearing all of the associated investment risk. Since LORA paid its related parties 93% of its investment earnings, LORA realized little financial return from its investment earnings.

The November 2019 CEA between the OC and LORA required LORA to maintain a $5,000,000 reserve 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…"* At the inception of the CEA, LORA was required to deposit 80% of the financial security fees into a reserve account until the balance reached $5,000,000.

From November 2019 through August 2020, LORA deposited the required 80% of financial security fees into a checking account. In August 2020, LORA opened an investment account and began depositing reserve funds into an interest-bearing preferred savings investment. In September 2021, LORA purchased $100,000 in corporate bonds. In the months and years that followed, LORA purchased additional investments, such as mutual funds and certificates of deposit. LORA's investment account was not charged any investment management fees.

LORA did not receive any interest or earnings from its operating checking account from November 2019 to July 2025. LORA received $540,685 in investment earnings from its investment accounts[Q] between August 2020 and June 2025. In addition, LORA received $106,376 in interest from the loans to related parties discussed in a previous finding.

An April 2020 email discussion (see Attachment 3) between Mr. Mayhall and Mr. Berthelot concerning investment management, fees, and ownership structuring

[Q] LORA had two investment accounts: one for investing financial security reserve funds, and the other for investing restricted funds (explained in a later finding).

preceded LORA's contract with Chromos. The following excerpts are from that email discussion:

- *"The purpose of setting up a separate IMC[R] is to keep the books of LORA and Arkus at 80/20 while the IMC takes some profit out of the interest on the 80% (and eventually 16%) invested by LORA."*
- *"If the auditors want to look at LORA's books, we show them them* [sic] *LORA has 80% of the money safely invested, and outgoing payments to Arkus of 20%. If they ever get really invasive and want to see Arkus' books, the only income that will be there is the 20% required by the Cooperative Endeavor Agreement."*
- "*The LORA books will also show a modest investment income from the 80% invested, so hopefully no one will ever worry about the IMC and what it is doing."*
- *"The contract will make it clear that the IMC will just be picking the actual investment managers to use to invest the money, and monitoring the investments for LORA. The IMC won't actually be making any investments or doing anything that would require registration with the SEC or any licensing or anything."*

In July 2020, LORA entered into a services agreement with Chromos[S] to provide administrative and consulting services in connection with the financial investments of LORA. Section 1.7 of the services agreement states that, *"Chromos is not an investment manager…and shall not engage in any direct buying or selling of investments, securities or financial products hereunder."* The services agreement specified Chromos would perform the following services:

1. Provide advice and consultation regarding the selection of one or more licensed, registered, and duly authorized investment managers to manage the financial investments of LORA;
2. Provide advice and consultation regarding the overall investment strategy of LORA, and determining investment management policies and procedures as requested by and in conjunction with the Board;
3. Provide an experienced tax consultant, who may or may not be a Certified Public Accountant, to serve as a member of the Investment Committee of the Board of Directors of LORA;
4. Assist the Board and the Investment Committee in providing oversight of any investment managers engaged by LORA;

[R] IMC is an investment management company.
[S] Chromos does not have any license issued by the Louisiana Office of Financial Institutions.

5. Perform, at least annually, a general audit of each investment manager engaged by LORA and provide the results thereof to the Investment Committee; and

6. Provide general wealth management advice and consultation to the Investment Committee and the Board.

In exchange for providing the services listed above, Chromos was to receive a service fee equal to the total sum of all dividends, distributions, interest, and other earnings on the principal amount invested by LORA less any fees, costs, penalties, or other expenses incurred if such would otherwise be deducted from the principal amount invested. From June 2020 to July 2022, LORA made five payments totaling $12,067 for investment fees[T] to Arkus. However, the contract between LORA and Arkus did not include investment management fees. For each of the five payments, Arkus paid Chromos the same amount within 20 days.

After the first five payments, LORA paid Chromos $210,225 for investment fees from July 2022 until December 2023. In total, Chromos received $222,292 for investment management services from June 2020 to December 2023.

In January 2024, LORA resumed paying investment fees to Arkus, instead of paying Chromos. From January 2024 to July 2025 Arkus received $379,856 from LORA for investment management fees. In summary, LORA paid investment management fees totaling $602,148 to Chromos and Arkus from June 2020 to July 2025. These investment management fees represent 93% of the investment earnings and loan interest from LORA's funds. Although LORA's contract with Chromos allowed Chromos to receive all of LORA's investment earnings, LORA retained $44,913 instead of remitting it to Chromos. LORA's records did not explain the difference in investment and loan earnings and the amount paid for investment management services. The table below summarizes LORA's payment of investment management fees.

[T] In all but one instance, the invoices from both Chromos and Arkus described the services as *"Investment Fees from LORA Financial Security."* One invoice from Arkus to LORA described the services as *"January 2025 Investment Income."*

Investment Management Fees Paid By LORA		
Date Range	**From/To**	**Investment Management Fees**
June 2020 – July 2022	LORA → Arkus → Chromos	$12,067
August 2022 – December 2023	LORA → Chromos	210,225
January 2024 – June 2025	LORA → Arkus	379,856
Grand Total		**$602,148**

LORA's board minutes reference investment reports in two instances: July 2021 and August 2022. The minutes also referred to loans to Arkus and Chromos. LORA's bank statements and accounting records do not show any payments to a licensed investment advisor. In addition, LORA's investment accounts were self-directed;[U] therefore, it appears Chromos could not have performed activities related to items 1, 4, and 5 in the IMC deliverables section of the IMC contract (see previous two pages).

Because LORA remitted 93% of its investment earnings and interest received from loans to Chromos and Arkus, it appears that LORA received little benefit from the IMC contract. In contrast, the owners of Chromos and Arkus—who are also LORA's owners—received those earnings and loan interest generated from those funds while not bearing the associated investment risk. These investment management fees were separate from, and in addition to, the administrative fees collected by Arkus, which increased from 20% to approximately 36% of financial security fees.

Employment of Johnny Adams' Children by CEA-Funded Entities

While serving as Assistant Commissioner of the OC, Mr. Johnny Adams' two adult children were employed by Arkus and Willow Lake Well Services, LLC (WLWS). Arkus shares common ownership with LORA, and WLWS is owned by Arkus. Since Mr. Adams' job duties included representing the OC in matters related to the LORA CEA, his involvement in matters affecting entities that employed his immediate family members may have violated state law.[8,12]

Louisiana Secretary of State records show WLWS was founded in June 2022. The registered agent is Andrew Berthelot, and Arkus is listed as an officer. Mr. Mayhall told us Arkus owns 100% of WLWS. Arkus and LORA share common ownership.[V] WLWS' banking activity began in July 2022 with a $2,000 deposit

[U] In an email to the former executive director of Natural Resources Trust Authority from a Vice-President Financial Advisor at the investment bank and financial services company where LORA had its investment account, LORA's investment account was client-directed.
[V] Mr. Adams signed a January 4, 2021, Act of Exchange as Notary Public between Arkus, Chromos, LORA, Mr. Berthelot, Mr. Dickinson, Mr. Lott, Mr. Marchiafava, and Mr. Mayhall to make equal ownership of all entities for the five owners listed.

received from Arkus. WLWS' bank records show deposits totaling $42,875 from Arkus and LORA from July 2022 to October 2022.

An attorney for LORA's owners stated that Mr. Adams' adult daughter began working at WLWS as an unpaid intern in early summer 2022. WLWS records show that Mr. Adams' adult daughter was later employed as a paid employee from August 2022 through September 2022. Bank records show that a checking account in the names of Mr. Adams' adult daughter, Mr. Johnny Adams, and Mrs. Laura White Adams received two checks of $2,000 each in September 2022. WLWS' records also show that Mr. Adams' adult son was employed as a paid employee from June 2022 through September 2022.

LORA's attorney told us both of Mr. Adams' adult children were hired by Arkus on October 15, 2022, at a salary of $48,000 per year. Their employment at Arkus continued until October 2023. Arkus' bank statements show that 96.52% of Arkus' deposits[W] from October 2022 to October 2023 were derived from management fees paid by LORA. Arkus' accounting records show 3.48% of its deposits were derived from interest attributable to loan payments.

Mr. Mayhall told us that Mr. Adams' adult children worked for WLWS until ownership realized their employment *"looked like a conflict of interest."* He also said Mr. Adams' children performed methane testing at well sites, as well as administrative and information technology-related work. He stated Mr. Adams had not asked him to hire his children. Mr. Mayhall further stated Mr. Lott knew Mr. Adams and may have been responsible for hiring Mr. Adams' children. He also stated that in November 2023, he informed Mr. Adams that his children's employment would be terminated because of an apparent conflict of interest.

Louisiana Secretary of State records show that Mr. Adams' adult children formed Silver Bell Services, LLC (Silver Bell) on September 18, 2023. Mr. Mayhall's attorney told us that WLWS and Silver Bell entered into a services agreement in November 2023, under which Silver Bell was paid $8,600 per month for methane gas testing, administrative support, information technology, and other services previously performed by Mr. Adams' adult children for Arkus. WLWS made a series of $8,600 payments that totaled $51,600 from November 2023 through April 2024.

On March 25, 2024, Mr. Adams emailed the Commissioner of Conservation, five directors, and the senior attorney, stating that consistent with the policy of the prior administration he did not have supervision or oversight of the LORA CEA. However, five current or former OC supervisors told us they understood Mr. Adams served as the primary agency contact for the LORA CEA.

[W] Deposits were fees and interest received. The return of principal on loan repayments was not included in the deposit total.

On April 3, 2024, Mr. Adams submitted an opinion request to the Louisiana Board of Ethics regarding his daughter's employment at Arkus. In his request, Mr. Adams stated that the Commissioner of Conservation gave him no supervision or oversight authority over LORA. The Louisiana Board of Ethics considered Mr. Adams' opinion request at its June 7, 2024, meeting.

Mr. Adams appeared before the Board of Ethics at the June 7, 2024, meeting, where he testified:

> *"The Commissioner has maintained direct supervision and control over that agreement and has not deferred any of that to anyone else, including me."*

After Mr. Adams testified, the Board issued an advisory opinion that his daughter could work at Arkus, so long as her work does not involve the CEA between LORA and the OC. Arkus' accounting records show neither Mr. Adams' adult daughter nor Silver Bell received additional payments from Arkus from June 2024 through June 2025.

We contacted Mr. Adams' adult son by telephone and left a voicemail requesting an interview; he did not respond. We also spoke to Mr. Adams' adult daughter and requested an interview. She told us she would consult her attorney but did not call us back to schedule an interview.

As discussed above, OC employees told us that Mr. Adams was significantly involved with LORA. In addition, Mr. Adams' adult children received financial benefits from Arkus and WLWS. Arkus shares common ownership with LORA, and WLWS is owned by Arkus. Because Mr. Adams participated in matters related to LORA while his immediate family members received financial benefits from entities within that ownership structure, he may have violated state law.[8,12]

OC Released Site-Specific Trust Account Funds to LORA, Which Replaced Cash Security with a Letter of Credit

The OC released $2.4 million in site-specific trust account (SSTA) funds to LORA in exchange for a letter of credit issued by LORA. This arrangement replaced cash-based financial security with a different form of financial assurance and transferred control of the SSTA funds to LORA. This transaction reduced the amount of funds available to plug and abandon the secured wells, replaced cash-based financial security with a letter of credit and transferred control of the SSTA funds to LORA. OC personnel identified the transaction as unusual, and five wells covered under the SSTA remain unplugged and are now classified as orphaned.

The Louisiana Administrative Code requires each well operator to obtain financial security when a permit to drill is issued, amended, or transferred. The purpose of the financial security is to ensure that the well is plugged and abandoned

and associated site restoration is completed. Financial security may be provided through approved instruments, including certificates of deposit, performance bonds, or irrevocable letters of credit issued in sole favor of the OC. Financial security remains in effect until plugging, site restoration, and regulatory release are completed, or until the well is transferred to a compliant operator.[13]

An SSTA is an alternative form of financial security under which the operator provides cash, performance bonds, pledges of certificates of deposit, or irrevocable letters of credit issued in sole favor of the OC based on an estimate of the cost to plug and abandon the wells. The account is periodically reassessed to ensure adequate funding and remains in effect until site restoration is completed. An SSTA is intended to release the transferor of the well(s), and all prior responsible parties, from future site restoration liability, with responsibility thereafter resting solely with the transferee.[14]

Background

SSTA 04-11 was established for 15 specific wells in the Main Pass area (south of New Orleans and east of the Mississippi River). The SSTA contract was amended to designate a new operator, Poydras Energy Partners, LLC (PEP) in 2007. PEP funded the SSTA with a $2,263,434 cash deposit held by the DENR. On August 25, 2020, PEP, LORA, and OC signed a new SSTA agreement that released approximately $2,404,564 million in SSTA funds to LORA in exchange for a letter of credit issued by LORA. The significant terms of the agreement include the following:

1. LORA must hold the SSTA funds in a reserve account;

2. PEP must pay $84,134 in annual fees to LORA for financial security for the wells listed in the agreement;

3. Up to one-half (50%) of the SSTA funds are subject to distribution to PEP with OC approval after completion of certain work related to the wells;

4. LORA may use the funds to satisfy obligations associated with the financial security or the SSTA;

5. LORA's liability is capped at $2,403,832;

6. Any interest earned on the SSTA funds is the property of LORA; and

7. After all SSTA obligations are satisfied, completion of oilfield site restoration, and approval by OC, any remaining SSTA funds become the property of LORA.

An OC director and manager overseeing the SSTA program said this was the only instance they were aware of in which cash security was released and replaced with a financial security contract. In an email to DENR's internal auditor on January 7, 2025, the director wrote, *"…I had concerns about moving SSTA's to LORA, even*

further swapping cash out for a LORA LOC[X] made no sense. We voiced this to OOC[Y] executive office, but the decision was made to allow them to make the swap."

LORA received $2,404,564 from the OC and deposited the funds into its operating account on September 28, 2020. LORA then made the following transactions with the SSTA funds:

1. LORA sent $140,000 to PEP's attorney, Brandon Stanko, on September 30, 2020;

2. LORA sent $259,000 to Mr. Stanko on October 7, 2020;

3. LORA transferred $2,005,524 from its operating account to a separate investment account on October 8, 2020;

4. LORA withdrew $255,000 from the investment account on February 4, 2021, and sent that amount to Mr. Stanko the next day; and

5. LORA closed the investment account holding the PEP SSTA funds in July 2022 and transferred the remaining balance of $1,755,323 to LORA's investment account, where it maintained reserve funds associated with the 2019 CEA with OC.

Mr. Adams' DENR (LA.gov) email account included one email in which Mr. Adams approved Mr. Mayhall to make a $255,000 payment to PEP on February 4, 2021. OC does not have records demonstrating approval of the other two payments LORA made to PEP. We spoke to Mr. Stanko in February 2025 and requested documentation supporting the approvals and the work performed at the well sites. Mr. Stanko stated he would look for the records, but did not provide any documentation or respond to our subsequent communications.

The SSTA contract between OC, LORA, and PEP did not require LORA to complete plug and abandon work within a specified timeframe; therefore, OC could not measure LORA's performance. Five wells and a related facility covered under the SSTA remain unplugged and are classified as orphaned wells. DENR estimated the cost to plug and abandon the remaining five wells is $1,800,000. DENR and LORA are currently engaged in litigation to resolve this matter.

[X] LOC is a letter of credit.
[Y] OOC is the Office of Conservation, or OC.

Recommendations

We recommend the Department of Conservation and Energy (C&E), formerly DENR, in consultation with its legal counsel, evaluate the SSTA and CEA arrangements with LORA to determine appropriate corrective actions, including potential recovery of funds and enforcement of contractual obligations

We further recommend that C&E strengthen controls over financial assurance arrangements and third-party contracts by implementing the following:

- **Require segregation of funds** – Ensure that all funds provided as financial security, including SSTA funds, are maintained in segregated accounts and are not commingled with operating or other funds.

- **Establish clear approval and documentation requirements** – Require written authorization and supporting documentation for all disbursements of financial assurance funds and maintain those records in C&E files.

- **Include measurable performance requirements** – Ensure that contracts include specific timelines, performance benchmarks, and enforcement mechanisms to allow C&E to monitor and evaluate performance.

- **Enhance contract review processes** – Implement a formal contract review process, such as a contract review committee, to evaluate significant agreements for risk, compliance with regulatory requirements, and alignment with the intended purpose of financial security.

- **Limit and clearly define use of funds** – Establish contractual provisions restricting the use of financial assurance funds to their intended purpose and prohibiting use for unrelated activities, including excessive administrative fees and investment or redistribution not directly tied to well plugging and site restoration.

- **Strengthen oversight of related-party arrangements** – Require disclosure and review of related-party relationships in contracts involving financial assurance and ensure appropriate safeguards are in place to mitigate conflicts of interest.

- **Require periodic reporting and reconciliation** – Require third parties holding or administering financial assurance funds to provide periodic, detailed reports and reconciliations, subject to review by C&E and the Louisiana Legislative Auditor.

ATTACHMENTS

Attachment 1
(From Johnny Adams' Personal Emails)

Re: Company Names

Subject: Re: Company Names
From: "Van R. Mayhall, III" <[redacted]>
Date: 9/17/2019, 9:35 AM
To: John Adams <[redacted]>, Chad Lott <[redacted]>
CC: Andrew Berthelot <[redacted]>, Jacob Dickinson <[redacted]>

Sounds like Louisiana Oilfield Restoration Association - LORA is the winner.... and we'll even have our own theme song, too!

Van R. Mayhall, III
[redacted]

On Monday, September 16, 2019, 09:21:20 PM CDT, Chad Lott <[redacted]> wrote:

Or LOPAC 2.0!

Sent from my iPhone

On Sep 16, 2019, at 8:49 PM, John Adams <[redacted]> wrote:

> LOL!
>
> On Mon, Sep 16, 2019, 8:47 PM Kenny Mayne <[redacted]> wrote:
> I plugged an orphan well down in south Houma
> Where it's paid by a firm that goes by the name LORA... L-O-R-A, LORA
>
> Andrew Berthelot
>
> On Sep 16, 2019, at 8:33 PM, John Adams <[redacted]> wrote:
>
> I like LORA.
>
> On Mon, Sep 16, 2019, 8:26 PM Jake Dickinson <[redacted]> wrote:
> My personal favorite is Oilfield Restoration Association of Louisiana -- ORAL! I think the word of mouth would spread like wildfire about this new venture. The lip service we'd get alone would be amazing. Not to mention not having to fight tooth and nail for other lesser, crappier acronyms.
>
> But if I HAD to pick others, I like the idea of staying away from the words "Energy", "Assurance", and "Guaranty", if possible. I think those words emcompass too many other types of businesses outside the scope that we're planning to do.
>
> My favorite is:
>
> Louisiana Oilfield Restoration Association - LORA
>
> I also like:
>
> Louisiana Oilfield Site Improvement Corporation - LOSIC
> Louisiana Site Restoration Services - LSRS
>
> On Mon, Sep 16, 2019 at 10:30 AM Van R. Mayhall, III <[redacted]> wrote:
> Hey guys,

Johnny, just FYI, Chad and Jake and I are planning to meet next Friday to go through some of the management company stuff, but I really want to get the ball rolling on the C-Corp as soon as possible, and don't want to wait 2 weeks to get that going.

Chad and Jake, I know y'all have been discussing this for a number of years, but I think Johnny and I have changed the organizational structure up some since I came on board, and I'm not sure how much of that Johnny has been through with you. Right now the best organization structure that we have come up with is 3 separate entities: (1) a C-Corp that issues a LOC to the DNR to cover the oilfield sites and has the reserves, (2) a management LLC that will have all the employees, get the administrative fees and actually do the work, and (3) (eventually) a 501 non-profit that will be able to take donations and cap wells outside of the ones we're required to cap under the financial security program.

This might raise some questions for y'all, but Johnny, Andrew and I have been through it, and it looks like this will be the best structure for tax purposes, liability reasons, etc. The C-Corp will initially be owned by me, because I want that to be reflected in the Articles and Secretary of State if the Commissioner or anyone goes looking. However, we have a plan to change that 6 months or so down the line when we are up and running, and everything is locked in. The management company, however, will be an LLC owed by me, Chad and Jake. When everything gets up and running and there is a good amount of money flowing in, we'll execute a management agreement between the C-Corp and the LLC for the LLC to have all the employees, do all of the work, etc. The C-Corp will basically just be a shell with the reserves and the liability.

One of the best parts of this arrangement, aside from isolating us from any liability of the C-Corp, is that when the DNR wants to look at our books, we can show them the books of the C-Corp. The books of the LLC will be ours, so we can run it how we see fit, no questions asked.

Again, this whole structure and why we are doing it like this is what I want to sit down with Chad and Jake and go through next Friday. Johnny, you are welcome to come to that, too. And we may want Andrew, if you guys think you will have tax questions.

The important thing right now is that I want to nail down a name for the C-Corp. I'd like to go ahead and get the Articles of Incorporation filed and get it set up so I can set up bank accounts, get a logo, get an email address, get a PO Box, start working on a website, etc. So despite that long and drawn out preamble, I'd like to focus on getting the C-Corp named, and then we can discuss any other questions or issues when we actually sit down and meet.

Originally, I wanted the name to be as close to the Oilfield Site Restoration (OSR) program name as possible, but Johnny pointed out that we don't want to have any confusion that operators are signing up with some kind of DNR program instead of a separate NGO company.

At our meeting with Andrew, we had settled on a working name of "Energy Resources Restoration Association, Inc." but I ran that name through the Secretary of State database and there are over 200 companies with the word "Energy Resources" in it, and the phrase "Energy Resources" is actually a trade name.

I also think we should have "Louisiana" in the title, as we are setting up an NGO with the stated purpose of assisting the state in performing a state function. Johnny raised the possibility of eventually (far down the line) looking to work this deal in other states, but if we do that, I think we'd want to set up a new C-Corp that wouldn't be under a Cooperative Endeavor Agreement with the State of Louisiana, and we'd just use the same management LLC to run it.

I think the name should be fairly short, no more than 4 or 5 words long, and have a decent acronym. So I'm going to list out a bunch of ideas here and see if anyone likes any of them.

Louisiana Energy Operations Restoration Association, Inc. LEORA
Louisiana Energy Restoration Association, Inc. LERA
Louisiana Oilfield Protection Association, Inc. LOPA
Louisiana Oilsite Mitigation Association, Inc. LOMA
Louisiana Oilfield Assurance Corporation LOAC
Louisiana Oilfield Security Association, Inc. LOSA
Louisiana Oilfield Site Improvement Corporation LOSIC
Louisiana Oilsite Guaranty Alliance, Inc. LOGA
Louisiana Oilfield Site Guaranty Corporation LOSGC

Re: Company Names

Louisiana Oilfield Site Assurance Corporation LOSAC
Louisiana Oilfield Site Assurance, Inc LOSA
Louisiana Oilsite Guaranty Organization, Inc. LOGO

Obviously, the name will have to have "Corporation" or "Inc" in it. We could possibly have some problems with using "guaranty" or "assurance" or "warranty" in the name,

Let me know what you guys think. Any other ideas? Also, anything Jake says is wrong and doesn't count.

Van

--
Jake D.

Attachment 2
(From Van Mayhall III's Personal Emails)

RE: LORA Website

Subject: RE: LORA Website
From: Kenny Mayne <[redacted]>
Date: 10/30/2019, 9:11 AM
To: John Adams <[redacted]>, Van R Mayhall III <[redacted]>
CC: Jake Dickinson <[redacted]>, Chad Lott <[redacted]>

Roger roger.

Van - I'll need the Arkus' full legal name, mailing address, and federal tax ID number prior to our meeting on Friday so I can prepare the 8832 and 2553 forms for the entity tax conversion. Also, I'll need the entity creation date for Arkus with the IRS. This should be the date that you received the Federal EIN number.

Thank you, Andrew

From: John Adams <[redacted]>
Sent: Wednesday, October 30, 2019 8:46:45 AM
To: Van R Mayhall III <[redacted]>
Cc: Kenny Mayne <[redacted]>; Jake Dickinson <[redacted]>; Chad Lott <[redacted]>
Subject: Re: LORA Website

Hi, guys. I appreciate the robust discussion you have had on this issue. I think the best course of action is for there to just be one initial face of the company and after the company is established a bit. Maybe six months to a year, you should begin adding other names to it so that is grows "organically".

Could we get together this friday just prior to game night to sign all of the necessary paperwork?

Re: LORA Website

Subject: Re: LORA Website
From: Van R Mayhall III <[redacted]>
Date: 10/27/2019, 5:01 PM
To: Kenny Mayne <[redacted]>
CC: Jake Dickinson <[redacted]>, Chad Lott <[redacted]>, John Adams <[redacted]>

Eventually it's going to come out that Jake and Chad are involved. But I can file the Arkus articles showing myself as Manager and now showing any members. Even if we just keep their names in the background for a month or two, I think that's much less likely to raise eyebrows than if they are on the LORA website on day one.

Van R. Mayhall, III
[redacted]

On Oct 27, 2019, at 4:35 PM, Kenny Mayne <[redacted]> wrote:

> I'd concur with Jake on this. To customers, it would look good to present who we (you guys) are and what LORA is operated by. From the opposite direction, would it look suspicious to DNR or the Commissioner or anyone else in politics that wants to snipe at this thing that not only does the three candidates to operate the project are board members of LORA but that the current management company that is running LORA is owned by the same three people and they are reaping fees by contract.
>
> I'd side with the let LORA just show Van as an Officer and the guy in charge, keep Jake and Chad's name away from LORA. Less is more… At least for now.
>
> Now if LORA was operating its own activities, hiring it's own employees, and doing all the day to day stuff, then yes showing names and bios on the Staff page (like the Oklahoma site) would see logical.
>
> Andrew
>
> ---
>
> **From:** Jake Dickinson <[redacted]>
> **Sent:** Sunday, October 27, 2019 2:02:42 PM
> **To:** Van R Mayhall III <[redacted]>
> **Cc:** Chad Lott <[redacted]>; Andrew Berthelot <[redacted]>; John Adams <[redacted]>
> **Subject:** Re: LORA Website
>
> Erring on the side of caution works for me too. Maybe setting yourself as Chairman of the Board of Directors on the website is the best way to list it. And not put myself and Chad on there just yet. I'm gonna go through that OK website tonight and see if I notice anything we might be able to add to our website.

Re: LORA Website

On Sun, Oct 27, 2019 at 10:52 AM Van R Mayhall III <[redacted]> wrote:

I've been thru the Oklahoma OSR website, but I'll go thru it again. I think there is some stuff there we might add later, but nothing that I see for now. If you see anything there worth putting on day one, let me know.

As I have thought about it more, I don't think it's a good idea to put all 3 of our names on the website right now. I think it might look suspicious if the Commissioner or someone else from OOC goes on there and sees the 3 finalists from the interview process listed as the Board of Directors. A little ways down the line, we can easily say that I reached out to Johnny and asked for some names of people to help me, and he gave me y'all's names. But right away like this, it might look suspicious. And that's the last thing we need right now.

We just need to get this bitch up and running.

Van

Van R. Mayhall, III

[redacted]

On Oct 27, 2019, at 10:34 AM, Jake Dickinson <[redacted]> wrote:

> Is there anything from the Oklahoma OSR website (https://www.oerb.com/well-site-clean-up) that we could "borrow" to add more content to our website? Have you checked that yet? If not, I can go through it and see if there is anything I think we could use there.
>
> I think it looks better for professionalism purposes to have a write up of the people behind the business. That's my opinion. It puts a name to the organization and that will be important to those entrusting us with those funds. I'm quite sure we are going to think of other things to add to the website. Will we be able to do that on a whim with [redacted] company?
>
> On Sun, Oct 27, 2019 at 9:59 AM Van R Mayhall III <[redacted]> wrote:
>
> > Listing us as the Board of Directors might work. I think my employer would have less heartburn about that. Chad, what do you think?
> >
> > The ultimate question is whether is looks better or worse for the business to list some people on the site as something, or not.
> >
> > Right now, the website will have like 4 pages: A homepage with very little content on it, an About page with a paragraph or two about LORA and a paragraph or two about ORS, a Contact page with LORA's mailing address and email, and then an Application page.
> >
> > Is that enough? If it's not, does a Board of Directors page with blurbs about the 3 of us hurt

or help the "public image" we're trying to convey? These people will be entrusting us with a lot of money. We want to convey confidence and professionalism, I think.

I mean, I can write a blurb that tries to highlight my management experience, but anyone who googles me will just find my firm page which just shows I've been a regulatory attorney for 20 years.

I'm not sure I want to put an "under construction" because that feels like we don't have our ducks in a row, to me. Every website I've been to with an "under construction" on it always feels half-assed to me.

Van

Van R. Mayhall, III
[redacted]

On Oct 27, 2019, at 8:57 AM, Jake Dickinson <[redacted]> wrote:

> Personally I don't think it will hurt to have me listed on there. My employers likely will not care since it's not in the telecom field. Will LORA have a Board of Directors? If so, maybe listing us as said Board Members, rather than owners or major principals, is less of a conflict? I mean, technically, someone might sit as a board member for several different organizations and not interfere with his/her day job. That way a name and face could be put to the organization while not exactly conferring ownership. Just a thought.
>
> I'm not opposed to VP & COO as position if we need to list it somewhere. And I have no problem putting some of the blurbs from my resume on there as well. I figure I could doctor it up to mix both telecom with oil and gas as my past experience.
>
> On Sun, Oct 27, 2019 at 8:46 AM Chad Lott <[redacted]> wrote:
>> We could have LORA listed as 'managed by Arkus' instead of our names/titles but then that probably just kicks the Cam down the street.
>>
>> Listing our credentials in Oil & Gas will be laughable in its lack thereof. Could do more harm then good at this point?
>>
>> I'm a little concerned about putting my name out there from my employers perspective but I could if we have to. I guess Chief Administrative Officer? Not really sure what they all do anyway.
>>
>> We may still have to list some parts of the website as 'under construction'.

Re: LORA Website

Sent from my iPhone

> On Oct 26, 2019, at 1:45 PM, Van R Mayhall III <[redacted]> wrote:
>
> Chad, Jake...
>
> Working with [redacted] on the website. So we want to put ourselves as officers of LORA on the website? We don't really have a lot of content to put on there, so listing us as officers and giving some information about our backgrounds might be good. I was thinking of having me be President and CEO, both of you be Vice Presidents and Chief _____ Officers. Like Chief Financial Officer, Chief Operating Officer, or Chief Information Officer. Who wants to be what?
>
> This is for LORA, not Arkus. We will be employees of Arkus. Arkus will have a management contract with LORA whereby Arkus will provide management services, including officers and employees, to manage and operate LORA.
>
> My issue is whether my current employer will have a problem with me being listed as an officer of this different company on a website. Anyone else have this concern? But at this point, I may not really care.
>
> If you want to be on the website, maybe put together a blurb emphasizing your management, financial and oil & gas experience.
>
> Van
>
> ---
> Van R. Mayhall, III
> [redacted]
> ---

--
Jake D.

--
Jake D.

--
Jake D.

Attachment 3
(From Van Mayhall III's Personal Emails)

Re: Investment Management Company

Subject: Re: Investment Management Company
From: Van R Mayhall III <[redacted]>
Date: 4/5/2020, 7:25 PM
To: Kenny Mayne <[redacted]>

At $5 million, the split becomes 20% to Arkus, 64% to capping wells on the orphan list, and 16% undesignated. The smart thing to do is keep investing that 16% and building up LORA's reserves.

But the IMC is different. The purpose of setting up a separate IMC is to keep the books of LORA and Arkus at 80/20 while the IMC takes some profit out of the interest on the 80% (and eventually 16%) invested by LORA. The 80% principal cannot be risked, so the investment potential is limited (especially now) but we could find a way to make some interest off of it. We'll let some of that interest flow back into LORA but keep the rest in the IMC. The IMC can even reinvest some of the interest into investments that may be a little too risky for the LORA 80% but lucrative enough to be worth it to the IMC.

The legislative auditors have already asked about how the interest will be treated, so it's on their radar.

If the auditors want to look at LORA's books, we show them them LORA has 80% of the money safely invested, and outgoing payments to Arkus of 20%. If they ever get really invasive and want to see Arkus' books, the only income that will be there is the 20% required by the Cooperative Endeavor Agreement.

The LORA books will also show a modest investment income from the 80% invested, so hopefully no one will ever worry about the IMC and what it is doing.

We will eventually have to do some kind of transaction to get Jake and Chad as part owners of LORA. That may be considered a taxable event. I thought we eventually wanted you to be part owner of LORA and Arkus too. An exchange agreement with LORA, Arkus and an IMC (wholly owned by you) all going to even ownership between the 4 of us should give us enough moving parts to say equal values were exchanged, which would not trigger tax consequences, as I understand it.

Van

Van R. Mayhall, III
[redacted]

> On Apr 5, 2020, at 6:52 PM, Kenny Mayne <[redacted]> wrote:

Re: Investment Management Company

I believe that we discussed using LORA funds for this purpose before but can't remember the details of it. Weren't we going to consider that when the fund hit the $5 million mark and then going to a "80-80-20" idea?

If this is to find a way to get me into the company, I already have a plan for that and have it in Arkus already. I'm using the accounting fees that Berthelot Accounting is charging to Arkus (equal to shareholder) and putting it into a AP account and actually paying that out each time you guys take a distribution. This way, I keep the balance of the AP account equal to the value of the equity accounts of each of shareholder and I can use the balance of the account to purchase shares of the company without having to pay into the company.

Andrew

From: Van R. Mayhall, III
Sent: Friday, April 3, 2020 12:59 PM
To: Kenny Mayne
Subject: Investment Management Company

Andrew,

I've come up with an idea that I want to run past you for tax considerations. My plan has always been to set up an investment management company to handle LORA's investments. The idea is that the IMC would take a fee out of any interest generated by the investment. We put it in a separate company so it doesn't get confused with the 20% administrative expenses going to Arkus.

I'm thinking we make you the owner of that IMC, and you appoint me as manager to run it. We get it set up, then execute a contract between the IMC and LORA to provide investment adviser services. The contract will make it clear that the IMC will just be picking the actual investment managers to use to invest the money, and monitoring the investments for LORA. The IMC won't actually be making any investments or doing anything that would require registration with the SEC or any licensing or anything.

Once we get that in place, and actually invest the money, the IMC will (hopefully) have a stream of revenue -- although this might take some time in the current economic climate. When me, Jake and Chad take a distribution from Arkus, you can take an equivalent distribution from the IMC.

Eventually, once we get to a more set place, we'll do an act of exchange. I will put up some of the shares of LORA, you will put up some of the shares of the IMC, and me, Jake and Chad will put up some of the shares of Arkus. Then, everyone will own an equal amount of each of the 3 companies (LORA, Arkus and the IMC). If we do it like this, with each company having value, then we should be able to transfer the shares without it being a taxable event.

How does this sound, both from a personal perspective and from a tax perspective?

If you agree, how do we set up the IMC? Just like Arkus?

Van

Re: Investment Management Company

Van R. Mayhall, III

[redacted]

LEGAL PROVISIONS

[1] **Louisiana Revised Statute (La. R.S.) 30:4** states, in part, "(A) The commissioner has jurisdiction and authority over all persons and property necessary to enforce effectively the provisions of this Chapter and all other laws relating to the conservation of oil or gas. (B) The commissioner shall make such inquiries as he thinks proper to determine whether or not waste, over which he has jurisdiction, exists or is imminent. In the exercise of this power the commissioner has the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books, and records; to examine, survey, check, test, and gauge oil and gas wells, tanks, refineries, and modes of transportation; to hold hearings; to provide for the keeping of records and the making of reports; to require the submission of an emergency phone number by which the operator may be contacted in case of an emergency; and to take any action as reasonably appears to him to be necessary to enforce this Chapter. (C) The commissioner has authority to make, after notice and hearings as provided in this Chapter, any reasonable rules, regulations, and orders that are necessary from time to time in the proper administration and enforcement of this Chapter, including rules, regulations..."

[2] **La. R.S. 30:4(M)(9)** states, "Evidence of financial security to be maintained for closure and post-closure costs."

[3] **La. R.S. 30:4.3** states, "(A) As required by R.S. 30:4, an applicant for a permit to drill or to amend a permit to drill for change of operator shall provide financial security as provided in this Section in a form acceptable to the commissioner. For an application for a permit to drill, the security shall be provided within thirty days of the completion date or from the date the operator is notified that financial security is required. For an application to amend a permit to drill for a change of operator, the security shall be provided as required by this Section or by establishing a site-specific trust account in accordance with R.S. 30:88 prior to the operator change. (B) (1) Except as provided in Paragraph (2) of this Subsection, the amount of the financial security shall be provided for in rules and regulations promulgated by the commissioner in accordance with the Administrative Procedure Act. The amounts may be on an individual-well or multiple-well basis and may be categorized based on the well's location. (2) For an individual well located on land of a depth equal to or less than three thousand feet, the financial security required shall be two dollars per foot. However, the commissioner may increase the financial security by rules and regulations promulgated after September 1, 2017, in accordance with the Administrative Procedure Act. (C) Financial security shall not be required for the following wells: (1) Any well declared to be orphaned by the commissioner and subsequently transferred to another operator. (2) Any well to be drilled by an operator who has an agreement with the office of conservation to plug a well that has been declared to be orphaned by the commissioner and that orphaned well is similar to the proposed well in terms of depth and location."

[4] **La. R.S. 6:2(8)** states, "Financial Institution means any person organized to engage in the business of banking pursuant to the laws of the United States or any person organized to engage in the business of banking pursuant to this Title."

[5] **La. R.S. 51:3101(2)** states, "Financial Institution means any state or Federally chartered bank, savings bank, savings and loan association, or trust company, which is operating in Louisiana with an existing branch, branches or main office."

[6] **La. R.S. 6:2 (3)** states, "'Business of banking' or 'banking business' means lending money, and either receiving deposits, or paying checks anywhere within this state."

[7] **La. R.S. 42:1112** states, in part, "A. No public servant, except as provided in R.S. 42:1120, shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity. (B) "No public servant, except as provided in R.S. 42:1120, shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any of the following persons has a substantial economic interest: (1) Any member of his immediate family..."

[8] **La. R.S. 14:134** states, in part, "A. Malfeasance in office is committed when any public officer or public employee does any of the following: (1) Intentionally refuses or fails to perform any duty lawfully required of him, as such officer or employee…"

[9] **26 U.S.C. § 408(e)(4)** states "If, during any taxable year of the individual for whose benefit an individual retirement account is established, that individual uses the account or any portion thereof as security for a loan, the portion so used is treated as distributed to that individual."

[10] **26 U.S.C. § 72(t)(1)** states, "If any taxpayer receives any amount from a qualified retirement plan (as defined in section 4974(c)), the taxpayer's tax under this chapter for the taxable year in which such amount is received shall be increased by an amount equal to 10 percent of the portion of such amount which is includible in gross income."

[11] **26 U.S.C. § 4974(c)** states, in part, "For purposes of this section, the term 'qualified retirement plan' means-

(1) a plan described in section 401(a) which includes a trust exempt from tax under section 501(a),
(2) an annuity plan described in section 403(a),
(3) an annuity contract described in section 403(b),
(4) an individual retirement account described in section 408(a), or
(5) an individual retirement annuity described in section 408(b)…"

[12] **La. R.S. 42:1112(B)** states, in part, "No public servant, except as provided in R.S. 42:1120, shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any of the following persons has a substantial economic interest: (1) Any member of his immediate family…"

[13] **Louisiana Administrative Code 43:XIX §104** states, in part, "(A) Unless otherwise provided by the statutes, rules and regulations of the office of conservation, financial security shall be required by the operator of record (operator) pursuant to this Section for each applicable well as further set forth herein in order to ensure that such well is plugged and abandoned and associated site restoration is accomplished. 1. Permit to Drill. a. On or after the date of promulgation of this Rule, the applicant for a permit to drill must provide financial security, in a form acceptable to the commissioner, for such well as provided below, within 30 days of the completion date as reported on the form comp or Form WH-1, or from the date the operator is notified that financial security is required. 2. Amended Permit to Drill/Change of Operator. a. Any application to amend a permit to drill for change of operator must be accompanied by financial security as provided below or by establishing a site specific trust account in accordance with R.S. 30:88, prior to the operator change. The financial security requirements provided herein shall apply to class V wells as defined in LAC 43:XVII.103 for which an application for a permit to drill or amended permit to drill is submitted on and after July 1, 2000, at the discretion of the commissioner. B. Compliance with this financial security requirement shall be provided by any of the following or a combination thereof:
1. certificate of deposit issued in sole favor of the Office of Conservation in a form prescribed by the commissioner from a financial institution acceptable to the commissioner. A certificate of deposit may not be withdrawn, canceled, rolled over or amended in any manner without the approval of the commissioner; or
2. a performance bond in sole favor of the office of conservation in a form prescribed by the commissioner issued by an appropriate institution authorized to do business in the state of Louisiana; or 3. letter of credit in sole favor of the office of conservation in a form prescribed by the commissioner issued by a financial institution acceptable to the commissioner; 4. a site specific trust account in accordance with R.S. 30:88…"

[14] **La. R.S. 30:88(F)** states, "Once the secretary has approved the site-specific trust account, and the account is fully funded, the party transferring the oilfield site and all prior owners, operators, and working interest owners shall not thereafter be held liable by the state for any site restoration costs or actions associated with the transferred oilfield site. The party acquiring the oilfield site shall thereafter be the responsible party for the purposes of this Part."

APPENDIX A

Management's Response

JEFF LANDRY
GOVERNOR

DUSTIN H. DAVIDSON
SECRETARY

DEPARTMENT OF CONSERVATION AND ENERGY

May 27, 2026

Mr. Michael J. "Mike" Waguespack
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Re: Investigative Audit Report – Louisiana Office of Conservation and Louisiana Oilfield Restoration Association, LLC (LORA)

Dear Mr. Waguespack,

First, we want to thank you and your Office for its diligent work in responding to our request for an audit of LORA and recognizing the need for further investigation based on your findings during that audit.

From the start, many within this Department ("C&E") raised concerns about LORA. When then Secretary Thomas F. Harris learned of the agreement between the Office of Conservation and LORA (several weeks after it had been executed), he met with then Commissioner of Conservation Richard Ieyoub to question whether the Commissioner could legally recognize LORA as a financial institution for the purpose of providing financial security to regulated operators. Secretary Harris also expressed his concerns that the agreement with LORA would undermine the work the Department had undertaken to address orphaned wells over the preceding years. Based on these concerns, Secretary Harris requested that the Commissioner of Conservation rescind his agreement with LORA. Commissioner Ieyoub refused, citing a statutory firewall between the Secretary and the Commissioner of Conservation.[1]

[1] Prior to passage of Act 727 of the 2024 Regular Legislative Session, La. R.S. 36:359 included the following regarding the Department of Energy and Natural Resources, "the secretary, deputy secretary, and undersecretary of the department shall have no authority to exercise, review, administer, or implement the quasi-judicial, licensing, permitting, regulatory, rulemaking, or enforcement powers or decisions of the assistant secretary of the office of conservation." Note that the Commissioner of Conservation was also the Assistant Secretary for the Office of Conservation within the Louisiana Department of Energy and Natural Resources (formerly the Louisiana Department of Natural Resources).

Upon appointment as the Commissioner of Conservation in April of 2023, Monique Edwards was briefed on the Office of Conservation's agreement with LORA. She reviewed relevant documents, discussed the agreement with staff, and further researched the issues surrounding it. On June 8, 2023, Ms. Edwards formally requested that your Office investigate LORA's finances and determine whether the Commissioner of Conservation was authorized to designate LORA as a financial institution for purposes of providing financial security to regulated operators. No one within C&E, other than Johnny Adams, knew of the actions he undertook as alleged within your report.

Second, we feel compelled to mention how destructive the actions identified in your report have been to C&E's mission to responsibly regulate the oil and gas industry, as well as to the morale of the many hard-working employees within the former Office of Conservation. The actions outlined in your report have also undoubtedly fostered public mistrust with our agency.

The actions identified in your report portray an unworkable financial security scheme that used the very real problem of orphaned wells and plugging liabilities as a cover to personally enrich certain individuals and their families. As a result of the actions alleged in your Office's report many operators gave up financial security with legitimate financial institutions to utilize LORA financial security and are now unable to acquire financial security in the private market. As a result of this, the State now has less viable financial security covering greater plugging liabilities than ever before.

Third, due to many of the concerns outlined above, the Department, as led by former Secretary Tyler Gray and now myself, has implemented and continues to implement significant changes to address these problems and to ensure that the circumstances that allowed the creation of LORA are never repeated. These changes include:

- Creation of the Natural Resources Trust Authority (NRTA) in order to establish within C&E a division focused on financial security, financial risk avoidance and management, coordination on orphaned wells, and oversight of the orphaned well program.
- Initiating a financial review and investigation of LORA through the NRTA, which issued a report on March 10, 2024.[2]

[2] As part of its investigation NRTA demanded various financial records. It should be noted that LORA denied NRTA's requests to review the financial records of Arkus Management Services, LLC and Chromos Wealth Solutions, LLC; as they claimed Arkus and Chromos were wholly separate companies, which had no such obligation to C&E.

- Cancelling the agreement between LORA and the Office of Conservation and announcing that LORA would no longer be recognized as a financial institution acceptable to the Office of Conservation for providing financial security.[3]
- Honoring the existing LORA security to prevent good faith operators from being forced into immediate financial hardship and possible orphaning, the NRTA began administering the financial instruments previously issued by LORA, with all funds received being deposited into the appropriate statutorily dedicated fund.[4]
- Filing suit against LORA, its owners, and Johnny W. Adams seeking refund of any money improperly gathered and spent.
    - To date, C&E has recovered $5 million. That litigation remains ongoing.
- Placing Johnny W. Adams on leave pending internal investigation on October 2, 2024 following news reports that he received money to purchase his residence from LORA.
    - Johnny W. Adams resigned from the Department on March 3, 2025.
- Eliminating the Office of Conservation and the statutory firewall that allowed for significant policy decisions and contractual agreements to be executed by the Commissioner of Conservation (or equivalent position) without any internal coordination or internal checks and controls.
    - By eliminating this firewall all areas of the Department now, have to follow the same controls and requirements surrounding procurement, contracting, and conflicts of interest avoidance.
- Creating the Natural Resources Financial Security Fund through Act No. 458 of the 2025 Regular Legislative Session to further segregate and ensure proper tracking and expenditure of funds associated with financial security payments and deposits.
- Consolidating all legal functions within C&E into the new Office of Legal Services to ensure proper internal oversight and controls over contracts involving the Department.

Fourth, C&E agrees with all the recommendations in the report and will adopt them should it ever again consider entering into an agreement for financial security and orphaned well management with an outside company or individual. Specifically, while C&E does not currently plan to enter into a financial assurance related third-party contract; C&E has made the following changes in the event it ever does enter into such an agreement again:

- Requiring segregation of funds provided as financial security, including SSTA funds and not commingling these funds with C&E's operating or other funds.

[3] The agreement was cancelled on May 1, 2025.
[4] Either the Oilfield Site Restoration Fund or the Natural Resources Financial Security Fund.

- Establishing clear approval and documentation requirements for all disbursements of financial assurance funds and maintenance of those records within the Department's files.
- Ensuring that contracts include specific measurable performance requirements and enforcement mechanisms to allow C&E to monitor and evaluate performance.
- Implementing a formal contract review process to evaluate significant agreements for risk, compliance with regulatory requirements, and alignment with the intended purpose of financial security.
- Establishing contractual provisions restricting the use of financial assurance funds to their intended purpose and prohibiting use for unrelated activities, including excessive administrative fees and investment or redistribution not directly tied to well plugging and site restoration.
- Requiring disclosure and review of related-party relationships in contracts involving financial assurance and ensuring appropriate safeguards are in place to mitigate conflicts of interest.
- Requiring third parties holding or administering financial assurance funds to provide periodic detailed reports and reconciliations, subject to review by C&E and the Louisiana Legislative Auditor.

Please let us know if you have any questions or need additional information. Thank you again for the report and you and your Office's diligent work.

Sincerely,

Signed by:
8250D53EC3ED420...

Dustin H. Davidson
Secretary

APPENDIX B

LORA’s Response

J. ERIC LOCKRIDGE, PARTNER
PH 225.389.3756
ERIC.LOCKRIDGE@KEANMILLER.COM

June 12, 2026

Via Email Only

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397
Attn: Roger W. Harris, J.D., CCEP, CFI
Via Email Only: TPhillips@LLA.la.gov,
RHarris@lla.la.gov, and responses@lla.la.gov

Re: "Insert Re Line or Double-click to delete"
File No.

Dear Messrs. Waguespack and Harris:

I am responding to the draft investigative audit report on the Department of Energy and Natural Resources – Office of Conservation that was forwarded to me by your office last month. I appreciate you sharing the draft. I am writing on behalf of Louisiana Oilfield Restoration Association, Inc. (LORA) with three comments and suggestions for the Legislative Auditor's consideration before the report is put into its final form.

First, the report makes many references to the Cooperative Agreement between the Office of Conservation and LORA, including summarizing and offering interpretations of certain provisions. But the draft report does not attach a copy of the Cooperative Agreement itself. LORA encourages the Legislative Auditor to attach the Cooperative Agreement to the final report. Given that the Cooperative Agreement governed the contractual relationship between Conservation and LORA from beginning to end, a report about that relationship is incomplete without a copy of that document for the public and interested parties to review and interpret. The Cooperative Agreement is only 12 pages long, including four pages with nothing but signatures. Including the Cooperative Agreement itself will also help to clarify that LORA's entire operation, from beginning to end, was funded completely by private oil-and-gas operators who paid financial security fees in amounts set by Conservation and state law. LORA did not receive state funding and did not have any control over the rates that it could charge customers for financial security.

Second, regarding Commissioner Ieyoub's interview and selection process for who would run the private non-governmental entity that he envisioned that would provide more affordable financial security, the draft report states that Commissioner Ieyoub interviewed three individuals and ultimately chose Mr. Van Mayhall III to form and run the entity that was ultimately organized as LORA. As you likely know, Commissioner Ieyoub initially approached traditional providers of financial security and an oil-and-gas trade association about running the organization that he envisioned, and that he could not find any

traditional provider or trade association willing to take on that responsibility. After finding no takers among those entities, Commissioner Ieyoub began reaching out to state agencies and other sources for recommendations of individuals who might be able to implement his vision for a to-be-created organization. Commissioner Ieyoub received multiple recommendations to consider Mr. Mayhall, including from the Louisiana Department of Insurance based on its positive experiences with Mr. Mayhall when he represented private organizations working in alignment with the State's interests in the insurance context. LORA believes that additional explanation about Commissioner Ieyoub's work to find someone to run a to-be-organized entity that he wanted to be formed for the implementation of his vision, and how he came to select Mr. Mayhall for that role, is important context for the report. (But for Mr. Ieyoub's unfortunate passing, he would be able to offer his interpretation of the Cooperative Agreement and possibly resolve the pending disputes between LORA and Conservation.)

Finally, the report references Conservation's termination of the Cooperative Agreement and request that LORA remit funds in the Reserve Account. For the sake of completeness, the report should also state that LORA complied with the termination notice, terminated its operations (including ongoing well-plugging operations at the Poydras wells per Conservation's specific demand), and wired $5,000,000 from its Reserve Account to Conservation. LORA believes that the report could include additional facts relevant to the subject matter of the report, including without limitation the positive effects that LORA had on the oil-and-gas industry in Louisiana, including keeping many operators in business while simultaneously plugging well over 100 orphaned wells.

Please contact me if you have any questions about the statements in this letter. Absent any need for any clarification or correction, I would appreciate this letter being included as an exhibit to the final report. Thank you for your consideration.

Very truly yours,

J. Eric Lockridge

APPENDIX C

Johnny Adams' Response

STEVEN J. MOORE, LLC.
Attorney at Law

Criminal Law · Personal Injury · Litigation

June 12, 2026

Via Email and U.S. Mail
responses@lla.la.gov
rharris@lla.la.gov
Mr. Michael J. "Mike" Waguespack, CPA
Mr. Roger W. Harris, J.D., CCEP, CFI
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Investigative Audit Report

Dear Mr. Waguespack and Mr. Harris:

We are in receipt of the preliminary legislative auditor's report involving Mr. Adams and Louisiana Oilfield Restoration Association (LORA). We appreciate the opportunity to review and provide documentation on any misstated material facts; however, based on the Louisiana Legislative Auditor's Rule or Regulation that does not afford the subject of the report the opportunity to review all the documents relied upon by the auditor (these include, all emails, reports, interviews, financial documents, etc. referred to and relied upon by the auditor). We have no choice but to respectfully decline to respond or provide documentation of the misstated facts to what we believe are unfounded, misleading, or completely inaccurate conclusions, except to set the record straight as follows:

Mr. Adams believes this report excludes evidence contrary to the inaccurate narrative that Mr. Adams and the LORA program were improperly operated outside the cooperative agreement (CA) between the Office of the Conservatory (OC) and LORA. The report states that the three candidates seeking selection were Mr. Adams' personal associates and that Mr. Adams contributed to the selection of Mr. Mayhall. The authors should know this to be inaccurate by a search of over 10,000 of Mr. Adams' personal emails going back to 2011 in which we believe they found only one email from about eight years prior to the LORA program beginning, in which both Mr. Adams and Mr. Mayhall were copied. Other than this, no emails between Mr. Adams and Mr. Mayhall were identified prior to Commissioner Richard Ieyoub selecting Mr. Mayhall as one of the candidates to establish the LORA Program. The report then concludes that based on this one email (that was not sent to or from either party in question but who were only

6513 Perkins Road • Baton Rouge, LA 70808 • (225) 767-7778 • Fax (225) 757-0106 • e-mail: steven@stevenmoorelaw.com

recipients) there is a relationship between Mr. Mayhall and Mr. Adams such that Mr. Adams would "contribute to the selection of Mr. Mayhall." This conclusion bears no merit. If any rational conclusion can be drawn from this, it is the opposite of what the report is implying. Based on this inaccurate first conclusion, this report is based on an unfounded premise and taints the entire report.

Further, the report states, "OC records do not identify who selected the initial pool of candidates." But then, goes on to imply Mr. Adams somehow still influenced Commissioner Ieyoub to select Mr. Mayhall. This seems to be another inaccurate conclusion. The Legislative Auditor Investigators (LAI) interviewed Johnathan Rice, an attorney with conservation who assisted in the candidate selection process who unequivocally stated that because of his relationship with Van Mayhall and based on his knowledge of Mr. Mayhall's experience and character that Jonathan, not John Adams, added Mr. Mayhall to the list of potential candidates. Additionally, numerous parties, such as Mr. Gary Ross, the then Assistant Commissioner, have stated that Commissioner Ieyoub solely selected the candidates whose resume's he wanted to review and whom he eventually solely chose to interview. Assistant Commissioner Gary Ross was interviewed and he and Commissioner Ieyoub were the only ones involved in the interviews (This can be corroborated by all three interviewees). Gary Ross and Commissioner Ieyoub were solely involved in the discussion as to which candidate to select. There was no effort on the part of Commissioner Ieyoub to seek any additional input on the selection process from anyone, nor was there any opportunity for Mr. Adams to provide any suggestions whatsoever.

The report states that "Mr. Adams emailed information to certain individuals prior to their interviews." Again, the report makes this sound like some form of favoritism. Because the LAI does not produce a copy of the email in question, Mr. Adams can only rely on his recollection and believes that at the direction of the Commissioner, all of the candidates were sent the same information in the same email, informing them of Conservations standard for plugging requirements. This information is both public and necessary for the candidates to understand prior to their interviews so that they may intelligently discuss their capabilities to implement and comply with Conservation's requirements to plug and abandon wells as is the primary focus of the program. In order for the Commissioner to select a candidate to run a program hand in hand with Conservation, the candidates needed to know what they were being tasked to do.

Additionally, the report cites that several emails were sent from Mr. Adams' private email address prior to the selection of the final candidate, but after the potential candidates were selected. While the emails themselves make it clear that they are just normal communications, what the report fails to state is that for the entire time of Mr. Adams' state career and long before the LORA program was created, Mr. Adams' job came with the expectation that he will respond to calls and emails both during and after work hours and regardless of his location. Obviously, when using a cell phone that contains both private and work-related accounts, sometimes the work email is used and sometimes the private email is used. As a result of this, dozens of Mr. Adams' work emails have been sent through Mr. Adams private email with many sent prior to

the existence of the LORA program. Also, unbeknownst to Mr. Adams, dozens of personal emails have been sent through Mr. Adams' work account. This report has ignored the dozens of other work-related emails accidently used by private email addresses and seems to have cherry picked the few e-mails sent through the personal account that were used to support this unfounded premise. The report suggests that these discussions leading up to establishing the legal entity, LORA, Inc., was opposed to OC's interests. The action of monitoring the formation of the LORA, Inc. legal entity, which would partner and work hand in hand with the OC Department and was directed by the Commissioner to ensure that a viable legal entity with which the OC Department could partner, was in the best interest and protector of OC's interests. Further, at no time did LORA ever receive or spend a single penny of taxpayer dollars.

In 2018, Commissioner Richard Ieyoub was facing a dire situation with regard to orphan wells. The state run Oilfield Site Restoration (OSR) list of orphan wells had ballooned to more than 4000 wells. Banks and insurance companies began refusing to provide financial security for oil and gas operations. Banks and insurance companies additionally began fighting calls from the Commissioner on bonds resulting in OSR collecting pennies on the dollar and experiencing delays in collecting called financial security.

With no help from legislative action in sight, Commissioner Ieyoub boldly took what action he could under his own authority by implementing the LORA program as outlined in the 2018 Report on Oil and Gas Wells and Management of Orphaned wells to Governor Edwards. As implemented, the program provided financial security to many operators who otherwise couldn't obtain it, allowing them to continue operating. It took money the industry was currently sending out of state for bonding and insurance premiums and re-directed it back into the state to pay local operators who plugged more than 150 orphan wells. Up until the time this program was cancelled, it ensured that when a call for financial security was made, the value was paid in full by promptly plugging the secured wells and keeping them out of the OSR program. All of this occurred at absolutely no cost to the Louisiana taxpayer. To our knowledge, no other state program has accomplished so much at no cost to the taxpayers.

Through this program, hundreds of small family oil and gas businesses that were otherwise destined for orphaning have survived. The LORA program should be recognized for working hand in hand with the OC Department to save hundreds of operators by providing financial security, for helping Louisiana's oil and gas economy, for preserving Louisiana's environment by plugging more than 150 orphan wells across the state, and for doing all of this without spending a single penny of taxpayer money.

Under the "Administrative Fee Increase Exceeded Contractual Cap", it appears that the report did not grasp the wording of the Cooperative Agreement (CA). The "Contractual Cap" referenced was only for phase one of an obvious two-phase program. The LORA program is simple. There are two phases.

Phase 1) was to establish a Financial Security Program in order to fund the second phase.
Phase 2) was operating an Oilfield Site Restoration (OSR) program to plug orphan wells.

Just like Conservation's Financial Security program and DENR's OSR program have their own implementation costs, the LORA Cooperative Agreement with Conservation requires its own implementation costs. The Cooperative Agreement for the LORA program was as follows:

> Phase 1) authorized LORA to use 20% of the fees they collected to establish their operations, cover their annual expenses to operate the Financial Security portion of the program, and as a private company, generate a profit. During this phase it also called for 80% of all fees collected to be deposited into a reserve account until the account reached $5,000,000, at which point, phase two would commence.
>
> Phase 2) the OSR portion of the LORA program would begin. At that time, from the 80% of the total fees LORA had been collecting and depositing into the reserve account, 80% would be budgeted for LORA to plug orphan wells and 20% would be used as the operating budget to administer the OSR portion of the program. This 20% of the 80% of the fees dedicated to the reserve is the 16% of the total fees collected by LORA and is the additional administrative fee required to run the OSR portion of the program.

This set-up is exactly like the DENR's OSR program which has its own budget separate from Conservation's Financial Security Program budget. However, the report makes the conclusion that if LORA had not paid Arkus the additional 16% in increased administrative fees, LORA could have used those funds to plug additional wells. However, since those are the administrative fees to operate the OSR phase of the program, there would be no program to plug anything. This is the same as saying if the DENR OSR program did not spend $1.2 Million annually on its administrative costs, they could plug an additional $1.2 Million annually on plugging wells, ignoring the fact that there would be no one to do any of the work.

The goal of LORA was simple, create a private, non-governmental organization that would partner with Conservation to provide financial security to the oil and gas operators who chose to use the program and re-direct those funds to pay Louisiana's Oil and Gas Operators to plug orphan wells while keeping the funds in the state, keeping oilfield workers employed, keeping LORA's secured wells off of the OSR list and plugging the called wells in a more timely manner to protect citizens and environment. This goal was achieved through LORA and its owners. The LORA program was accomplishing all of this until the day it was terminated.

Further, the report points out that Mr. Adams sent a draft collateral mortgage and note for use by Arkus to loan money to the adult son of one of Arkus' owners. Since the loan was paid back in full with interest, and Arkus (a private company) can do whatever they want with their money, there is no legitimate reason why this is mentioned in this report at all. It appears that this is used to imply an improper relationship when one did not exist. The documents served their function perfectly, guaranteeing that the loan was paid in full with interest. This was consistent

with the numerous other services provided to Andrew Berthelot over many years such as acts of notarization, and reviewing settlement statements in conjunction with buying and selling immovable property and all prior to the formation of LORA, Inc., and all performed at no cost, the collateral mortgage and note identified by the LAI were also prepared at no cost **(this portion of the report should be completely eliminated as it has no evidentiary value or correlation to the other OC and LORA)**.

The report consistently holds that none of the LORA related entities is a financial institution, but then states that they should be held to the standards and market rates of a traditional financial institution. Further, as with the remainder of this report, several key factors have been left out. 1) none of the funds discussed ever contained a single penny of State or taxpayer monies. 2) at no time has John Adams ever possessed or exercised any authority, supervision or control over any aspect of the LORA program. 3) that all loans issued were paid in full, with interest, in accordance with their terms. 4) under the terms of the CA, any interest earned from funds held in reserve may be spent in any way deemed appropriate, including as a bonus to Arkus. Despite this caveat and even though neither the state nor the reserve account is entitled to any interest earned, LORA contributed a substantial amount of the interest earned from the loans and investment accounts into the budget to plug wells. Again, this is something that went beyond the requirements of the CA and something no bank or insurance company would ever do.

The report spends a significant amount of time attempting to suggest that John Adams' adult children were inappropriately employed by Willow Lake Well Services, LLC and then by Arkus Management Services, LLC. Again, this narrative fails to mention the fact that the Board of Ethics issued an opinion (opinion # 2024-304) stating that there was no conflict as long as none of the work was performed under the LORA CA. The LAI requested all of the work product produced by John Adams' adult children and the documents were voluntarily provided and that after review and examination of the more than one thousand pages of work product produced, the LAI found that none of the work product was performed under the LORA CEA. However, the report goes out of its way to point out that the bank account into which John Adams' "adult daughter's" Willow Lake salary was auto deposited, also has Johnny Adams and his wife listed on the account. The auditor should know from looking at the account records that the account was created when John Adams' daughter was a minor, requiring the parents to be listed and that at no time has John Adams or his wife ever used the account **(we believe this portion of the LAI report should be completely eliminated as it has no evidentiary value or correlation to the OC Department and LORA).**

The final section of the report addresses the Poydras SSTA. The report unequivocally states that "Mr. Adams approved," one of the tranches to Poydras. However, the report withheld producing the full email. **We ask that the entire email be made a part of the record**. If the full email had been provided, it would demonstrate that Mr. Adams was not the author of the approval, but was merely the messenger informing LORA that release of the tranche had been

approved by the Commissioner after inspection and verification of the required work by Conservation inspectors. The report states that DENR's estimate to plug the remaining wells is $1,800,000 but failing to state that LORA has already paid more than $2,403,832 which is LORA's legal liability cap under the contract. The report also fails to mention that of the five remaining wells, one was in the process of being plugged until the DENR halted the project in mid process when the LORA CA was terminated. Finally, the report fails to mention that Poydras approached Conservation with a plan to replace the $2.4M cash being held by OSR with a surety bond in the same amount so that they could salvage their business. Commissioner Ieyoub knew that OSR had only been successful in collecting 75% of the value of surety bonds so a bond is not worth face value and was reluctant to allow them to replace the cash held in the SSTA with a surety bond. Poydras proposed a compromise that they would perform the work in four stages and would be provided funds up front for each stage in order to pay for the work to be conducted, but they would not receive the next advance until work on the previous advance was inspected and determined complete. Commissioner Ieyoub knew that no bank or insurance company would participate in such a structured fund distribution that was necessary to best protect the state. As such, he reached out to LORA for assistance, which they willingly provided as outlined in the Poydras agreement. Unfortunately, a hurricane wiped out all of Poydras' progress, putting them out of business and forcing the Commissioner to call the guarantee. The more accurate conclusion concerning Poydras would be to commend LORA for working with Conservation in a way that no bank or insurance company would, for spending more than the $2.4M guarantee amount, for plugging all of the useless wells while leaving the wells still sitting on millions in reserves available to be marketed to other operators who may be interested in taking them over.

If you have any questions about the statements in this letter, please do not hesitate to contact me. We would respectfully request that this letter be attached as an exhibit to the final report absent any need for clarification or correction.

Sincerely,

Steven J. Moore

SJM/lgc