

EXHIBIT 5

January 3, 2019

To: Honorable Judge Richard A. Lippard
From: Ruth P. Artusik

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U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TALLAHASSEE, FLORIDA

Dear Sir,

I've been hoping and praying that there would be some action in 2019.

I'm mailing this now after the holidays and am desperately hoping for a miracle. Please help if you will and see able.

Yours Truly
An ancient Lopez (Chico) Alamo

Ruth P. Artusik

Mrs. Ruth Artisuk



09/14/2018

Dear Honorable Judge Richard A. Lazzara,

My name is Ruth Artisuk and I am an 84 year old senior citizen. My husband is 85 years old. I'm trying to put my financial affairs in order and I need your help because I have been defrauded.

Back in 2009 I made an investment through my financial advisor, Bob Bassari, in an oil and gas program named Quest Energy Management Group based out of Texas. My husband and I are senior secured lenders in this program. Two years into the program the dividend payments stopped.

Subsequently, through my financial advisor I was informed that Quest Energy was involved in a Ponzi scheme since 2004 and involved a con man named Arthur Nadal who invested \$5MM in stolen money from his hedge fund into the program, was caught in 2013 and subsequently died in prison in 2014. My financial advisor provided a substantial amount of documentation and information to the receiving law firm: The Wyand Group, appointed by you.

My advisor and I also contacted Bert Wyand and Jeff Rizzo on numerous occasions with no success. We were constantly told that the oil fields were for sale, however, they fired all the employees of Quest and brought in their own staff and used the oil produced to pay their employees.

My financial advisor, Bob Bassari, provided myself, the attorneys at the Wyand Group, and the General Council of the SEC with a third party engineering report and a one hour

The Wyand Group's response was that there was very little oil and the wells were only producing a few barrels per day. The proceeds of these few barrels were and are being paid to the employees of the Wyand Group.

The Wyand Group also stated that your honor has given them discretion in treating senior secured note holders, preferred stock holders and common stock holders the same.

My husband and I have worked very hard to save what we have and I don't understand why as a senior secured lender, I would be grouped with common and preferred stock holders.

In fact, Bob Bassari and I, on a conference call with Jeff Rizzo, confirmed that not only the Wyand Group was given leeway by the court to group us with common and preferred stock holders but also include all other investors in other companies who were defrauded by Arthur Nadal in unrelated investments to our investment, because the Quest program is the only one that has any real value (its oil and gas reserves).

Based on my own research and advice from my financial advisor, as a secured senior lender, I should be first in line to receive my original investment back.

Furthermore, my advisor flew to Dallas Texas to meet with another oil and gas company in the Permian Basin/Scurry County called King Operating Corporation in November of 2017 to figure out what if anything is going on with Quest.

Based on my advisor's research and information gathered from the Railroad Commission reports, Quest is still pumping oil to the tune of \$12k to \$14k a month and after costs and fees they are clearing approximately \$7k to \$8K per month. Where is this money going? It should be going to me and other senior secured lenders in the program!

I am emphatically requesting a call with you to discuss and resolve this issue as I don't feel that it is fair for a senior citizen to be treated in this manner.

Sincerely,


Mrs. Ruth P. Artisuk

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

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

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

Defendants,

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

Relief Defendants.

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

Burton W. Wiand, the Court-appointed Receiver for Quest Energy Management Group, Inc. ("**Quest**" or the "**Company**"), hereby files this Interim Report On Quest (the "**Report**") to inform the Court, investors, and others interested in this Receivership of activities from May 24, 2013, the date the Receiver was appointed as Receiver of Quest, through the date of the filing of this Report as well as the proposed course of action.

BACKGROUND

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

During the course of the 10-year scheme, Nadel and the Moodys used scheme proceeds – money stolen from the Hedge Funds’ investors – to found or otherwise fund numerous businesses. Since the inception of this Receivership and in accordance with his mandate to marshal assets for the benefit of defrauded investors, the Receiver has successfully sought expansion of the Receivership to include those businesses.¹ Quest is one such entity that was funded in large part with scheme proceeds.

¹ Those business include: Venice Jet Center, LLC; Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; Laurel Mountain Preserve Homeowners Association, Inc.; Marguerite J. Nadel Revocable Trust UAD 8/2/07; Guy-Nadel Foundation, Inc.; Lime Avenue Enterprises, LLC; A Victorian Garden Florist, LLC; Viking Oil & Gas, LLC; Home Front Homes, LLC; Traders Investment Club; Summer Place Development Corporation; Respiro, Inc.; and Quest Energy Management Group, Inc. For more information on the Receivership as a whole, please refer to the Receiver’s regularly filed Interim Reports.

Quest is an oil and gas exploration and production company based in Texas. Paul Downey was its Chief Executive Office, and his son Jeff Downey was its Chief Operating Officer (collectively the “**Downeys**”). The Moodys, through Receivership Entities Viking Oil & Gas, LLC, and Valhalla Investment Partners, L.P., used approximately \$5.1 million of scheme proceeds to fund Quest.² Before moving to include Quest in this Receivership, the Receiver attempted to reach a resolution with Quest relating to the large amount of scheme proceeds used to fund the Company. In February 2009, the Receiver began communications with the Downeys for recovery relating to the scheme proceeds provided to Quest. After considerable time and effort, the Receiver reached a conditional agreement to resolve his claims against Quest dependant upon receipt of \$2.3 million from Quest.³ Quest failed to make this payment and ignored the Receiver’s repeated demands for payment. In February 2013, Quest informed the Receiver it was having cash flow problems. Because of Quest’s failings and to try to preserve the value of Quest for the benefit of the Receivership estate and, ultimately, for defrauded investors in Nadel’s scheme, on March 21, 2013, the Receiver moved to expand the Receivership to include Quest (Doc. 993). The Court granted this motion on May 24, 2013 (Doc. 1024).⁴

² In part, Quest’s obligation to the receivership entities was secured by a pledge of 100% of Quest’s stock.

³ Because of the Receiver’s lack of faith in the Downeys, he structured the proposed resolution so that it would not become an agreement until Quest delivered \$2.3 million to him. That never occurred.

⁴ The Downeys, purporting to act on behalf of Quest, have appealed the Court’s May 24, 2013, order to the United States Court of Appeals for the Eleventh Circuit (Doc. 1027). On July 19, 2013, the Circuit Court informed the parties to the appeal that the court may lack
(footnote cont’d)

I. Overview of Findings To Date

The Receiver has formed some preliminary conclusions based on his review of a portion of the records obtained from Quest. While these conclusions are not final, and may change as the review becomes more complete, the Receiver believes they should be shared with the Court, the investors, and other potentially interested parties. As a result of his actions and investigations, the Receiver has discovered that Quest (1) was severely mismanaged, in default of millions of dollars of outstanding debt, and insolvent; (2) had serious regulatory issues; (3) was sustained exclusively by money from new investors who were misled about the company's financial state or potential; and (4) was a defendant in several lawsuits and was facing other potential litigation. These findings are discussed in more detail below.

A. Brief Overview of Receiver's Efforts to Date

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

jurisdiction over the appeal and requested briefing from them on this issue by August 2, 2013. On August 2, 2013, the Receiver responded to the Circuit Court's request and also moved to dismiss the appeal on other jurisdictional grounds. No decision has been rendered on these matters.

lawyers in efforts to gather information and compile a complete understanding of Quest's affairs.

B. Paul Downey's Refusal to Testify

On June 5, 2013, the Receiver's attorney deposed Paul Downey in an effort to gather important information about Quest's affairs under oath. However, Mr. Downey asserted his Fifth Amendment privilege against self-incrimination and refused to answer any questions without first receiving immunity from prosecution.

C. Quest Was Insolvent

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

to satisfy Quest's obligations other than by using money received from new investors to pay existing investors. The Company's operational failure and dire financial condition was not disclosed to the solicited investors.

D. Quest's Operations and Affairs Were in Shambles

Not only did the Downeys place Quest in dire financial conditions, but they also failed to properly manage Quest's oil and gas operations. The Receiver's investigation has uncovered the following:

- Due to the Downeys' failure to comply with regulatory requirements prior to the Receiver's appointment, the renewal of Quest's Operator's License had been denied by the Texas Railroad Commission ("RRC");⁵
- Additional prior regulatory violations by the Downeys had resulted in a significant fine of \$75,625;
- Quest's oil and gas wells were in disrepair and the Downeys failed to make even nominal efforts to maintain them as viable producing assets;
- As discussed in more detail below, the Downeys failed to disclose to existing and prospective investors that Quest was insolvent, not compliant with its regulatory obligations, and had few producing assets;
- Although the Downeys raised more than \$19 million from investors, it appears no more than \$1.5 million was ever used in connection with the purchase of oil and gas equipment;
- While the Receiver's motion to expand the Receivership to include Quest was pending, the Downeys solicited and received a \$350,000 investment from an investor without disclosing to the investor the pending motion, that the Company was insolvent, or that the renewal of the Company's operational license had been denied. The Downeys then used a portion of those funds to

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

hire an attorney for themselves and failed to apply those funds to resolve Quest's critical outstanding regulatory issues;

- The Downeys had failed for some time to pay gas royalties owed by Quest on its gas sales. At the time of the Receiver's appointment over Quest, Quest owed approximately \$42,000 in gas royalties, and those payments had not been made since May 2012 on one property and October 2012 on another property;
- The Downeys never made a material investment of their own funds into the Company. Yet, they used Company funds to pay personal expenses of approximately \$918,506 for the Downey family which included car payments for a BMW, Chevy Tahoe, Chevy Yukon, and Lexus. The Company also paid Jeff Downey's rent and expenses associated with another residential property in a subdivision near Houston as well as substantial rents and personal expenses for a condominium Paul Downey was renting in Naples, Florida;
- In addition to the personal expenses noted above, at the time of the Receiver's appointment, the Downeys were receiving annual salaries in the combined amount of \$352,000. Assuming they received this amount since the beginning of Quest's operation, they would have received approximately \$2,464,000 in addition to the personal expenses of \$918,506 noted above for a total of approximately \$3,382,506; and
- In 2010, the Downey family caused Quest to issue a series of notes payable to themselves in the amount of \$10,000,000 in exchange for shares of family member stock. Quest was insolvent at that time. The transaction was later reversed but before reversal Jamie Downey and Sandy Downey were paid a total of \$117,000 for no justifiable reason.

As is evident from the above, without the appointment of the Receiver, the collapse of Quest was inevitable.

E. Quest Faced Significant Regulatory Issues

In 2012 (well before the Receiver's appointment), Quest was notified that various wells were not in compliance with certain regulatory requirements and that because of these compliance issues the RRC would not renew Quest's Operator's License. Without its Operator's License, Quest would have to cease operations. Quest was given ninety days,

until April 2, 2013, to cure its deficiencies. The Downeys failed to resolve significant issues and further failed to request a hearing on these issues as permitted by law. As a result, on June 13, 2013, the RRC issued an order denying Quest's renewal application. A copy of the order denying the application is attached as **Exhibit B**. Upon learning of the situation, the Receiver took immediate steps to resolve these issues. The Receiver had extensive dialogue with the RRC's enforcement counsel and secured the RRC's consent to a Motion for Rehearing of the renewal application. The Receiver retained local counsel in Austin, Texas, to assist in accomplishing the tasks necessary to bring the various wells into compliance. The Receiver's professionals and remaining Quest employees expended extensive efforts to ensure this compliance; two of the four violations have been resolved and the remaining two are close to being resolved.⁶

This was not the first time the Downeys had failed to satisfy their regulatory obligations. In September 2011, the RRC informed the Downeys it was pursuing a penalty against Quest for violation of rules pertaining to safety or the prevention and control of pollution. A copy of this letter is attached as **Exhibit C**. To resolve this matter, in October 2011, the Downeys agreed to a Consent Order which required them to pay a \$75,625 fine which they agreed to pay in monthly installments over an 18-month period. Payments were

⁶ To satisfy the RRC's demands, the Receiver was required to make considerable corrections to records which had been improperly filed with the RRC. The Receiver also had to complete substantial work on a number of wells which included plugging certain wells and resolving some environmental issues.

not timely made and when the Receiver was appointed, the final payment on this settlement was overdue.⁷

F. Misrepresentations Made to Investors

The Receiver's preliminary investigation indicates that from 2006 through May 2013, approximately \$19 million was raised by the Downeys on behalf of Quest from approximately 115 investors. Included in this sum is approximately \$5.1 million owed to the Receivership as a result of the scheme proceeds transferred to Quest by the Moodys. Based on the documents the Receiver has reviewed to date, it appears that numerous misrepresentations, or material omissions, were made to investors. The Downeys failed to disclose to investors that Quest was insolvent and did not have the financial means needed to maintain the wells, produce the amount of oil and gas represented to investors, and resolve its regulatory issues. In Status Update Memoranda, Paul Downey represented to investors that a Fortune 100 Company was interested in purchasing Quest's assets which purportedly would have allowed Quest to repurchase all notes at full face value and pay interest. A copy of the Status Update Memoranda dated September 24, 2012 and October 16, 2012 are attached as composite **Exhibit D**. This never came to pass and the Receiver has been unable to find any evidence of any Fortune 100 company interested in purchasing Quest's assets, and, frankly, has found no evidence supporting any reason why such a company would have any genuine

⁷ Soon after the filing of the motion to expand the Receivership to include Quest, the Texas State Securities Board ("TSSB") contacted the Receiver because it had initiated an investigation of Quest following complaints by several Quest investors. The TSSB has requested information and assistance in its investigation of Quest and the Downeys' efforts to raise money on behalf of the Company. The Receiver is working cooperatively with the TSSB.

interest in Quest. Similar representations regarding other saviors continued to be made to investors until the Receiver's appointment. It is further believed that the Downeys, while knowing that Quest did not have the ability to pay its operating expenses, let alone outstanding debt, made repeated misrepresentations to investors that Quest would resume paying interest on the notes or, as noted above, would secure a purchaser who would allow Quest to pay the notes in full.

Most recently, the Downeys secured an investment from an individual investor after the Receiver had filed his motion to expand the Receivership to include Quest. The Downeys entered into an assignment of a lease agreement with this investor. The assignment purported to assign 91% of Quest's interest in an oil property lease agreement in exchange for the payment of \$350,000 to Quest. The Downeys were fully aware of the Receiver's pending motion to expand the Receivership to include Quest yet the Receiver's investigation has revealed they failed to disclose this information to the investor. Further, the Downeys did not disclose the insolvency of Quest and misrepresented to the investor how the funds obtained would be used by the Company. Without informing the investor, the Downeys then used a portion of the funds received from the investor to retain an attorney for themselves and to pay themselves wages while only 10% of these funds were used for well production. The assignment was not recorded until after the Receiver was appointed as Receiver of Quest. Further, the lessors have asserted that Quest's assignment to the investor invalidated the lease because the lease agreement contains a provision prohibiting any such assignment. The Receiver will vigorously contest the assignment and the alleged invalidation of the lease.

G. Pending and Prospective Litigation

At the time of the Receiver's appointment, Quest had three lawsuits seeking large amounts in damages pending against it in Texas State Courts. *Integrity Directional Services, LLC v. Quest*, Case No. 2013-028 (Tx. D. Ct. 259th Jud'l Dist., Shackelford County, TX) (seeking damages of \$899,583.50 for goods and services which were provided to Quest for which payment was not received); *Ploegsma Sulpher Co. LLC v. Quest*, Case No. 2013-17235 (Tx. D. Ct. 189th Jud'l Dist., Harris County, TX) (brought by an investor seeking damages of more than \$1.25 million for payment of a note); *Wallace d/b/a Graham Mud Co. and Rocking R Drilling Co., Inc. v. Quest*, Case No. 2013-050 (Tx. D. Ct. 259th Jud'l Dist., Shackelford County, TX) (seeking to foreclose on liens for unpaid goods or services in the combined amount of \$398,722.93).⁸ The Receiver has filed Notices of Receivership and Injunction Barring Proceedings Against Quest in each action. Accordingly, these actions have been stayed as to Quest.

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

II. Current Operations and Assets

As noted above, upon the Receiver's appointment, he promptly secured Quest's bank accounts and its office located at 64 South Jacobs, Albany, Texas (the "Office"). At that

⁸ These litigation matters are in addition to the Receiver's claim for approximately \$5.1 million against Quest.

time, Quest had approximately \$58,570.67 in its bank accounts.⁹ The Receiver retained experienced forensic information technology experts with the firm E-Hounds, Inc. to assist in securing and analyzing the electronic data on computers located in the Office. E-Hounds personnel have secured the data and have begun their forensic analysis.

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

A. Oil and Gas Wells

The Receiver has determined that Quest maintains leases on three fields which in turn contain 88 gas and oil wells. Of these 88 wells, only five wells are currently producing. The Receiver has begun evaluating the potential well output relative to the cost of making the wells productive. Since taking control of Quest, the Receiver has implemented some repair and maintenance activities designed to increase production and revenues. These efforts are

⁹ Quest's payables at that time substantially exceeded this amount.

showing signs of success. From the Receiver's review of the wells, it was evident that simple maintenance and basic well management had been ignored for some time. The Receiver has already more than tripled production by reinvesting a nominal amount of money in these wells. By taking relatively simple measures, the Receiver increased production from approximately 7 barrels per day to over 30 barrels per day.¹⁰ Indeed, in the last day Quest produced 45 barrels of oil.

B. Vehicles

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

C. The Office Property

The Receiver has possession and control of an Office, which is a small free-standing office building. The Office has one known encumbrance: a loan with First National Bank with an outstanding balance as of July 2013 in the amount of \$46,522.48. Parties interested in purchasing the Office should contact:

¹⁰ The Receiver also sold approximately 160 barrels of stored oil for the gross amount of \$16,197.14 which prior management had made no attempt to sell for over a year.

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

D. Miscellaneous Items

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

III. Proposed Course of Action

As a result of the Receiver's preliminary investigation, it appears that the oil well leases held by the Company have potential value and may be able to be sold for the benefit of investors and other creditors. The Receiver will continue to evaluate the wells and their potential for production relative to the expense required to maintain the wells and make them productive. This activity is intended to generate cash flow while evaluation and liquidation activities are attempted. The Receiver will continue to work with the RRC to resolve all regulatory issues and will rework certain wells as required by the RRC and as appropriate. The Receiver will evaluate and market leases in an effort to generate as much value as reasonably possible. While marketing these assets, the Receiver will continue to operate the business in an effort to enhance its value. The Receiver will continue to review financial documents and other documents from the Company to further his investigation. The Receiver has and will continue to maintain a separate accounting of revenues and expenses

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

CONCLUSION

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

Dated this 26th day of August, 2013.

Respectfully submitted,

s/Burton W. Wiand

Burton W. Wiand, Receiver

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that on August 26, 2013, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system.

s/Gianluca Morello

Gianluca Morello, FBN 034997

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Attorneys for the Receiver, Burton W. Wiand

EXHIBIT A



August 15, 2013

Mr. George L. Guerra
Wiand Guerra King
5505 W. Gray Street
Tampa, Florida 33607

Re: Quest Energy Management Group, Inc.

Dear Mr. Guerra:

At your request we have made a forensic analysis of certain financial data of Quest Energy Management Group, Inc., a/k/a Quest EMG, Inc. and Quest Operating, LLC. Between 2006 and 2010, all transactions were recorded on the books of Quest Operating, LLC. In 2010 all the transactions were re-posted to the books of Quest Energy Management, Inc. without explanation and with little or no detail. For the purpose of this report we are referring to the combined enterprises as "QEM". This report is intended to outline our work and findings to date.

I. Background and Qualifications

I am a certified public accountant and have practiced as such since 1974. I hold Texas certificate number 13433. I am a graduate of Texas Tech University with a BBA in accounting. Additionally, I am accredited in business valuation and forensic accounting by the American Institute of Certified Public Accountants. I am qualified to accept this engagement and I have no conflicts of interest. A copy of my resume is attached to this report.

II. Scope of Work

The information we reviewed was not audited as that term is defined by the American Institute of CPAs. I do not express an opinion regarding QEM's financial statements. Attached are three schedules summarizing some of the material financial activity from inception (2006) through May 31, 2013 prepared from the QEM books and records. Exhibit 1 is a summary of cash transactions and has been "line numbered" for ease of reference. Exhibit 2 is a summary of balance sheets. Exhibit 3 is a list of oil and gas revenues by year.

III. Sources of Cash

- QEM's records reflect that it has raised \$19,124,326 (line 12) from investors between 2006 and May 2013. Some of these funds raised were initially represented as loans from investors, but those loans subsequently disappeared from QEM's books.

- Revenue from oil and gas operations for the same period were \$8.2 million (line 22).
- The Downey family has made no material investment of their own funds into the enterprise. QEM recorded a common stock/member value of \$50 in the form of a note payable from Paul Downey.
- In 2010 the Downey family recorded a series of meaningless notes payable, in the amount of \$10,000,000, in exchange for shares of family member stock in QEM. This transaction was later reversed. However, before reversing the entries, it appears that Jaime Downey was paid a total of \$91,500 and Sandy Downey was paid a total of \$117,000 for no justifiable reason.

IV. Uses of Cash

- Upon receipt of the Valhalla and Viking funds in 2006, QEM immediately purchased a Cadillac for Paul Downey at a cost of \$48,027 and a Chevrolet Tahoe for Jeff Downey at a cost of \$53,180.
- On or about April 17, 2006 QEM spent \$1,011,282 on a residential lot in a subdivision in The Woodlands, near Houston. (The lot was subsequently sold on May 14, 2008 for \$950,000, generating a loss of \$61,282.)
- The Company has paid personal expenses for the Downey families of approximately \$918,506 (line 30). See footnote A on Exhibit I.
- In addition to these expenses, we also noted that additional expenses including various payments to the Downey's (Paul, Jeff, Sandra, and Jamie) as well as car payments for a BMW, Chevy Tahoe, Chevy Yukon and Lexus. The company also paid Jeff Downey's apartment rent, as well as expenses associated with the Woodlands property and the Abilene Country Club.
- There have been payments made to related companies apparently owned by the Downey's. "Quest EMG" received \$232,790 (line 32). Another company, SCTEK, received \$515,000 (line 33). Total payments to these related entities was \$747,790.
- Substantial rents and personal expenses are being paid for operations in Naples, Florida. It is unknown why a West Texas oil and gas operating company would need offices in Florida. See lines 44, 45 and 46.
- Substantial sales commissions have been paid to several securities brokers, totaling \$824,270. See lines 38, 39, 40 and 41.
- Operating expenses (line 52) from inception through May 2013 total \$19.6 million.
- Of all the money invested, we estimate that no more than \$1.5 million was ever used in

connection with the initial purchase of oil and gas property and equipment, which is less than ten percent of the total investment money collected.

- Based upon information provided by QEM and its attorney at the time, Mr. H. Allen Pennington, Jr., Valhalla and Viking were to have obtained a material percentage interest in the oil and gas properties. According to Mr. Pennington's letter dated November 23, 2009, Valhalla and Viking purchased a 50% interest in the MCU and Kilgore properties. There is no evidence in the books or records of QEM reflecting that sale. There was never a partnership entity created, there were no division orders produced, nor were any interests assigned or recorded.
- In a sales prospectus dated January 1, 2013, Quest Energy Management Group, Incorporated proposed a joint venture development project which would acquire 75% working interests in three properties "currently owned and operated by Quest", which include the MCU and Kilgore units mentioned above.
- Between May 2010 and April 2012, QEM paid Christopher D. Moody consulting fees of \$5,000 per month and various expenses totaling \$89,897.

V. Assets

- As of May 31, 2013, the books show a bank overdraft of \$26,144 (line 55) and total assets of around \$2.8 million. The entity shows a deficit of \$755,000.
- QEM accrued millions of dollars in accounts receivable which were reflected as an asset on the balance sheet. At one point the accrued receivables reached \$5 million. The next year they were inexplicably written down to \$245,000.

VI. QEM Performance

- Income tax returns filed by QEM reflect a first year deficit of \$130,681. In the second year the deficit grew to \$441,196. By that time (December 31, 2007) QEM had recorded accounts receivable of \$1,874,679, which we believe were never of any value and were never collectable. In fact, they were written off by QEM in 2011.
- Without the receivables described above, QEM was insolvent, almost from its inception. By 2011, before the debt on the books was improperly written off against prior years' operating deficits, Quest was probably insolvent by a ratio of greater than 10:1.

VII. Conclusion

Based upon the data we have reviewed, it is apparent that QEM has been insolvent almost since inception and produced nominal amounts of oil and gas relative to the cost to produce it. Based on the amounts we have determined as oil and gas income, and as operating expenses, the expenses are outpacing revenue by more than two to one. Operations were not sustainable at this level and any possibility of a return of profits to the investors was

out of the question.

Respectfully submitted,



Otto L. Wheeler, CPA/ABV/CFF
Senior Partner

RESUME

OTTO L. WHEELER, CPA/ABV

PERSONAL DATA

Born July 28, 1948 at Pampa, Texas
Married

CURRENT EMPLOYMENT

Residence - 5925 Overlook Drive
Austin, Texas 78731

EDUCATION

Texas Tech University

B.B.A. - Accounting (1971)

**CERTIFICATION AND
ACCREDITATION**

Texas State Board of Public Accountancy
AICPA Accreditation in Business Valuation
Collaborative Law Institute of Texas
Certified in Financial Forensics

License No. 13433 (Issued August 6, 1974)
Credentialed December 22, 2003
Credentialed March 1, 2007
Credentialed March 31, 2009

PROFESSIONAL ORGANIZATIONS

Texas Society of Certified Public Accountants
Board of Directors
Tax Curriculum, Chairman
Federal Taxation

State Taxation
Texas Tax Institute, Program Chairman
Chapter Presidents' Committee

Austin Chapter - TSCPA
Past President
Board of Directors

Taxation Committee, Chairman

American Institute of Certified Public
Accountants

1979 - Present Wheeler Fairman & Kelley
Certified Public Accountants
301 Congress, Suite 550
Austin, TX 78701
(512) 472-2350; FAX (512) 472-3599
Email: owheeler@wfkcpa.com

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EMPLOYMENT HISTORY

1971-1978 Employed in public accounting (5 years), industry (2 years) and government (1 year).

EXAMPLES OF ENGAGEMENTS

Medical practices
Law firms
Retail jewelry store
Commercial bank
Cattle feeding operation
Professional basketball franchise
Retail clothing store
Publishing company
Computer software development
Fencing contractor
Oil and gas exploration
Veterinarian practices
Telephone answering service
Lumber and building materials company
Commercial photography
Food manufacturing company
Restaurants and catering
Auto repair shop
Funeral services
Cellular telephone sales
Timber production
Real estate partnerships
Real estate development
Retail grocery chain

QUEST ENERGY MANAGEMENT OR QUEST OPERATING, LLC
 SUMMARY OF CASH TRANSACTIONS
 FROM INCEPTION (2006) THROUGH MAY 31, 2013

	CASH - FNB ALBANY	CASH - QUEST MANAGEMENT ACCOUNT	CASH - REVENUE ACCOUNT	CASH - EMPLOYEE SHARE ACCOUNT	TOTAL OF ALL CASH ACCOUNTS - EXCLUDING TRANSFERS B/W ACCOUNTS	
	\$	\$	\$	\$	\$	101
BEGINNING BALANCE	-	-	-	-	-	101
ADD:						
INVESTED MONEY						
1 VIKING	4,000,000	-	-	-	4,000,000	1
2 VALHALLA OIL	1,100,000	-	-	-	1,100,000	2
3 ADVANTA	368,000	-	-	-	368,000	3
4 DESMOND BRIAN MCDONAGH	875,000	-	-	-	875,000	4
5 LESTER RAINEW	500,000	-	-	-	500,000	5
6 DR. WILLIAM KING	900,000	-	-	-	900,000	6
7 THOMAS M. GIBBONS	500,000	-	-	-	500,000	7
8 WILLIAM B. EDWARDS REVOCABLE TRUST	450,000	-	-	-	450,000	8
9 WILLIAM EDWARDS IRA	300,000	-	-	-	300,000	9
10 ADVANTAIRA TRUST, LLC	500,000	-	-	-	500,000	10
11 OTHER INVESTED MONEY	6,806,326	2,475,000	350,000	-	9,631,326	11
12 TOTAL INVESTED MONEY	16,299,326	2,475,000	350,000	-	19,124,326	12
OTHER DEPOSITS (NOT INCOME)						
13 LOAN TO SHAREHOLDER PAYBACK	2,000,000	-	-	-	2,000,000	13
14 LOAN PROCEEDS FROM FNB ALBANY	1,188,840	-	-	-	1,188,840	14
15 OTHER DEPOSITS (NOT INCOME)	826,888	-	-	-	826,888	15
16 TOTAL OTHER DEPOSITS (NOT INCOME)	4,015,728	-	-	-	4,015,728	16
17 PRESUMED INCOME	73,656	-	-	-	73,656	17
18 DIVIDEND INCOME	8,415	-	-	-	8,415	18
19 PROCEEDS FROM SALE OF WOODLANDS LOT	99,105	-	-	-	99,105	19
20 INCOME FROM SALE OF ASSETS	27,112	40,912	45,000	-	113,024	20
21 INCOME FROM SALE OF WELLS	-	204,793	-	-	204,793	21
22 OIL & GAS REVENUE	51,546	6,682	8,124,628	-	8,182,856	22
23 INTEREST INCOME	31,899	5,596	-	-	37,495	23

Exh. 6.1 1 of 3

24	CONDO BARTER - JOHN LEONARD	6,230	-	-	-	6,230	24
25	CD CASH-IN	-	200,000	-	-	200,000	25
26	CPA ADJUSTMENT	-	8,669	1,312	-	9,981	26
27	CHECKS VOIDED IN 2013 FROM 2012	-	-	99,400	-	99,400	27
28	TRANSFERS FROM CASH ACCOUNTS	10,527,479	-	27,146	-	-	28
29	ESTIMATED TOTAL DEPOSITS	31,140,496	2,941,652	8,647,486	101	32,175,110	29
LESS:							
PAYMENTS TO RELATED PARTIES							
30	PERSONAL EXPENSES	918,506	-	-	-	918,506	30
31	LOAN TO SHAREHOLDER	1,991,372	-	-	-	1,991,372	31
32	PAYMENT TO QUEST EMG	220,000	-	12,790	-	232,790	32
33	PAYMENTS TO SCTEK	515,000	-	-	-	515,000	33
34	TOTAL PAYMENTS TO RELATED PARTIES	3,644,878	-	-	-	3,657,668	34
PURCHASE OF OIL & GAS PROPERTIES							
35	PURCHASE OF KILGORE/PREMIERE CONS	699,767	-	-	-	699,767	35
36	PURCHASE OF WOODLANDS PROPERTY	256,730	-	-	-	256,730	36
37	TOTAL PURCHASE OF OIL & GAS PROPERTIES	956,497	-	-	-	956,497	37
COMMISSIONS PAID FOR SALE OF SECURITIES							
38	COMMISSIONS PAID TO INTEGRATED ENERGY GROUP	198,850	-	-	-	198,850	38
39	COMMISSIONS PAID TO WORKMAN SECURITIES	181,250	-	-	-	181,250	39
40	COMMISSIONS PAID TO JOHN LEONARD	436,170	-	8,000	-	444,170	40
41	TOTAL COMMISSIONS PAID FOR SALE OF SECURITIES	816,270	-	-	-	824,270	41
PURCHASE OF CADILLAC							
42	PURCHASE OF CADILLAC	48,027	-	-	-	48,027	42
43	TRANSFERS FROM CASH ACCOUNTS	27,146	2,907,340	7,604,671	15,468	-	43
44	OFFICE RENT IN NAPLES, FL	5,501	-	-	-	5,501	44
45	PAYMENTS TO ACCOUNTANT IN NAPLES, FL	69,586	-	-	-	69,586	45
46	PAYMENTS TO FAMILY OFFICES - NAPLES, FL	137,000	-	-	-	137,000	46
47	ORDINARY EXPENSE	-	-	-	-	-	47
48	PAYROLL EXPENSE	2,351,884	-	-	-	2,351,884	48
49	PAYROLL TAXES	890,625	-	-	-	890,625	49
50	REPAYMENT OF INVESTED MONEY	1,937,325	-	-	-	1,937,325	50
51	INTEREST EXPENSE PAID TO INVESTORS	1,310,275	-	-	-	1,310,275	51
52	CONSULTING FEES & REIMBURSEMENTS PAID TO CHRIS MOODY	89,897	-	-	-	89,897	52
53	OTHER ORDINARY EXPENSE	18,891,436	54,199	977,064	-	19,922,699	53
54	TOTAL ORDINARY EXPENSE	25,471,442	-	-	-	26,502,705	54

Exhibit 1 2 of 3

55	TOTAL DISBURSEMENTS	31,176,347	2,961,539	8,602,525	15,468	32,201,254	56
56	ENDING BALANCE	<u>\$ (35,851)</u>	<u>\$ (19,887)</u>	<u>\$ 44,961</u>	<u>\$ (15,367)</u>	<u>\$ (26,144)</u>	57

A: PERSONAL EXPENSES ARE LIKELY TO EXCEED THE AMOUNT SHOWN. THERE WERE CREDIT CARDS PAID WITHIN THE COMPANY THAT WERE MAINLY EXPENSED TO TRAVEL, EMPLOYEE BENEFITS, ENTERTAINMENT & MEALS. INCLUDED WITHIN THIS NUMBER ARE ANY PAYMENTS MADE TO THE DOWNEY'S (PAUL, JEFF, SANDRA, & JAIME), ALONG WITH CAR PAYMENTS FOR A BMW, TAHOE, YUKON AND LEXUS. ALSO INCLUDED ARE PAYMENTS TO THE ABILENE COUNTRY CLUB, JEFF'S APARTMENT RENTAL, THE WOODLANDS PROPERTY EXPENSES, ETC.

B: REMAINING IN THE ACCOUNT ARE REFUNDS AND VARIOUS OTHER NON-INCOME DEPOSITS.

Exhibit 1 3 of 3

QUEST OPERATING, LLC
 COMPARISON OF BALANCE SHEETS FROM 2006-5/31/2013

	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	5/31/2013
ASSETS								
CURRENT ASSETS								
CASH - FNB ALBANY	-	-	-	-	100	47,149	(27,505)	(35,851)
CASH - OLD MGMT ACCT	5,538	219,333	14,427	60,365	(43,179)	-	-	-
QUEST MANAGEMENT ACCOUNT	-	-	-	-	-	376,162	29,224	(19,897)
CASH - REVENUE ACCOUNT	213,192	23,244	162,551	59,240	150,790	117,024	19,469	44,961
CASH - EMPLOYEE SHARE ACCT	-	-	-	-	101	101	(15,367)	(15,367)
WOODFOREST BANK - LOT ESCROW	60,546	11,327	-	-	-	-	-	-
A/R - OIL & GAS REVENUES	39,248	134,322	11,376	114,502	-	(29,829)	(29,000)	(29,000)
NEWCO FOUNDERS' GROUP	-	-	-	-	-	-	(875,000)	(875,000)
HATCHETT 3-WELL PROGRAM	-	-	-	-	-	-	1,000	1,000
55.5 NOTE	-	-	-	-	-	-	3,215	3,215
A/R - JIB	592,711	1,719,831	3,144,017	4,773,723	5,076,512	244,789	790,788	791,229
A/R - EMPLOYEES	4,368	10,000	26,600	36,600	36,650	-	-	-
NOTE RECEIVABLE - SHAREHOLDER	-	-	-	1,541	-	-	-	-
INTEREST RECEIVABLE	-	-	-	-	3,373	2,429	(18,322)	(18,322)
WORK IN PROGRESS - VICR	-	-	-	-	-	77,136	342,986	499,656
JIB - WORK IN PROGRESS	-	-	805	114,156	1,197,585	77,136	-	-
TOTAL CURRENT ASSETS	915,602	2,118,056	3,359,778	5,154,126	6,421,933	834,961	221,486	344,513
FIXED ASSETS								
LEASEHOLD COSTS - NONPROD	2,521	5,716	13,353	400,420	5,536	817,428	878,740	878,740
LEASEHOLD COSTS - PRODUCING	400,590	719,605	720,351	731,079	1,140,860	241,002	298,158	298,158
ACCUMULATED DEPLETION	-	-	(94,927)	(94,927)	(152,529)	-	-	-
LEASE & WELL EQUIPMENT	44,703	168,396	177,104	256,762	337,189	127,709	940,453	940,452
PRODUCTION EQUIPMENT	-	21,795	32,584	32,584	32,584	1,398	1,398	1,398
A/D - LEASE & WELL EQUIPMENT	(1,597)	(31,586)	(79,380)	(150,561)	(192,394)	-	-	-
A/D - PRODUCTION EQUIPMENT	-	(2,124)	(19,239)	(19,239)	(23,052)	-	-	-
BUILDING	144,725	144,725	144,725	144,725	144,725	-	-	-
A/D - BUILDING	(1,701)	(5,412)	(9,123)	(12,834)	(16,545)	-	-	-
OFFICE EQUIPMENT	84,468	94,295	105,779	134,394	130,194	130,194	130,194	130,194
A/D - OFFICE EQUIPMENT	(9,634)	(39,331)	(81,386)	(106,682)	(118,346)	(118,346)	(118,346)	(118,346)
FURNITURE & FIXTURES	36,082	75,982	77,652	77,652	77,652	83,184	83,184	83,184
A/D - FURNITURE & FIXTURES	(3,866)	(18,914)	(36,175)	(57,797)	(63,470)	(63,470)	(63,470)	(63,470)
VEHICLES & EQUIPMENT	239,558	246,851	222,904	462,885	523,730	568,608	568,608	568,608
A/D - VEHICLES	(19,464)	(70,253)	(91,127)	(191,936)	(286,323)	(286,323)	(286,323)	(286,323)
INVESTMENT - LOT	958,170	958,170	-	-	-	-	-	-
NET FIXED ASSETS	1,674,565	2,265,925	1,063,094	1,596,524	1,539,806	1,501,379	2,432,591	2,432,591
OTHER ASSETS								
CAPITALIZED LOAN FEES	-	-	-	201,251	149,923	-	-	-
LETTER OF CREDIT - RRC	250,000	260,436	271,910	250,000	250,000	50,000	50,000	50,000
N/R - DOWTEK	-	10,536	-	-	-	-	-	-
SECURITY DEPOSITS	2,250	2,250	2,250	2,250	2,250	-	-	-

Exhibit 2 1 of 3

INTERCOMPANY - QUEST EMG	-	-	-	-	(100)	(70,046)	-	-
SUSPENSE	-	-	-	-	4,379	8,331	-	-
TOTAL OTHER ASSETS	252,250	273,213	274,160	453,501	406,452	(11,715)	50,000	50,000
TOTAL ASSETS	3,042,418	4,657,194	4,717,032	7,204,152	8,368,191	2,324,625	2,704,078	2,827,104
LIABILITIES & STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES								
ACCOUNT PAYABLE - TRADE	6,434	-	-	314,131	195,814	41,072	1,638,307	1,697,174
PAYROLL DEDUCTIONS	-	-	-	-	-	750	7,500	15,750
LEGAL SUSPENSE	-	5,650	25,593	109,623	121,988	153,952	173,841	173,643
PETTY SUSPENSE	-	1,166	1,221	621	(125)	(785,785)	59,924	131,335
PREPAID JIB	1,501,446	800,235	-	-	-	-	-	-
A/P - QUEST OPERATING, LLC	37,460	89,226	114,908	-	-	-	-	-
PAYROLL PAYABLE	-	-	-	-	-	-	-	(2,100)
PAYROLL TAXES PAY. - FICA	-	2,946	3,896	3,172	(136)	2,816	(447)	7,844
PAYROLL TAXES PAY. - FED W/H	-	9,755	10,829	6,085	-	5,640	(3,599)	(19,693)
PAYROLL TAXES PAY. - TEC	429	172	94	-	52	596	596	674
PAYROLL TAXES PAY. - FUITA	461	-	558	-	64	490	490	826
SEVERANCE TAX PAYABLE	-	3,462	-	-	-	-	-	-
HEALTH INS PAYABLE	-	-	-	-	-	-	8,365	18,491
LIFE/AD&D/DENTAL PAYABLE	-	-	-	-	-	342	384	384
CHILD SUPPORT PAYABLE	-	-	-	-	-	-	(7,500)	(15,750)
OIL & GAS PAYABLE	44,332	229,701	347,682	648,339	-	249,678	471,076	764,114
TOTAL CURRENT LIABILITIES	1,590,561	1,142,313	504,781	1,081,971	317,658	(330,448)	2,346,937	2,772,692
LONG TERM LIABILITIES								
NOTES PAYABLE - FNBA	195,038	628,951	553,869	331,949	745,176	(281,189)	203,010	113,918
NOTE PAYABLE - FFB	-	-	-	53,011	35,592	16,694	2,941	2,941
NOTE PAYABLE - WOODFOREST	787,500	787,500	-	-	-	-	-	-
NOTE PAYABLE - VAN OPER LTD	-	624,000	624,000	624,000	649,758	(150,000)	369,285	334,369
NOTE PAYABLE ADVANTA	-	-	-	-	-	-	-	350,000
NOTES PAYABLE - CEP	-	-	(24,166)	(24,166)	-	-	-	-
NOTES PAYABLE - KPC LLC	600,000	1,875,000	1,875,000	1,260,000	595,000	(45,418)	-	-
NOTE PAYABLE - VALHALLA	-	-	1,100,000	1,100,000	1,100,000	-	-	-
NOTES PAYABLE - KPC 2	-	-	-	3,554,200	5,004,325	-	-	-
NOTE PAYABLE - JAIME DOWNEY	-	-	-	-	4,969,000	(91,500)	(40,500)	(40,500)
NOTE PAYABLE - SANOT DOWNEY	-	-	-	-	4,963,000	(117,000)	(13,500)	(13,500)
NOTE PAYABLE - VOLVO	-	-	-	23,051	15,567	7,121	1,389	1,389
NOTE PAYABLE - BMW FINANCE	-	-	-	63,150	47,964	33,751	19,312	14,043
NOTE PAYABLE - JPMORGAN CHASE	-	-	-	42,851	28,801	55,786	43,610	43,620
NOTE PAYABLE - FORD MOTOR	-	-	-	30,840	81,559	44,019	10,529	4,096
PAOR1 JIB PREPAYMENTS	-	-	-	-	1,329,563	-	-	-
NOTE PAYABLE - PAOR1	-	-	-	-	52,938	4,209	-	-
INTEREST PAY SEAGER/SOUTH HA	-	40,625	118,777	200,033	240,411	-	-	-
MCU 2 WELL PROGRAM	-	-	-	-	-	585,000	-	-
TOTAL LONG TERM LIABILITIES	1,582,538	3,956,076	4,247,481	7,258,919	19,858,755	61,474	596,075	810,376

Exhibit 2 43

STOCKHOLDERS' EQUITY									
COMMON STOCK ISSUED	-	-	-	-	-	-	-	-	-
PREFERRED STOCK ISSUED	-	-	-	-	-	-	-	-	-
NET MEMBERS CAPITAL	(130,681)	(130,681)	(441,195)	(43,261)	542,500	2,717,673	2,717,673	226,479	
CURRENT YEAR INCOME (LOSS)	-	(310,514)	405,965	(1,093,477)	(1,136,738)	(2,491,194)	(2,491,194)	(515,030)	
PREFERRED DIVIDENDS PAID	-	-	-	-	(19,289)	(170,413)	(170,413)	(170,413)	
TREASURY STOCK - COST	-	-	-	-	(10,000,000)	(297,000)	(297,000)	(297,000)	
TOTAL STOCKHOLDERS' EQUITY	(130,681)	(441,195)	(35,230)	(1,136,738)	(11,808,219)	(240,934)	(240,934)	(755,964)	
TOTAL LIABILITIES & EQUITY	3,042,418	4,657,194	4,717,032	7,204,152	8,368,191	2,704,078	2,704,078	2,827,104	

Exhibit 2 3/3

QUEST OPERATING, LLC
OIL AND GAS REVENUE BY YEAR

2006	\$	295,963
2007		760,984
2008		1,419,628
2009		846,340
2010		1,435,872
2011		1,797,375
2012		1,361,808
2013		264,886
		<u>\$ 8,182,856</u>

Exhibit 3 1 of 1

EXHIBIT B

RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL & GAS DOCKET NO. 20-0282639

IN RE: P-5 ORGANIZATION REPORT OF QUEST EMG, INC.

FINAL ORDER

The Commission finds that after notice and an opportunity for hearing regarding the captioned matter, the Operator failed to request a hearing and pay the hearing fee as required by 16 TEX. ADMIN. CODE §3.15(g)(4) and TEX. NAT. RES. CODE §89.022(f). This matter having been duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Quest EMG, Inc. [Operator #684615] (the "Operator"), is the record operator or one or more inactive wells in the State of Texas and is required to file Organization Report (Form P-5) with the Commission. Operator's most recent P-5 was due on or before January 1, 2012.
2. After filing its most recent Organization Report (Form P-5) with the Commission, the Operator was notified they were deficient and had failed to comply with the requirements of 16 TEX. ADMIN. CODE § 3.15 (Surface Equipment Removal Requirements and Inactive Wells) and provided with a written statement of the reasons for the determination and allowed ninety (90) days from the date its P-5 was due to comply with the requirements of 16 TEX. ADMIN. CODE § 3.15 and TEX. NAT. RES. CODE §§89.021 - 89.030.
3. After the expiration of ninety (90) days and pursuant to 16 TEX. ADMIN. CODE §3.15(g)(4), an authorized Commission employee determined that the Operator's Organization Report still could not be renewed because the Operator continued to fail to comply with the requirements of 16 TEX. ADMIN. CODE §3.15 (Surface Equipment Removal Requirements and Inactive Wells).
4. The Commission sent the Operator a letter by certified mail giving notice to the Operator of the determination of continued non-compliance regarding specified inactive wells, attached as Exhibit A to this order, and advising the Operator of the right to request a hearing to show compliance. The letter notified the Operator that the hearing request must be received in docket services no later than 30 days after the date of the letter. The letter also notified the Operator that a final order denying renewal of the Operator's Organization Report (Form P-5) would result in the cancellation of all P-4 Certificates of Compliance and the severance of all pipeline or other carrier connections.

OIL AND GAS DOCKET NO. 20-0282639

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5. All notices and letters from the Commission to the Operator on this matter were addressed and mailed to the Operator's most recently reported address on the Form P-5 Organization Report.
6. The Operator did not timely request a hearing and pay the hearing fee on these issues as required under 16 TEX. ADMIN. CODE §3.15(g)(4) (Surface Equipment Removal Requirements and Inactive Wells).
7. Statewide Rule 15 (16 TEX. ADMIN. CODE §3.15) is a Commission rule that relates to safety or the prevention or control of pollution.

CONCLUSIONS OF LAW

1. The Operator received proper notice and an opportunity for hearing regarding compliance with 16 Tex. Admin. Code §3.15 and Tex. Nat. Res. Code §§89.021 - 89.030.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this matter have been performed or have occurred.
3. The Operator is in violation of Commission Statewide Rule 15 and did not timely request a hearing to contest the determination that it was in violation.
4. The Operator's P-5 Organization Report should not be renewed and all of the Operator's P-4 Certificates of Compliance should be cancelled, with all related pipeline or other carrier connections severed. 16 Tex. Admin. Code §3.15 (g)(4) and Tex. Nat. Res. Code §§89.022(f), 91.704 - 91.706.
5. The Operator's P-5 Organization Report cannot be renewed until the operator brings the inactive wells shown on the attached Exhibit A into compliance with the requirements of 16 Tex. Admin. Code §3.15 and Tex. Nat. Res. Code §§89.021 - 89.030.

IT IS ORDERED that renewal of Quest EMG, Inc.'s P-5 Organization Report is hereby **DENIED**.

It is further **ORDERED** that all P-4 Certificates of Compliance issued to Quest EMG, Inc. as operator of record are hereby **CANCELLED** and all related pipeline or other carrier connections are hereby **SEVERED**.

It is further **ORDERED** that Quest EMG, Inc. shall bring the wells on Exhibit A into compliance with Statewide Rule 15 (16 TEX. ADMIN. CODE §3.15) and that the Operator's P-5 Organization Report shall not be renewed until the wells on Exhibit A have been brought into compliance as required by this order.

It is further **ORDERED** that Quest EMG, Inc. and each person who held a position of ownership or control in the Operator at the time the Operator's most-recent P-5 Organization Report was filed shall be subject to the terms of TEX. NAT. RES. CODE §91.114.

OIL AND GAS DOCKET NO. 20-0282639

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It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T. CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

All requested Findings of Fact and Conclusions of Law which are not expressly adopted herein are **DENIED**. All pending motions and request for relief not previously granted or granted herein are **DENIED**.

RAILROAD COMMISSION OF TEXAS

(Signatures affixed by Rule 15 Inactive Well
Master Order dated June 13, 2013.)

QUEST EMG, INC.
APRIL 4, 2013

Page: 1

API Number	District	ID Number	Lease Name	Well Number
049 31739	7B	080587	HENRY, MACK	12
			Must resolve UIC H-5 Test issue preventing 14(B)(2) approval	
049 35602	7B	26581	ARMSTRONG, ROY	6
			Must resolve UIC H-5 Test issue preventing 14(B)(2) approval	
059 30918	7B	11653	MAIN HATCHETT RANCH	2
			Electricity must be disconnected (certify on Form W-3C)	
			Production fluids must be purged (certify on Form W-3C)	
059 31333	7B	106873	HATCHETT RANCH	R 1
			Electricity must be disconnected (certify on Form W-3C)	

Docket No. 20-0282639

Exhibit A

**RAILROAD COMMISSION OF TEXAS
 HEARINGS DIVISION**

**HEARINGS DIVISION'S
 RULE 15 INACTIVE WELL MASTER ORDER**

JUNE 13, 2013

At a public conference held at its offices in Austin, Texas, the Commission finds that following notice and opportunity for hearing, the Operators listed below failed to timely request a hearing to contest the Staff determinations that they had not complied with inactive well requirements and that, as a result their P-5 Organization Reports were not eligible for renewal. The Final Orders for each of the below referenced dockets are incorporated by reference into this order, and by signing this Master Order, the Commission approves each of the Final Orders and adopts the provisions contained therein.

IT IS ORDERED that renewal of the P-5 Organization Report for each Operator identified on this Master Order is hereby DENIED.

It is further ORDERED that each Operator shall bring the inactive wells identified on its individual order, into compliance with Statewide Rule 15 (16 TEX. ADMIN. CODE § 3.15) and that the Operator's P-5 Organization Report shall not be renewed until those wells have been brought into compliance.

It is further ORDERED that each Operator and each person who held a position of ownership or control in the Operator at the time the Operator's most-recent P-5 Organization Report was filed shall be subject to the terms of TEX. NAT. RES. CODE §§91.114.

ITEM NO.	DOCKET NO.	OPERATOR NAME	OPERATOR NO.	RENEWAL DATE
37	20-0281956	Energas Corp.	251866	September 1, 2012
38	20-0281781	Argent Petroleum Corporation	029720	September 1, 2012
39	20-0281782	Blackburn, Ruth B	073063	September 1, 2012
40	20-0281785	Carpeo Efficient Energy Co., LLC	133490	September 1, 2012
41	20-0281786	Chisholm Oil & Gas, LC	149453	September 1, 2012
42	20-0281788	Cleveland Oil & Gas	160453	September 1, 2012
43	20-0281789	Coley, Thomas	167321	September 1, 2012
44	20-0281791	D & I Operating Co.	196477	September 1, 2012
45	20-0281793	DSB Energy, LLC	229365	September 1, 2012
46	20-0281794	DYE Gas Resources, LLC	235802	September 1, 2012

HEARINGS DIVISION
 RULE 15 INACTIVE WELL MASTER ORDER
 JUNE 13, 2013 CONFERENCE
 PAGE 2

ITEM NO.	DOCKET NO.	OPERATOR NAME	OPERATOR NO.	RENEWAL DATE
47	20-0281796	El Jefe Oil & Gas	250185	September 1, 2012
48	20-0281797	Fambrough, Tim D.	261260	September 1, 2012
49	20-0281799	Forbes, C. C. Company	275603	September 1, 2012
50	20-0281801	Golden, Marty Joe	312774	September 1, 2012
51	20-0281802	Great Texas Crude Inc.	328774	September 1, 2012
52	20-0281803	Hays, John H.	369100	September 1, 2012
53	20-0281804	HCE Operating LLC	369827	September 1, 2012
54	20-0281806	Holli-Tex Supply Co.	393278	September 1, 2012
55	20-0281807	Knutson Oil & Gas	474450	September 1, 2012
56	20-0281808	Konantz, Ronald J. Inc.	474900	September 1, 2012
57	20-0281809	LTS Oil & Gas	511745	September 1, 2012
58	20-0281810	Lulkin Production Company Inc.	512248	September 1, 2012
59	20-0281811	Mesquite Land & Minerals Co.	561921	September 1, 2012
60	20-0281813	Morin, Joseph P	586569	September 1, 2012
61	20-0281814	Mineral Technologies, Inc.	593635	September 1, 2012
62	20-0281815	Mustang Fuel Corporation	596921	September 1, 2012
64	20-0281818	New Territory Petroleum	606611	September 1, 2012
65	20-0281820	O.G.P. Operating, Inc.	617041	September 1, 2012
66	20-0281821	OGL Holdings, LLC	619265	September 1, 2012
67	20-0281822	Old Pine Energy Corporation	621144	September 1, 2012
68	20-0281823	OZTX Oil & Gas, L.L.C.	630575	September 1, 2012
69	20-0281824	Pierco Energy Corp.	665422	September 1, 2012
70	20-0281826	Premium Exploration Company	676051	September 1, 2012
71	20-0281827	Rebel Production Company	696251	September 1, 2012
72	20-0281831	Sedco Operating, LLC	763159	September 1, 2012
73	20-0281833	Sonco Holdings LLC	801653	September 1, 2012
74	20-0281835	Stiff and Whisnand Oil, LLC	821761	September 1, 2012

HEARINGS DIVISION
RULE 15 INACTIVE WELL MASTER ORDER
JUNE 13, 2013 CONFERENCE
PAGE 3

ITEM NO.	DOCKET NO.	OPERATOR NAME	OPERATOR NO.	RENEWAL DATE
75	20-0281837	U S Energy Corp. Of Amer. Inc.	875391	September 1, 2012
76	20-0281838	V.L.M. Company	880382	September 1, 2012
78	20-0281840	Waggener, Fred	889880	September 1, 2012
79	20-0281842	Warren, Earl T.	897730	September 1, 2012
80	20-0281844	Wildcat Cement Co.	923295	September 1, 2012
82	20-0282617	B. & L. Oil Company	040737	September 1, 2012
83	20-0282618	Bayer, Arthur	057975	September 1, 2012
84	20-0282619	Comer-Marrs Company	172005	September 1, 2012
86	20-0282622	E & E Construction Company	238524	September 1, 2012
87	20-0282623	Goforth Production Company	312535	September 1, 2012
88	20-0282625	Indian Exploration, Inc.	423771	September 1, 2012
89	20-0282626	Jenex Petroleum Corporation	431135	September 1, 2012
90	20-0282627	Loudon Operating Company, L.L.C.	509363	September 1, 2012
91	20-0282628	LTX Oil Company, L.L.C.	511755	September 1, 2012
92	20-0282629	Meguffin, Joe Jr.	549892	September 1, 2012
93	20-0282630	Midway Operating Company, L.L.C.	566398	September 1, 2012
94	20-0282631	Mogul Operating LLC	573652	September 1, 2012
95	20-0282632	O & O Operators, LLC.	617028	September 1, 2012
96	20-0282633	Oilton Resources, Inc.	621012	September 1, 2012
98	20-0282635	Origin Prod Co Gonzales Prop LLC	625627	September 1, 2012
99	20-0282636	P,B&B Operating Inc.	631644	September 1, 2012
100	20-0282637	Petrosearch Operating Co, LLC	660938	September 1, 2012
101	20-0282638	Phillips, Jack L. Co.	663109	September 1, 2012
102	20-0282639	Quest EMG, Inc.	684615	September 1, 2012
103	20-0282640	Reneau Oil Co.	701746	September 1, 2012
104	20-0282641	Reneau, James Seed Co.	701747	September 1, 2012
106	20-0282643	Sibley Creek Ranches, L.L.C.	779273	September 1, 2012

HEARINGS DIVISION
RULE 15 INACTIVE WELL MASTER ORDER
JUNE 13, 2013 CONFERENCE
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ITEM NO.	DOCKET NO.	OPERATOR NAME	OPERATOR NO.	RENEWAL DATE
107	20-0282644	South Oil, Inc.	802623	September 1, 2012
108	20-0282645	Spitfire Partners, LLC	809960	September 1, 2012
110	20-0282647	United Operating, LLC	877448	September 1, 2012
111	20-0282648	Upland Resources LLC	878931	September 1, 2012
113	20-0282650	Woolley, Gary W.	941486	September 1, 2012
114	20-0282643	XOG Operating LLC	945921	September 1, 2012


HEARINGS DIVISION
RULE 15 INACTIVE WELL MASTER ORDER
JUNE 13, 2013 CONFERENCE
PAGE 5

IT IS ORDERED that each referenced Final Order shall become effective when this Order is signed and that a copy of this Order shall be affixed to each Final Order.

Done in Austin, Texas on June 13, 2013.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN BARRY T. SMITHERMAN


COMMISSIONER DAVID PORTER


COMMISSIONER CHRISTI CRADDICK

ATTEST:


Kathy Way
SECRETARY

EXHIBIT C

ELIZABETH AMES JONES, CHAIRMAN
DAVID PORTER, COMMISSIONER
BARRY T. SMITHERMAN, COMMISSIONER



LINDIE C. FOWLER, JR., GENERAL COUNSEL
LOWELL E. WILLIAMS, DIRECTOR
ENFORCEMENT SECTION

RAILROAD COMMISSION OF TEXAS OFFICE OF GENERAL COUNSEL

September 14, 2011

SEP 19 2011

Quest EMG, Inc.
Attn: Jeff Downey and Paul Downey
64 South Jacobs Street
Albany, TX 76430
via: First Class & CMRR #

91 7108 2133 3939 1894 1002

Re: **OFFER OF SETTLEMENT** - Oil & Gas Docket No. 01-0272145: Quest EMG, Inc. (Operator No. 684615) for Violations of Statewide Rules on the Carter, NJ (01955) Lease, Well Nos. 1-12, 15-17, A1-A3, 1B-3B, Luling-Branyon Field, Guadalupe County, Texas and on the Carter, Elwood -A- (06764) Lease, Well Nos. 1, 2, 3A, 4, 5, D1, Luling-Branyon Field, Guadalupe County, Texas

Dear Mr. Downey and Mr. Downey:

This is to inform you that the above-referenced case has been referred to the Railroad Commission's Enforcement Section to pursue an administrative penalty against Quest EMG, Inc. ("Quest") for violations of Statewide Rules 3(2) [no lease identification signs at Well No. 2 on Lease No. 06764], 8(d)(1) [heavy oil saturation around all wells and inside firewall of tank battery on Lease No. 01955, heavy oil saturation inside firewall in an area 10x10 and lease inside firewall from storage tank, oil spill inside firewall of SWD tank battery, tank batteries are located 100+ feet from seasonal creek on Lease No. 06764], 13(b)(1)(B) [illegally venting casing head gas (H₂S) from all wells on Lease No. 01955 and illegally venting casing head gas (H₂S) from all wells on Lease No. 06764, enhanced double due to reckless conduct], 73(i) [producing under a severance on both leases, leases were severed April 6, 2011, Operator produced May 2011], and 21(j) [insufficient firewall around tank battery facility].

Should this case go to hearing, Enforcement would be required to seek a penalty of not less than \$106,250.00 (one Rule 3(2) violation at 250.00, twenty-four Rule 8(d)(1) violations at \$500.00 each, totaling \$12,000.00, twenty-five Rule 13(b)(1)(B) violations at \$2,000.00 each, totaling \$50,000.00, enhanced double for reckless conduct, three 73(i) violations at \$1,000.00 each, totaling \$3,000.00 and one 21(j) violation at \$1,000.00). However, if by or before October 31, 2011 Quest pays a \$75,625.00 penalty and signs and returns the enclosed order, Enforcement would be willing to recommend to the Commission to accept a fifty percent reduction of the penalty which would otherwise be requested at hearing.


September 14, 2011
Quest EMG, Inc.
01-0272145
Page Two

For your information, the penalty must be paid by check made payable to the Railroad Commission of Texas, reference the fact that it is in payment of a penalty in Oil & Gas Docket No. 01-0272145 and be sent to my attention at the Railroad Commission of Texas at the post office box address below. *Please sign the Order on the last page only, it should not be dated or notarized, as it will be dated on the day the settlement is presented to the Commissioners.*

Please be advised that if I do not receive the penalty and signed order by no later than 5:00 p.m. on October 31, 2011, this offer will be deemed to have been rejected and a Complaint will be filed. In such event there will be no opportunity for further negotiations.

If you have any questions, do not hesitate to contact me.

Sincerely,



Kristi M. Reeve, Staff Attorney
Office of General Counsel - Enforcement
Phone: (512) 463-8589

Enclosure

EXHIBIT D



TO: QUEST NOTE HOLDERS
FROM: PAUL DOWNEY
RE: STATUS UPDATE MEMO
DATE: SEPTEMBER 24, 2012

Following a successful week of meetings, I am able to report that that we have made excellent progress in the sale of Quest assets that will enable Quest to re-purchase all Notes at full face value, pay accrued interest and most all other production interest in our leases. The Buyer is a Fortune 100 company with a long, successful track record of acquiring and developing Texas oil and gas properties in partnership with the current operator. The next two steps will be first to re-format our lease/well data to be compatible with their system and then to conduct a field audit. We expect to complete these steps in the next 2-3 weeks, and at that time, we will be able to go public with an announcement of the Buyer and transaction. We are optimistic that we will achieve our previously stated target of completing the sale by the end of this year.

V:325-762-3281
F:325-762-3284

WWW.QUESTEMG.COM

64 S. JACOBS ST.
ALBANY, TX. 76430



TO: QUEST NOTE HOLDERS
FROM: PAUL DOWNEY
RE: STATUS UPDATE MEMO
DATE: OCTOBER 16, 2012

Let me begin by thanking you for your support and patience as we continue to progress in the resolution of the Note redemption.

At the April maturity date, we had what we believed to be a firm commitment from a local funding group to provide the necessary financing to retire the Notes. Due to internal problems with that company, including the sudden death of their founder, that financing never closed.

At that point, we analyzed finding the best solution that we could have confidence in. Our decision was that a partial asset sale to a proven asset buyer with a successful track record of acquisitions in the Permian Basin would be in the best interest of the Note holders and Quest. The decision required us to develop an extensive data presentation for any prospective buyers to review. That package consists, among other items, of several third-party engineering reports, over 50 subsurface maps, historical production data, service contracts, testing results and various permit filings. Concurrently, Quest was involved in the significant of drilling our first horizontal Caddo well, a watershed moment in the Company's history.

Upon completion of the data package, we identified three qualified buyers and made those presentations. Of the three, two were interested in pursuing the acquisition. Of those two, we determined to move forward with the prospective buyer that we believed offered us the best opportunity to close the transaction in the shortest time.

As of this week that prospective buyer, a Fortune 100 Company, and Quest have met 2 of the 3 pre-conditions necessary to complete the transaction. Quest is confident that the third condition can and will be met, resulting in the successful closing of the transaction by year's end.

We ask that you understand that this negotiated sale process has multiple moving parts and is structured in a way that enables Quest to retire all of the outstanding debt. We anticipate making a partial interest payment in the next 2-3 weeks, with the timetable of redeeming the Notes by the end of the year still in place. As we move closer to completing this transaction, we will provide more updates.

We appreciate your patience as we are moving to the positive conclusion of the note retirement process.

V: 325-762-3281
F: 325-762-3284

64 S. Jacobs St.
Albany, TX 76430

www.questemg.com



FAX

To: Bob Bassari **From:** Jaime Lynne Downey

Fax: [REDACTED] **Pages:** 23 inc. cover

Phone: [REDACTED] **Date:** 8/21/2009

Re: Quest Subscription Docs **CC:**

Urgent For Review Please Comment Please Reply Please Recycle

• **Comments:** PLEASE CALL 325-762-3284 IF YOU DO NOT RECEIVE ALL PAGES

Bob –

Here are the Subscription Docs, Investor Suitability Questionnaires and Broker Transaction Record form. Please feel free to call if you have any questions or need anything else. Thanks!

Jaime L. Downey
 Jaime Lynne Downey
 VP, Quest EMG

V: 325-762-3281

F: 325-762-3284

64 S. Jacobs St.
 Albany, TX 76430

www.questemg.com

EXHIBIT A

SUBSCRIPTION AGREEMENT

Amount Loaned: \$ _____

Number of Notes: _____



SUBSCRIPTION DOCUMENTS

**OFFERING OF SEVENTY (70) SENIOR PREFERRED NOTES
WITH CONVERSION OPTION**

FIFTY THOUSAND (\$50,000) DOLLARS PER NOTE

January 1, 2009

SUBSCRIPTION INSTRUCTIONS
(please read carefully)

Each subscriber for the Senior Preferred Note with Conversion Option, Fifty Thousand (\$50,000) Dollars per Note (the "Notes") of Quest Energy Management Group, Inc. a Delaware corporation ("the Company"), must complete and execute the Subscription Documents in accordance with the instructions set forth below. The completed documents should be sent to Quest Energy Management Group, Inc., 64 South Jacobs Street, Albany, Texas 76430.

Payment for the Securities should be made by check payable to the Company and enclosed with the documents as directed in Section III below.

- I. These Subscription Documents contain all of the materials necessary for you to purchase the Notes. This material is arranged in the following order:
 - Subscription Agreement
 - Promissory Note
 - Confidential Prospective Purchaser's Questionnaire
- II. All investors must complete in detail, date, initial, and sign the Subscription Documents where appropriate. All applicable sections must be filled in.
- III. Payment for the Notes must be made by check as provided below:

Please make your check payable, in the appropriate amount, for the number of Notes purchased (at Fifty Thousand (\$50,000) per Note) to "Quest Energy Management Group, Inc.". Your check should be enclosed with your signed subscription documents.

All funds received from subscribers will be placed in a segregated Holding Account of the Company. Once the minimum offering amount has been reached the funds will be transferred to the Company's operating account and will be available for use.

IV **SPECIAL INSTRUCTIONS**

FOR CORPORATIONS. Include copy of Board resolution designating the corporate officer authorized to sign on behalf of the corporation, a Board resolution authorizing the investment, and financial statements.

FOR PARTNERSHIPS. Provide a complete copy of the partnership agreement, questionnaire, and financial statements for each General Partner.

FOR TRUSTS. Provide a complete copy of the instruments or agreements creating the trust, as amended to date.

08/21/2009

Print Name of Subscriber: Ruth P. Artisuh

Amount Loaned: \$ 50,000

Number of Notes: 1

Subscription Agreement

To: Quest Energy Management Group, Inc.
64 South Jacobs Street
Albany, Texas 76430

Gentlemen:

1. **Subscription.** The undersigned hereby subscribes for _____ Senior Preferred Notes of Quest Energy Management Group, inc. (the "Company"), a Delaware corporation, and agrees to loan to the Company Fifty Thousand (\$50,000) Dollars per Note for an aggregate loan of \$_____ (the "Loan Amount") upon the terms and subject to the conditions (a) set forth herein, and (b) described in the Confidential Private Placement Memorandum ("Private Placement Memorandum") dated April 5, 2005 together with all exhibits thereto and materials included therewith, and all supplements, if any, related to this offering. The minimum loan is Fifty Thousand (\$50,000) Dollars, but the Company has the discretion to offer fractional Notes for loans less than the minimum.

2. **Note Offering.** The Company is offering Seventy (70) Senior Preferred Notes with Conversion Option at Fifty Thousand (\$50,000) Dollars per Note, with a minimum subscription of one (1) Note (the "Offering") The maximum aggregate loan to the Company from this Offering will be Three Million Five Hundred Thousand (\$3,500,000) Dollars. The Offering is being made to a limited number of investors pursuant to an exemption available under the Securities Act of 1933 (the "Act"), specifically Rule 506 promulgated under Regulation D, and under certain other laws, including the securities law of certain states.

3. **Documents to be Delivered.** The undersigned is delivering to the Company executed copies of this Subscription Agreement (the "Agreement"), the Note(s), Offeree Questionnaire, and all other applicable exhibits and documents (the "Subscription Documents"). The Subscription Documents should be delivered to Quest Energy Management Group, Inc., at 64 South Jacobs Street, Albany, TX 76430. The undersigned understands and agrees that he or it will not become a "Holder" of the Note(s) and the Company shall not become a "Maker" of the Note(s) unless and until the Agreement and Note(s) are executed by the Company.

4. **Making of Loan Amount.** The undersigned, simultaneously with the delivery of the Subscription Documents to the Company, hereby tenders to the Company the Loan Amount by check made payable to the order of Quest Energy Management Group, Inc. in the amount indicated above, or by wire transfer. (See Attached Wire Transfer Instructions)

5. **Acceptance or Rejection of Subscription.** The undersigned understands and agrees that the Company reserves the right, exercisable in its sole discretion, to accept or reject

any subscription, in whole or in part, for any reason and that the undersigned will be notified by the Company as promptly as practicable as to whether his or its subscription has been accepted or rejected. If the undersigned's subscription is accepted, in whole or in part, by the Company, the Company will execute this Agreement and the Note(s) and return them to the undersigned. If this subscription is rejected by the Company, either in whole or in part, all funds, in the case of a rejection of the subscription in whole, or those funds representing the amount of the subscription not accepted by the Company, in the case of a rejection of the subscription in part, will be returned to the undersigned as promptly as practicable. If this subscription is rejected in whole by the Company, this Agreement shall be null, void and of no effect. The undersigned does not have the right to withdraw or revoke his or its subscription during the Offering period, except as provided by certain state laws, except that if more than thirty (30) days shall have passed from the date the Company received completed and executed Subscription Documents and the Loan Amount from the undersigned (the "Acceptance Period"), and the Company has not accepted the subscription during the Acceptance Period, the undersigned may withdraw his or its subscription at any time after the Acceptance Period up until such time that the Company subsequently decides, in its sole discretion, to accept the subscription in whole or in part.

6. Offering Period. The Company may close in whole or in part or terminate this Offering under any of the following conditions:

1. Upon receipt of the maximum Offering subscription amount of Three Million Five Hundred Thousand (\$3,500,000) Dollars

2. Notwithstanding the above, this offer shall terminate one (1) year from the date of this Private Placement Memorandum; or on such later date not exceeding thirty (30) days thereafter to which the Company, in its sole discretion, may extend this Offering.

7. Closing of the Loan. The Note(s) subscribed for herein shall not be deemed made by the Company or held by the undersigned until this Agreement and the Note(s) have been countersigned by the Company, and until the funds delivered by the undersigned to the Company with the Subscription Documents have been deposited in the Holding Account and have been cleared by the applicable bank of the Company (the "Effective Date"). Upon the Effective Date, (a) the undersigned shall have loaned to the Company the Loan Amount, (b) the undersigned shall become the Holder and the Company shall become the Maker of the Note(s) subscribed for by the undersigned, and (c) both the undersigned and the Company shall be bound by the terms of the Private Placement Memorandum and the Subscription Documents and any other undertakings described herein.

8. Representations and Warranties.

(a) The Company hereby represents and warrants as follows:

(i) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted;

(ii) This Agreement constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws from time to time in effect which affect creditor's rights generally and by legal and

equitable limitations on the availability of specific performance and other equitable remedies under or by virtue of this Agreement). The Company has all requisite power and authority, corporate and other, to execute and deliver this Agreement and the Note(s) and to consummate the transactions contemplated hereby. All persons who have executed this Agreement and the Note(s) on behalf of the Company have been duly authorized to do so by all necessary corporate action. Neither the execution and delivery of this Agreement and the Note(s) nor the consummation of the transactions contemplated hereby will (A) violate any provision of the Certificate of Incorporation or by-laws of the Company, as currently in effect; (B) violate any judgment, order, injunction, decree or award against, or binding upon, the Company or the securities, assets, properties, operations or business of the Company; or (C) violate any law or regulation applicable to the Company or to the securities, assets, properties, operations or business of the Company.

(b) In order to induce the Company to accept the subscription made hereby, the undersigned hereby represents and warrants to the Company as follows:

(i) The undersigned has received the Private Placement Memorandum and the Subscription Documents. The undersigned has read and understands the Private Placement Memorandum and Subscription Documents and the information contained in those documents concerning the Company and this Offering or has caused his or its representative to read and examine the Private Placement Memorandum and Subscription Documents. The undersigned has relied only on the information about the Company contained in these documents and his or its own independent investigation in making his or its subscription. The undersigned understands that the Notes will be issued with the rights and subject to the conditions described in the Private Placement Memorandum and Subscription Documents.

(ii) The undersigned is familiar with the terms and conditions of the Offering and is aware that his or its investment involves a degree of risk and the undersigned has read the section in the Private Placement Memorandum titled "Risk Factors."

(iii) The undersigned hereby specifically accepts and adopts each and every provision of this Agreement and acknowledges and agrees with each and every provision of this Agreement and, upon acceptance by the Company of the subscription made hereby, agrees to be bound by such provisions.

(iv) The undersigned acknowledges and is aware that there is no assurance as to the future performance of the Company.

(v) The undersigned, if an individual (A) has reached the age of majority in the state in which he resides and (B) is a bona fide resident and domiciliary (not a temporary or transient resident) of the state set forth below his signature on the signature page hereof and has no present intention of becoming a resident of any other state or jurisdiction. The undersigned, if a partnership, corporation, limited liability company, trust or other entity, was organized or incorporated under the laws of the jurisdiction set forth below the signature made on its behalf on the signature page hereof and has no present intention of altering the jurisdiction of its organization, formation or incorporation.

(vi) The undersigned has the financial ability to bear the economic risk of an investment in the Offering, has adequate means of providing for his or its current needs

and personal contingencies, has no need for liquidity in the Note(s) and could afford a complete loss of his or its investment in the Offering.

(vii) The undersigned represents and warrants to the Company that he or it comes within one of the categories of investors as defined in Exhibit 1 hereto (*please indicate by providing your initials next to the appropriate category in which the undersigned is included, and if the undersigned is an Accredited Investor, check the appropriate category of Accredited Investors in which the undersigned is an entity*).

(viii) The undersigned has been given the opportunity to review the merits of an investment in the Offering with tax and legal counsel or with an investment advisor to the extent the undersigned deemed advisable.

(ix) The undersigned's overall commitment to invest in the Note(s), which are not readily marketable, is not disproportionate to his or its net worth and his or its investment in the Offering will not cause such overall commitment to become excessive.

(x) The undersigned has such knowledge and experience in financial and business matters that he or it is capable of evaluating the merits and risks of an investment in the Offering.

(xi) The undersigned has been given a full opportunity to ask questions of and to receive (A) answers from the Company and its officer and directors concerning the terms and conditions of this Offering and the business of the Company and (B) such other information as he or it desired in order to evaluate an investment in the Offering, and all such questions have been answered to the full satisfaction of the undersigned. No oral or written representations have been made or oral or written information furnished to the undersigned or the undersigned's advisors in connection with the Offering or interests that were in any way inconsistent with this Subscription Agreement. The undersigned is not participating in the Offering as a result of or subsequent to: (1) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television, radio or the internet or (2) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(xii) If the undersigned is a corporation, limited liability company, partnership, trust or other entity, it is authorized and qualified to make this loan to the Company and the person signing this Agreement on behalf of such entity has been duly authorized by such entity to do so

(xiii) If the undersigned is a corporation, limited liability company or partnership, the person signing this Agreement on its behalf hereby represents and warrants that the information contained in this Agreement completed by any shareholders of such corporation, members of such limited liability company or partners of such partnership is true and correct with respect to such shareholder, member or partner (and if any such shareholder is itself a corporation, limited liability company or partnership, with respect to all persons having an equity interest in such corporation, limited liability company or partnership, whether directly or indirectly) and that the person signing this Agreement has made due inquiry to determine the truthfulness and accuracy of the information contained in this Agreement.

(xiv) The purchase of the Note(s) by the undersigned has been duly authorized, and the execution, delivery and performance of this Agreement does not conflict

with the undersigned's partnership agreement, certificate of incorporation, by-laws, articles of organization, operating agreement or any agreement to which the undersigned is a party and this Agreement is a valid and binding agreement enforceable against the undersigned in accordance with its terms.

(xv) The undersigned hereby represents that he or it is subscribing for the Notes as principal or as trustee, solely for the account of the undersigned, for investment purposes only and not with a view to, or for, subdivision, resale, distribution, or fractionalization thereof, in whole or in part, or for the account, in whole or in part, of others, and, except as disclosed herein, no other person has a direct or indirect beneficial interest in the Note(s). The undersigned will hold the Note(s) as an investment and has no reason to anticipate any change in circumstances or other particular occasion or event, which would cause the undersigned to attempt to sell any of the Note(s).

(xvi) The undersigned acknowledges his or its understanding that (A) the Offering of the Note(s) by the Company has not been registered under the Act, as amended, or the securities laws of certain states in reliance on specific exemptions from registration, (B) the Confidential Memorandum and Subscription Documents have not been filed with or reviewed by the Securities and Exchange Commission or the securities department of any state and no securities administrator of any state or the federal government has recommended or endorsed this Offering or made any finding or determination relating to the fairness of an investment in the Company, and (C) the Offering of the Note(s) by the Company is intended to be exempt from registration pursuant to Section 4 (2) of the Act and the rules promulgated thereunder by the Securities and Exchange Commission, and that the undersigned's Note(s) cannot be sold, pledged, assigned or otherwise disposed of unless they are registered under the Act or an exemption from such registration is available.

(xvii) The undersigned represents and warrants that he or it will not transfer or convey all or part of his or its financial interest in the Note(s) unless such Note(s) are subsequently registered under the Act, or an exemption from such registration is available and without (A) the prior written consent of the Company and (B) an opinion of counsel acceptable to the Company and its counsel to the effect that the Note(s) may be transferred without violation of the registration requirements of the Act or any applicable state securities laws, as may be amended from time to time. The undersigned further acknowledges that there can be no assurance that the Company will file any registration statement for the Note(s) for which the undersigned is subscribing, that such registration statement, if filed, will be declared effective or, if declared effective, that the Company will be able to keep it effective until the undersigned sells the Note(s) registered thereon.

(xviii) The undersigned understands that this Agreement is subject to the Company's acceptance and may be rejected by the Company at any time in its sole discretion in whole or any part prior to issuance of the Note(s) with respect to the undersigned's subscription, notwithstanding prior receipt by the undersigned of notice of acceptance of the undersigned's subscription. The Company reserves the right to withdraw the Offering at any time.

(xix) The undersigned acknowledges that this Agreement shall become binding upon the undersigned when it is countersigned by the Company and the undersigned is not entitled to cancel, terminate, or revoke this subscription before or after acceptance by the Company, except as otherwise provided in this Agreement

(xx) All information provided by the undersigned in the Investor Questionnaire and Investor Representative Questionnaire (if applicable) which accompanies this Agreement is true and accurate in all respects, and the undersigned acknowledges that the Company will be relying on such information to its possible detriment in deciding whether the Company can make these Note(s) to the undersigned without giving rise to the loss of an exemption from registration under the applicable securities laws.

9. **Foreign Person.** If the undersigned has indicated on the signature page of this Agreement that he, she or it is a foreign person, he, she or it agrees to notify the Company in writing within sixty (60) days of becoming a nonresident alien, foreign corporation, foreign partnership, foreign trust, foreign estate or other foreign entity, as the case may be.

10. **Indemnity.** The undersigned agrees to indemnify and hold harmless the Company, its officers, directors, shareholders, agents, attorneys and affiliates and each other person, if any, who controls any thereof, within the meaning of Section 15 of the Act, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty or breach or failure by the undersigned to comply with any covenant or agreement made by the undersigned herein or in this Agreement or in any other document furnished by the undersigned to any of the foregoing in connection with this transaction.

11. **Notice.** All notices in connection with this Agreement shall be in writing and personally delivered or delivered via overnight mail, with written receipt therefore, or sent by certified mail, return receipt requested, to each of the parties hereto at their addresses set forth above (or such other address as may hereafter be designated by either party in writing in accordance with this Section 11) with a copy, in the case of notice to the Company, to Quest Energy Management Group, Inc., at 64 South Jacobs Street, Albany, TX 76430. Such notice shall be effective upon personal or overnight delivery or five (5) days after mailing by certified mail.

12. **Miscellaneous.**

(a) This Agreement is not assignable by the undersigned. This Agreement shall be binding upon and shall inure to the benefit of the parties, their successors and, subject to the above limitation, their assigns, and shall not be enforceable by any third party.

(b) This Agreement shall be deemed to have been made in the State of Texas and any and all performance hereunder, or breach thereof, shall be interpreted and construed pursuant to the laws of the State of Texas without regard to conflict of laws rules applied in State of Texas. The parties hereto hereby consent to personal jurisdiction and venue exclusively in the State of Texas with respect to any action or proceeding brought with respect to this Agreement.

(c) This Agreement contains all oral and written agreements, representations and arrangements between the parties with respect to its subject matter, and no representations or warranties are made or implied, except as specifically set forth herein. No modification, waiver or amendment of any of the provisions of this Agreement shall be effective unless in writing and signed by both parties to this Agreement.

(d) No waiver of any breach of any terms of this Agreement shall be effective unless made in writing signed by the party against whom enforcement of the waiver is sought, and no such waiver shall be construed as a waiver of any subsequent breach of that term or of any other term of the same or different nature.

(e) If any provision or portion of this Agreement or the application thereof to any person or party or circumstances shall be invalid or unenforceable under applicable law, such event shall not affect, impair, or render invalid or unenforceable the remainder of this Agreement.

(f) Each of the parties hereto shall cooperate and take such actions, and execute such other documents, at the execution hereof or subsequently, as may be reasonably requested by the other in order to carry out the provisions and purposes of this Agreement.

IN WITNESS WHEREOF, the undersigned, by his or its execution hereof, agrees to be bound by this Agreement.

Executed this 21st day of August, 2009, at Davis (City),
Illinois (State).

If the Investor is an **INDIVIDUAL**, complete the following:

The undersigned (circle one): [is] [is not] a citizen or resident of the United States.

Ruth P. Artisuk
Print Name of Individual:


Alexander A. Artisuk
Print Name of Spouse if Funds are to be
invested in Joint Name or are Community
Property:


Print Social Security Number of Individual:


Print Social Security Number of Spouse

.....
Signature of Individual

.....
Signature of Spouse if Funds are to be
Invested in Joint Name or are Community
Property

.....
Print Address of Residence:


.....
Print Telephone Number:


The investor is **PARTNERSHIP, CORPORATION, TRUST OR OTHER ENTITY**, complete the following:

The undersigned (*circle one*) [is] [is not] a foreign partnership, foreign corporation, trust or foreign estate (as defined in the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated thereunder).

Print Name of Partnership, Corporation, Trust or Entity:

Title of Authorized Representative

Signature of Authorized Representative

Print Jurisdiction of Organization or Incorporation

Print Name of Authorized Representative

Print Federal Tax Identification Number

Print Address of Residence:

Print Telephone Number:

()

ACCEPTANCE

The terms of the foregoing, including the subscription described therein, are agreed to and accepted on this ____ day of _____, 200__.

Quest Energy Management Group, Inc.,

By: _____

**EXHIBIT 1
INVESTOR STATUS**

(Please indicate by providing your initials next to the appropriate category in which the undersigned is included, and if the undersigned is an Accredited Investor, check the appropriate category of Accredited Investors in which the undersigned is an entity).

RA *AAA*
initials

A. "Accredited Investor" The undersigned is an Accredited Investor as defined below (check applicable box):

1. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds One Million (\$1,000,000) Dollars;

2. Any natural person who had an individual income in excess of Two Hundred Thousand (\$200,000) Dollars in each of the two most recent years, or joint income with that person's spouse in excess of Three Hundred Thousand (\$300,000) Dollars in each of those years and has a reasonable expectation of reaching the same income level in the current year;

3. Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(a)(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company, as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U. S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefits of its employees if such plan has total assets in excess of Five Million (\$5,000,000) Dollars; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, (as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser) or if the employee benefit plan has total assets in excess of Five Million (\$5,000,000) Dollars if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

4. Any private business development company (as defined in Section 202(a)(22) of the Investment Advisers Act of 1940);

5. Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered with total assets in excess of Five Million (\$5,000,000) Dollars;

6. Any director, executive officer or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

7. Any trust, with total assets in excess of Five Million (\$5,000,000) Dollars, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii); and

8. Any entity in which all of the equity owners are Accredited Investors.

NOTE: Entities (a) which are formed for the purpose of investing in the Company, or (b) the equity owners of which have contributed additional capital for the purpose of investing in the Company, shall be "looked through" and each equity owner must meet the definition of an accredited investor in any of paragraphs 1, 2, 3, 4, 5, 6 or 7 above and will be treated as a separate subscriber who must meet all suitability requirements.

* If this box is checked, please indicate on a separate schedule to be attached hereto, the category of Accredited Investor in which each equity owner of such entity is included.

EXHIBIT B

SENIOR PREFERRED NOTE WITH CONVERSION OPTION



SENIOR PREFERRED NOTE WITH CONVERSION OPTION

THIS NOTE HAS BEEN MADE FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO OR FOR SALE IN CONNECTION WITH THE DISTRIBUTION THEREOF AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THIS NOTE MAY NOT BE SOLD, TRANSFERRED, OR ASSIGNED ("TRANSFER") UNLESS IT IS SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE MAKER CONSENTS IN WRITING TO SUCH TRANSFER.

Quest Energy Management Group, Inc., a Delaware Corporation, with offices at 64 South Jacobs Street, Albany, TX 76430 (the "Maker"), for value received, promises to pay to the individual and/or legal entity designated in this Senior Preferred Note with Conversion Option as the "HOLDER," the principal sum of \$50,000.00 (\$) Dollars with an annualized rate of return of ten percent (10%). Interest shall be due and payable quarterly and based on the commencement date of the Note. The entire Principal, plus 25%, shall be due and payable to the Holder no later than April 1, 2012.

At the maturity date, April 1, 2012, at the sole discretion of the Note Holder, the Note holder may choose to convert the Note to a pro-rata share of 25% Working Interest (.3571% per \$50,000 Note) in Quest EMG's KPC Austin Chalk Project *in lieu of* the 125% return on the original Note amount. Quest EMG will provide Note holders with a detailed valuation of the KPC Austin Chalk Program 60 days before the maturity date.

1. NOTES

This Note in the principal amount of Fifty Thousand (\$50,000) Dollars per Note, or any fractional amounts, is offered for sale by the Maker, pursuant to that certain "Private Placement Memorandum" dated January 1, 2009. The Note shall be senior debt of the Maker.

2. EVENTS OF DEFAULT

A default shall be defined as one or more of the following events ("Event of Default") occurring and continuing.

(a) The Maker shall fail to pay any interest payment on this Note when due for a period of thirty (30) days after notice of such default has been sent by the Holder to the Maker.

(b) The Maker shall dissolve or terminate the existence of the Maker.

(c) The Maker shall file a petition in bankruptcy, make an assignment for the benefit of its creditors, or consent to or acquiesce in the appointment of a receiver

for all or substantially all of its property, or a petition for the appointment of a receiver shall be filed against the Maker and remain unstayed for at least ninety (90) days.

Upon the occurrence of an Event of Default, the Holder of this Note may, by written notice to the Maker, declare the unpaid principal amount and all accrued interest of the Note immediately due and payable.

3. SECURITY FOR PAYMENT OF THE NOTE(S)

The Note(s) offered by the MAKER are considered Senior to any other corporate debt in the event of default.

4. COMMENCEMENT DATE OF THE NOTE

The Commencement Date of the Note shall be the "Effective Date," as defined in that certain "Subscription Agreement" attached as Exhibit A to the Private Placement Memorandum.

5. STATUS OF HOLDER

The Maker may treat the Holder of this Note as the absolute owner of this Note for the purpose of making payments of principal or interest and for all other purposes, and shall not be affected by any notice to the contrary, unless the Maker so consents in writing.

6. SECURITIES ACT RESTRICTIONS

This Note has not been registered for sale under the Act. This Note may not be sold, offered for sale, pledged, assigned or otherwise disposed of, unless certain conditions are satisfied, as more fully set forth in the Subscription Agreement.

7. ATTORNEYS' FEES

The prevailing party in an action to enforce this Note shall be entitled to reasonable attorneys' fees, costs and collection expense.

8. MISCELLANEOUS.

(a) **Successors and Assigns.** The Holder may not assign, transfer or sell this Note to any party without the express written consent of the Maker. This Note shall be binding upon and shall inure to the benefit of the parties, their successors and, subject to the above limitation, their assigns, and shall not be enforceable by any third party

(b) **Entire Agreement.** This Note contains all oral and written agreements, representations and arrangements between the parties with respect to its subject matter, and no representations or warranties are made or implied, except as specifically set forth herein. No modification, waiver or amendment of any of the provisions of this Note shall be effective unless in writing and signed by both parties to this Note.

(c) **Notices.** All notices in connection with this Note shall be in writing and personally delivered or delivered via overnight mail, with written receipt therefore, or sent by certified mail, return receipt requested, to each of the parties hereto at their addresses set forth above (or such other address as may hereafter be designated by either party in writing in accordance with this Section 8) with a copy to Quest Energy Management Group, Inc., 64 South Jacobs Street, Albany, TX 76430. Such notice shall be effective upon personal or overnight delivery or five (5) days after mailing by certified mail.

(d) **Section Headings.** The headings of the various sections of the Note have been inserted as a matter of convenience for reference only and shall be of no legal effect.

(e) **Severability.** If any provision or portion of this Note or the application thereof to any person or party or circumstances shall be invalid or unenforceable under applicable law, such event shall not affect, impair, or render invalid or unenforceable the remainder of this Note.

(f) **Applicable Law.** This Note shall be deemed to have been made in the State of Texas, and any and all performance hereunder, or breach thereof, shall be interpreted and construed pursuant to the laws of the State of Texas without regard to conflict of laws rules applied in the State of Texas. The parties hereto hereby consent to personal jurisdiction and venue exclusively in the State of Texas with respect to any action or proceeding brought with respect to this Note.

Maker:

Quest Energy Management Group, Inc.,
a Delaware corporation
64 South Jacobs Street
Albany, TX 76430

Holder:

.....
Print Name:

Date: _____

08-21-09;15:23 ;Quest_Energy_Management_Group 13122403799 ;

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EXHIBIT C
INVESTOR SUITABILITY QUESTIONNAIRE



INVESTOR SUITABILITY QUESTIONNAIRE

To: Prospective Purchasers of Senior Preferred Notes with Conversion Option offered by Quest Energy Management Group, Incorporated.

The purpose of this Questionnaire is to solicit certain information regarding your financial status to determine whether you are an "Accredited Investor", as defined under applicable Federal and State securities laws, and otherwise meet the suitability criteria established by the Company for purchasing Secured Corporate Notes. *This Questionnaire is not an offer to sell securities.*

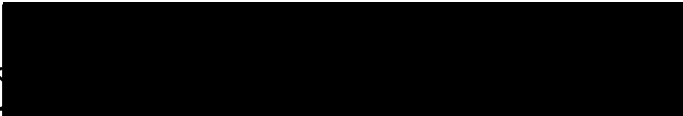
Your answers will be kept as confidential as possible. You agree, however, that this Questionnaire may be shown to such persons as the Company deems appropriate to determine your eligibility as an Accredited Investor or to ascertain your general suitability for purchase of the Secured Corporate notes.

Please answer all questions completely and execute the signature page.

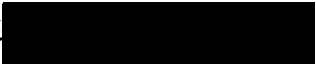
A. Personal

1. Name: Ruth P. Artwick & Alexander A. Artwick

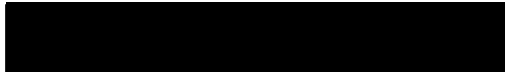
2. Address of Principal Residence:



County:



3. Residence Telephone:



4. Where are you registered to vote? Illinois

5. Your driver's license was issued by what state? Illinois

6. Other residences or Contacts: Please identify any other state where you own a residence, are registered to vote, pay income taxes, hold a driver's license or have any other contacts, and describe your connection with such state:

NA

7. Please send all correspondence to:

- 1. Residence Address (as set forth in Item A-2)
- 2. Business Address (as set forth in item B-1)

8. Date of Birth: [Redacted] & [Redacted]

9. Citizenship: U.S. & U.S.

10. Social Security or Tax Identification Number: [Redacted] & [Redacted]

B. Occupations and Income

1. Occupation: Retired (both)

a. Business Address: _____

b. Business Telephone Number: () _____

2. Gross Income during each of the last two years exceeded:

- a. () \$25,000
- b. () \$50,000
- c. \$100,000
- d. () \$200,000

3. Joint gross income with spouse during each of the last two years exceeded \$300,000

- a. () Yes
- b. No

4. Estimated gross income during current year exceeds:

- a. () \$25,000
- b. () \$50,000
- c. \$100,000
- d. () \$200,000

5. Estimated joint gross income with spouse during current year exceeds \$300,000

- a. () Yes
- b. No

C. Net Worth

1. Current net worth or joint net worth with spouse (note that "net worth" includes all of the assets owned by you and your spouse in excess of total liabilities, including the fair market value, less any mortgage, of your principal residence.)

- a. () \$50,000 - \$100,000
- b. () \$100,000 - \$250,000
- c. () \$250,000 - \$500,000
- d. () \$500,000 - \$750,000
- e. () \$750,000 - \$1,000,000
- f. over \$1,000,000

2. Current value of liquid assets (cash, freely marketable securities, cash surrender value of life insurance policies, and other items easily convertible into cash) is sufficient to provide for current needs and possible personal contingencies:

- a. Yes b. () No

D. Affiliation with the Company

Are you a director or executive officer of the Company?

- a. () Yes b. No

E. Investment Percentage of Net Worth

If you expect to purchase at least \$150,000 of Quest Energy Management Group, Incorporated Senior Preferred Notes, does your total purchase price exceed 10% of your net worth at the time of sale, or joint net worth with your spouse?

- a. () Yes b. No

F. Consistent Investment Strategy

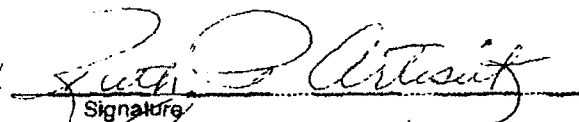
Is this investment consistent with your overall investment strategy?

- a. Yes b. () No

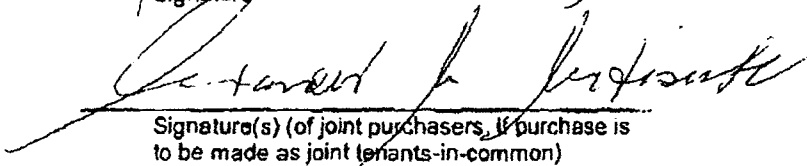
G. Prospective Investor's Representations

The information provided in this Questionnaire is true and complete, and the undersigned understands that the Company and its counsel will rely on such information for the purpose of complying with all applicable securities laws as discussed above. The undersigned agrees to notify the Company promptly of any change in the foregoing information which may occur prior to any purchase by the undersigned of securities from the Company.

Prospective Investor:


Signature

Date: 08/21/2009


Signature(s) (of joint purchasers, if purchase is to be made as joint tenants-in-common)



BROKER TRANSACTION RECORD

KPC Production Project - Quest Austin Chalk Program

Standards of suitability have been established by the Program Sponsor and fully disclosed in the Memorandum under "Who May Invest" and in the Purchase Agreement. Before recommending purchase of an Interest, the undersigned has a reasonable grounds to believe, and in fact believes on the basis of information supplied by the prospective investor concerning its investment objectives, other investments, financial situation and needs, and other pertinent information that: (a) the prospective investor is an "accredited investor" as defined in Section 501(a) of Regulation D of the Securities Act of 1933, as amended, and meets the financial suitability and other purchaser requirements set forth in the Memorandum and the Purchase Agreement; (b) the prospective investor has a net worth and income sufficient to sustain the risks inherent in the Interests, including loss of investment and lack of liquidity; (c) there is an adequate pre-existing relationship (one that enables the undersigned to evaluate the sophistication and financial circumstances of the potential investor) between the prospective investor and the undersigned that predates the Offering and the contemplation of the Offering; (d) the Interests are otherwise suitable for the prospective investor; (e) the prospective purchaser has a fair market net worth sufficient to sustain the risks inherent in an investment in the Interests, including, but not limited to, total loss of his or her investment, lack of liquidity and other risks described in the Memorandum; (f) any prospective investor is aware of, the risks associated with and rules relating to like kind exchanges of property under Section 1031 of the Internal Revenue Code of 1986, as amended, and shall have complied with all FINRA rules and guidance relating to such investments. The undersigned will maintain in our files documents disclosing the basis upon which the suitability of this subscriber was determined. The undersigned verifies that the subscription of the prospective investor either does not involve a discretionary account or, if so, that the prospective investor's prior written approval was obtained relating to the liquidity and marketability of the Interests during the term of the purchase. The undersigned further verifies that it has not conducted any "general solicitation" or "general advertising" (as those terms are used in Regulation D of the Securities Act of 1933, as amended) in connection with the offer of the Interests to the prospective investor.

Broker/Dealer Firm Name: Workman Securities Corp.

Registered Representative (print): Bob Bassani

Registered Representative Branch Address: [REDACTED]

City, State, Zip: [REDACTED]

Branch Phone #: [REDACTED] Branch Fax: [REDACTED]

Registered Representative's Email Address: [REDACTED]

I hereby certify that I am registered in ILLINOIS, the State of Sale.

Registered Representative's signature: [Signature]

Date 08/21/2009

WORKMAN SECURITIES CORPORATION

INVESTMENT/INSURANCE EXCHANGE FORM

You should make a careful comparison of your existing benefits versus the proposed benefits whenever you consider changing, surrendering or discontinuing an existing insurance policy, annuity contract or other investments. You should make sure that you fully understand both the advantages and disadvantages of the transaction as well as any potential tax liability that you may result from your decision to replace your current coverage or investments.

A. Existing Policy/ Investment:
 Issuing Company Name: First State Bank of Davis Account/Policy #: Checking
 Original Investment Date: 1994 Original Agent: N/A
 Current Account Value: 100K

Type of Policy/Investment:
 Variable Life Mutual Fund – List funds and share class: _____
 Other Life Insurance (i.e. universal life) _____
 Variable Annuity Other: Checking Acct
 Fixed Annuity _____

B. Proposed Policy/Investment:
 Issuing Company: Quest Energy
 Type of Policy/Investment:
 Variable Life Mutual Fund – List funds and share class: _____
 Other Life Insurance (i.e. universal life) _____
 Variable Annuity Other: Private Placement
 Managed Account _____
 Fixed Annuity _____

C. What effect will the Proposed Transaction have on the original policy/investment?
 Full Surrender or withdrawal Partial surrender or withdrawal Loan Other _____

D. Please answer each of the following questions:
 1. Will you incur a surrender charge on your existing policy/investment as a result of this transaction?
 Yes No If YES, dollar amount \$ _____ and percentage ____%
 2. Will your new product be subject to a surrender charge?
 Yes No If YES, surrender charge period is 3 years.
 3. Will your new product be subject to any front end sales charges? Yes No
 4. Will you incur a tax liability as a result of this transaction? Yes No
 5. If existing investment is an employer sponsored plan, is this a forced distribution? Yes No N/A
 6. Was this transaction solicited or unsolicited
 7. I have received a current prospectus for the product I am purchasing. Yes No
 8. Will you lose existing benefits on your existing policy/investment as a result of this transaction? Yes No If YES, explain in section F below.

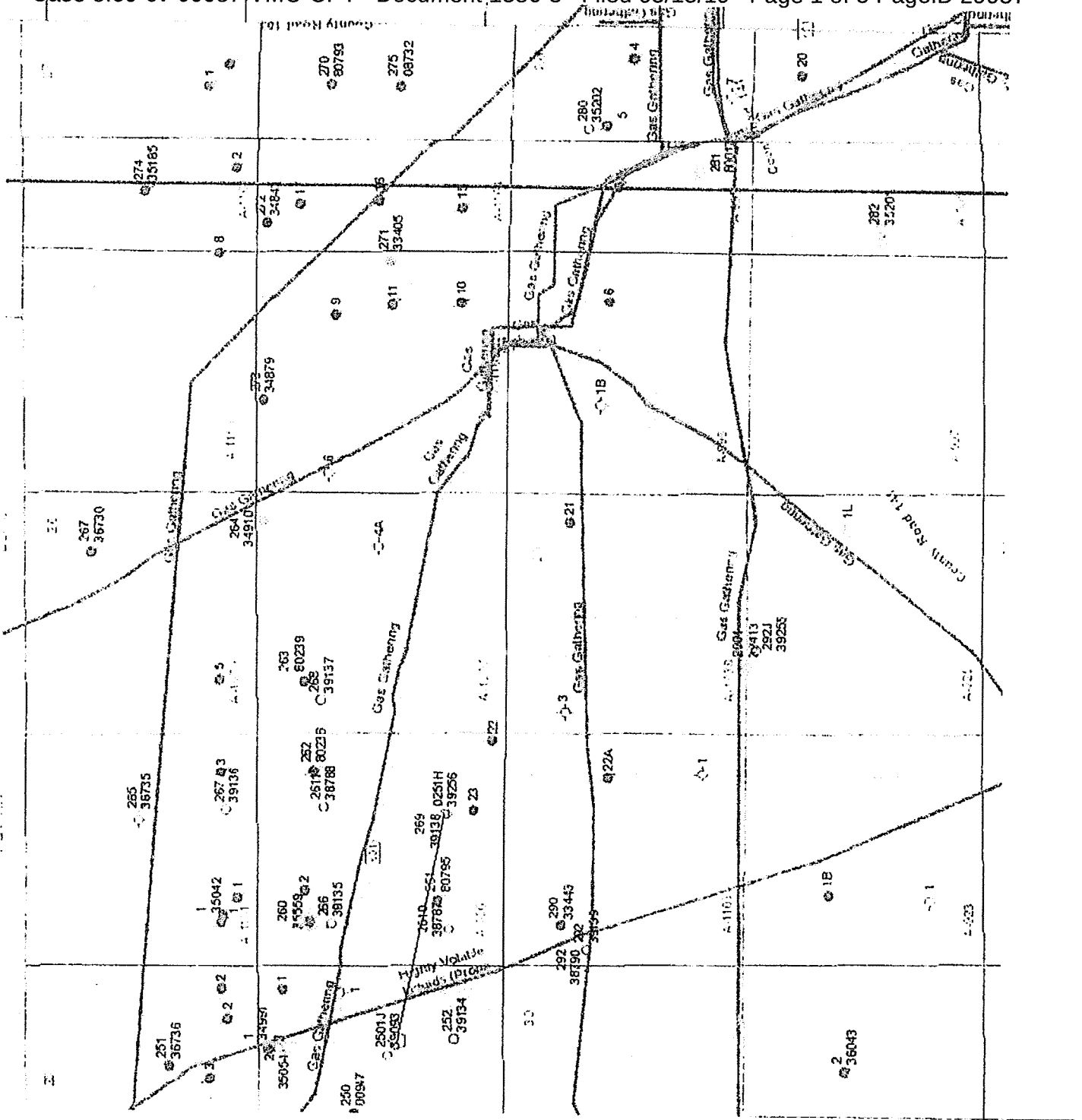
E. Risk: (check one)
 My investment risk is increased because the new fund/annuity is more aggressive. no FDIC insurance
 My investment opportunity for capital growth is decreased because the new fund/annuity is more conservative.
 The old and new fund/annuity is in the same general investment category.

F. Explanation for Exchange:
 Please provide a detailed explanation why the proposed policy/investment is better than the existing policy/investment (i.e. diversification, product features, tax planning). If poor investment performance is the reason, please provide the past performance figures.(attach an additional page, if necessary):
client looking to diversify investments

G. Client Certification:
 I understand it is not Workman Securities Corporation's policy to recommend the sales/surrender and subsequent purchase of an investment or insurance product unless my financial or personal objectives can be better served. I understand that this change may cause me to incur a surrender charge on the product being surrendered, start a new surrender charge period, and/or incur additional sales charges. For a life insurance product, I understand that this change will establish a new contestability/suicide period in certain states.

Owner(s) Printed Name: Ruth P. Artisuk & Alexander A. Artisuk
 Owner(s) Signature: Ruth P. Artisuk Alexander A. Artisuk Date 08/21/09
 Registered Representative Signature: [Signature] Representative Number 88068 Date 08/21/09
 Broker Dealer Signature: _____ Date _____

Not FDIC/NCUA insured - May lose value - Not bank/CU guaranteed - Not a deposit - Not insured by any federal agency



Area Texas Railroad Co.

API No. <u>42-417-39138</u>		RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION				FORM W-1 07/2004		
Drilling Permit # <u>706705</u>		APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER				Permit Status: <u>Approved</u>		
SWR Exception Case/Docket No. _____		<i>This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.</i>						
1. RRC Operator No <u>684615</u>		2. Operator's Name (as shown on form P-5, Organization Report) <u>QUEST EMG, INC.</u>			3. Operator Address (include street, city, state, zip) <u>C/O WIAND GUERRA KING P.L. 5505 WEST GRAY STREET TAMPA, FL 33609-0000</u>			
4. Lease Name <u>MUSSELMAN CADDO UNIT</u>			5. Well No. <u>269</u>					
GENERAL INFORMATION								
6. Purpose of filing (mark ALL appropriate boxes): <input checked="" type="checkbox"/> New Drill <input type="checkbox"/> Recompletion <input type="checkbox"/> Reclass <input type="checkbox"/> Field Transfer <input type="checkbox"/> Re-Enter <input type="checkbox"/> Amended <input type="checkbox"/> Amended as Drilled (BHL) (Also File Form W-1D)								
7. Wellbore Profile (mark ALL appropriate boxes): <input checked="" type="checkbox"/> Vertical <input type="checkbox"/> Horizontal (Also File Form W-1H) <input type="checkbox"/> Directional (Also File Form W-1D) <input type="checkbox"/> Sidetrack								
8. Total Depth <u>3800</u>		9. Do you have the right to develop the minerals under any right-of-way? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
SURFACE LOCATION AND ACREAGE INFORMATION								
11. RRC District No. <u>7B</u>		12. County <u>SHACKELFORD</u>		13. Surface Location <input checked="" type="checkbox"/> Land <input type="checkbox"/> Bay/Estuary <input type="checkbox"/> Inland Waterway <input type="checkbox"/> Offshore				
14. This well is to be located <u>9</u> miles in a <u>SE</u> direction from <u>Albany</u> which is the nearest town in the county of the well site.								
15. Section <u>26</u>		16. Block		17. Survey <u>BAL/CLARK, G M</u>		18. Abstract No. <u>A-956</u>	19. Distance to nearest lease line: <u>4352</u> ft.	20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>3385.56</u>
21. Lease Perpendiculars: <u>4652</u> ft from the <u>NORTH</u> line and <u>7015</u> ft from the <u>WEST</u> line.								
22. Survey Perpendiculars: <u>1700</u> ft from the <u>WEST</u> line and <u>650</u> ft from the <u>SOUTH</u> line.								
23. Is this a pooled unit? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		24. Unitization Docket No.: <u>7B-85330</u>		25. Are you applying for Substandard Acreage Field? <input type="checkbox"/> Yes (attach Form W-1A) <input checked="" type="checkbox"/> No				
FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.								
26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)			29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
7B	64065500	MUSSELMAN (CADDO)			Injection Well	3800	1778.00	25
BOTTOMHOLE LOCATION INFORMATION is required for DIRECTIONAL, HORIZONTAL, AND AMENDED AS DRILLED PERMIT APPLICATIONS								
Remarks [FILER Nov 8, 2010 4:22 PM]: Proposed Injection Well; [RRC STAFF Dec 16, 2010 11:14 AM]: Permit 652222 API 417 38794 expired 2/15/10.; [RRC STAFF Dec 16, 2010 11:20 AM]: Permit for Well #2810 expired 2/12/10. Changed nearest well distance from 1039' to 1778' per plat and WBTM.; [RRC STAFF Dec 16, 2010 4:02 PM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Dec 17, 2010 9:57 AM]: Per Angela Moore, "I apologize. It should be 4352' to the NW. It was a typo."; [RRC STAFF Dec 17, 2010 9:58 AM]: Problems identified with this permit are resolved.					Certificate: I certify that information stated in this application is true and complete, to the best of my knowledge. <u>Angela Moore, Regulatory Coordinator</u> <u>Dec 08, 2010</u> Name of filer Date submitted <u>(325)7623281</u> <u>angela.moore@questemg.com</u> Phone E-mail Address (OPTIONAL)			
RRC Use Only		Data Validation Time Stamp: Nov 9, 2017 12:41 PM(Current Version)						



Oil & Gas Data Query

Query Menu [Help](#)

Specific Lease Query Results

Query Path: [Search Criteria](#) > District: 7B
Date Range: Sep 2016 to Aug 2017

- Related Links**
[O&G Directory](#)
[O&G Proration Schedule](#)
[Offshore County Map](#)

[Production and Total Disposition](#) [Disposition Details](#) [County Production](#)

Search Criteria:

Lease Name: MUSSELMAN CADDO UNIT , Lease No.: 22957

Well Type: Oil

District: 7B

Lease Production and Disposition

Date Range: Sep 2016 - Aug 2017

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Date	OIL (BBL)		Casinghead (MCF)		Operator Name	Operator No.	Field Name	Field No.
	Production	Disposition	Production	Disposition				
Sep 2016	345	411	8,071	8,071	QUEST EMG, INC.	684615	MUSSELMAN (CADDO)	64065500
Oct 2016	331	330	8,178	8,178				
Nov 2016	258	335	7,704	7,704				
Dec 2016	195	169	7,481	7,481				
Jan 2017	209	166	7,441	7,441				
Feb 2017	194	171	6,847	6,847				
Mar 2017	423	507	7,582	7,582				
Apr 2017	287	342	7,160	7,160				
May 2017	322	166	7,398	7,398				
Jun 2017	268	340	6,959	6,959				

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Search Criteria:									
Lease Name: MUSSELMAN CADDO UNIT, Lease No.: 22957									
Well Type: Oil									
District: 7B									
Lease Production and Disposition									
Date Range: Sep 2010 - Aug 2017									
Date	Oil (BBL)		Casinghead (MCF)		Operator Name	Operator No.	Field Name	Field No.	
	Production	Disposition	Production	Disposition					
Sep 2010	706	585	8,644	8,644	QUEST EMG, INC.	684615	MUSSELMAN (CAD)	64065500	
Oct 2010	870	852	9,208	9,208					
Nov 2010	477	667	8,752	8,752					
Dec 2010	572	488	8,678	8,678					
Jan 2011	691	508	8,398	8,398					
Feb 2011	261	342	7,267	7,267					
Mar 2011	552	664	10,746	10,746					
Apr 2011	385	329	9,198	9,198					
May 2011	473	494	9,913	9,913					
Jun 2011	403	327	9,604	9,604					
Jul 2011	460	483	10,092	10,092					
Aug 2011	367	489	9,789	9,789					
Sep 2011	379	338	9,561	9,561					
Oct 2011	373	327	9,686	9,686					
Nov 2011	451	497	9,166	9,166					
Dec 2011	302	339	9,438	9,438					
Jan 2012	312	165	9,461	9,461					
Feb 2012	662	667	8,804	8,804					
Mar 2012	176	333	9,010	9,010					
Apr 2012	243	153	8,564	8,564					
May 2012	423	499	8,547	8,547					
Jun 2012	354	319	8,230	8,230					
Jul 2012	417	314	8,278	8,278					
Aug 2012	399	494	8,439	8,439					
Sep 2012	371	337	8,285	8,285					
Oct 2012	205	334	8,094	8,094					
Nov 2012	163	0	7,747	7,747					
Dec 2012	156	392	7,886	7,886					
Jan 2013	181	0	7,739	7,739					
Feb 2013	154	170	6,929	6,929					
Mar 2013	169	161	7,419	7,419					
Apr 2013	173	163	7,024	7,024					
May 2013	153	168	6,234	6,234					
Jun 2013	101	166	5,544	5,544					
Jul 2013	281	332	6,908	6,908					
Aug 2013	719	694	7,862	7,862					
Sep 2013	606	502	8,297	8,297					
Oct 2013	605	520	8,744	8,744					
Nov 2013	387	509	8,208	8,208					
Dec 2013	384	345	8,110	8,110					
Jan 2014	222	322	5,580	5,580					
Feb 2014	0	0	0	0					
Mar 2014	0	0	0	0					
Apr 2014	231	165	7,197	7,197					
May 2014	299	153	7,056	7,056					
Jun 2014	488	472	6,945	6,945					
Jul 2014	488	481	6,822	6,822					
Aug 2014	528	660	8,290	8,290					
Sep 2014	478	492	8,272	8,272					
Oct 2014	473	335	8,944	8,944					
Nov 2014	279	335	8,527	8,527					
Dec 2014	392	322	8,656	8,656					
Jan 2015	376	506	8,444	8,444					
Feb 2015	333	161	7,534	7,534					
Mar 2015	343	491	8,767	8,767					
Apr 2015	371	475	8,654	8,654					
May 2015	344	327	8,845	8,845					
Jun 2015	288	346	8,445	8,445					
Jul 2015	246	170	8,611	8,611					
Aug 2015	376	333	8,916	8,916					
Sep 2015	300	332	8,540	8,540					
Oct 2015	174	165	8,495	8,495					
Nov 2015	345	325	7,542	7,542					
Dec 2015	257	167	8,377	8,377					
Jan 2016	341	505	8,615	8,615					

Feb 2016	257	319	8,105	8,105				
Mar 2016	295	169	8,685	8,685				
Apr 2016	218	260	2,628	2,628				
May 2016	309	260	8,372	8,372				
Jun 2016	58	0	6,844	6,844				
Jul 2016	450	396	6,379	6,379				
Aug 2016	334	335	8,414	8,414				
Sep 2016	345	411	8,071	8,071				
Oct 2016	331	330	8,178	8,178				
Nov 2016	258	335	7,704	7,704				
Dec 2016	195	169	7,481	7,481				
Jan 2017	209	166	7,441	7,441				
Feb 2017	194	171	6,847	6,847				
Mar 2017	423	507	7,582	7,582				
Apr 2017	287	342	7,160	7,160				
May 2017	322	166	7,398	7,398				
Jun 2017	268	340	6,959	6,959				
Jul 2017	271	338	6,748	6,748				
Aug 2017	255	390	6,830	6,830				
Total	28778	28890	664403	664403				