

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Mitchell Energy Advisors, LLC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

7515 Greenville Avenue, STE 905

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Dallas

TX

75231

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Mike Mitchell

469-916-7484

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Turner, Stone & Company, L.L.P.

(Name - if individual, state last, first, middle name)

12700 Park Central Dr., STE 1400 Dallas

TX

75251

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

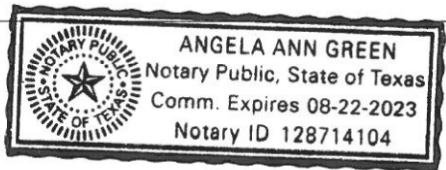
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Mike Mitchell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mitchell Energy Advisors, LLC, as of December 31, 2019, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

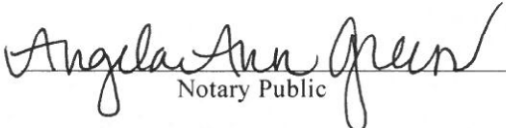
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Signature

Chief Financial Officer

Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

*\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

**Mitchell Energy Advisors, LLC**

**Financial Statements**

**and**

**Report of Independent Registered Public Accounting Firm**

**For the Year Ended December 31, 2019**

## **TABLE OF CONTENTS**

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Report of Independent Registered Public Accounting Firm

To the Member of Mitchell Energy Advisors, LLC

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Mitchell Energy Advisors, LLC (the "Company") as of December 31, 2019 and the related statements of operations and member's capital and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Turner, Stone & Company, L.L.P.  
Accountants and Consultants

12700 Park Central Drive, Suite 1400  
Dallas, Texas 75251

Telephone: 972-239-1660 / Facsimile: 972-239-1665

Toll Free: 877-853-4195

Web site: turnerstone.com



INTERNATIONAL ASSOCIATION OF ACCOUNTANTS AND AUDITORS

### Opinion on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the Supplemental Schedule required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the Supplemental Schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Turner Stone & Company L.L.P.*

Certified Public Accountants

We have served as the Company's auditor since 2005.

February 27, 2020

**MITCHELL ENERGY ADVISORS, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2019**

Assets

Current assets:

Cash	\$ 28,837
Total current assets	<u>28,837</u>

Furniture, fixtures and equipment, at cost:

Furniture and fixtures	133,908
Equipment	72,464
Right of Use Asset	124,212
Less accumulated depreciation	<u>(206,372)</u>
Total furniture, fixtures and equipment, net	<u>124,212</u>
Total assets	<u><u>\$ 153,049</u></u>

Liabilities and Member's Capital

Current liabilities:

Accounts payable	\$ 4,064
Lease liability	<u>76,309</u>
Total current liabilities	80,373

Long term liabilities:

Lease liability	<u>51,781</u>
Total long term liabilities	51,781

Total Liabilities 132,154

Commitments and contingencies (Note 2)

Member's capital	<u>20,895</u>
Total liabilities and member's capital	<u><u>\$ 153,049</u></u>

The accompanying notes are an integral part of the financial statements.

**MITCHELL ENERGY ADVISORS, LLC**  
**STATEMENT OF OPERATIONS AND MEMBER'S CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Revenues	
Advisors fees	\$ 645,000
	<u>645,000</u>
Costs and expenses:	
Travel and entertainment	226,978
Salaries and benefits	357,244
General and administrative	55,268
Legal and professional fees	33,087
Rent expense	76,968
Property tax expense	903
Total costs and expenses	<u>750,448</u>
Net operating loss	<u>(105,448)</u>
Other income (expense):	
Gain on the sale of limited partnership interest	<u>29,158</u>
Total other income	29,158
Net loss	(76,290)
Member's capital, beginning of year	64,245
Contributions from member	32,940
Member's capital, end of year	<u>\$ 20,895</u>

The accompanying notes are an integral part of the financial statements.



**MITCHELL ENERGY ADVISORS, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>OPERATING ACTIVITIES</b>	
Net loss	\$ (76,290)
Adjustments to reconcile net loss to net cash used in operations:	
Gain on the sale of limited partnership interest	(29,158)
Amortization of lease liability	3,878
Changes in Operating Assets and Liabilities	
Accounts payable	4,064
Deferred rent	(3,302)
Net cash provided by Operating Activities	<u>(100,808)</u>
<b>INVESTING ACTIVITIES</b>	
Repayment of Advances to Parent	50,424
LP interest in Gultex III	30,158
Net cash provided by Investing Activities	<u>80,582</u>
<b>FINANCING ACTIVITIES</b>	
Contribution from member	32,940
Net cash provided by Financing Activities	<u>32,940</u>
Net cash increase	12,714
Cash at beginning of year	16,123
Cash at end of year	<u><u>\$ 28,837</u></u>
 <b>NON-CASH INVESTING AND FINANCING</b>	
Recognition of Right of Use Asset	124,212

The accompanying notes are an integral part of the financial statements.

**MITCHELL ENERGY ADVISORS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Business and operations

Mitchell Energy Advisors, LLC (the Company) is a limited liability company organized in the State of Texas, on March 5, 2003 and is a wholly-owned subsidiary of Mitchell Energy Partners, LLC (the Parent). The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). The Company is engaged in the private placement of debt and equity securities, principally in the oil and gas industry, as well as providing advisory services for mergers and acquisitions and corporate finance.

Management estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash flows

For purposes of the statement of cash flows, cash includes demand deposits, time deposits, certificates of deposit and short-term liquid investments with original maturities of three months or less when purchased. The Company maintains deposits in a financial institution. At December 31, 2019, the Federal Deposit Insurance Corporation (FDIC) provided insurance coverage of up to \$250,000, per depositor, per institution. At December 31, 2019, the Company's cash was not in excess of federally insured limits.

Accounts Receivable

Receivables consist of uncollateralized customer obligations due under normal trade terms. Payments on trade receivables are applied to the earliest unpaid invoices. Management reviews trade receivables periodically and reduces the carrying amount by a valuation allowance that reflects management's best estimate of the amount that may or may not be collectible. As of December 31, 2019, there was no allowance for doubtful accounts.

Furniture, fixtures and equipment

Furniture, fixtures and equipment are stated at cost less accumulated depreciation. Depreciation of furniture, fixtures and equipment being provided using the straight-line method for financial reporting purposes over estimated useful lives of five to seven years and using accelerated methods for tax reporting purposes.

**MITCHELL ENERGY ADVISORS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

Revenue recognition

On January 1, 2018 the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Revenue from contracts with customers includes fees from investment banking services. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

The Company earns fees and commissions in connection with the placement and advisory services it provides and recognizes revenue when the Company has completed its contractual obligations and collection is reasonably assured.

Client concentrations

For the year ended December 31, 2019, three clients represented 28%, 28%, and 23% of the Company's total revenues.

Fair value of financial instruments

In accordance with the reporting requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 825, *Financial Instruments*, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this standard and includes this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The Company does not have any assets or liabilities measured at fair value on a recurring or a non-recurring basis, consequently, the Company did not have any fair value adjustments for assets and liabilities measured at fair value at December 31, 2019, nor gains or losses reported in the statement of operations and member's capital that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held during the year ended December 31, 2019.

Fair value measurements

ASC Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair values of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the customer's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

**MITCHELL ENERGY ADVISORS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

Recent accounting pronouncements

During the year ended December 31, 2019 and through February 27, 2020, there were several new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which replaces the existing guidance in ASC 840, Leases. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The company adopted the new standard on January 1, 2019 using the modified retrospective method described within ASC 842. The adoption did not have a material effect on the Company's beginning retained earnings but did have a material impact on the way leases are recorded, presented and disclosed on the Company's financial statements.

Subsequent events

In preparing the financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after December 31, 2019, up until the issuance of the financial statements, which occurred on February 27, 2020.

**2. COMMITMENTS AND CONTINGENCIES:**

Operating lease

The Company leases its office space under the terms of an operating lease, which expires on August 31, 2021. For the year ended December 31, 2019, rent expense totaled \$76,968 and included maintenance, and other costs as required by the Company's lease.

Year ending December 31,	Amount
2020	76,309
2021	51,781
Total	<u>\$ 128,090</u>

In preparing the financial statements, the Company's management has reviewed its contractual obligations, as they relate to the Company's continued operations, and is not aware of any commitment, contingency or guarantee nor any claim to which the Company is subject to that could result in a material loss or future obligation to the Company.

**MITCHELL ENERGY ADVISORS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**3. INCOME TAXES:**

The Company is organized as a limited liability company under the provisions of the Internal Revenue Code of 1986 as amended. Accordingly, the financial statements do not include a provision for federal income taxes because the Company does not incur federal income tax liabilities. Instead, its earnings and losses are included in the Member's income tax return and are taxed based on the Parent's income tax rate. Similarly, the financial statements do not include a provision for Texas franchise taxes because they are included in the Parent's Texas franchise tax return.

**4. RELATED PARTY TRANSACTIONS:**

During the year ended December 31, 2019, the Company advanced \$940 to its Parent and received repayments of \$51,364.

**5. NET CAPITAL REQUIREMENTS:**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2019, the Company was in compliance with \$7,942 of aggregate indebtedness and net capital of \$20,895.

**6. RULE 15c3-3 EXEMPTION:**

The Company does not hold customer funds or securities and is, therefore, exempt under Rule 15c3-3(k)(2)(i) from preparing the Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.

**MITCHELL ENERGY ADVISORS, LLC**  
**SCHEDULE I**  
**DECEMBER 31, 2019**

Net capital requirement, the greater of:		\$	5,000
1/15% of aggregate indebtedness	\$	529	
Minimum dollar requirement		5,000	
Net capital			<u>20,895</u>
Excess net capital			<u><u>\$ 15,895</u></u>
Aggregate indebtedness			7,942
Ratio of aggregate indebtedness to net capital			38.01%
120% of required net capital			<u>6,000</u>
Net capital in excess of 120% of required net capital			<u><u>\$ 14,895</u></u>
Total assets		\$	153,049
Less: total liabilities			<u>132,154</u>
Net worth			20,895
Deductions from and/or charges to net worth			
Total non-allowable assets	\$	-	
Other deductions or charges		-	
Excess Fidelity Bond Deductible		-	
Total deductions from net worth			<u>-</u>
Net capital before haircuts on securities positions			<u>20,895</u>
Haircuts on certificates of deposit and commercial paper		-	
Other securities		-	
Other positions		-	
Total haircuts of securities			<u>-</u>
Net capital			<u><u>\$ 20,895</u></u>

There are no material differences between the amounts presented above and the amounts reported on the Company's FOCUS report as of December 31, 2019.



Report of Independent Registered Public Accounting Firm

To the Member of Mitchell Energy Advisors, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Mitchell Energy Advisors, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which Mitchell Energy Advisors, LLC claimed an exemption from 17 C.F.R. §240.15c3-3, specifically 17 C.F.R. §240.15c3-3(k)(2)(i) (the exemption provisions) and (2) Mitchell Energy Advisors, LLC stated that Mitchell Energy Advisors, LLC met the identified exemption provisions throughout the most recent fiscal year, without exception. Mitchell Energy Advisors, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Mitchell Energy Advisors, LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Turner Stone & Company L.L.P.*

Certified Public Accountants  
February 27, 2020

Turner, Stone & Company, L.L.P.  
Accountants and Consultants

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INTERNATIONAL ASSOCIATION OF ACCOUNTANTS AND AUDITORS

**Mitchell Energy Advisors, LLC.**  
7515 Greenville Avenue, Suite 905 / Dallas, TX 75231  
469-916-7484

**Mitchell Energy Advisors, LLC. Assertions**

**Mitchell Energy Advisors, LLC.** (the “Company”) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, “Reports to be made by certain brokers and dealers”). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k)(2)(i).
- (2) The Company met the identified exemption provision in 17 C.F.R. § 240.15c3-3(k)(2)(i) throughout the most recent fiscal year without exception.

**Mitchell Energy Advisors, LLC.**

I, Mike Mitchell, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.



Mike Mitchell, Chief Financial Officer

January 4, 2020