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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Alfaro Oil & Gas, LLC
Brian Keith Alfaro
Timothy Clarence Hundley
Screaming Eagle 1H Well Joint Venture
21022 Gathering Oak, Suite 2101
San Antonio, Texas 78260

DESIST AND REFRAIN ORDER

(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner (“Commissioner”) of the California Department of Corporations (“Department”) finds that:

1. At all relevant times, Alfaro Oil & Gas, LLC (“Alfaro Oil & Gas”) conducted business at 21022 Gathering Oak, Suite 2101, San Antonio, Texas, 78260. The company maintains a website at www.alfaroenergycorp.com.
2. At all relevant times, Brian Keith Alfaro (“Alfaro”) (CRD No. 4049120) was the Chief Executive Officer and a control person of Alfaro Oil & Gas.
3. At all relevant times, Timothy Clarence Hundley (“Hundley”) (CRD No. 5498055) was the Executive Vice President of Client Relations and an agent of Alfaro Oil & Gas.
4. Beginning as early as November 2011, Hundley and other agents of Alfaro Oil & Gas placed unsolicited telephone calls to California residents with whom they did not have an existing relationship. During telephone conversations with these California residents, Hundley and other agents solicited investments in the form of “joint venture” agreements in oil or gas titles or leases or in payments out of production under those titles or leases. Prospective investors were told that Alfaro Oil & Gas had a successful record generating profit in dozens of previous drilling ventures and was

1 planning to drill multiple wells in a prolific oil producing area of Texas known as the Eagle Ford
2 Shale Play.

3 5. After Alfaro's agents made initial telephone contact, the prospective investor received a
4 packet in the mail containing a "Confidential Private Placement Memorandum" dated December 5,
5 2011 for a program referred to as the Screaming Eagle 1H Well Joint Venture ("Screaming Eagle").
6 The offering materials indicated that, based on the purported barrel production of neighboring oil
7 wells, a 0.95% working interest in the Screaming Eagle project could yield \$11,970.00 to \$17,955.00
8 in monthly cash flow. A "Subscription Agreement" enclosed in the packet required a minimum cash
9 purchase of \$99,888.00, payable in three increments, for one unit equaling a 0.95% working interest
10 in the Screaming Eagle venture.

11 6. On September 24, 2010, the Texas State Securities Board issued an Emergency Cease and
12 Desist Order against Alfaro Oil & Gas and Alfaro for engaging in fraudulent sales of securities in
13 violation of Texas law. The parties entered into a consent agreement on March 25, 2011.

14 7. On December 28, 2010, the United States Securities and Exchange Commission ("SEC")
15 issued a "Wells Notice" advising Alfaro that he and his former company, Pinnacle Partners Financial
16 Corporation ("Pinnacle"), were being investigated for securities fraud in connection with the offer
17 and sale of joint ventures.

18 8. On February 10, 2011, the Financial Industry Regulatory Authority ("FINRA") issued a
19 notice of intent to suspend Alfaro and Pinnacle from FINRA membership. The suspension orders
20 entered against Alfaro and Pinnacle became final on March 8, 2011.

21 9. On April 27, 2012, FINRA issued a decision finding that during the period of August 2008 to
22 March 2011, Alfaro and his companies had raised \$10 million in fraudulent sales of unregistered
23 securities by operating a boiler room from a San Antonio office which placed up to thousands of cold
24 calls per week to prospective investors in multiple states. Alfaro and Pinnacle were expelled from
25 FINRA membership, permanently barred from associating with member firms, and ordered to pay
26 restitution to investors. The decision became final on May 23, 2012.

27 10. The oil and gas "joint venture" agreements that were offered by Alfaro Oil & Gas, Alfaro, and
28 Hundley are securities as that term is defined by California law.

1 11. These securities were offered for sale or sold in this state in an issuer transaction.

2 12. The Department has not issued a permit or other form of qualification authorizing any person
3 to offer and sell these securities in this state.

4 13. On or about January 26, 2012, Alfaro Oil & Gas filed with the Department a notice of
5 exemption pursuant to Federal Rule 506 for the Screaming Eagle offering; however, this exemption is
6 unavailable due to the company's general solicitation of California residents.

7 14. In connection with the offers and/or sales of these securities, Alfaro Oil & Gas, Alfaro, and
8 Hundley made untrue statements of material fact or omitted to state material facts necessary in order
9 to make the statements made, in the light of the circumstances under which they were made, not
10 misleading. These misrepresentations and/or omissions included, but are not limited to the following:

11 a. Although Alfaro claimed in a July 29, 2011 "Press Release" published on the Alfaro Oil &
12 Gas website that he had "neither received a single complaint from a client nor faced any action from
13 any regulator [prior to the FINRA action]," the Central Registration Depository ("CRD") discloses
14 that, between the period of September 2010 and December 2010, Alfaro was not only the subject of
15 an enforcement action brought by the Texas State Securities Board but also named in formal
16 complaints or lawsuits filed by at least four different clients.

17 b. The Screaming Eagle Confidential Private Placement Memorandum dated December 5,
18 2011 failed to disclose that on November 9, 2011, Alfaro Oil & Gas and Alfaro entered into a consent
19 order with the Illinois Securities Department agreeing to pay \$7,500.00 in fines for engaging in
20 general solicitation and selling securities in violation of Illinois law.

21 c. Investors were not told that Bruce Irving Redfield (CRD No. 1817422), who is listed in the
22 Screaming Eagle offering materials as the Vice President of Business Development, pleaded guilty to
23 federal wire fraud charges involving mortgage and investment schemes on November 23, 2011.

24 Based on the foregoing findings, the California Corporations Commissioner is of the opinion
25 that the joint venture agreements in oil or gas titles or leases or in payments out of production under
26 those titles or leases in the Screaming Eagle 1H Joint Well Venture being offered and sold by Alfaro
27 Oil & Gas, LLC, Brian Keith Alfaro, and Timothy Clarence Hundley are securities subject to
28 qualification under the California Corporate Securities Law of 1968 and are being or have been

1 offered or sold without first being qualified. Pursuant to Section 25532 of the Corporate Securities
2 Law of 1968, Alfaro Oil & Gas, LLC, Brian Keith Alfaro, and Timothy Clarence Hundley are hereby
3 ordered to desist and refrain from the further offer or sale of securities in the State of California,
4 including but not limited to joint venture agreements in oil or gas titles or leases or in payments out of
5 production under those titles or leases in the Screaming Eagle 1H Joint Well Venture, unless and
6 until qualification has been made under said law or unless exempt.

7 Further, the California Corporations Commissioner is of the opinion that the securities of
8 Alfaro Oil & Gas, LLC were offered or sold in this state by means of written or oral communications
9 which included an untrue statement of a material fact or omitted to state a material fact necessary in
10 order to make the statements made, in the light of the circumstances under which they were made, not
11 misleading, in violation of Section 25401 of the Corporate Securities Law of 1968. Pursuant to
12 Section 25532 of the Corporate Securities Law of 1968, Alfaro Oil & Gas, LLC, Brian Keith Alfaro,
13 and Timothy Clarence Hundley are hereby ordered to desist and refrain from offering or selling or
14 buying or offering to buy any security in the State of California, including but not limited to joint
15 venture agreements in oil or gas titles or leases or in payments out of production under those titles or
16 leases in the Screaming Eagle 1H Joint Well Venture, by means of any written or oral communication
17 which includes an untrue statement of a material fact or omits to state a material fact necessary in
18 order to make the statements made, in the light of the circumstances under which they were made, not
19 misleading.

20 This Order is necessary, in the public interest, for the protection of investors and consistent
21 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

22
23 Dated: September 25, 2012
24 Sacramento, California

25 JAN LYNN OWEN
26 California Corporations Commissioner

27 By _____
28 MARY ANN SMITH

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Deputy Commissioner
Enforcement Division

1 JAN LYNN OWEN
California Corporations Commissioner
2 MARY ANN SMITH
Deputy Commissioner
3 MIRANDA LEKANDER (BAR NO. 210082)
Senior Corporations Counsel
4 1515 K Street, Suite 200
Sacramento, California 95814
5 Telephone: (916) 322-8730 Fax: (916) 455-6985
6 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

11 In the Matter of THE CALIFORNIA)
12 CORPORATIONS COMMISSIONER,)

13 Complainant,)

14 v.)

15)
16 ALFARO OIL AND GAS, LLC, BRIAN)
17 KEITH ALFARO, TIMOTHY CLARENCE)
18 HUNDLEY, AND SCREAMING EAGLE 1H)
19 WELL JOINT VENTURE,)

20 Respondents.)
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STIPULATION TO FINAL ORDER THAT
ALFARO OIL AND GAS, LLC, BRIAN
KEITH ALFARO, TIMOTHY CLARENCE
HUNDLEY, AND SCREAMING EAGLE 1H
WELL JOINT VENTURE DESIST AND
REFRAIN FROM THE OFFER AND SALE OF
UNQUALIFIED, NON-EXEMPT SECURITIES
IN VIOLATION OF CORPORATIONS CODE
SECTION 25510 AND FROM
MISREPRESENTING AND/OR OMITTING
MATERIAL FACTS IN CONNECTION WITH
THE OFFER AND SALE OF SECURITIES IN
VIOLATION OF CORPORATIONS CODE
SECTION 25401

1 IT IS HEREBY STIPULATED BY AND BETWEEN RESPONDENTS ALFARO OIL AND
2 GAS, LLC, BRIAN KEITH ALFARO, TIMOTHY CLARENCE HUNDLEY, AND SCREAMING
3 EAGLE 1H WELL JOINT VENTURE (collectively “Respondents”) and JAN LYNN OWEN, THE
4 CALIFORNIA CORPORATIONS COMMISSIONER (“Commissioner”), as follows:

5 WHEREAS, on October 9, 2012, the Commissioner issued a Desist and Refrain Order against
6 Respondents for the sale of securities that were in the opinion of the Commissioner unqualified, non-
7 exempt securities that were offered and sold by means of misrepresentations and/or omissions of
8 material fact in violation of sections 25110 and 25401 of the California Corporate Securities Law of
9 1968 (Corp. Code, §§ 25000 *et seq.*). Attached hereto as “Exhibit A” and incorporated herein by
10 reference is a true and correct copy of the Desist and Refrain Order dated October 9, 2012 (“Order”).

11 WHEREAS, Respondents, without admitting or denying such charges, seek to resolve the
12 concerns of the Commissioner by entering into this Stipulation to the Desist and Refrain Order
13 (“Stipulation”).

14 NOW THEREFORE, the parties hereby stipulate and agree as follows:

15 1. Respondents hereby voluntarily waive their right to a hearing, including that provided
16 by Corporations Code sections 25532, subdivision (d), and 25609, and to any and all review by a
17 court of law, including that provided by California Government Code section 11523, in relation to the
18 Order for violations of Corporations Code sections 25110 and 25401, for selling unqualified, non-
19 exempt securities by means of misrepresentations and/or omissions of material fact.

20 2. Respondents enter into this Stipulation voluntarily and without coercion and
21 acknowledge that no promises, threats, or assurances have been made by the Commissioner or any
22 officer, or agent thereof, about this Stipulation.

23 3. Respondents stipulate and agree to the finality of the Order and acknowledge that the
24 Order remains in full effect and is a public record. Respondents understand and agree not to
25 represent that this Stipulation is a settlement or a withdrawal of the Commissioner’s Order.
26 Respondents further understand and agree that they cannot make any statement or representation that
27 is inconsistent with this Stipulation or the Order.
28

1 4. Respondents understand and agree that this Stipulation does not prevent the
2 Commissioner from taking future action in regards to this matter. This Stipulation shall not limit the
3 ability of the Commissioner to bring any administrative or civil action to enforce compliance with the
4 Order attached hereto or seek penalties for its violation.

5 5. Respondents acknowledge that nothing in this Stipulation shall preclude the
6 Commissioner, or her agents or employees, to the extent authorized by law, from assisting or
7 cooperating in any investigation and/or action brought by any other federal, state or county agency.
8 Respondents further agree that this Stipulation shall not bind or otherwise prevent any other federal,
9 state or county agency from the performance of its duties.

10 6. Each party represents, warrants, and agrees that they have received independent advice
11 from their attorney(s) and/or representatives with respect to the advisability of executing this
12 Stipulation. Each of the parties represents, warrants, and agrees that in executing this Stipulation
13 they have placed no reliance on any statement, representation, or promise of any other party, or any
14 other person or entity not expressly set forth herein, or upon the failure of any party or any other
15 person or entity to make any statement, representation or disclosure of anything whatsoever. The
16 parties have included this clause: (1) to preclude any claim that any party was in any way
17 fraudulently induced to execute this Stipulation; and (2) to preclude the introduction of parol
18 evidence to vary, interpret, supplement, or contradict the terms of this Stipulation.

19 7. This Stipulation is the final written expression and the complete and exclusive
20 statement of all agreements, conditions, promises, representations, and covenants between the parties
21 with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements,
22 discussions, negotiations, representations, and understandings between and among the parties, their
23 respective representatives, and any other person or entity, with respect to the subject matter covered
24 hereby.

25 8. In that the parties have had the opportunity to draft, review and edit the language of
26 this Stipulation, no presumption for or against any party arising out of drafting all or any part of this
27 Stipulation will be applied in any action relating to, connected to, or involving this Stipulation.
28 Accordingly, the parties waive the benefit of Civil Code section 1654 and any successor or amended

1 statute, providing that in cases of uncertainty, language of contract should be interpreted most
2 strongly against the party who cause the uncertainty to exist.

3 9. This Stipulation shall not become effective until signed and delivered by all parties.
4 Respondents further agree that this Stipulation shall not go into effect unless and until the
5 Commissioner receives a cashier’s check from Respondents in the sum of FOUR THOUSAND
6 DOLLARS (\$4,000) in administrative penalties payable to the “California Department of
7 Corporations.” The check must be sent via certified mail to Miranda LeKander, Senior Corporations
8 Counsel, Department of Corporations, 1515 K Street, Suite 200, Sacramento, California, 95814;

9 10. This Stipulation may be executed in one or more separate counterparts, each of which
10 when so executed, shall be deemed an original but all of which, together, shall be deemed to
11 constitute a single document. This Stipulation may be executed by facsimile signature, and any such
12 facsimile signature by any party hereto shall be deemed to be an original signature and shall be
13 binding on such party to the same extent as if such facsimile signature were an original signature;
14 and,

15 11. Each signator hereto covenants that he or she possesses all necessary capacity
16 and authority to sign and enter into this Stipulation.

17
18 Dated: 11/8/12

JAN LYNN OWEN
California Corporations Commissioner

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20 By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

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24 Dated: 11/6/12

By: _____
BRIAN KEITH ALFARO,
as an individual

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27 Dated: 11/6/12

By: _____
TIMOTHY CLARENCE HUNDLEY,
as an individual

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ALFARO OIL AND GAS, LLC

Dated: 11/6/12

By: _____
BRIAN KEITH ALFARO,
on behalf of ALFARO OIL AND GAS, LLC

SCREAMING EAGLE 1H WELL JOINT VENTURE

Dated: 11/6/12

By: _____
BRIAN KEITH ALFARO,
on behalf of SCREAMING EAGLE 1H WELL JOINT
VENTURE

APPROVED AS TO FORM:

By: _____
PATTON ZARATE, ESQ. Attorney for
RESPONDENTS

JAN LYNN OWEN
California Corporations Commissioner

By: _____
MIRANDA LEKANDER
Senior Corporations Counsel