IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
vs.	§	
	§	
MARK ALLAN PLUMMER	§	**Civil Action No.: 3:19-cv-1538**
	§	
	§	
Defendant.	§	
	§	

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC") alleges as follows:

SUMMARY

1. Defendant Mark Allan Plummer ("Plummer" or "Defendant"), through his company Texas E&P Partners, Inc. and its affiliated entities ("Texas E&P"),[1] defrauded investors by misappropriating investor funds. From February 2015 to April 2017, Texas E&P raised $6.1 million by selling interests in joint ventures formed to drill and operate two separate oil well projects. However, instead of using all of these funds to drill and operate the oil well projects—as represented to investors when soliciting their investments—Plummer misappropriated large sums of money. In total, Plummer misappropriated $399,011 for undisclosed personal and unauthorized business expenses—including for entertainment, travel, retail expenses, and his income taxes.

2. In doing so, Plummer violated the antifraud provisions of the federal securities

[1] Texas E&P formerly operated under the name Chestnut Exploration Partners, Inc. ("Chestnut Exploration").

laws. Thus, in the interest of protecting the public from further illegal activity, the SEC brings this action seeking all available relief—including permanent injunctions, disgorgement of ill-gotten gains plus prejudgment interest, and civil money penalties.

JURISDICTION AND VENUE

3. The Court has jurisdiction over this action under Sections 20(b), 20(d), and 22(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b), 77t(d) and 77v(a)]; and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

4. Each of the joint-venture interests offered and sold is an investment contract, and therefore a "security" as that term is defined under Securities Act Section 2(a)(1) [15 U.S.C. § 77b(a)(1)] and Exchange Act Section 3(a)(10) [5 U.S.C. § 78c(a)(10)].

5. Defendant has, directly or indirectly, made use of the means or instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in the Complaint.

6. Venue is proper because a substantial part of the transactions, acts, practices, and courses of conduct constituting violations of the federal securities laws occurred in the Northern District of Texas.

PARTIES

7. Plaintiff SEC is an agency of the United States government.

8. Defendant Plummer is a natural person residing in Richardson, Texas. He is the founder, owner, and President of Texas E&P. In December 2016, a Financial Industry Regulatory Authority ("FINRA") hearing panel found that Plummer and Texas E&P produced an altered document to the FINRA staff, and that Plummer provided misleading testimony

regarding the document. The FINRA decision expelled Texas E&P from FINRA membership and barred Plummer from association with any FINRA member. Plummer has a combined six judgments from past FINRA arbitrations initiated by investors. Plummer is not registered with the SEC in any capacity and remains barred by FINRA.

FACTS

I. PLUMMER HAS A LENGTHY HISTORY PROMOTING OIL AND GAS INVESTMENTS.

9. Plummer has been in the oil business for over thirty years. He founded numerous entities related to his drilling projects—including oil and gas operating companies, funding companies, service companies, and holding corporations.

10. Plummer has had many regulatory issues. In 2012, the Texas State Securities Board issued an order against Chestnut Exploration for overcharging investors.[2] FINRA has also conducted multiple investigations of Plummer and his entities over many years for misuse of investor funds and inadequate supervisory procedures, among other concerns. This resulted in the expulsion and judgments in investor arbitrations discussed in Paragraph 8, above.

11. In January 2016, during the FINRA investigation, Plummer renamed Chestnut Exploration to Texas E&P and continued fundraising for two projects under that name: East Texas 2H and Salmon 2W. Fundraising for the East Texas 2H project was active from February to September 2015. Salmon 2W fundraising was active from June 2015 through April 2017.

II. PLUMMER DISSEMINATED FALSE AND MISLEADING OFFERING MATERIALS TO INVESTORS AND MISAPPROPRIATED INVESTOR FUNDS.

12. During this time period, Plummer marketed the Texas E&P securities using false and misleading offering materials—including a Confidential Investor Memorandum ("CIM").

[2] *In the Matter of the Dealer Registration of Chestnut Exploration Partners, Inc*., Order No. IC12-CAF-06 (Jan. 10, 2012).

He distributed the CIM to any investor interested in purchasing the Texas E&P securities. In total, at least 100 investors from at least 18 different states were solicited and invested in the securities based on the representations in the CIM. These investors included several from the state of Texas, including Granbury, Fort Worth, and Dallas in the Northern District.

13. The CIM contained false and misleading statements and/or omissions regarding the use of investor funds. For example, the Salmon 2W CIM states that the offering's objectives are to: (1) acquire an interest in two oil and/or gas wells in Anderson County, Texas, and participate in operations thereon; (2) provide cash distributions from operations; and (3) provide tax benefits to investors. The CIM details that the investor funds are to be used as follows:

Expense Category	**Salmon 2W**
Drilling (Turnkey Portion)	57.63%
Sales Expenses (including Commissions and Organizational Expenses)	14.0%
Due Diligence	1.0%
Completion, Testing and Equipping	27.37%
TOTAL	**100%**

14. The CIM also discloses that Texas E&P will be entitled to a one-time "management fee." Though the fee is not quantified, it is defined as "an amount equal to the excess, if any, of the Turnkey Drilling Price and/or the Turnkey Completion Price over the actual cost of operations." Therefore, the management fee cannot be calculated—much less paid—until the cost of operations is known. Since the Salmon 2W well was never drilled, the cost of operations remains unknown and Texas E&P is not entitled to a management fee on that well.

15. By April 2017, Plummer had raised a total of $6.1 million. He spent approximately $5 million of this money on allowable expenses—such as lease acquisitions,

utilities, legal fees, and permits. However, he also misappropriated $399,011 as follows:[3]

Expense	**Amount**
Country Club	$16,682.15
Various Restaurants	$17,887.13
Various Retail Stores	$45,651.25
College Tuition	$9,028.50
Racquet Club	$13,206.20
Income Taxes	$144,462.58
Personal Transportation	$14,706.96
Services/Memberships	$2,667.99
Personal Travel	$111,523.44
Other Miscellaneous	$23,194.88
	$399,011.19

16. Therefore, as Plummer knew or was reckless or negligent in not knowing, the statements in the CIM regarding the use of investor funds were false. Plummer—who controlled the Texas E&P bank accounts and credit cards—knew or should have known that hundreds of thousands of dollars were being misappropriated. At a minimum, he knowingly, recklessly, or negligently omitted to disclose this widespread misappropriation to investors.

FIRST CLAIM

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

17. Plaintiff SEC realleges and incorporates by reference paragraphs 1 through 16 of this Complaint as if set forth verbatim.

18. Defendant directly or indirectly, by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

[3] Plummer also commingled investor funds from the Salmon 2W and East Texas 2H projects in violation of the CIM.

(a) employed a device, scheme, or artifice to defraud;

(b) made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and

(c) engaged in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

19. Accordingly, the Defendant has violated and, unless enjoined, will again violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

SECOND CLAIM

Violations of Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]

20. Plaintiff SEC realleges and incorporates by reference paragraphs 1 through 16 of this Complaint as if set forth verbatim.

21. Defendant, in the offer or sale of any security, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) employed a device, scheme, or artifice to defraud;

(b) obtained money or property by means of an untrue statement of a material fact or an omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(c) engaged in a transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

22. Accordingly, Defendant has violated and, unless enjoined, will again violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

REQUEST FOR RELIEF

The SEC respectfully requests that this Court:

I.

Permanently enjoin Defendant from violating, directly or indirectly, Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and Section 17(a) of the Securities Act [15 U.S.C. §77q(a)].

II.

Order Defendant to disgorge an amount equal to the funds and benefits obtained illegally, or to which Defendant otherwise has no legitimate claim, as a result of the violations alleged, plus prejudgment interest on that amount.

III.

Order Defendant to pay a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for the violations alleged herein.

IV.

Order such other relief as this Court may deem just and proper.

June 26, 2019

Respectfully submitted,

/s/ Chris Davis
CHRIS DAVIS
Plaintiff's Lead Attorney
Texas Bar No. 24050483
United States Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102
Telephone: (817) 900-2638
FAX: (817) 978-4927
E-mail: davisca@sec.gov