State of California - Department of Corporations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: September 25, 2012
Sacramento, California

JAN LYNN OWEN
California Corporations Commissioner

By_____
MARY ANN SMITH

State of California - Department of Corporations

Deputy Commissioner
Enforcement Division

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