

BENETTE L. ZIVLEY  
SECURITIES COMMISSIONER

CARLA JAMES  
DEPUTY SECURITIES COMMISSIONER

Mail: P.O. BOX 13167  
AUSTIN, TEXAS 78711-3167

Phone: (512) 305-8300  
Facsimile: (512) 305-8310



## Texas State Securities Board

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

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IN THE MATTER OF §  
INSIGNIA ENERGY GROUP, INC., §  
IEG PERMIAN BASIN, L.L.C., §  
MARTIN D. LEWIS AND §  
J.W. WILLIS aka JARVIS WAYNE WILLIS §

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**Order No. ENF-11-CDO-1702**

TO: Insignia Energy Group, Inc.  
16300 Addison Road, Suite 210, Addison, Texas 75001

IEG Permian Basin, L.L.C.  
16300 Addison Road, Suite 210, Addison, Texas 75001

Martin D. Lewis  
16300 Addison Road, Suite 210, Addison, Texas 75001

J.W. Willis  
16300 Addison Road, Suite 210, Addison, Texas 75001

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon Supp. 2010) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

#### FINDINGS OF FACT

1. Respondent Insignia Energy Group, Inc. ("Respondent Insignia") maintains a last known address at 16300 Addison Road, Suite 210, Addison, Texas 75001.
2. Respondent IEG Permian Basin, L.L.C. ("Respondent IEG") maintains a last known address at 16300 Addison Road, Suite 210, Addison, Texas 75001.

3. Respondent Martin D. Lewis (“Respondent Lewis”) is the President of Respondent Insignia and President of Respondent IEG. He maintains a last known address at 16300 Addison Road, Suite 210, Addison, Texas 75001.
4. Respondent J.W. Willis aka Jarvis Wayne Willis (“Respondent Willis”) is a sales agent for Respondent Insignia. He maintains a last known address at 16300 Addison Road, Suite 210, Addison, Texas 75001.
5. The Sabine Partnership #4, Ltd. (the “Sabine #4”) was organized to participate in the development of the Hoagland #6 and Hoagland #7 Well Prospects in Sabine Parish, Louisiana, and the production and marketing of oil and gas obtained from those wells. Respondent IEG is reportedly serving as the Managing Partner of the Sabine #4.
6. Respondents are offering units of limited partnership interests in the Sabine #4 in Texas. Each unit of limited partnership interests is purportedly the equivalent of 10% of the underlying working interest and 7.3% of the underlying net revenue interest.
7. Respondents Insignia, IEG and Willis are marketing the units of limited partnership interests to current and former teachers and other employees of independent school districts in Texas. They are also specifically soliciting employees who are planning for retirement.
8. Respondents Insignia, IEG and Willis are touting the investment as follows:
  - a. Investors are being told that they may purchase one unit of the limited partnership interests for \$165,000.00 or a fractional unit for a lesser investment at the discretion of Respondent IEG.
  - b. Respondents Insignia, IEG and Willis are explaining that the investment will enable school teachers to “replace much-needed income” in light of “looming lay-offs.” They are also encouraging the use of money maintained in 401k and 402(c) accounts or other retirement plans.
  - c. Respondents Insignia, IEG and Willis are representing that the investment is free of risk and that investment principal will not be subject to loss. It is also being otherwise described as “iron-clad safe and secure.”
  - d. Respondents Insignia, IEG and Willis are guaranteeing the performance of the investment and are providing potential investors with a “guarantee clause.” They claim that the “guarantee clause” is a “legal document” that provides a “1000% [g]uarantee” that investors will receive a particular monthly return over a term of ten years and that investors can receive an immediate return of principal if the underlying wells are not sufficiently productive. Respondents Insignia, IEG and Willis are touting the ratio of guaranteed returns to capital contribution as follows:

- i. An investment of \$21,000.00 reportedly entitles an investor to a minimum return of \$5000.00 per month,
  - ii. An investment of \$45,000.00 reportedly entitles an investor to a minimum return of \$15,000.00 per month,
  - iii. An investment of \$85,000.00 reportedly entitles an investor to a minimum return of \$25,000.00 per month, and
  - iv. An investment of \$165,000.00 reportedly entitles an investor to a minimum return of \$45,000.00 per month.
9. The units of limited partnership interests in the Sabine #4 have not been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
10. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
11. In connection with the offer for sale of the units of limited partnership interests, Respondents Insignia, IEG and Willis are touting the safety of the investment and guaranteeing returns to investors, which are misrepresentations of relevant fact because of one or more of the following:
  - a. In truth and in fact, the limited partnership interests involve a substantial degree of financial risk and there are no assurances that investment funds will result in projected levels of revenue or permit the recoupment of investment principal,
  - b. Respondent IEG is the Managing Partner of the Sabine #4 and it has little or no operating history, or
  - c. Prior to the admission of investors, the Sabine #4 will be nominally capitalized.
12. In connection with the offer for sale of the units of limited partnership interests, Respondents Insignia, IEG and Lewis are intentionally failing to disclose material facts related to the operation and performance of wells that they are working or have worked in the same area and the profitability of investments related thereto, such as:
  - a. In or around September 2008, Respondents Insignia, IEG and Lewis sold interests in the Sabine Partnership #3, Ltd. (the "Sabine #3"). The Sabine #3 also constituted a two-well drilling program for wells in Sabine Parish, Louisiana. The Sabine #3, however, involved the Hoagland #4 and Hoagland #5 Well Prospects.

- b. As of January 1, 2011, Respondent IEG had not completed drilling operations for the Hoagland #4 and Hoagland #5 Well Prospects in the Sabine #3.
  - c. At least one investor in the Sabine #3 demanded that Respondents Insignia and Lewis return his/her money. Respondents Insignia and Lewis have not returned these funds as of the date of this Emergency Cease and Desist Order.
  - d. As additional wells were drilled on the Sabine Parish acreage, the cost of water disposal forced acreage wells to be shut-in and an on-lease water disposal well "is an absolute necessity" for any wells to be commercially productive on said acreage.
13. Respondents are making offers containing statements that are materially misleading or otherwise likely to deceive the public, to wit:
- a. Respondents Insignia, IEG and Willis are touting the safety and guaranteeing the investments in the units of limited partnership in the Sabine #4, which is materially misleading or otherwise likely to deceive the public because:
    - i. They are also misrepresenting the relevant facts described herein, and
    - ii. Investments in oil and gas exploratory projects are inherently high risk and speculative in nature and investors could lose the entirety of invested funds.
  - b. Respondents Insignia, IEG and Lewis are offering the units of limited partnership in the Sabine #4 but are not disclosing the information described herein that relates to the Sabine #3.

#### CONCLUSIONS OF LAW

- 1. The above-described units of limited partnership interests in the Sabine #4, Ltd. are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
- 2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
- 3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.

4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents have made an offer containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

### ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

### NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

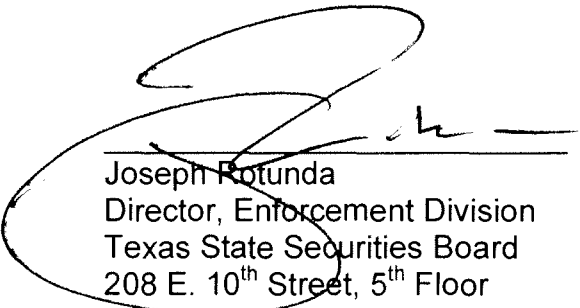
You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 13<sup>th</sup> day of

May, 2011.

  
BENETTE L. ZIVLEY  
Securities Commissioner

Respectfully submitted and recommended by:

  
Joseph Rotunda  
Director, Enforcement Division  
Texas State Securities Board  
208 E. 10<sup>th</sup> Street, 5<sup>th</sup> Floor  
Austin, Texas 78701  
State Bar No. 24029808  
Telephone: 512-305-8392  
Facsimile: 512-305-8398