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SECURITIES COMMISSIONER



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IN THE MATTER OF §
ENERGY INVESTMENT PARTNERS, LLC § **Order No. ENF-20-CDO-1818**
AND JOHN ROBERT "BOB" FLOURNOY §

Energy Investment Partners, LLC

400 N. St. Paul Street, Suite 720, Dallas, TX 75201;
P.O. Box 225878, Dallas, TX 75222; and
c/o Larry Bellotti, its registered agent, at 4021 Poplar Ct., Collbran, CO 81624.

John Robert "Bob" Flournoy

400 N. St. Paul Street, Suite 720, Dallas, TX 75201;
P.O. Box 225878, Dallas, TX 75222; and
c/o Larry Bellotti, the registered agent for Energy Investment Partners, at 4021 Poplar Ct., Collbran, CO 81624.

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (the "**Securities Commissioner**") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1-581-45 (the "**Securities Act**").

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

FINDINGS OF FACT

1. Energy Investment Partners, LLC ("**Respondent EIP**") is a Colorado Limited Liability Company that can be served by certified mail, return receipt requested, addressed to its principal office at 400 N. Paul Street, Suite 720, Dallas, TX 75201, its mailing address at PO Box 225878, Dallas, TX 75222, and to Larry Bellotti, its registered agent, at 4021 Poplar Ct., Collbran, CO 81624.
2. John Robert "Bob" Flournoy ("**Respondent Flournoy**") is the President of Respondent EIP. He can be served by certified mail, return receipt requested, addressed to the principal office address and mailing addresses for Respondent EIP and addressed to Larry Bellotti, Respondent EIP's registered agent.

THE BUSINESS OF RESPONDENT EIP

3. Respondent EIP purports to be an independent oil and gas company that focuses on drilling shallow, low-risk vertical oil and gas wells across the United States.
4. Respondent EIP also purports to deal in investments in oil and gas programs.

THE PUBLIC SOLICITATIONS THROUGH AN INTERNET WEBSITE

5. Respondents are soliciting investments in oil and gas wells through www.energyinvestmentpartners.net. (the "Energy Investment Partners Website"), an internet website accessible by the public regardless of accreditation.
6. The Energy Investment Partners website advertises an investment opportunity in the form of a re-drilling project for mature reservoirs which will purportedly pay back investors' participation costs and generate substantial revenue for five to twenty years. It is described as a "low-risk venture likely to produce Minimum 7 to 1 Return + Substantial Tax Deductions."
7. The Energy Investment Partners website permits potential investors, regardless of accreditation, to contact Respondent to request additional information about purchasing the investments through an embedded messaging platform on the Energy Investment Partners website.

THE PUBLIC SOLICITATIONS THROUGH DEALSTREAM

8. Respondents are also publishing an advertisement for an investment in an oil and gas well through DealStream.com ("DealStream"), an online marketplace with more than 500,000 members in 100 countries that facilitates the purchasing, trading, and selling of business-related goods and services such as real estate, oil and gas properties, and investment opportunities.
9. The advertisement is soliciting potential investors to fund the drilling of a 500-foot horizontal oil and gas development well in an underproduced conventional reservoir for the price of \$7,200.00 per 1 percent interest.
10. The advertisement is touting lucrative returns and states investors may receive returns of \$36,000 to \$180,000 per 1 percent interest.

THE OFFER OF WORKING INTERESTS IN THE MAPLE GROVE 2 PROSPECT IN MANISTEE COUNTY, MICHIGAN

11. The Maple Grove 2 prospect, also known as MG2, is an oil and gas reservoir located in the Niagaran Reef Trend in Manistee County, Michigan.

12. Respondent EIP purportedly plans to begin the operations necessary to commence drilling a horizontal test well in the Maple Grove 2 prospect on or before December 1, 2020.
13. Respondents are now offering potential investors the opportunity to purchase working interests in an oil and gas well in the Maple Grove 2 prospect.
14. Respondents are representing each 1 percent working interest costs \$7,200.00, and investors pay an estimated completion cost of \$500.00 per 1 percent working interest if the project is successful.

THE PURPORTED PROFITABILITY OF THE OIL AND GAS INVESTMENTS

15. Respondents are representing the investments in the Maple Grove 2 prospect are "innovative oil & gas investment[s]" that provide "an 'annuity-like' distribution of payments."
16. Respondents are describing the distribution of payments by representing the investment pays \$500 to \$1500 per month per one percent working interest, delivering at least 25 percent annual ROI for five to twenty years.
17. Respondents are variously describing the anticipated term and total return associated with the investment as follows:
 - A. Respondents are representing they "expect a 90% chance of returning the investment in 15 months;"
 - B. Respondents are representing they "expect a 90% chance of return on investment in 12 months;"
 - C. Respondents are representing that Energy Investment Partners has an 80 percent chance of providing at least a \$36,000 return on an investment of \$7,200 per 1 percent working interest; and
 - D. Respondents are representing that Energy Investment Partners has a 65% chance of providing a \$140,000 return per 1 percent working interest.

THE SUMMARY ORDER TO CEASE AND DESIST ISSUED BY THE PENNSYLVANIA SECURITIES COMMISSION

18. On or about July 10, 2012, the Pennsylvania Securities Commission entered a Summary Order to Cease and Desist against Respondents in In the Matter of Energy Investment Partners and John Robert Flournoy, Docket No. 2012-06-11.
19. The Pennsylvania Securities Commission found Respondents were illegally offering unregistered oil and gas investments to Pennsylvania residents.

20. The Pennsylvania Securities Commissioner ordered Respondents to immediately cease and desist from violating state registration requirements through their offer and sale of the oil and gas investments in Pennsylvania.
21. Although Respondents were served with the Summary Order to Cease and Desist, Respondents are not disclosing the Summary Order to Cease and Desist to potential purchasers of working interests.

REGISTRATION VIOLATIONS

22. Respondents have not been registered as dealers or agents at any time material hereto.
23. The oil and gas investments identified herein have not been registered by notification, coordination, or qualification, and no permit has been issued for their sale in Texas.

FRAUDULENT AND DECEPTIVE STATEMENTS RELATING TO ANNUITY-LIKE PAYMENTS

24. Respondents are stating investors will receive an "annuity-like" payment each month. These statements are materially misleading or otherwise likely to deceive the public because:
 - A. Annuities are contracts between purchasers and regulated insurance companies whereby purchasers receive regular disbursements, and they bear little resemblance to unregistered working interests in an oil and gas well;
 - B. Unlike unregistered working interests in an oil and gas well, under Texas laws, annuities are regulated as insurance products and purchasers are protected by state insurance laws;
 - C. Annuities are typically long-term investments designed to protect retirees from the risk of outliving income, and these unregistered working interests in an oil and gas well are risky investments wholly unsuitable for most retirees;
 - D. The distributions associated with annuities are not impacted by changes in the price of oil or gas;
 - E. Purchasers of annuities are not subject to the considerable risks associated with oil and gas investments described herein; and
 - F. Respondents are not providing material information relating to Respondent EIP's assets, liabilities, or other financial information that demonstrates its ability to pay these annuity-like payments.

25. In connection with the offer of working interests, Respondents are intentionally failing to disclose Respondent EIP's strategy for ensuring Respondent EIP has access to sufficient funds to pay promised returns at specific terms to purchasers of working interests, and this information constitutes a material fact.

FRAUD AND THE CONCEALMENT OF MATERIAL BUSINESS INFORMATION

26. In connection with the offer of working interests, Respondents are intentionally failing to disclose information about Respondents' backgrounds, qualifications, and experiences, and this information constitutes a material fact.
27. In connection with the offer of working interests, Respondents are intentionally failing to disclose information about EIP's past performance in providing returns to investors, and this information constitutes a material fact.

FRAUD AND THE FAILURE TO DISCLOSE INFORMATION RELATING TO THE COSTS AND RISKS OF DRILLING AN OIL AND GAS WELL

28. In connection with the offer of working interests in an oil and gas well, Respondents are intentionally failing to disclose an estimate for the tangible and intangible costs associated with drilling an oil and gas well, and this information constitutes a material fact.
29. In connection with the offer of working interests in an oil and gas well, Respondents are not disclosing that purchasers of working interests may be liable for personal injuries and damage to the environment, and they may be subject to various other causes of action associated with drilling and production operations, and this information constitutes a material fact.

FRAUD AND THE FAILURE TO DISCLOSE RISKS RELATING TO INVESTMENTS IN OIL AND GAS WELLS

30. In connection with the offer of working interests, Respondents are intentionally failing to disclose the following material facts relating to the risks associated with investments in oil and gas wells:
- A. Changes in the price of oil or declines in demand for oil may negatively impact the profitability of investments in oil and gas wells;
 - B. The marketability of production is dependent on the availability, proximity, and capacity of transportation and facilities, and the impairment or unavailability of transportation or facilities may negatively impact the profitability of investments in oil and gas wells;
 - C. Unusual or unexpected geological formations, fires, natural disasters, and adverse weather conditions may require the curtailing, delaying, or

canceling of drilling and production, and the occurrence of these events may negatively impact the profitability of investments in oil and gas wells;

- D. Equipment failures, including explosions, burnouts, and pipe and cement failure, including equipment failures that result in natural gas leaks or oil spills, may negatively impact the profitability of investments in oil and gas wells;
- E. An increase in the price of crude oil or the demand for equipment and services may correlate with an increase in the cost of securing, repairing, or replacing drilling rigs, equipment and supplies, and these market forces may negatively impact the profitability of investments in oil and gas wells; and
- F. Oil drilling and production operations are subject to numerous and significant federal, state, and local laws, and other requirements governing or relating to the environment, and changes in regulation may negatively impact the profitability of investments in oil and gas wells.

**FRAUD AND CONCEALMENT OF THE SUMMARY ORDER TO
CEASE AND ISSUED BY THE PENNSYLVANIA SECURITIES COMMISSION**

- 31. In connection with the offer of interests of working interests, Respondents are intentionally failing to disclose the information set forth herein relating to the Summary Order to Cease and Desist issued by the Pennsylvania Securities Commission naming Respondents, and this information constitutes a material fact.

CONCLUSIONS OF LAW

- 1. The investments in an oil and gas well are securities as the term is defined by Section 4.A of the Securities Act.
- 2. Respondents are violating Section 7 of the 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 Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
- 4. Respondents are engaging in fraud in connection with the offer for sale of securities.
- 5. Respondents are making an offer containing a statement that is 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 Securities Act.

ORDER

1. It is therefore ORDERED 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 Securities Act.
2. It is further ORDERED Respondents immediately CEASE AND DESIST from acting as a securities dealer or agent in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Securities Act.
3. It is further ORDERED 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 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 \$10,000, or imprisonment in the penitentiary for two to ten years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 1st day of September 2020.



TRAVIS J. ILES
Securities Commissioner