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E. WALLY KINNEY  
MEMBER

IN THE MATTER OF  
ALFARO OIL & GAS, LLC;  
PINNACLE PARTNERS FINANCIAL  
CORPORATION; AND  
BRIAN KEITH ALFARO

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**Order No. IC10-CDO-20**

TO: Alfaro Oil & Gas, LLC  
21022 Gathering Oak, Suite 2101  
San Antonio, Texas 78260

Pinnacle Partners Financial Corporation (CRD No. 145523)  
21022 Gathering Oak, Suite 2103  
San Antonio, Texas 78260

Brian Keith Alfaro (CRD No. 4049120)  
21022 Gathering Oak, Suite 2103  
San Antonio, Texas 78260

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Deputy Securities Commissioner of the State of Texas ("Deputy 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 1964 & Supp. 2009)("Texas Securities Act").

The staff of the Inspections & Compliance Division (the "Staff") of the Texas State Securities Board has presented evidence sufficient for the Deputy Securities Commissioner to find that:

### FINDINGS OF FACT

1. Alfaro Oil & Gas, LLC ("Respondent AOG") maintains a last known address at 21022 Gathering Oak, Suite 2101, San Antonio, Texas 78260.

2. Pinnacle Partners Financial Corporation (“Respondent Pinnacle”) maintains a last known address at 21022 Gathering Oak, Suite 2103, San Antonio, Texas 78260. On or about July 13, 2007, Respondent Pinnacle registered with the Securities Commissioner as a dealer. This registration is currently effective.
3. Brian Keith Alfaro (“Respondent Alfaro”) maintains a last known business address at 21022 Gathering Oak, Suite 2103, San Antonio, Texas 78260. On or about July 13, 2007, Respondent Alfaro registered with the Securities Commissioner as an agent of Respondent Pinnacle. This registration is currently effective. Respondent Alfaro is the Managing Member of Respondent AOG and is the President of Respondent Pinnacle.<sup>1</sup>
4. Respondent AOG is the Managing Venturer for oil and gas drilling programs. Some of the programs include: Normanna North Prospect; SW Redfish Reef 3-D Prospect; Pangaea 3-D Prospect; East Wharton 3-D Prospect; Denali 3-D Prospect; and Victoria Secret 3-D Prospect (“Victoria Secret”).

#### **Conduct in connection with Victoria Secret Program**

5. The cost of one interest in the Victoria Secret program was \$88,888. Pursuant to the offering terms, for each full interest: \$29,188 was due upon execution of the subscription agreement; \$48,500 was due “upon drilling and testing”; and \$11,200 for completion costs. The Managing Venturer, Respondent AOG, could call for the drilling and testing costs and completion costs.
6. During the period from in or about November 2008 through in or about June 2009, the operator in the Victoria Secret program informed Respondent AOG and Respondent Alfaro that the operator did not plan on drilling the well related to the Victoria Secret program, anytime in the near future.
7. Nonetheless, from in or about March 2009 through in or about June 2009, Respondent AOG called for additional funds from investors in the Victoria Secret program. Respondents represented that these additional funds were to be used for drilling and testing expenses. As of September 15, 2010, the well related to the Victoria Secret program has not been drilled.
8. After the investors submitted their funds purported to be for drilling and testing expenses, the funds were deposited into Victoria Secret’s escrow account. Thereafter, Respondent AOG and Respondent Alfaro utilized the funds for personal and business expenses unrelated to drilling and testing in connection with the Victoria Secret program.
9. As a result of the use of funds by Respondent AOG and Respondent Alfaro, the funds available for drilling and testing expenses in connection with the Victoria Secret program are insufficient. To that end, Respondent Alfaro has admitted that funds from investors in other programs unrelated to Victoria Secret may be

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<sup>1</sup> Respondent AOG, Respondent Alfaro, and Respondent Pinnacle, collectively, are referred to as “Respondents”.

used to satisfy any potential drilling and testing costs associated with Victoria Secret.

### **French Town Program**

10. The French Town 2-H Barnett Shale Prospect ("French Town"), is an oil and gas drilling program formed "to engage primarily in the business of drilling, owning, and operating one hydrocarbon well...and, if successful, the production of hydrocarbons". Respondent AOG is also the Managing Venturer of French Town.
11. Respondents are offering investments in the French Town program to investors in Texas. Potential investors in the French Town program are being told that they will receive a percentage of working and net revenue interests in the prospect well.
12. In connection with the offer for sale of investments in the French Town program, Respondents are providing an offering memorandum dated July 23, 2010 (the "Offering Memorandum") to potential investors.
13. The Offering Memorandum states that Respondent AOG will act as the Managing Venturer. Accordingly, management of the operations and other business of French Town have been delegated to Respondent AOG.
14. In connection with the offer for sale of the investments in the French Town program, Respondents are intentionally failing to disclose one or more of the following material facts:
  - a. During a period when Respondent AOG and Respondent Alfaro knew that drilling in connection with the Victoria Secret program was not imminent, Respondent AOG required investors in the Victoria Secret program to provide additional funds for drilling and testing expenses;
  - b. After collecting funds purported to be for drilling and testing in connection with the Victoria Secret program, Respondent AOG and Respondent Alfaro diverted the funds to uses unrelated to the Victoria Secret program;
  - c. Funds raised in connection with the sale of investments in the French Town program could be used to fund drilling and testing expenses for the Victoria Secret program if that program did not have funds sufficient for drilling and testing expenses.

### **CONCLUSIONS OF LAW**

1. The investments in the French Town program are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are engaging in fraud in connection with the offer for sale of securities.

3. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
4. The foregoing findings and conclusions of law constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

It is therefore ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31<sup>st</sup> day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner of Texas, 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 DEPUTY SECURITIES COMMISSIONER this 24<sup>th</sup> day of September, 2010.

  
JOHN R. MORGAN  
Deputy Securities Commissioner