

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



BETH ANN BLACKWOOD
CHAIR

JOHN R. MORGAN
DEPUTY SECURITIES COMMISSIONER

BRYAN K. BROWN
MEMBER

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

EDWARD ESCUDERO
MEMBER

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

DERRICK MITCHELL
MEMBER

Texas State Securities Board

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

E. WALLY KINNEY
MEMBER

SOAH DOCKET NO. 312-11-2201 SSB DOCKET NO. IC11-02

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

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BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

NOTICE OF HEARING

This is your OFFICIAL NOTICE that a hearing will be held at the State Office of Administrative Hearings, in the William P. Clements Building, 300 W. 15th Street, 4th Floor, Austin, Texas, before an Administrative Law Judge, on the **24th day of February, 2011, at 9:00 A.M. CST**, for the purpose of determining whether to affirm, modify or set aside the Emergency Cease and Desist Order, Order No. IC10-CDO-20 (hereinafter referred to as the "Emergency Order"). A true and accurate copy of the Emergency Order is attached hereto as Exhibit 1.

This hearing will be held pursuant to The Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq. (Vernon 1964 & Supp. 2010) ("Texas Securities Act"); the Rules and Regulations of the Texas State Securities Board, 7 Tex. Admin. Code Chapter 101 et seq. (Supp. 2010) ("Board Rules"); the Administrative Procedure Act, Tex. Gov't Code Ann. § 2001.001 et seq. (Vernon 2008 & Supp. 2010); and the Rules of Practice and Procedure of the State Office of Administrative Hearings, 1 Tex. Admin. Code Chapter 155 (Supp. 2010) ("SOAH Rules").

IF YOU DO NOT FILE A WRITTEN ANSWER OR OTHER WRITTEN RESPONSIVE PLEADING TO THIS NOTICE OF HEARING ON OR BEFORE THE 20TH DAY AFTER THE DATE ON WHICH THIS NOTICE WAS MAILED TO YOU OR PERSONALLY SERVED ON YOU, THE FACTUAL ALLEGATIONS IN THIS NOTICE WILL BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND GRANT THE RELIEF SOUGHT IN THIS NOTICE.

THE RESPONSE MUST BE FILED IN AUSTIN, TEXAS, WITH THE STAFF OF THE STATE SECURITIES BOARD AND THE STATE OFFICE OF ADMINISTRATIVE HEARINGS.

IF YOU FAIL TO ATTEND THE HEARING, EVEN IF A WRITTEN ANSWER OR OTHER RESPONSIVE PLEADING HAS BEEN FILED, THE FACTUAL ALLEGATIONS IN THIS NOTICE WILL BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND GRANT THE RELIEF SOUGHT IN THIS NOTICE.

CONTACT INFORMATION

Ronak V. Patel, Assistant Director
Inspections & Compliance Division
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8340

Docketing Office
State Office of Administrative Hearings
300 W. 15th Street, Suite 504
Austin, Texas 78701
Telephone: (512) 475-3445
Facsimile: (512) 475-4994

Pursuant to § 105.9 of the Board Rules, all documents filed by any party, other than business records and transcripts, and all documents issued by the Administrative Law Judge must be contemporaneously served upon the Securities Commissioner's representative as identified below:

Sonia Ferguson
Securities Commissioner's Representative
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

Legal authority and jurisdiction for this matter exist under Sections 14 and 23 of the Texas Securities Act, Section 2003.021(b) of the Texas Government Code, and Section 155.51 of the SOAH Rules.

NATURE OF THIS ACTION

On September 24, 2010, the Deputy Securities Commissioner entered the Emergency Order against Alfaro Oil & Gas, LLC, Pinnacle Partners Financial Corporation, and Brian Keith Alfaro (collectively, "Respondents"). The Deputy Securities Commissioner concluded therein, among other things, that all Respondents were engaging in fraud in connection with the offer for sale of securities.

Respondents have requested a hearing relating to the Emergency Order. Respondents requested that the Emergency Order be rescinded or otherwise withdrawn. A true and correct copy of said request is attached hereto as Exhibit 2.

By and through the Respondents' counsel, Craig Ongley, the Respondents have waived the Respondents' right to a hearing within 10 days of their request for hearing as provided for in Section 23-2.D of the Texas Securities Act.

Therefore, a hearing has therefore been set at the State Office of Administrative Hearings, in the William P. Clements Building, 300 W. 15th Street, 4th Floor, Austin, Texas, on the 24th day of February, 2011, at 9:00 A.M. At the hearing, the staff of the Inspections & Compliance Division of the Texas State Securities Board ("Staff") will present evidence and request that the Emergency Order be affirmed. Furthermore, pursuant to § 105.14 of the Board Rules, the Staff respectfully requests that the State Office of Administrative Hearings order that all costs charged to the Texas State Securities Board by any court reporting service involved in this matter be assessed against Respondents.

Respondents are invited to appear personally, with, without, or through counsel, and to present any and all evidence relating to the matters set forth in this Notice.

Signed this 7th day of January, 2011.



Benette L. Zivley
Director
Inspections & Compliance Division

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been sent via certified mail to the parties listed below, and to the Securities Commissioner's Representative by hand-delivery, done on this, the 7th day of January, 2011.

Alfaro Oil & Gas, LLC
2102 Gathering Oak, Suite 2101
San Antonio, TX 78620

VIA CERTIFIED MAIL # 9171082133393797002832

Pinnacle Partners Financial
Corporation
2102 Gathering Oak, Suite 2103
San Antonio, TX 78620

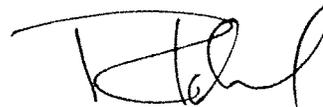
VIA CERTIFIED MAIL # 9171082133393797002849

Brian Keith Alfaro
2102 Gathering Oak, Suite 2103
San Antonio, TX 78620

VIA CERTIFIED MAIL # 9171082133393797002825

Sonia Fergerson
Securities Commissioner's Representative
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
Telephone: (512) 305-8300
Facsimile: (512) 305-8336

VIA HAND DELIVERY



Ronak V. Patel, Esq.
Assistant Director
Inspections & Compliance Division

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



BETH ANN BLACKWOOD
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MEMBER

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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.¹
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

¹ 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

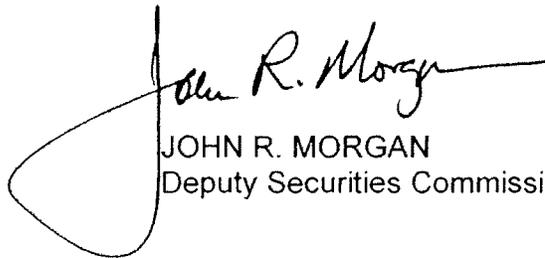
It is therefore ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 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 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 24th day of September, 2010.


JOHN R. MORGAN
Deputy Securities Commissioner



KANE RUSSELL COLEMAN & LOGAN PC

CRAIG G. ONGLEY
(214) 777-4241
congley@krcel.com

October 25, 2010

VIA FACSIMILE (512) 305-8310 AND E-MAIL

Mr. Ronak Patel
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407

Re: Alfaro Oil & Gas, LLC, Pinnacle Partners Financial Corporation and Brian Keith Alfaro

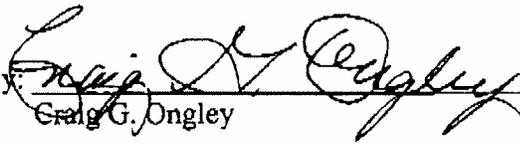
Dear Mr. Patel:

The above referenced clients received the Texas State Securities Board's letter and Emergency Cease and Desist on October 27, 2010. Please consider this letter a request by each of the entities and individual above for an administrative hearing regarding the Texas State Securities Board's issuance of an Emergency Cease And Desist Order, Order No. IC 10-CDO-20 naming each of the above parties. The parties believe that the Findings of Fact and Conclusions of Law were in error and that said order should be rescinded or otherwise withdrawn.

Please let me know if you have any questions.

Very truly yours,

KANE RUSSELL COLEMAN & LOGAN PC

By: 
 Craig G. Ongley

CGO/mta

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