

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	NO. 2:10-CR-3
	§	(Judge Ward)
RICHARD W. McFARLAND, JR.	§	

**INFORMATION**

THE UNITED STATES ATTORNEY CHARGES:

**COUNT 1**

VIOLATION: 18 U.S.C. § 1341  
[Mail Fraud]

At all times material to this Information:

1. Defendant **Richard W. McFarland, Jr.** ("**McFarland**") resided in Uncertain, Texas, in the Eastern District of Texas.
2. In July 2002, **McFarland** formed Delta Interest, Inc. ("**Delta Interest**"), a Delaware corporation with its principal place of business located in Marshall, Texas, in the Eastern District of Texas.
3. Delta Interest purchased working interests in oil and gas wells, which were owned and operated by third-parties, and then offered portions or "units" of those interests for sale to the public.
4. **McFarland** served as President, Director, and registered agent for Delta Interest.

The Scheme and Artifice

5. Beginning on a date unknown, but no later than May 2003, and continuing until at least February 2009, **McFarland** devised a scheme and artifice, namely a "Ponzi" scheme, to defraud persons and to obtain money by means of false and fraudulent pretenses, representations, and promises.
6. It was part of the scheme and artifice that **McFarland** offered for sale "units" of working interests which Delta Interest had purportedly acquired in oil and gas wells located on various leases within the State of Texas. Investors consisted of current and prior Delta Interest clients as well as family members and acquaintances referred by such individuals. M.S. was one of these investors.
7. It was further part of the scheme that **McFarland** falsely represented to investors that they were purchasing interests in wells located on various leases when, in fact, no such wells or leases existed. **McFarland** sold each "unit" along with corresponding working and net revenue interests for \$60,000.
8. It was also part of the scheme that **McFarland** sent written agreements to prospective investors through the United States mail. Investors then purchased "units" by sending payments in the form of checks to **McFarland** through the United States mail or, in some instances, by way of wire transfer.
9. It was further part of the scheme that **McFarland** prepared and sent fraudulent monthly production statements through the United States mail. These statements

contained fictional production and sales figures as well as investor revenue amounts related to the non-existent wells in which "units" of interest had been purchased.

10. It was also part of the scheme that **McFarland** prepared and sent completed Internal Revenue Service Form 1099s to individual investors annually through the United States mail.

11. It was further part of the scheme that **McFarland** used a significant portion of the investor funds to make purported revenue payments on a regular basis to earlier-in-time investors. These classic Ponzi-type payments were in the form of checks sent through the United States mail. **McFarland's** funneling of the proceeds received from new investors to previous investors furthered the fraudulent scheme by inducing new investors to participate and, in some instances, existing investors to contribute additional sums. **McFarland** expended the remainder of investor monies to unjustly enrich himself by misappropriating monies for his own business and personal use.

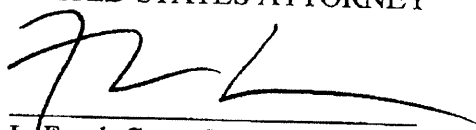
12. As a result of this Ponzi scheme, **McFarland** fraudulently obtained in excess of \$30 million from more than 350 investors who were residing in approximately 25 different states.

#### The Mailing

13. On or about December 8, 2008, in the Eastern District of Texas, **McFarland**, having devised the scheme and artifice to defraud set forth above, did knowingly and for the purpose of executing and attempting to execute such scheme and artifice to defraud

caused to have placed in an authorized depository for mail and caused to be delivered by the United States Postal Service, according to the direction thereon, an envelope addressed to M.S. in Fredericksburg, Virginia, said envelope containing a purported revenue payment of \$4,078.03 as well as a fraudulent monthly production statement for September 2008, all in violation of Title 18, United States Code, Section 1341.

JOHN M. BALES  
UNITED STATES ATTORNEY



L. Frank Coan, Jr.  
Assistant United States Attorney  
Bar No. 170966 (Georgia)  
110 N. College, Suite 700  
Tyler, Texas 75702  
(903) 590-1400  
(903) 590-1439 Fax  
frank.coan@usdoj.gov

Suzanne M. Steinmetz  
Special Assistant United States Attorney  
Bar Card No. 24027888  
1230 River Bend Drive, Suite 208  
Dallas, Texas 75247  
(214) 630-8681  
(214) 630-8699 Fax  
ssteinmetz@ssb.state.tx.us

**NOTICE OF INTENT TO SEEK CRIMINAL FORFEITURE**  
**18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461**

As a result of committing the offense as alleged in this Information, the defendant shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, all property involved in or traceable to property involved in the offense, including proceeds obtained directly or indirectly from the offense. Moreover, if any property subject to forfeiture, as a result of any act or omission by the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be subdivided without difficulty;

the defendant shall forfeit to the United States any other property of the defendant up to the value of the forfeitable property.

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	NO. 2:10-CR-3
	§	(Judge Ward)
RICHARD W. McFARLAND, JR.	§	

**NOTICE OF PENALTY**

**COUNT 1**

**VIOLATION:** 18 U.S.C. § 1341

**PENALTY:** Imprisonment for not more than twenty (20) years; a fine of not more than \$250,000; a term of supervised release of not more than five (5) years.

**SPECIAL ASSESSMENT:** \$100.00

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	NO. 2:09-CR-_____
	§	(Judge Ward)
RICHARD W. McFARLAND, JR.	§	

FACTUAL RESUME

Investigation by the Federal Bureau of Investigation has disclosed the following facts, which I accept as true and correct, establishing that I, the defendant, **Richard W. McFarland, Jr.**, violated Title 18, United States Code, Section 1341:

1. In July 2002, I formed Delta Interest, Inc. ("Delta Interest"), a Delaware corporation with its principal place of business located in Marshall, Texas, in the Eastern District of Texas.
2. Delta Interest purchased working interests in oil and gas wells, which were owned and operated by third-parties, and then offered portions or "units" of those interests for sale to the public.
3. I served as President, Director, and registered agent for Delta Interest.
4. Beginning on a date unknown, but no later than May 2003, and continuing until at least February 2009, I devised a scheme to defraud persons and to obtain money by means of false and fraudulent pretenses, representations, and promises.
5. As part of the scheme, I offered for sale "units" of working interests which Delta Interest had purportedly acquired in oil and gas wells located on various leases within the

State of Texas. The investors consisted of current and prior Delta Interest clients as well as family members and acquaintances referred by such individuals. M.S. of Fredericksburg, Virginia was one of these investors.

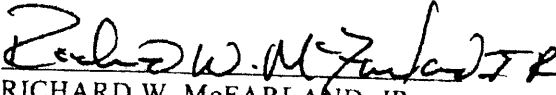
6. I falsely represented to investors that they were purchasing interests in wells located on various leases when, in fact, no such wells or leases existed. I sold each "unit" along with corresponding working and net revenue interests for \$60,000.
7. I sent written agreements to prospective investors through the United States mail. Investors then purchased "units" by sending payments in the form of checks to me through the United States mail or, in some instances, by way of wire transfer.
8. I prepared and sent fraudulent monthly production statements through the United States mail. These statements contained fictional production and sales figures as well as investor revenue amounts related to the non-existent wells in which "units" of interest had been purchased.
9. I prepared Internal Revenue Service Form 1099s for individual investors annually and sent the completed forms through the United States mail.
10. I used a significant portion of the investor funds to make purported revenue payments on a regular basis to earlier-in-time investors. These payments were in the form of checks sent through the United States mail. This funneling of the proceeds received from new investors to previous investors induced new investors to participate and, in



some instances, existing investors to contribute additional sums. I expended the remainder of investor monies for my own business and personal use.

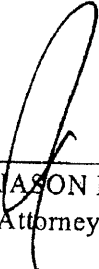
11. On or about December 8, 2008, in the Eastern District of Texas, I caused to have placed in an authorized depository for mail and caused to be delivered by the United States Postal Service to M.S. in Fredericksburg, Virginia, an envelope containing a purported revenue payment of \$4,078.03 as well as a fraudulent monthly production statement for September 2008.
12. The loss resulting from my actions was at least \$7,000,000 but less than \$20,000,000.
13. I am pleading guilty to Count 1 of the Information in this case because I am guilty of the violation alleged.
14. I have had an opportunity to consult with an attorney, and I am satisfied with the advice and counsel that he has provided me.
15. I hereby stipulate that the facts described above are true and correct and accept them as the uncontested facts of this case.

Date: 2/10/10

  
RICHARD W. McFARLAND, JR.  
Defendant

I have read this Factual Resume and reviewed it with my client, **Richard W. McFarland, Jr.** Based upon my discussions with **McFarland**, I am satisfied that he understands the terms and effects of the Factual Resume and is signing this Factual Resume voluntarily.

Date: 2/10/10

  
\_\_\_\_\_  
JASON D. CASSEL  
Attorney for Defendant