UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20807

In the Matter of **RONNIE LEE MOSS, JR.,** **Respondent.**	**DIVISION OF ENFORCEMENT'S SUPPLEMENTAL MOTION FOR DEFAULT JUDGMENT**

Pursuant to Rule 155 of the Securities and Exchange Commission's ("Commission") Rules of Practice, the Division of Enforcement ("Division") moves for default judgment against Respondent Ronnie Lee Moss, Jr. ("Moss").

I. PROCEDURAL BACKGROUND

On December 23, 2020, the Commission filed its complaint alleging securities fraud and registration violations in *Securities and Exchange Commission v. Ronnie Lee Moss, Jr., Genesis E&P, Inc., Royal Oil, LLC, and Catalyst Operating, LLC,* Civil Action Number 4:20-CV-972 (E.D. Tex. Sherman Division). *See* Exhibit 1, Complaint (**APP. 0001-0016**). On March 11, 2022, U.S. District Judge Sean D. Jordan issued a Memorandum and Order granting the SEC's motion for final judgment by default against Moss. *See* Exhibit 2, District Court Memorandum and Order (**APP. 0026**). The court's final judgment: (a) permanently enjoined Moss from future violations of Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder; Section 17(a) of the Securities Act, (b) permanently enjoined Moss from participating in the issuance, purchase, offer, or sale of any security in an unregistered transaction, and (c) ordered Moss to pay disgorgement of $3,241,889, representing profits gained as a result of the conduct alleged in the Complaint, together

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with prejudgment interest thereon in the amount of $524,526.53, and a civil penalty in the amount of $3,241,889 pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. *See* Exhibit 4, District Court Final Judgment (**APP. 0053-0060**).

On April 1, 2022, the Commission instituted this proceeding against Moss through the issuance of an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Notice of Hearing (the "OIP"). *See* Exhibit 3, OIP (**APP. 0048**). After the Commission initiated the OIP, the Commission issued an Order Regarding Service, ordering the Division to file a status report concerning service of the OIP by August 31, 2022. *See* Exhibit 5, Order Regarding Service **(APP. 0062-0063)**. On August 24, 2022, the Division filed a Notice Regarding Status of Service, attaching the declaration of its process server explaining how he had (1) determined that Moss resided with his father in Georgia and (2) confirmed that Moss's father accepted service of the OIP on Moss's behalf. *See* Exhibit 6, Aug. 24, 2022 Notice **(APP. 0065-0069)**.

On August 29, 2022, the Commission issued an Order to Show Cause. *See* Exhibit 7, Order to Show Cause (**APP. 0071-0073**). The Commission identified that service of the OIP was made on Moss on June 30, 2022, pursuant to Rule 141(a)(2)(i) of the Rules of Practice. *Id*. Further, the Order stated that Moss's answer to the OIP was required to be filed within 20 days of service of the OIP and, as of August 29, 2022, Moss had not filed an answer. *Id*. Accordingly, the Commission ordered Moss to show cause by September 12, 2022 why he should not be deemed in default due to his failure to file an answer and to otherwise defend this proceeding. *Id*. The Commission noted that, "[w]hen a party defaults, the allegations in the OIP will be deemed to be true and the Commission may determine the proceeding against that party upon consideration of the record without holding a public hearing." Exhibit 7, **APP. 0071-0072**.

On October 17, 2022, observing that the Division's motion for default judgment had relied on the allegations of its complaint in district court resulting in default judgment in that action, the Commission ordered the Division to submit additional materials to allow the Commission to "make an individualized assessment of whether those sanctions are in the public interest." Exhibit 8, Order Requesting Additional Briefing and Materials, **APP. 0074-0077**.

To date, Moss has neither filed an answer to the OIP, nor responded to the Commission's Order to Show Cause, nor communicated with counsel for the Division.

II. FACTS

Between February 2014 and March 2018, Moss and his companies, Genesis E&P, Inc. ("Genesis"), Royal Oil, LLC ("Royal"), and Catalyst Operating, LLC ("Catalyst") raised more than $5.7 million from approximately 95 investors in purported oil-and-gas offerings. Exhibit 9, Declaration of Melanie Good ("Good Decl."), ¶ 3(a), **APP. 0079**; Exhibit 10, Declaration of Jody Z. Moore ("Moore Decl."), ¶ 4, **APP. 0231-0232**. To raise these funds, Moss regularly solicited investors and closed sales between them and issuers (Exhibit 9b, Testimony of Stephanie Walters ("Walters Test."), 55:25 – 58:17, **APP. 0180-0183**); recommended to investors that they invest in partnership and bridge-loan securities (*id.*); drafted sales materials for distribution to investors that made representations about the merits of the investments (*id.* at 60:11-61:16, **APP. 0184-0185**); controlled the bank accounts into which offering proceeds were received (*see*, *e.g.*, Exhibit 9f, Testimony of David Glass ("Glass Test."), 42:6-12, **APP. 0228.1**); and compensated himself with the majority of the investors' funds. Exhibit 10, Moore Decl., ¶ 5, **APP. 0232**.

In soliciting investment, Moss repeatedly made misstatements and omitted information to unwitting investors, including claims that prior wells had been commercial successes when, in fact, none had been profitable. For example, in offering documents that he authored, Moss claimed that

Genesis had "successfully completed" 24 out of 28 prior wells since 2010, with the four remaining wells not completed and designated as "dryhole." Exhibit 9a, Offering Documents, pp. 22-23. **APP. 0110-0111**. While Moss represented to investors that the vast majority of wells had been successfully completed, he omitted the truth that the majority of Genesis's projects "fizzled out if they were completed and did not perform very well." Exhibit 9e, Testimony of Ron Moss ("Moss Test."), 175:1-9, **APP. 0223**. Additionally, Moss misrepresented basic facts about his involvement with the projects and knowingly concealed his criminal history. Genesis offering documents listed Moss merely among the company's "consultants and advisors," without a principal role at Genesis. Exhibit 9a at p. 20, **APP. 0108**. In fact, Moss was in complete control of Genesis and every employee reported to him. Exhibit 9c, Testimony of Eddie Foster ("Foster Test."), 38:16-21, 111:25-117:9, 120:22-121:9, **APP. 0192-0202**; Exhibit 9b, Walters Test., 55:25-58:17, 65:3-67:6, **APP. 0180-0188**. Further, while burnishing his industry experience, the Moss-authored Genesis offering documents did not disclose Moss's prior criminal conviction for securities fraud. Exhibit 9a, **APP. 0108**. Moss had been sentenced to 24 months in federal prison in 2004 for his role in a fraudulent oil-and-gas securities offering. Exhibit 9d, Moss Information and Judgment, **APP. 0204-0219**. Moss knew that this material information had been omitted from Genesis offering documents when they were sent to investors. Exhibit 9e, Moss Test. 171:5-8, **APP. 0222.1**.

When Moss obtained investor funds, he commingled and transferred those funds among several accounts, including the accounts of unrelated projects or entities. Exhibit 10, Moore Decl., ¶ 4, **APP. 0231-0232**. Additionally, Moss misappropriated to his own personal use more than half of the total funds raised from investors – over $3.2 million. *Id.* at ¶ 5. Moss's conduct resulted in a total loss to his investors. Exhibit 9, Good Decl., ¶ 3(g), **APP. 0080**.

III. ARGUMENT

A. Respondent is in default.

Moss was properly served on June 30, 2022, pursuant to Rule 141(a)(2)(i) of the Rules of Practice, as reflected by the Commission's August 29, 2022 Order to Show Cause. *See* **APP. 0065-0069, 0071**. Having been properly served, Moss was required by Rule 220 of the Rules of Practice to file an answer within 20 days of June 30, 2022. *See* **APP. 0071**. To date, Moss has not filed an answer.

B. The allegations in the OIP are deemed true.

Because Moss has failed to answer the OIP, Rule 155 of the Rules of Practice provides that Moss may be deemed to be in default and the Commission may determine the proceeding against him upon consideration of the record, including the OIP, *the allegations of which may be deemed to be true*. *See* 17 C.F.R. § 201.155(a)(2) (emphasis added). As Rule 155(a) and the Commission's August 29, 2022 Order to Show Cause make clear, when a party defaults, the allegations in the OIP may be deemed true. *Id*.; **APP. 0071-0072** (citing Rules 155 and 180 of the Rules of Practice). Additionally, the evidence presented herein provides ample support for an associational bar against Moss.

C. The Commission Should Impose Remedial Sanction Against Moss.

Section III.B. of the OIP sets out that this proceeding was instituted to determine, "what, if any remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act." **APP. 0049**. Exchange Act Section 15(b)(6)(A)(iii) authorizes the Commission to impose an associational bar against a respondent if (i) the individual was associated with a broker-dealer at the time of the alleged misconduct, (ii) the individual has been the subject of an injunction against acting as a broker-dealer or engaging in any conduct in

connection with the purchase or sale of a security, and (iii) the bar is in the public interest. *See* 15 U.S.C. § 78o(b)(6)(A)(iii). Here, Moss meets all the elements required for an associational bar.

1. Moss Acted as an Unregistered Broker and Was an "Associated Person."

For the purposes of Section 15(b), an "associated person" includes persons who act as an unregistered broker. *See Edward J. Driving Hawk*, 2010 WL 2685821, at *5 n.4 (Jul. 7, 2010), Notice of Finality, 2010 WL 3071381 (Aug. 5, 2010). A number of factors are relevant in determining whether a person was acting as a broker, including (but not limited to): (1) solicitation of investors to purchase securities; (2) involvement in negotiations between the issuer and the investor; (3) receipt of transaction-related compensation; (4) making valuations as to the merits of an investment or giving advice; (5) handling of customer funds; and (6) history of selling securities of other issuers. *See, e.g., SEC v. Hansen,* No. 83-cv-3692, 1984 WL 2413, *26 (S.D.N.Y. Apr. 6, 1984); *SEC v. Martino*, 255 F. Supp. 2d 268, 283 (S.D.N.Y. 2003), *aff'd and remanded*, 94 F. App'x 871 (2d Cir. Apr. 22, 2004); *SEC v. Benger*, 697 F. Supp. 2d 932, 944-45 (N.D. Ill. 2010). The factors listed above are not exclusive, and not all of them, or any particular number of them, must be satisfied for a person to be a broker. See *Benger*, 697 F. Supp. 2d at 945 (explaining that the *Hansen* factors "were not designed to be exclusive").

As noted above, Moss (1) regularly solicited investors and closed sales between them and the issuer, (2) recommended to investors that they invest in partnership and bridge-loan securities, (3) drafted sales materials for distribution to investors that made representations about the merits of the investments, (4) controlled the bank accounts into which offering proceeds were received, and (5) compensated himself with the majority of the investors' funds. The clear weight of the *Hansen* factors show that Moss acted as an unregistered broker in the offer and sale of securities in the form of oil-and-gas partnership units.

2. The District Court Enjoined Moss

As reflected in the final judgment entered against Moss, the District Court enjoined him from acting as an unregistered broker-dealer, in violation of Exchange Act Section 15(a), and from engaging in any further fraudulent conduct in connection with the offer, purchase or sale of securities, in violation of Section 10(b) of the Exchange Act or Section 17(a) of the Securities Act. **APP. 0053-56**. The District Court further enjoined Moss from participating in the issuance, purchase, offer, or sale of any security in an unregistered transaction. *Id.* Notably, after his release from prison in 2005, Moss agreed to a modification of his terms of supervised release in which he was "barred from soliciting or raising money from any entity or person and/or from engaging in the securities business in any way whatsoever." Exhibit 9d at p. 16, **APP. 0219**.

3. It Is in the Public Interest to Bar Moss.

In determining whether remedial sanctions are in the public interest, the Commission considers the factors set forth in *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981). *See David R. Wulf*, Exchange Act Release No. 77411, 2016 SEC LEXIS 1074, at *13-14 (March 21, 2016), *vacated in part on other grounds*, Exchange Act Release No. 86309, 2019 SEC LEXIS 1665 (July 5, 2019); *Brendan E. Murray*, Advisers Act Release No. 2809, 2008 SEC LEXIS 2924, at *34-35 (Nov. 21, 2008). These factors include: (1) the egregiousness of a respondent's actions; (2) the degree of scienter involved; (3) the isolated or recurrent nature of the infraction; (4) the recognition of the wrongful nature of the conduct; (5) the sincerity of any assurances against future violations; and (6) the likelihood that the respondent's occupation will present opportunities for future violations. *Steadman*, 603 F.2d at 1140. No single factor is dispositive. *Id*.

Moss's conduct was egregious, recidivist, recurred over a period of at least four years, and was intentional. Further, Moss has never acknowledged his wrongful conduct or provided any assurances against future violations. Rather, Moss has chosen to ignore two separate legal proceedings instituted against him to hold him responsible for his conduct.

a. Moss's conduct was egregious.

Moss is a securities fraud recidivist. Exhibit 9d, **APP. 0204-0219**. Not only was he convicted of criminal violations of securities laws in 2004, but he also omitted the fact of his conviction while falsely touting the non-existent success of prior projects. *See* Exhibit 9a, pp. 22-23, **APP. 0110-0111**. In connection with Genesis, Moss raised more than $5.7 million from unsuspecting investors, spent most of it on himself, and left investors with a total loss. This is egregious conduct.

b. Moss acted with a high degree of scienter.

Moss intentionally defrauded his investors out of more than $5.7 million, acting with scienter. Occupying the ambiguous space of unregistered broker, Moss repeated known untruths and omitted critical information about the investments. Moss also misrepresented basic facts about his involvement with the projects and knowingly concealed his criminal history from investors. Moss's misconduct was not merely negligent, but knowing and intentional.

c. Moss's misconduct recurred over a period of four years.

In the conduct described in the OIP, Moss defrauded scores of investors out of more than $5.7 million over the course of four years. Exhibit 9, Good Decl. ¶ 3(a), **APP. 0079**. Additionally, this was merely a resumption of securities-related misconduct for Moss, who is a criminal recidivist. There is no question that Moss's misconduct was extended and recurrent.

d. Moss has neither recognized the wrongful nature of his conduct nor provided any assurances against future violations.

There is no evidence in the record (or otherwise) to reflect that Moss has admitted his wrongdoing, recognized the wrongful nature of his actions, or provided any assurances against future violations. On the contrary, he has chosen to ignore two legal proceedings (this AP and the District Court case) brought against him to hold him responsible for his actions.

Additionally, Moss's status as a criminal securities recidivist further informs this factor. Rather than acknowledge that prior wrongdoing, Moss chose to conceal his criminal history from investors while touting nonexistent success. These actions do not reflect acknowledgment of wrongdoing or assurance against future violations.

e. Moss's occupation.

At best, this factor is neutral, because Moss's failure to participate in this proceeding precludes the Division from determining, or presenting evidence of, Moss's current occupation and whether that occupation presents opportunities for future violations.

On balance, the *Steadman* factors weigh heavily in favor of protecting the public interest by imposing remedial sanctions against Moss.

D. The Commission should bar Moss.

The Commission should issue a broad, industrywide bar against Moss, as authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act., Pub. L. No. 111-203, 123 Stat. 1376 (2010). The Dodd-Frank law amended Exchange Act Section 15(b)(6) to "expand[] the categories of associational bars, allowing the Commission to impose a broad collateral bar on participation throughout the securities industry." *Vladimir Boris Bugarksi*, Exchange Act Rel. No. 66842, 2012 WL 1377357, *3 n.11 (Apr. 20, 2012). The amendments expanding the scope

of the associational bar became effective July 21, 2010. *George Charles Cody Price*, Advisers Act Release No. 4631, 2017 WL 405511, at *3 n.14 (Jan. 30, 2017).

Here, Moss's continued and egregious misconduct amply supports an industry-wide bar, particularly in light of his status as an unrepentant recidivist. Accordingly, the Commission should bar Moss from:

- association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

- participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

IV. CONCLUSION

For the reasons described above, the Division respectfully requests that the Commission grant this relief pursuant to Section 15(b) of the Exchange Act.

Dated: November 16, 2022.

Respectfully submitted,

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SERVICE LIST

In accordance with Rule 150 of the Commission's Rules of Practice, I hereby certify that a true and correct copy of the foregoing ***DIVISION OF ENFORCEMENT'S SUPPLEMENTAL MOTION FOR DEFAULT JUDGMENT*** was served on the persons listed below on the 16th day of November, 2022, *via* certified mail, return-receipt requested:

CERTIFIED MAIL
Mr. Ronnie Lee Moss, Jr.
[redacted]

Pro Se Respondent

Matthew J. Gulde

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20807

In the Matter of

RONNIE LEE MOSS, JR.,

Respondent.

DIVISION OF ENFORCEMENT'S INDEX OF ATTACHMENTS

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Exhibit 9e	Moss Excerpts
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EXHIBIT 1

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

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	**Case No. 4:20-cv-972**
	§	
RONNIE LEE MOSS, JR., GENESIS E&P, INC., ROYAL OIL, LLC, and CATALYST OPERATING, LLC,	§	**JURY TRIAL DEMANDED**
	§	
Defendants.	§	

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC" or "Commission") files this Complaint against Defendants Ronnie Lee Moss, Jr. ("Moss"), Genesis E&P, Inc. ("Genesis"), Royal Oil, LLC ("Royal"), and Catalyst Operating, LLC ("Catalyst") (collectively "Defendants") and alleges as follows:

SUMMARY

1. From approximately February 2014 through approximately March 2018, Moss and three companies he controlled—Genesis, Royal, and Catalyst—raised $5,774,026.00 from approximately 95 investors in multiple states through the sale of partnership unit investments.

2. Between February 2014 and February 2016, Moss raised $3,822,103 from 67 investors, selling partnership units in eight oil-and-gas partnerships he managed through Genesis. Moss prepared each partnership's offering documents and oversaw a cold-calling effort to solicit investors. The offering documents contained untrue and misleading statements about Moss's

background—concealing his 2004 securities-fraud conviction—and about his history of failure in the oil-and-gas industry. Moss employed nominee officers at Genesis to conceal his control over the company and misappropriated offering proceeds to pay unrelated business and personal expenses.

3. In the summer of 2015, Moss sold nine Genesis investors so-called "bridge loan" investments issued by Royal, raising $400,000. In oral and written agreements with these investors, Moss promised a 20% return in as little as three months. Moss misappropriated nearly half of the bridge-loan proceeds, which were supposed to cover drilling costs, spending them instead on personal and unrelated business expenses.

4. From February 2016 through March 2018, Moss raised $1,551,923 from 16 investors in eight states, selling units in five oil-and-gas partnerships he managed through Catalyst. Moss made baseless claims to investors that they would double their money in as little as six months, and then improperly used the vast majority of the offering proceeds for personal expenses.

5. By reason of these activities and the conduct described in more detail below, Defendants have violated and, unless enjoined, will continue to violate, the registration and antifraud provisions of the federal securities laws, specifically Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Section 15(a) and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78o(a), 78j(b)] and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5].

6. In the interest of protecting the public from any further violations, the Commission brings this action against the Defendants seeking permanent injunctions, disgorgement plus prejudgment interest, civil penalties as to each Defendant and all other

equitable and ancillary relief to which the Court determines the Commission is entitled.

JURISDICTION AND VENUE

7. The SEC brings this action under Securities Act Section 20(b) [15 U.S.C. §77t(b)] and Exchange Act Section 21(d) [15 U.S.C. §78u(d)], seeking to restrain and enjoin the Defendants permanently from engaging in such acts and practices as alleged herein.

8. The Court has jurisdiction over this action under Securities Act Section 20(d) and 22(a) [15 U.S.C. §§ 77t(d) and 77v(a)] and Exchange Act Sections 21(d), 21(e), and 27 [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

9. Each of the units in the limited partnerships as described in this complaint is a "security" as that term is defined under Securities Act Section 2(a)(1) [15 U.S. C. § 77b(a)(1)] and Exchange Act Section 3(a)(10) [5 U.S. C. § 78c(a)(10)].

10. Likewise, each of the "bridge loan" investments as described in this complaint is a "security" as that term is defined under Securities Act Section 2(a)(1) [15 U.S.C. § 77b(a)(1)] and Exchange Act Section 3(a)(10) [5 U.S. C. § 78c(a)(10)].

11. The Defendants, directly and indirectly, made use of the mails or of the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business described in this complaint.

12. Venue is proper because the Defendants reside in and maintain offices in—and a substantial part of the events, acts, and omissions giving rise to the claims occurred in—the Eastern District of Texas.

PARTIES

13. Plaintiff SEC is an agency of the United States government charged with regulating the securities industry and prosecuting civil and administrative cases to enforce the

nation's securities laws.

14. Defendant Moss, age 50, is a natural person residing in [redacted]. Moss controlled Genesis, Royal, and Catalyst. He is the owner and/or managing member of Royal and Catalyst.

15. Defendant Genesis is a Texas corporation with headquarters in Highland Village, Texas.

16. Defendant Royal is a Wyoming limited liability company with headquarters in Flower Mound, Texas.

17. Defendant Catalyst is a Texas limited liability company with headquarters in Flower Mound, Texas.

STATEMENT OF FACTS

Limited Partnerships Sponsored by Genesis

18. From approximately February 2014 through approximately February 2016, Moss, through Genesis, offered and sold securities in the form of partnership units (both limited and general) in eight different limited partnerships. Genesis served as each partnership's managing general partner. Combined, the eight offerings raised $3,822,103, as reflected in the table below:

Partnership Name	Offering Period	Total Raised
Big Creek LA, LP	Feb. 2014 – Feb 2015	$1,314,000
Belmont Project, LP	Aug. 2014 – Mar. 2015	$1,335,850
Delphi Project, LP	Feb. 2015 – Mar. 2015	$238,221
Lonestar Project, LP	Apr. 2015	$217,716
Lonestar Leasebank Project, LP	May 2015 – June 2015	$297,850
Jackpot Project, LP	July 2015 – Sept. 2015	$258,466
Partners Project, LP	Oct. 2015	$50,000
Production Project, LP	Nov. 2015 – Feb. 2016	$110,000
	Total:	**$3,822,103**

a. Moss Formed and Controlled Each Limited Partnership

19. Moss formed and controlled each limited partnership. He identified and determined the number of wells that each partnership would invest in, the amount of working interest and royalty interest to be acquired by each partnership, and the amount of money to be raised for each offering.

20. For each partnership, Moss drafted a confidential information memorandum ("CIM") for distribution to investors that described the project, persons in management and consulting roles, the risks, and the "prior performance" of wells drilled in earlier Genesis programs.

21. Each CIM and each partnership agreement provided that investors had "no authority to act on behalf of the partnership or to participate in its management," reserving to Genesis "exclusive control over the conduct of the partnership's business."

22. Apart from a relatively small management fee retained by Genesis, the CIMs provided that all investment proceeds would be transferred to Moss's company, Royal, which purportedly provided consulting services to Genesis. From these funds, Royal was entitled to an undefined "origination fee" for finding the prospects and was responsible for paying the project expenses, including operator, engineering, seismic, geological, drilling, testing, and well-completion costs.

23. Moss orchestrated the process to offer and sell interests in each partnership. He purchased and furnished lead lists to Genesis's telephone solicitors. Internally, these solicitors, who received commissions based on sales, were referred to as "project managers" or "closers." But their primary responsibility was to cold call investors and to distribute CIMs to them to solicit investments in the partnerships.

24. Moss supervised the cold callers, monitoring their calls and drafting and furnishing them with written details and scripts about the oil-and-gas prospects for use in telephone sales pitches. When prospective investors had questions about the projects, Moss himself often spoke directly with investors to close the sale.

b. Untrue and Misleading Statements in the CIMs

25. The CIMs contained untrue and misleading statements or omissions regarding: (1) Genesis's performance in prior oil-and-gas projects; (2) the identity of the persons managing Genesis; (3) the identity of certain consultants purportedly providing services to Genesis; and (4) Moss's securities-fraud conviction.

26. Each CIM included a section entitled "Prior Performance" that listed the wells that were drilled in earlier Genesis projects. The section designated each well either "dry hole" or "successfully completed." Most of the wells listed in the CIMs were designated as "successfully completed."

27. The CIMs omitted information that would have revealed that all of the so-called successfully completed wells were actually commercial failures. Moss has acknowledged that "completion" of a well is a term of art in the oil-and-gas industry that refers to making a well ready for production after drilling and does not describe a well's performance or commercial success. By describing wells as successfully completed in the "Prior Performance" section, the CIMs conveyed the misleading impression that the wells performed successfully. Although some wells generated nominal revenues following completion, Genesis never had any profitable oil-and-gas operations.

28. The CIMs also contained misleading statements about Genesis's management. For example, the CIMs for the Jackpot Project and the Partners Project listed one of the cold-callers as Genesis's president and Glass as its CEO. In reality, Moss controlled Genesis. According to Glass and other former Genesis sales and administrative employees, Moss controlled Genesis outright and he operated Royal and Catalyst out of Genesis's office. He hired and fired Genesis's sales and administrative staff, who, along with Glass, reported to Moss. Despite Moss's ultimate authority over Genesis, none of the CIMs identified Moss among the company's management.

29. Under a section titled "Consultants and Advisors," the CIMs listed a person named Dan Morrison. The section identified Morrison as a "Director" of Royal and described Morrison's extensive industry experience, including serving as "Halliburton's Western United States manager for well intervention and pin point stimulation." In reality, Morrison was never a director of Royal, and never performed any consulting services for the partnerships.

30. Each CIM also listed Moss's name among Genesis's "Consultants and Advisors," describing him as the "Originator of Partnership's Wells and Consultant." Next to his name appeared the word Royal, but the CIMs did not disclose that he owned and controlled Royal. The CIMs described Moss as working in the oil-and-gas industry for over 22 years, having "extensive knowledge in geology and oil and gas drilling, completion and production operations," and drilling wells with several oil-and-gas companies. But the CIMs did not disclose that, within the same 22 years, Moss was convicted of securities fraud for selling oil-and-gas securities issued by Petromerica, a company he owned and controlled.

c. Baseless Return Guarantees

31. Beginning in January 2015, Moss directed the cold-callers to promise prospective

investors a guaranteed minimum return of 30% in the Genesis projects. At Moss's direction, the cold-callers promised that Genesis would review the investor's investment every six months to ensure that the investor was making at least 30% returns, until the investor recouped the principal invested. In reality, Genesis never had sufficient production revenue or other assets to cover any such guarantees. Far from realizing a 30% return, no investor profited from any of the projects.

d. Misuse of the Partnership Offering Proceeds

32. The partnerships' bank accounts, managed by Genesis, received $3,822,103 raised in the eight partnership offerings. Moss, through his control of Genesis and its personnel, dissipated $2,048,556 of the proceeds on expenses unconnected to drilling or operating partnership wells, including car payments, housing and living expenses, travel costs, pool service, church donations, and unrelated business expenses of Royal and Genesis. For example, the last three partnerships drilled no wells, but Moss exhausted the $418,466 raised for the three partnerships on office rent, well-service expenses for earlier partnerships, and other expenses unrelated to the three partnerships.

33. Moss and Genesis offered and sold these partnership units in these limited partnerships using the means or instruments of interstate commerce, including but not limited to telephones, the Internet, wire transfers, and the mail.

34. Investors in these Genesis-sponsored offerings did not participate or have the ability to participate in the managerial decisions affecting the investment.

35. Investors in these Genesis-sponsored offerings expected to make a significant return on their investment.

The Royal "Bridge Loans" Offering

36. From July 2015 through September 2015, Moss directly, and through the Genesis sales staff, raised $400,000 from nine existing Genesis investors, selling them investments issued by Royal. Internally, Moss called these sales "bridge loan" investments.

37. Under the investment terms, investors contributed capital to Royal in exchange for a promise from Royal to return their principal plus 20% interest within three to twelve months. Moss represented that Royal would use the proceeds to fund drilling operations in a more recent Genesis partnership, which Moss claimed would produce significant returns. He also promised these investors partnership interests in the more recent partnership. Some of the bridge-loan investors received written agreements setting out these terms, while others received oral representations.

38. In the bridge-loan offering, Moss again capitalized on the untrue and misleading statements he previously used to induce the nine investors to initially invest in Genesis partnerships. Six of the bridge-loan investors had purchased partnership units in one of the eight partnerships described above in paragraph 18. The CIMs for these partnerships misrepresented the company's prior performance, management, and consulting experts and omitted to disclose Moss's securities-fraud conviction.

39. Three bridge-loan investors, however, had invested in Genesis partnerships prior to the eight described above. The CIMs for these earlier partnerships, from 2010 and 2011, disclosed Moss's conviction, but they falsely stated that Moss was merely a Genesis employee, not its actual chief executive.

40. During these bridge-loan offerings, Moss corrected none of these previous falsehoods.

41. Moss and Genesis offered and sold these "bridge loans" using the means or instruments of interstate commerce, including but not limited to telephones, the Internet, wire transfers, and the mail.

42. Investors in these "Bridge Loan" offerings did not participate or have the ability to participate in the managerial decisions affecting the investment.

43. Investors in these "Bridge Loan" offerings expected to make a significant return on their investment.

The CATOP Offerings

44. As Genesis's ability to attract new investors declined in early 2016, Moss distanced himself from the company. He began sponsoring oil-and-gas securities offerings through another of his companies, Catalyst.

45. Using a naming convention based on "Catalyst Operating," he created five entities—Catop 167, Catop 171, Catop 175, Catop 183, and Catop 203—each one a purportedly separate oil-and-gas limited partnership.[1] Moss offered and sold units in each partnership, promising that the partnership would participate in new well projects in Oklahoma. From September 2016 to February 2018, Moss raised $1,551,923 from 16 investors in eight states.

46. To identify investors interested in the Catop offerings, Moss paid a third-party service to cold call potential investors using a script he drafted. The script contained statements that production in these wells "can go as high as 800 barrels a day," that the projects would

[1] Moss told investors that the Catop Entities were limited partnerships. In reality, he never filed the required formation documents with any state to create formal limited partnerships. Each entity was actually a sole proprietorship listed in the name of Moss's wife and registered under the Catop name as an assumed business name in Denton County, Texas.

provide "monthly cash flow" and 25-30% annual returns, and that Catalyst was "currently at 157 successful wells out of 167 wells drilled."

47. In a Catop investment brochure that he drafted and disseminated, Moss described Catalyst's "Past Performance" in oil and gas as having a 94% "Hit" rate. Moss made similar statements in telephone calls with interested investors. He predicted that well production would range from 500 to 1,000 barrels per day and that investors would at least double their principal in six to 18 months. After the wells were drilled, he told later prospective investors that the wells were already generating investors "double digit returns."

48. Moss's statements in the Catop offerings were untrue or misleading. Moss failed to disclose that he had never drilled a profitable well in his career, despite touting a 94% "Hit" rate. The Catop wells produced no investor profits.

49. Moss's production projections were also baseless and false. When Moss made the projections, the average active well near the intended Catop wells produced only 10-13 barrels per day. His projections of 500 to 1,000 barrels per day had no reasonable basis.

50. Moss's revenue projections were also baseless and false. He paid $97,597.55 to purchase nine well interests that he apportioned among the five partnerships. Each well interest represented a small fraction of the well's ownership, averaging less than 0.5%. Because the investors' combined principal exceeded $1.5 million, the Catop well interests would have to generate a profit exceeding $3 million to double investors' principal in six to 18 months, as Moss projected. But this projection had no reasonable basis. Assuming that each Catop well produced 13 barrels per day, that each barrel sold for $100 (actual average prices ranged from about $50 to $96 per barrel), and that investors had no taxes or additional well expenses, it would take more than 82 years just to recover their principal.

51. Moss also misled at least one investor about his education, leading him to believe that he had attended the University of Georgia where he played football. In reality, Moss dropped out of high school to join the military, from which he was discharged two years later. He never attended a college or university.

52. Moss used $1,454,325.45—about 94%—of the Catop offering proceeds for personal expenses.

53. Moss and Catalyst offered and sold these "Catop" partnership units using the means or instruments of interstate commerce, including but not limited to telephones, the Internet, wire transfers, and the mail.

54. Investors in the Catop offerings did not participate or have the ability to participate in the managerial decisions affecting the investment.

55. Investors in the Catop offerings expected to make a significant return on their investment.

TOLLING AGREEMENTS

56. Moss, personally and on behalf of Catalyst and Royal, signed in June and September 2020 tolling agreements entered into with the SEC. Genesis also executed a tolling agreement with the SEC in September 2020. Each tolling agreement specifies a period of time (a "tolling period") in which "the running of any statute of limitations applicable to any action or proceeding against [Defendants] authorized, instituted, or brought by . . . the Commission . . . arising out of the [Commission's investigation of Defendants' conduct], including any sanctions or relief that may be imposed therein, is tolled and suspended . . . ." Each tolling agreement further provides that the Defendants and any of their agents or attorneys "shall not include the tolling period in the calculation of the running of any statute of limitations or for any other time-

related defense applicable to any proceeding, including any sanctions or relief that may be imposed therein, in asserting or relying upon any such time-related defenses."

57. The tolling periods in these agreements prevent Moss, Catalyst, and Royal from asserting any statute of limitations or other time-related defense with respect to conduct at least as early as June 24, 2015. These agreements further prevent Genesis from asserting any statute of limitations or other time-related defense with respect to conduct at least as early as January 1, 2014.

FIRST CLAIM
Violations of Exchange Act Section 15(a)
[15 U.S.C. §78o(a)]
Against Defendant Moss

58. Plaintiff Commission re-alleges and incorporates paragraphs 1 through 57 of this Complaint by reference as if set forth verbatim in this Claim.

59. Defendant Moss did not register with the Commission as a broker.

60. Defendant Moss regularly engaged in the business of broker, as he solicited potential investors and closed sales between investors and the issuers he controlled.

61. For these reasons, Defendant Moss has violated, and, unless enjoined, will continue to violate Exchange Act Section 15(a) [15 U.S.C. §78o(a)].

SECOND CLAIM
Violations of Securities Act Section 17(a)
[15 U.S.C. § 77q(a)]

62. Plaintiff Commission re-alleges and incorporates paragraphs 1 through 57 of this Complaint by reference as if set forth verbatim in this Claim.

63. Defendants, directly or indirectly, singly or in concert with others, in the offer or sale of securities, by use of the means and instrumentalities of interstate commerce or by use of the mails have: (a) employed devices, schemes, and artifices to defraud; (b) obtained money or

property by means of untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices, and courses of business which operate or would operate as a fraud and deceit upon the purchasers.

64. With respect to violations of Securities Act Sections 17(a)(2) and (3), Defendants were negligent in their conduct and in the untrue and misleading statements alleged herein. With respect to violations of Securities Act Section 17(a)(1), Defendants engaged in the referenced conduct and made the referenced untrue and misleading statements with scienter.

65. For these reasons, Defendants have violated and, unless enjoined, will continue to violate Securities Act Section 17(a) [15 U.S.C. § 77q(a)].

THIRD CLAIM
Violations of Exchange Act Section 10(b) and Rule 10b-5
[15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5]

66. Plaintiff Commission re-alleges and incorporates paragraphs 1 through 57 of this Complaint by reference as if set forth verbatim in this Claim.

67. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of securities, by use of the means and instrumentalities of interstate commerce or by use of the mails have: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, and courses of business which operate or would operate as a fraud and deceit upon purchasers, prospective purchasers, and any other persons.

68. Defendants engaged in the above-referenced conduct and made the above-

referenced untrue and misleading statements with scienter.

69. For these reasons, Defendants violated and, unless enjoined, will continue to violate Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5].

RELIEF REQUESTED

Plaintiff Commission respectfully requests that this Court:

(1) Permanently enjoin each of the Defendants from violating Securities Act Sections 17(a) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], Exchange Act Section 10(b) [15 U.S.C. § 78j(b)], and Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5];

(2) Permanently enjoin Moss from violating Exchange Act Section 15(a) [15 U.S.C. §78o(a)];

(3) Permanently enjoin Moss from participating directly or indirectly, including, but not limited to, through any entity owned or controlled by him, in the issuance, purchase, offer, or sale of any unregistered securities, provided however that such injunction shall not prevent him from purchasing or selling securities for his own account;

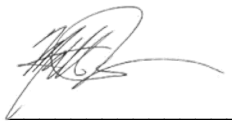
(4) Order Moss, Royal, and Catalyst to disgorge ill-gotten gains and benefits obtained or to which they were not otherwise entitled, as a result of the violations alleged herein, plus prejudgment interest on those amounts;

(5) Order each of the Defendants to pay a civil penalty Securities Act Section 20(d) [15 U.S.C. § 77t(d)] and Exchange Act Section 21(d) [15 U.S.C. § 78u(d)] for the violations alleged herein; and

(6) Order such other relief as this Court may deem just and proper.

DATED: December 23, 2020

Respectfully submitted,



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Fort Worth, Texas 76102
Direct phone:
Fax: (817) 978-4927
guldem@sec.gov

COUNSEL FOR PLAINTIFF
SECURITIES AND EXCHANGE COMMISSION

JS 44 (Rev 10/20)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. *(SEE INSTRUCTIONS ON NEXT PAGE OF THIS FORM.)*

I. (a) PLAINTIFFS

SECURITIES AND EXCHANGE COMMISSION

(b) County of Residence of First Listed Plaintiff _____
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorneys *(Firm Name, Address, and Telephone Number)*

DEFENDANTS

RONNIE LEE MOSS, JR. ET AL

County of Residence of First Listed Defendant DENTON
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

Attorneys *(If Known)*

II. BASIS OF JURISDICTION *(Place an "X" in One Box Only)*

- [x] 1 U S Government Plaintiff
- [ ] 3 Federal Question *(U.S. Government Not a Party)*
- [ ] 2 U S Government Defendant
- [ ] 4 Diversity *(Indicate Citizenship of Parties in Item III)*

III. CITIZENSHIP OF PRINCIPAL PARTIES *(Place an "X" in One Box for Plaintiff and One Box for Defendant)*
(For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	[ ] 1	[ ] 1	Incorporated *or* Principal Place of Business In This State	[ ] 4	[ ] 4
Citizen of Another State	[ ] 2	[ ] 2	Incorporated *and* Principal Place of Business In Another State	[ ] 5	[ ] 5
Citizen or Subject of a Foreign Country	[ ] 3	[ ] 3	Foreign Nation	[ ] 6	[ ] 6

IV. NATURE OF SUIT *(Place an "X" in One Box Only)*

Click here for: Nature of Suit Code Descriptions.

CONTRACT	TORTS		FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
[ ] 110 Insurance	PERSONAL INJURY	PERSONAL INJURY	[ ] 625 Drug Related Seizure of Property 21 USC 881	[ ] 422 Appeal 28 USC 158	[ ] 375 False Claims Act
[ ] 120 Marine	[ ] 310 Airplane	[ ] 365 Personal Injury - Product Liability	[ ] 690 Other	[ ] 423 Withdrawal 28 USC 157	[ ] 376 Qui Tam (31 USC 3729(a))
[ ] 130 Miller Act	[ ] 315 Airplane Product Liability	[ ] 367 Health Care/ Pharmaceutical Personal Injury Product Liability		PROPERTY RIGHTS	[ ] 400 State Reapportionment
[ ] 140 Negotiable Instrument	[ ] 320 Assault, Libel & Slander	[ ] 368 Asbestos Personal Injury Product Liability		[ ] 820 Copyrights	[ ] 410 Antitrust
[ ] 150 Recovery of Overpayment & Enforcement of Judgment	[ ] 330 Federal Employers' Liability	PERSONAL PROPERTY	LABOR	[ ] 830 Patent	[ ] 430 Banks and Banking
[ ] 151 Medicare Act	[ ] 340 Marine	[ ] 370 Other Fraud	[ ] 710 Fair Labor Standards Act	[ ] 835 Patent - Abbreviated New Drug Application	[ ] 450 Commerce
[ ] 152 Recovery of Defaulted Student Loans (Excludes Veterans)	[ ] 345 Marine Product Liability	[ ] 371 Truth in Lending	[ ] 720 Labor/Management Relations	[ ] 840 Trademark	[ ] 460 Deportation
[ ] 153 Recovery of Overpayment of Veteran's Benefits	[ ] 350 Motor Vehicle	[ ] 380 Other Personal Property Damage	[ ] 740 Railway Labor Act	[ ] 880 Defend Trade Secrets Act of 2016	[ ] 470 Racketeer Influenced and Corrupt Organizations
[ ] 160 Stockholders' Suits	[ ] 355 Motor Vehicle Product Liability	[ ] 385 Property Damage Product Liability	[ ] 751 Family and Medical Leave Act	SOCIAL SECURITY	[ ] 480 Consumer Credit (15 USC 1681 or 1692)
[ ] 190 Other Contract	[ ] 360 Other Personal Injury		[ ] 790 Other Labor Litigation	[ ] 861 HIA (1395ff)	[ ] 485 Telephone Consumer Protection Act
[ ] 95 Contract Product Liability	[ ] 362 Personal Injury - Medical Malpractice		[ ] 791 Employee Retirement Income Security Act	[ ] 862 Black Lung (923)	[ ] 490 Cable/Sat TV
[ ] 196 Franchise				[ ] 863 DIWC/DIWW (405(g))	[x] 850 Securities/Commodities/ Exchange
				[ ] 864 SSID Title XVI	[ ] 890 Other Statutory Actions
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS		[ ] 865 RSI (405(g))	[ ] 891 Agricultural Acts
[ ] 210 Land Condemnation	[ ] 440 Other Civil Rights	Habeas Corpus:	IMMIGRATION		[ ] 893 Environmental Matters
[ ] 220 Foreclosure	[ ] 441 Voting	[ ] 463 Alien Detainee	[ ] 462 Naturalization Application	FEDERAL TAX SUITS	[ ] 895 Freedom of Information Act
[ ] 230 Rent Lease & Ejectment	[ ] 442 Employment	[ ] 510 Motions to Vacate Sentence	[ ] 465 Other Immigration Actions	[ ] 870 Taxes (U S Plaintiff or Defendant)	[ ] 896 Arbitration
[ ] 240 Torts to Land	[ ] 443 Housing/ Accommodations	[ ] 530 General		[ ] 871 IRS—Third Party 26 USC 7609	[ ] 899 Administrative Procedure Act/Review or Appeal of Agency Decision
[ ] 245 Tort Product Liability	[ ] 445 Amer w/Disabilities - Employment	[ ] 535 Death Penalty			[ ] 950 Constitutionality of State Statutes
[ ] 290 All Other Real Property	[ ] 446 Amer w/Disabilities - Other	Other:			
	[ ] 448 Education	[ ] 540 Mandamus & Other			
		[ ] 550 Civil Rights			
		[ ] 555 Prison Condition			
		[ ] 560 Civil Detainee - Conditions of Confinement			

V. ORIGIN *(Place an "X" in One Box Only)*

- [ ] 1 Original Proceeding
- [ ] 2 Removed from State Court
- [ ] 3 Remanded from Appellate Court
- [ ] 4 Reinstated or Reopened
- [ ] 5 Transferred from Another District *(specify)*
- [ ] 6 Multidistrict Litigation - Transfer
- [ ] 8 Multidistrict Litigation - Direct File

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing ***(Do not cite jurisdictional statutes unless diversity)***:
Securities Act Section 17(a) [15 U.S.C. § 77q(a)], Exchange Act Sections 10(b) [15 U.S.C. § 78j(b)], 15(a)[15 U.S.C. § 78o(a)]

Brief description of cause:
& Exchange Act Rule 10b-5 [17 C.F.R. § 240.10b-5]

VII. REQUESTED IN COMPLAINT:

[ ] CHECK IF THIS IS A **CLASS ACTION** UNDER RULE 23, F.R.Cv.P.

DEMAND $

CHECK YES only if demanded in complaint:
JURY DEMAND: [x] Yes [ ] No

VIII. RELATED CASE(S) IF ANY *(See instructions):*

JUDGE _____ DOCKET NUMBER _____

DATE
12/23/2020

SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG JUDGE _____

APP. 0018

OS Received 11/16/2022

INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS 44

Authority For Civil Cover Sheet

The JS 44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently, a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

I.(a) Plaintiffs-Defendants. Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.

(b) County of Residence. For each civil case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)

(c) Attorneys. Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".

II. Jurisdiction. The basis of jurisdiction is set forth under Rule 8(a), F.R.Cv.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.
United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suits by agencies and officers of the United States are included here.
United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.
Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.
Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; **NOTE: federal question actions take precedence over diversity cases.**)

III. Residence (citizenship) of Principal Parties. This section of the JS 44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.

IV. Nature of Suit. Place an "X" in the appropriate box. If there are multiple nature of suit codes associated with the case, pick the nature of suit code that is most applicable. Click here for: Nature of Suit Code Descriptions.

V. Origin. Place an "X" in one of the seven boxes.
Original Proceedings. (1) Cases which originate in the United States district courts.
Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441.
Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.
Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.
Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.
Multidistrict Litigation – Transfer. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407.
Multidistrict Litigation – Direct File. (8) Check this box when a multidistrict case is filed in the same district as the Master MDL docket. **PLEASE NOTE THAT THERE IS NOT AN ORIGIN CODE 7.** Origin Code 7 was used for historical records and is no longer relevant due to changes in statute.

VI. Cause of Action. Report the civil statute directly related to the cause of action and give a brief description of the cause. **Do not cite jurisdictional statutes unless diversity.** Example: U.S. Civil Statute: 47 USC 553 Brief Description: Unauthorized reception of cable service.

VII. Requested in Complaint. Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.
Demand. In this space enter the actual dollar amount being demanded or indicate other demand, such as a preliminary injunction.
Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.

VIII. Related Cases. This section of the JS 44 is used to reference related pending cases, if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

Date and Attorney Signature. Date and sign the civil cover sheet.

Complaints and Other Initiating Documents

4 20 cv 00972 Securities and Exchange Commission v Moss, Jr et al

U.S. District Court

Eastern District of TEXAS [LIVE]

Notice of Electronic Filing

The following transaction was entered by Gulde, Matthew on 12/23/2020 at 12:06 PM CST and filed on 12/23/2020

Case Name: Securities and Exchange Commission v. Moss, Jr. et al
Case Number: 4:20-cv-00972
Filer: Securities and Exchange Commission
Document Number: 1

Docket Text:
COMPLAINT against All Defendants, filed by Securities and Exchange Commission. (Attachments: # (1) Civil Cover Sheet)(Gulde, Matthew)

4:20-cv-00972 Notice has been electronically mailed to:

Matthew Gulde guldem@sec.gov, fairchildr@sec.gov, justicet@sec.gov, minnickd@sec.gov, stewartan@sec.gov

4:20-cv-00972 Notice will not be electronically mailed to:

The following document(s) are associated with this transaction:

Document description: Main Document
Original filename:n/a
Electronic document Stamp:
[STAMP dcecfStamp_ID=1041545818 [Date=12/23/2020] [FileNumber=12759244-0] [5101ce4d55c59920e91512e996d41ccf75e00dd519fde3ee5801937659d54f1c5d6e2dcf92e1c796c0880bd79211eeb5582e8db0cd0b29924d30618b70ca28d9]]
Document description: Civil Cover Sheet
Original filename:n/a
Electronic document Stamp:
[STAMP dcecfStamp_ID=1041545818 [Date=12/23/2020] [FileNumber=12759244-1] [8829c21fc6a43f447ace8ea0e7b0ecb0e9e47d47cca2a9bf922948dfdeed3f3239c0c79eeffbfff207952ceac5d5da149e0adbf78572b579c1d487d66941a338]]

From: UPS Quantum View
To: Minnick, Deborah
Subject: UPS Delivery Notification, Tracking Number 1ZA3781XA298027006
Date: Tuesday, January 05, 2021 9:41:41 AM

UPS My Choice®

Hello, your package has been delivered.

Delivery Date: Tuesday, 01/05/2021
Delivery Time: 09:39 AM
Left At: RESIDENTIAL
Signed by: MOSS

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SEC FORT WORTH REG OFFICE

Tracking Number:	1ZA3781XA298027006
Ship To:	ROYAL OIL, LLC & CATALYST OPERATING 3717 WINDING OAKS DRIVE FLOWER MOUND, TX 750227876 US
Number of Packages:	1
UPS Service:	UPS Next Day Air®
Package Weight:	3.0 LBS
Reference Number:	FW-4163, INITIAL SERVICE PACKAGE
Reference Number:	AND WAIVERS

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2. **Fold the printed label at the solid line below.** Place the label in a UPS Shipping Pouch. If you do not have a pouch, affix the folded label using clear plastic shipping tape over the entire label.

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   Take your package to any location of The UPS Store®, UPS Access Point(TM) location, UPS Drop Box, UPS Customer Center, Staples® or Authorized Shipping Outlet near you. Items sent via UPS Return Services(SM) (including via Ground) are also accepted at Drop Boxes. To find the location nearest you, please visit the Resources area of CampusShip and select UPS Locations.
   Schedule a same day or future day Pickup to have a UPS driver pickup all your CampusShip packages.
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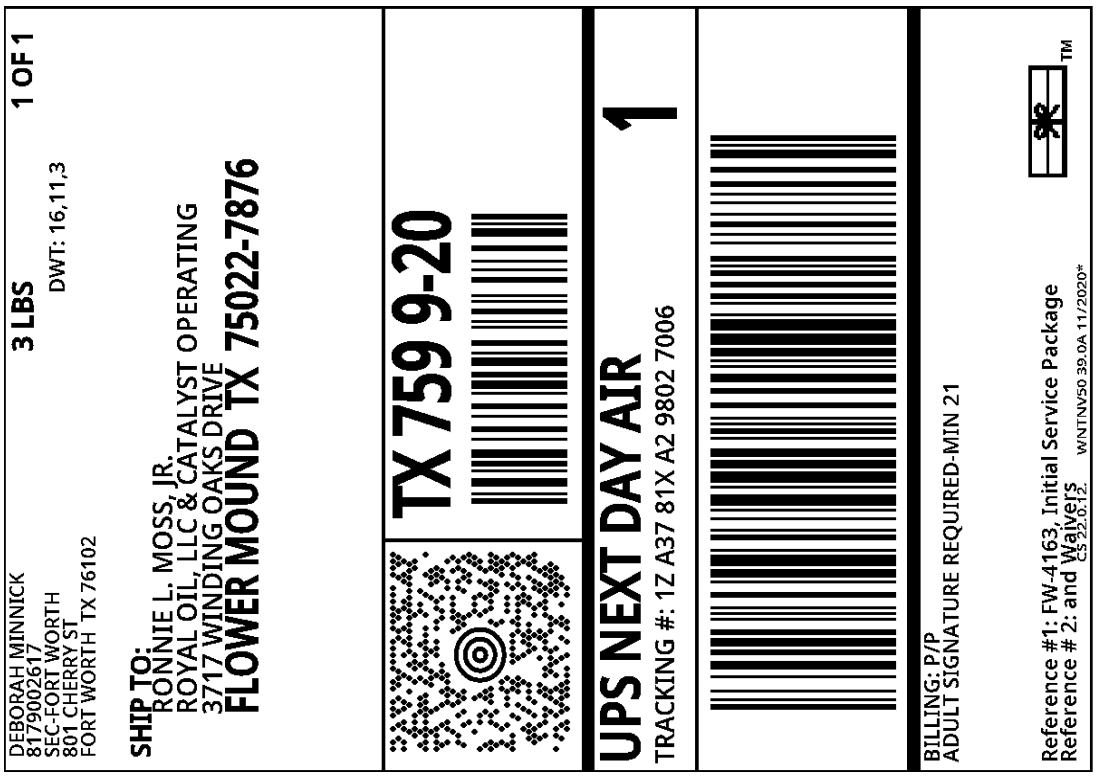


EXHIBIT 2

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

SECURITIES AND EXCHANGE COMMISSION	§	
	§	
v.	§	CIVIL NO. 4:20-CV-972-SDJ
	§	
RONNIE LEE MOSS, ET AL.	§	

MEMORANDUM OPINION AND ORDER

Before the Court is Plaintiff Securities and Exchange Commission's ("Commission") Motion for Default Judgment Against Defendants Ronnie Lee Moss, Jr.; Royal Oil, LLC ("Royal"); and Catalyst Operating, LLC ("Catalyst"). (Dkt. #16). Having considered the motion, the record, and the applicable law, the Court concludes that the motion should be **GRANTED**.

I. BACKGROUND

Between February 2014 and March 2018, Moss and his companies—Genesis E&P, Inc. ("Genesis"); Royal; and Catalyst—allegedly raised more than $5.7 million from investors through fraudulent means. (Dkt. #1). According to the Commission, they made false and misleading statements and omissions in the offer and sale of securities in the form of oil-and-gas limited partnerships and so-called "bridge loans." (Dkt. #1 ¶¶ 2–4, 27, 48). These misstatements included claims in sales materials that prior oil-and-gas projects had been commercial successes when, in fact, none had been profitable. (Dkt. #1 ¶¶ 20, 27, 48).

The sales materials, which were distributed to investors, also contained misleading statements about project management and consulting experts. (Dkt. #1

¶¶ 28–29). The materials listed a low-level cold caller as the President of Genesis and David Glass as the company's CEO when, in reality, Moss ultimately controlled operations at the company. (Dkt. #1 ¶¶ 28–29). A person named Dan Morrison, who was described as having extensive management experience in the oil-and-gas industry, was touted as a "Director" of Royal. (Dkt. #1 ¶ 29). But according to the complaint, Morrison was never a director of Royal and never performed any consulting services for the partnerships. (Dkt. #1 ¶ 29). Moss and his companies also allegedly withheld key information from investors, such as Moss's prior conviction for securities fraud. (Dkt. #1 ¶ 30).

In addition to drafting the sales materials, Moss trained and supervised telephone solicitors who cold called investors and, at Moss's direction, promised them a guaranteed minimum return of 30% in the Genesis projects. (Dkt. #1 ¶¶ 23–24, 29, 31). Moss made similar claims through Royal, promising bridge-loan investors a return of their principal investment plus 20% interest within three to twelve months. (Dkt. #1 ¶¶ 36–43). And through the Catalyst offerings, Moss told prospective investors that the oil wells were generating "double digit returns" for current investors. (Dkt. #1 ¶¶ 44–52). The Commission asserts that Moss personally misappropriated most of the funds raised from investors and that no investor obtained a return on their investment, resulting in substantial losses. (Dkt. #1 ¶¶ 2–4); (Dkt. #16-1); (Dkt. #16-2).

In December 2020, the Commission brought this action against Moss, Genesis, Royal, and Catalyst for violations of Section 17(a) of the Securities Act of 1933

("Securities Act"), Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), and Rule 10b–5 thereunder. (Dkt. #1 ¶¶ 62–69). The Commission also claims that Moss violated Section 15(a) of the Exchange Act. (Dkt. #1 ¶¶ 58–61). To remedy the alleged violations, the Commission seeks permanent injunctions, disgorgement plus prejudgment interest, and civil penalties. (Dkt. #1 at 15).

Shortly after bringing this action, the Commission filed an unopposed motion to enter judgment against Genesis. (Dkt. #3). As part of a settlement with the Commission, Genesis consented to permanent injunctions prohibiting it from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b–5. (Dkt. #3-1). Genesis also agreed to the imposition of a civil penalty against it in the amount of $192,768. (Dkt. #3-1). The Court granted the Commission's motion, (Dkt. #11), and entered final judgment against Genesis, (Dkt. #12).

Based on the record, answers from the remaining Defendants—Moss, Royal, and Catalyst—were due on March 5, 2021. (Dkt. #7, #8, #9). To date, they have not answered or otherwise filed a responsive pleading. On April 26, 2021, the Court ordered the Commission to either request a clerk's entry of default or risk dismissal for want of prosecution. (Dkt. #10). The Commission subsequently requested entry of default, (Dkt. #13), which the Clerk entered, (Dkt. #14). The Commission now moves the Court for entry of default judgment against Moss, Royal, and Catalyst. (Dkt. #16).

II. LEGAL STANDARD

Federal Rule of Civil Procedure 55 sets forth certain conditions under which default may be entered against a party, as well as the procedure to seek the entry of

default judgment. FED. R. CIV. P. 55. The Fifth Circuit requires a three-step process for securing a default judgment. *New York Life Ins. Co. v. Brown*, 84 F.3d 137, 141 (5th Cir. 1996). First, a default occurs when a defendant has failed to plead or otherwise respond to the complaint within the time required by the Federal Rules of Civil Procedure. FED. R. CIV. P. 55(a); *New York Life Ins.*, 84 F.3d at 141. Next, an entry of default may be entered by the clerk when the default is established. FED. R. CIV. P. 55(a); *New York Life Ins.*, 84 F.3d at 141. Third, after an entry of default, a plaintiff may apply to the clerk or the court for a default judgment. FED. R. CIV. P. 55(b); *New York Life Ins.*, 84 F.3d at 141.

Rule 55(b)(2) grants a district court "wide latitude," and the entry of default judgment is left to the sound discretion of the trial court. *James v. Frame*, 6 F.3d 307, 310 (5th Cir. 1993); *see also Lindsey v. Prive Corp.*, 161 F.3d 886, 893 (5th Cir. 1998). A defendant, by his default, admits a plaintiff's well pleaded allegations of fact. *Nishimatsu Constr. Co., Ltd. v. Hous. Nat'l Bank,* 515 F.2d 1200, 1206 (5th Cir. 1975).

III. DISCUSSION

In determining whether to enter a default judgment, courts utilize a three-part analysis: (1) "whether the entry of default judgment is procedurally warranted," (2) "whether a sufficient basis in the pleadings based on the substantive merits for judgment exists," and (3) "what form of relief, if any, a plaintiff should receive." *Graham v. Coconut LLC*, No. 4:16-CV-606, 2017 WL 2600318, at *1 (E.D. Tex.

June 15, 2017) (citing, among others, *Lindsey*, 161 F.3d at 893). The Court addresses each issue in turn.

A. Default Judgment is Procedurally Warranted

The Court must first consider whether the entry of default judgment is procedurally warranted. *Lindsey*, 161 F.3d at 893. Relevant factors in making this determination include:

> [1] whether material issues of fact are at issue, [2] whether there has been substantial prejudice, [3] whether the grounds for default are clearly established, [4] whether the default was caused by a good faith mistake or excusable neglect, [5] the harshness of a default judgment, and [6] whether the court would think itself obliged to set aside the default on the defendant's motion.

Id.

On balance, these factors weigh in favor of granting default judgment against Moss, Royal, and Catalyst. When a defendant defaults, it admits to the plaintiff's well-pleaded allegations of fact. *Nishimatsu,* 515 F.2d at 1206. So there are no material issues of fact in dispute here. *See id.* The Commission's interests are prejudiced because Moss, Royal, and Catalyst have not answered the complaint or otherwise defended, bringing the adversarial process to a halt. *See United States v. Fincanon*, No. 7:08-CV-61-O, 2009 WL 301988, at *2 (N.D. Tex. Feb. 6, 2009) (citing *Lindsey*, 161 F.3d at 893). Moss, Royal, and Catalyst were served with process and failed to respond despite having ample notice and sufficient time to do so. So the grounds for default are clearly established, and a default judgment is not unusually harsh.

As to the remaining factors, no evidence of mistake or excusable neglect exists. Nor does there appear to be any basis on which the Court would be obligated to set aside the default. *See Lacy v. Sitel Corp.*, 227 F.3d 290, 292 (5th Cir. 2000) (describing the equitable principles a district court evaluates when considering whether good cause exists to set aside a default, including "whether the default was willful, whether setting it aside would prejudice the adversary, [] whether a meritorious defense is presented," and whether "the defendant acted expeditiously to correct the default" (cleaned up)). For these reasons, default judgment is procedurally appropriate here.

B. Sufficient Basis in the Pleadings to Enter Default Judgment

The Court must next consider whether the Commission's complaint provides a sufficient factual basis to enter default judgment. *See Nishimatsu*, 515 F.2d at 1206 ("[A] defendant's default does not in itself warrant the court in entering a default judgment."). In determining whether there is a sufficient basis in the pleadings for judgment, courts in the Fifth Circuit "draw meaning from the case law on Rule 8." *Wooten v. McDonald Transit Assocs., Inc.*, 788 F.3d 490, 497 (5th Cir. 2015). Factual allegations in the complaint need only "be enough to raise a right to relief above the speculative level, on the assumption that all the allegations in the complaint are true (even if doubtful in fact)." *Id.* at 498 (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007)). The complaint must present "more than an unadorned, the-defendant-unlawfully-harmed-me accusation," but "detailed

factual allegations" are not required.[1] *Id.* (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S.Ct. 1937, 173 L.Ed.2d 868 (2009)).

Applying this standard, the Court now considers the sufficiency of the Commission's claims.

1. Securities Offered and Sold

As a threshold matter, the facts alleged in the Commission's complaint establish that the "partnership" and "bridge loan" interests offered and sold by Moss, Royal, and Catalyst are securities as that term is defined under the Securities Act and the Exchange Act.

The Securities Act and the Exchange Act broadly define the term "security" to include a long list of financial instruments, including an "investment contract," the type of instrument at issue here. 15 U.S.C. §§ 77b(a)(1), 78c(a)(10). An investment contract qualifies as a security if it meets three elements: "(1) an investment of money; (2) in a common enterprise; and (3) on an expectation of profits to be derived solely from the efforts of individuals other than the investor." *SEC v. Arcturus Corp.*, 928 F.3d 400, 409 (5th Cir. 2019) (citing *SEC v. W.J. Howey Co.*, 328 U.S. 293, 298–99, 66 S.Ct. 1100, 90 L.Ed. 1244 (1946), and quoting *Williamson v. Tucker*, 645 F.2d 404, 417 (5th Cir. 1981)). When applying this test—that is, the *Howey* test—courts disregard "legal formalisms" and instead "focus on the substance of the deal." *Id.* (citing *Reves v. Ernst & Young*, 494 U.S. 56, 61, 110 S.Ct. 945, 108 L.Ed.2d 47 (1990)).

[1] To be clear, this low threshold is less rigorous than the plausibility standard under Rule 12(b)(6). *Wooten*, 788 F.3d at 498 n.3 ("declin[ing] to import Rule 12 standards into the default-judgment context" because "a default is the product of a defendant's *inaction*" rather than the invocation of Rule 12's defense).

Even when contracts "superficially resemble private commercial transactions" and lack "the formal attributes of a security," they can still qualify as securities. *Id.* (quoting *Youmans v. Simon*, 791 F.2d 341, 345 (5th Cir. 1986)).

Here, all three prongs of the *Howey* test are met. The first prong is satisfied because investors paid money to obtain their partnership and bridge-loan interests. (Dkt. #1 ¶¶ 1–4). As to the second prong, "commonality is evidenced by the fact that the fortunes of all investors [were] inextricably tied to the efficacy of" the promoters' efforts. *SEC v. Koscot Interplanetary, Inc.*, 497 F.2d 473, 479 (5th Cir. 1974). In this case, the investors' purported potential returns depended on the success of the purported oil-and-gas projects, and the offerings were marketed as ventures in which the investors would benefit from the claimed expertise and efforts of the promoters. (Dkt. #1 ¶¶ 20–21, 29–30, 38, 47). Thus, commonality exists. *See Koscot*, 497 F.2d at 479. And finally, because investors had no right to participate in management of the projects, they had a reasonable expectation that profits would be derived solely from the efforts of individuals other than themselves. (Dkt. #1 ¶¶ 21, 34, 42, 54). So the third prong of the *Howey* test also is met.

In sum, the offerings at issue are securities under the Exchange Act and the Securities Act.

2. Violations of Section 10(b) of the Exchange Act, Rule 10b–5, and Section 17(a) of the Securities Act

The Commission's allegations also establish that Moss, Royal, and Catalyst are liable for violating Section 10(b) of the Exchange Act, Rule 10b–5 thereunder, and Section 17(a) of the Securities Act.

Section 10(b) of the Exchange Act and Rule 10b–5 "make it unlawful for any person, in connection with the purchase or sale of a security, directly or indirectly, to (a) 'employ any device, scheme, or artifice to defraud'; (b) 'make an untrue statement of a material fact' or a material omission; or (c) 'engage in any act, practice, or course of business which operates . . . as a fraud or deceit upon any person.'" *SEC v. Shavers*, No. 4:13-CV-416, 2014 WL 4652121, at *8 (E.D. Tex. Sept. 18, 2014) (quoting 15 U.S.C. § 78j(b) and 17 C.F.R. § 240.10b–5). To establish violations of Section 10(b) and Rule 10b–5 for material representations or misleading omissions, the Commission must prove three elements: "(1) material misrepresentations or materially misleading omissions, (2) in connection with the purchase or sale of securities, (3) made with scienter." *SEC v. Sethi*, 910 F.3d 198, 206 & n.4 (5th Cir. 2018) (quoting *SEC v. Seghers*, 298 F.App'x 319, 327 (5th Cir. 2008) (per curiam)).

Similarly, Section 17(a) of the Securities Act makes it unlawful, in the offer or sale of securities, to (1) employ any device, scheme, or artifice to defraud; (2) obtain money or property by means of any material misstatements or omissions; or (3) engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit. 15 U.S.C. §77q(a); *see also SEC v. Spence & Green Chem. Co.*, 612 F.2d 896, 903 (5th Cir. 1980) ("[T]he proscriptions of section 17(a) are substantially the same as those of section 10(b) and rule 10b–5[.]"). Like Section 10(b) and Rule 10b–5, Section 17(a)(1) violations require a showing of scienter, whereas Sections 17(a)(2) and 17(a)(3) only require negligence. *Aaron v. SEC*, 446 U.S. 680, 696–97, 100 S.Ct. 1945, 64 L.Ed.2d 611 (1980); *see also Sethi*, 910 F.3d at 206.

A misrepresentation or omission is material if it is "reasonably calculated to influence the decisions of an investor—institutional or otherwise—in its trading in securities." *SEC. v. Gann*, 565 F.3d 932, 937 (5th Cir. 2009). Put another way, there must be "a substantial likelihood that a reasonable investor would consider the information important in making a decision to invest." *ABC Arbitrage Plaintiffs Grp. v. Tchuruk*, 291 F.3d 336, 359 (5th Cir. 2002) (cleaned up).

Scienter is "a mental state embracing intent to deceive, manipulate, or defraud." *Gann*, 565 F.3d at 936 (quotation omitted). Either intent or severe recklessness will suffice. *Sethi*, 910 F.3d at 206. Severe recklessness is defined as "those highly unreasonable omissions or misrepresentations that involve not merely simple or even inexcusable negligence, but an extreme departure from the standards of ordinary care." *Id.*

Here, the well-pleaded allegations in the Commission's complaint establish that Moss, Royal, and Catalyst made misstatements and omitted information to unwitting investors in their securities offerings. These misrepresentations include claims that prior oil wells had been commercial successes when, in fact, none had been profitable, (Dkt. #1 ¶¶ 27, 38, 47–48), and unfounded promises of guaranteed returns, (Dkt. #1 ¶¶ 3, 31, 37, 46). Sales materials also contained misleading statements about project management and consulting experts. (Dkt. #1 ¶¶ 28–29). For example, some materials listed a cold-caller as the President of Genesis and David Glass as the company's CEO when, in fact, Moss possessed ultimate control over business operations at Genesis. (Dkt. #1 ¶ 29). The materials also stated that

Dan Morrison, who was identified as having extensive industry experience, was a "Director" of Royal. (Dkt. #1 ¶ 29). But Morrison was never a director of Royal; nor did he ever perform any consulting services for the partnerships. (Dkt. #1 ¶ 29).

True, Moss's involvement was not completely concealed. He was identified in sales materials as a "consultant," and his twenty-two years of experience in the oil-and-gas industry were touted as a benefit. But investors were not informed that, within the same twenty-two years, Moss was convicted of securities fraud for selling oil-and-gas securities in a company he owned and controlled. (Dkt. #1 ¶¶ 30, 38). Because all of these misstatements and omissions relate to issues fundamental to the nature and risks of the offerings, they would have "significantly altered the total mix of information" available to any reasonable investor. *See Matrixx Initiatives, Inc. v. Siracusano*, 563 U.S. 27, 38, 131 S.Ct. 1309, 179 L.Ed.2d 398 (2011) (quotation omitted). In other words, they were material. *See id.*; *Gann*, 565 F.3d at 937.

The Commission's allegations also show that Moss, Royal, and Catalyst made these material misstatements and omissions with scienter. Moss and his companies repeated known untruths and omitted critical information about the investments, intentionally defrauding investors and raising more than $5.7 million as a result. (Dkt. #1 ¶ 1). They knew, for instance, that no previous well had produced profit for a single investor. But they said the opposite. (Dkt. #1 ¶¶ 27, 31, 46–47). They also intentionally misrepresented basic facts about Moss's involvement with the projects and knowingly concealed his criminal history. (Dkt. #1 ¶¶ 30, 38, 51). This course of business, as detailed in the complaint, operated as a fraud designed to siphon

investors' funds from the companies and into Moss's own pocket. (Dkt. #1 ¶¶ 2, 3, 4, 32). Such conduct, on its face, was intentional or, at the very least, severely reckless.

At bottom, the Commission's allegations establish that Moss, Royal, and Catalyst made material misstatements and omissions and engaged in a course of business designed to deceive and defraud investors in connection with the offer, purchase, or sale of securities. The allegations in the complaint also support the conclusion that they did so with a high degree of scienter. *See Sethi*, 910 F.3d at 206; *Gann*, 565 F.3d at 936. Thus, the Commission is entitled to default judgment on its claims that Moss, Royal, and Catalyst violated Section 10(b) of the Exchange Act, Rule 10b–5, and Section 17(a) of the Securities Act.

3. Moss's Violations of Section 15(a) of the Exchange Act

A sufficient basis in the pleadings likewise exists to enter judgment on the Commission's claim that Moss violated Section 15(a) of the Exchange Act.

Section 15(a) prohibits unregistered brokers or dealers from effecting or attempting to effect any securities transaction through interstate commerce. 15 U.S.C. § 78o(a)(1). A violation of Section 15(a)(1) does not require a showing of scienter. *SEC v. Rabinovich & Assocs., LP*, No. 07 Civ. 10547(GEL), 2008 WL 4937360, at *5 (S.D.N.Y. Nov. 18, 2008); *cf. Eastside Church of Christ v. Nat'l Plan, Inc.*, 391 F.2d 357, 361–62 (5th Cir. 1968) (concluding, without making finding of scienter, that the defendant violated Section 15(a)(1)).

A "broker" is "any person engaged in the business of effecting transactions in securities for the account of others." 15 U.S.C. § 78c(a)(4)(A). To determine whether

an individual qualifies as a broker, most courts apply a list of nonexclusive factors: (1) "regular participation in securities transactions," (2) "employment with the issuer of the securities," (3) "payment by commission as opposed to salary," (4) "history of selling the securities of other issuers," (5) "involvement in advice to investors," and (6) "active recruitment of investors." *SEC v. Collyard*, 861 F.3d 760, 766 (8th Cir. 2017) (quoting *SEC v. George*, 426 F.3d 786, 797 (6th Cir. 2005)); *see also SEC v. Hui Feng*, 935 F.3d 721, 731–32 (9th Cir. 2019) (same); *SEC v. Imperiali, Inc.*, 594 F.App'x 957, 961 (11th Cir. 2014) (per curiam) (same).

Although not all the relevant factors are present here, most are. As detailed in the complaint, Moss regularly solicited potential investors and closed sales between them and the issuers, (Dkt. #1 ¶¶ 2, 23, 47); recommended to investors that they invest in the partnership and bridge-loan securities, (Dkt. #1 ¶ 24); drafted sales materials for distribution to investors that made representations about the merits of the investments, (Dkt. #1 ¶¶ 20–30, 38, 47); controlled the bank accounts into which the offering proceeds were received, (Dkt. #1 ¶ 32); and compensated himself through investor funds, (Dkt. #1 ¶¶ 3–4, 32). The totality of the circumstances thus reveals that Moss acted as a broker in connection with the offerings at issue. *See Eastside Church of Christ*, 391 F.2d at 361 (concluding that evidence "conclusively" showed the defendant was a broker where the defendant assisted a bond issuer with legal work related to a bond issue, handled necessary paperwork, acted as a trustee and financial agent of the property, and managed the bond sales program that involved sales across the country).

Accepting the well-pleaded allegations as true, Moss was a broker within the meaning of Section 15(a) of the Exchange Act. He was therefore required to register as such. 15 U.S.C. § 78o(a)(1). Because of his failure to do so, (Dkt. #1 ¶ 59), he violated Section 15(a).

C. Appropriateness of Relief

In awarding relief, a "default judgment must not differ in kind from, or exceed in amount, what is demanded in the pleadings." FED. R. CIV. P. 54(c). And in the context of a default judgment, damages are normally not awarded without an evidentiary hearing. *James*, 6 F.3d at 310. But this general rule does not apply—that is, a hearing is unnecessary—when the amount of damages can be determined with a mathematical calculation by reference to the pleadings and supporting documents. *Id.* With these principles in mind, the Court turns to the Commission's requests for injunctive relief, disgorgement plus prejudgment interest, and civil penalties. (Dkt. #1 at 15); (Dkt. #16 at 2).

1. Permanent Injunction

As to the first form of relief, the Commission seeks permanent injunctions that would enjoin Moss, Royal, and Catalyst from violating Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b–5. The Commission also asks the Court to permanently enjoin Moss from (1) violating Section 15(a) of the Exchange Act and (2) participating in the issuance, purchase, offer, or sale of any security in an unregistered transaction; provided, however, that such injunction shall not prevent

him from purchasing or selling securities for his own personal account. (Dkt. #16 at 2, 12–13).

Section 20(b) of the Securities Act and Section 21(d) of the Exchange Act authorize the Commission to seek injunctive relief upon a "proper showing" that a defendant "is engaged or is about to engage" in violations of the securities laws. *SEC v. Zale Corp.*, 650 F.2d 718, 720 (5th Cir. 1981) (quotations omitted). "A permanent injunction is appropriate only if a defendant's past conduct gives rise to an inference that, in light of present circumstances, there is a reasonable likelihood of future transgressions." *SEC v. Life Partners Holdings, Inc.*, 854 F.3d 765, 784 (5th Cir. 2017) (quotation omitted). In determining whether a defendant should be permanently enjoined, a court must consider the "(1) egregiousness of the defendant's conduct, (2) isolated or recurrent nature of the violation, (3) degree of *scienter*, (4) sincerity of defendant's recognition of his transgression, and (5) likelihood of the defendant's job providing opportunities for future violations." *Gann*, 565 F.3d at 940. No single factor is dispositive; rather, it is "the sum of the circumstances surrounding the defendant and his past conduct that governs whether to grant or deny injunctive relief." *Zale Corp.*, 650 F.2d at 720.

Accepting the Commission's alleged facts as true, Moss, Royal, and Catalyst engaged in egregious and repeated violations of the securities laws committed knowingly or at least with severe recklessness. This recurrent conduct, for the reasons discussed above, was taken with a high degree of scienter. And because Moss, Royal, and Catalyst have not participated in this action, they have neither

demonstrated any recognition of the wrongfulness of their conduct nor provided any assurances that they will not commit future violations. Finally, it is important to note that Moss is a repeat offender, having been convicted of securities fraud in 2004. (Dkt. #1 ¶ 2). Considering these circumstances, there is a reasonable likelihood that Moss, Royal, and Catalyst will commit future violations of the securities laws absent an injunction. A permanent injunction against each of them to prevent such violations is therefore warranted. *See Life Partners Holdings, Inc.*, 854 F.3d at 784.

For these reasons, the Commission's request for a permanent injunction against Moss, Royal, and Catalyst is granted.

2. Disgorgement and Prejudgment Interest

The Commission also seeks disgorgement of Moss's ill-gotten gains plus prejudgment interest. (Dkt. #1 at 15); (Dkt. #16 at 14–16).

Disgorgement "is an equitable remedy meant to prevent the wrongdoer from enriching himself by his wrongs." *Allstate Ins. Co. v. Receivable Fin. Co.*, 501 F.3d 398, 413 (5th Cir. 2007) (quotation omitted). A district court retains "broad discretion in fashioning the equitable remedy of a disgorgement order." *SEC v. Huffman*, 996 F.2d 800, 803 (5th Cir. 1993). And the Supreme Court has made clear that a disgorgement award equal to the wrongdoer's net profit is permissible under the securities laws. *Liu v. SEC*, 140 S.Ct. 1936, 1942–43 (2020).

In actions brought by the Commission, "disgorgement need only be a reasonable approximation of profits causally connected to the [securities] violation." *Allstate Ins. Co.*, 501 F.3d at 413 (quoting *SEC v. First City Fin. Corp.*, 890 F.3d 1215,

1231 (D.C. Cir. 1989)). The Commission has the initial burden of showing that its requested disgorgement amount reasonably approximates the amount of profits connected to the violation. *First City*, 890 F.2d at 1232; *SEC v. Rockwall Energy of Tex.*, LLC, No. H-09-4080, 2012 WL 360191, at *3 (S.D. Tex. Feb. 1, 2012). Once the Commission makes that showing, the burden shifts to the defendant to "demonstrate that the disgorgement figure was not a reasonable approximation." *First City*, 890 F.2d at 1232.

Because the aim of disgorgement is to divest all ill-gotten gains from the illegal conduct, disgorgement typically includes prejudgment interest, thus preventing the wrongdoer from otherwise profiting off illicit proceeds. *SEC v. AmeraTex Energy, Inc.*, No. 4:18-CV-129, 2021 WL 1061395, at *3 (E.D. Tex. Mar. 18, 2021); *see also SEC v. Sargent*, 329 F.3d 34, 40–41 (1st Cir. 2003)). Prejudgment interest is ordinarily calculated according to the Internal Revenue Service's underpayment rate. *SEC v. Helms*, No. A-13-CV-1036 ML, 2015 WL 5010298, at *19 (W.D. Tex. Aug. 21, 2015) (citing 26 U.S.C. § 6621(a)(2)); *see also SEC v. First Jersey Secs., Inc.*, 101 F.3d 1450, 1476 (2d Cir. 1996) (approving application of IRS underpayment rate for calculating prejudgment interest on amounts disgorged due to securities violations).

Here, the Commission seeks disgorgement from Moss in the amount of $3,241,889, the amount that Moss misappropriated from investor funds to his personal use. Based on a sworn declaration supporting its motion for default judgment, the Commission has established that this amount is a reasonable approximation of the ill-gotten gains, minus businesses expenses, that Moss received

through his violations of the securities laws. (Dkt. #16-2). Because Moss has failed to contest this action, he has produced no evidence that the Commission's calculation is inaccurate. *See First City*, 890 F.2d at 1232 (explaining that once a reasonable approximation is established, the burden then shifts to the defendant to show that the approximation is incorrect). Thus, the Court concludes that Moss is liable for disgorgement in the amount of $3,241,889.

Because disgorgement of Moss's ill-gotten gains is appropriate, so is prejudgment interest. *See Helms*, 2015 WL 5010298, at *20. As noted above, the Commission requests prejudgment interest in the amount of $524,526.53. To support this amount, the Commission has provided a copy of Moss's Prejudgment Interest Report, which contains a table with calculations based on the IRS's underpayment tax rate. (Dkt. #16-3). The Commission arrived at the requested amount by taking the tax underpayment rate from February 2018 (the last month in which Moss received investor funds) through July 2021 (the date of the instant motion) and applying the rate to the principal of $3,241,889.27. (Dkt. #16-3). Based on this evidence—which supports the relief requested—and Moss's failure to contest it, the Court awards prejudgment interest in the amount of $524,526.53.

3. Civil Penalties

Finally, the Commission seeks civil penalties against Moss, Royal, and Catalyst. (Dkt. #1 at 15); (Dkt. #16 at 16–18).

Both the Securities Act and the Exchange Act provide for a three-tiered structure of civil penalties. 15 U.S.C. §§ 77t(d)(2), 78u(d)(3)(B). The steepest penalties

enumerated in the third tier may be imposed when the violation involved (1) "fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement" and (2) "directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons." 15 U.S.C. §§ 77t(d)(2)(C), 78u(d)(3)(B)(iii). The maximum penalty a court may award is the greater of the gross amount of pecuniary gain or the amount set by the applicable statutory tier. 15 U.S.C. §§ 77t(d)(2)(C), 78u(d)(3)(B)(iii); 17 C.F.R. 201.1001 (adjusting penalties for inflation).

Although the maximum penalty is capped by statute, the amount imposed within that limit is left to a district court's discretion. *AmeraTex Energy*, 2021 WL 1061395, at *4 (citing *SEC v. Kern*, 425 F.3d 143, 153 (2d Cir. 2005)). Civil penalties, like injunctions, are intended to deter future violations. Accordingly, courts look to similar factors to determine whether a civil penalty is warranted:

> (1) the egregiousness of the defendant's conduct; (2) the degree of the defendant's scienter; (3) whether the defendant's conduct created substantial losses or the risk of substantial losses to other persons; (4) whether the defendant's conduct was isolated or recurrent; and (5) whether the penalty should be reduced due to the defendant's demonstrated current and future financial condition.

Id. at *4 (quoting *Helms*, 2015 WL 5010298, at *21); *see also SEC v. Offill*, No. 3:07-CV-1643-D, 2012 WL 1138622, at *3 (N.D. Tex. Apr. 5, 2012) (same).

Moss, Royal, and Catalyst participated in a course of business that involved fraud and deceit on a large scale and in clear disregard of the securities laws. Their actions, as discussed above, were not only egregious but taken with a high degree of scienter. And their conduct was not isolated; it persisted for several years across

multiple offerings. Nor was the harm insubstantial. To the contrary, their conduct resulted in investors losing millions of dollars. *See, e.g.*, (Dkt. #16-1 ¶ 8 (attesting, among other things, that "no investors were paid back their principal investment from any of these oil and gas projects in which they were invested"). Nothing in the record suggests that Moss, Royal, or Catalyst has acknowledged their wrongdoing. And finally, as the Commission points out, this was not Moss's first securities fraud offense. Because Moss's, Royal's, and Catalyst's violations of the Securities Act and the Exchange Act involved fraud, deceit, and deliberate or reckless disregard of regulatory requirements that directly or indirectly resulted in substantial losses to investors, third-tier penalties are appropriate. 15 U.S.C. §§ 77t(d)(2)(C), 78u(d)(3)(B)(iii).

For the sake of consistency among the entity defendants controlled by Moss, the Court imposes third-tier civil penalties in the requested amount of $192,768, each, against Royal and Catalyst. This penalty is equal to that already ordered against Genesis. (Dkt. #12 at 3). As to Moss—due to the impropriety of his recidivist conduct—the Court imposes a civil penalty commensurate with the amount of his gross pecuniary gain: $3,241,889. *See* (Dkt. #16-2 ¶ 5).

IV. CONCLUSION

For the foregoing reasons, the SEC's Motion for Default Judgment Against Defendants Ronnie Lee Moss, Jr.; Royal Oil, LLC; and Catalyst Operating, LLC., (Dkt. #16), is **GRANTED**. The Court will enter its final judgment as to Moss, Royal, and Catalyst by separate order.

EXHIBIT 3

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 94576 / April 1, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20807

In the Matter of **RONNIE LEE MOSS, JR.,** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") against Ronnie Lee Moss, Jr. ("Respondent" or "Moss").

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Between February 2014 and February 2018, Respondent used companies that he owned and controlled (Genesis E&P, Inc ("Genesis"), Royal Oil, LLC ("Royal"), and Catalyst Operating, LLC ("Catalyst")) to raise $5,774,026 in unregistered securities offerings in the form of oil-and-gas partnerships and notes. During this time, Respondent regularly acted as a broker, soliciting potential investors as part of a nationwide sales program and closing sales between them and securities issuers, recommending and opining on the merits of the investments, and

controlling bank accounts receiving investors' funds. On April 14, 2004, Respondent pleaded guilty to securities fraud in federal court, stemming from his role in oil-and-gas offerings similar to those offered by Genesis, Royal, and Catalyst. Respondent, 52 years old, is a resident of Flower Mound, Texas.

B. ENTRY OF THE INJUNCTION

2. On March 11, 2022, a final judgment was entered against Moss, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Ronnie Lee Moss, Jr., et al., Civil Action Number 4:20-CV-972-SDJ, in the United States District Court for the Eastern District of Texas. The court also permanently enjoined Moss from participating in the issuance, purchase, offer, or sale of any security in an unregistered transaction; provided, however, that such injunction shall not prevent Moss from purchasing or selling securities for his own personal account.

3. The Commission's complaint alleged that, from approximately February 2014 through approximately March 2018, Moss and three companies he controlled—Genesis, Royal, and Catalyst—raised $5,774,026.00 from approximately 95 investors in multiple states through the sale of partnership unit investments. In conjunction with the offerings, Moss prepared offering documents and oversaw cold-calling efforts to solicit investors. The offering documents contained untrue and misleading statements about Moss's background—concealing his 2004 securities-fraud conviction—and about his history of failure in the oil-and-gas industry. Moss employed nominee officers to conceal his control over the companies, misappropriated offering proceeds to pay unrelated business and personal expenses, and provided investors inflated production and revenue projections. Throughout these offerings, Moss acted as a broker, soliciting potential investors as part of a nationwide sales program and closing sales between them and securities issuers, recommending and opining on the merits of the investments, and controlling bank accounts receiving investors' funds

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing before the Commission for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed by further order of the Commission, pursuant to Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.220(b).

IT IS FURTHER ORDERED that the Division of Enforcement and Respondent shall conduct a prehearing conference pursuant to Rule 221 of the Commission's Rules of Practice, 17 C.F.R. § 201.221, within fourteen (14) days of service of the Answer. The parties may meet in person or participate by telephone or other remote means; following the conference, they shall file a statement with the Office of the Secretary advising the Commission of any agreements reached at said conference. If a prehearing conference was not held, a statement shall be filed with the Office of the Secretary advising the Commission of that fact and of the efforts made to meet and confer.

If Respondent fails to file the directed Answer, or fails to appear at a hearing or conference after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon Respondent by any means permitted by the Commission's Rules of Practice.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

Attention is called to Rule 151(a), (b) and (c) of the Commission's Rules of Practice, 17 C.F.R. § 201.151(a), (b) and (c), providing that when, as here, a proceeding is set before the Commission, all papers (including those listed in the following paragraph) shall be filed electronically in administrative proceedings using the Commission's Electronic Filings in Administrative Proceedings (eFAP) system access through the Commission's website, www.sec.gov, at http://www.sec.gov/eFAP. Respondent also must serve and accept service of documents electronically. All motions, objections, or applications will be decided by the Commission.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to filing with or disposition by a hearing officer, all filings, including those under Rules 210, 221, 222, 230, 231, 232, 233, and 250 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.210, 221, 222, 230, 231, 232, 233, and 250, shall be directed to and, as appropriate, decided by the Commission. This proceeding shall be deemed to be one under the 75-day timeframe specified in Rule of Practice 360(a)(2)(i), 17 C.F.R. § 201.360(a)(2)(i), for the purposes of applying Rules of Practice 233 and 250, 17 C.F.R. §§ 201.233 and 250.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that the Commission shall issue a decision on the basis of the record in this proceeding, which shall consist of the items listed at Rule 350(a) of the Commission's Rules of Practice, 17 C.F.R. § 201.350(a), and any other document or item filed with the Office of the Secretary and accepted into the record by the Commission. The provisions of Rule 351 of the Commission's Rules of Practice, 17 C.F.R. § 201.351, relating to preparation and certification of a record index by the Office of the Secretary or the hearing officer are not applicable to this proceeding.

The Commission will issue a final order resolving the proceeding after one of the following: (A) The completion of post-hearing briefing in a proceeding where the public hearing has been completed; (B) The completion of briefing on a motion for a ruling on the pleadings or a motion for summary disposition pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250, where the Commission has determined that no public hearing is necessary; or (C) The determination that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155, and no public hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Vanessa A. Countryman
Secretary

EXHIBIT 4

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

SECURITIES AND EXCHANGE COMMISSION	§	
	§	
	§	
v.	§	CIVIL NO. 4:20-CV-972-SDJ
	§	
RONNIE LEE MOSS, JR., ET AL.	§	

FINAL JUDGMENT AS TO DEFENDANT RONNIE LEE MOSS, JR.

Plaintiff Securities and Exchange Commission ("Commission") filed a complaint in this action, Defendant Ronnie Lee Moss, Jr., failed to answer or to otherwise defend himself, and the District Clerk entered a default against Moss. The Commission subsequently filed a motion for default judgment against Moss, which the Court granted. Accordingly, this is the Court's Final Judgment as to Moss:

I.

It is **ORDERED, ADJUDGED, and DECREED** that Moss is permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

It is further **ORDERED, ADJUDGED, and DECREED** that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Moss's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Moss or with anyone described in (a).

II.

It is further **ORDERED, ADJUDGED, and DECREED** that Moss is permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

It is further **ORDERED, ADJUDGED, and DECREED** that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Moss's officers, agents, servants, employees, and attorneys; and (b)

other persons in active concert or participation with Moss or with anyone described in (a).

III.

It is further **ORDERED, ADJUDGED, and DECREED** that Moss is permanently restrained and enjoined from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] by, directly or indirectly, while engaging in business as a broker or dealer, making use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless registered with the Commission in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] of this section or associated with a broker or dealer that is registered with the Commission in accordance with Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

It is further **ORDERED, ADJUDGED, and DECREED** that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Moss's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Moss or with anyone described in (a).

IV.

It is further **ORDERED, ADJUDGED, and DECREED** that Moss is permanently restrained and enjoined from directly or indirectly, including, but not

limited to, through any entity owned or controlled by Moss, participating in the issuance, purchase, offer, or sale of any security in an unregistered transaction; provided, however, that such injunction shall not prevent Moss from purchasing or selling securities for his own personal account, with the Court to determine on the motion of the Commission whether this injunction should be made permanent or otherwise modified.

It is further **ORDERED, ADJUDGED, and DECREED** that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Moss's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Moss or with anyone described in (a).

V.

It is further **ORDERED, ADJUDGED, and DECREED** that Moss is liable for disgorgement of $3,241,889, representing net profits gained as a result of the conduct alleged in the Complaint, plus prejudgment interest of $524,526.53, and a civil penalty in the amount of $3,241,889 pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Moss shall satisfy this obligation by paying $3,766,415.53 in disgorgement and prejudgment interest, plus $3,241,889 in civil penalty for a total amount of $7,008,304.53 to the Securities and Exchange Commission within 30 days after entry of this Final Judgment.

Moss may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm. Moss may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

Enterprise Services Center
Accounts Receivable Branch
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Ronnie Lee Moss, Jr. as a defendant in this action; and specifying that payment is made pursuant to this Final Judgment.

Moss shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. By making this payment, Moss relinquishes all legal and equitable right, title, and interest in such funds and no part of the funds shall be returned to Moss.

The Commission may enforce the Court's judgment for disgorgement and prejudgment interest by using all collection procedures authorized by law, including, but not limited to, moving for civil contempt at any time after 30 days following entry of this Final Judgment.

The Commission may enforce the Court's judgment for penalties by the use of all collection procedures authorized by law, including the Federal Debt Collection Procedures Act, 28 U.S.C. § 3001 *et seq.,* and moving for civil contempt for the

violation of any Court orders issued in this action. Moss shall pay post-judgment interest on any amounts due after 30 days of the entry of this Final Judgment pursuant to 28 U.S.C. § 1961. The Commission shall hold the funds, together with any interest and income earned thereon (collectively, the "Fund"), pending further order of the Court.

The Commission may propose a plan to distribute the Fund subject to the Court's approval. Such a plan may provide that the Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. The Court shall retain jurisdiction over the administration of any distribution of the Fund and the Fund may only be disbursed pursuant to an Order of the Court.

Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil penalties pursuant to this Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Moss shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Moss's payment of disgorgement in this action, argue that Moss is entitled to, nor shall Moss further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Moss's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Moss shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the

Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Judgment. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Moss by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

VI.

It is further **ORDERED, ADJUDGED, and DECREED** that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the allegations in the complaint have been deemed by the Court as true and admitted by Moss, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Moss under this Final Judgment or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Moss of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

VII.

It is further **ORDERED, ADJUDGED, and DECREED** that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

VIII.

The Court hereby certifies this Judgment as final as to all aspects of all claims asserted against Moss. This Judgment is not final as to any aspect of any claim asserted against the other Defendants in this action.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is directed to **ENTER** this Final Judgment forthwith and without further notice. The Clerk is further directed to **TERMINATE** Ronnie Lee Moss, Jr., as a party to this civil action.

EXHIBIT 5

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95521 / August 17, 2022

Admin. Proc. File No. 3-20807

In the Matter of

RONNIE LEE MOSS, JR.

ORDER REGARDING SERVICE

On April 1, 2022, the Securities and Exchange Commission issued an order instituting administrative proceedings ("OIP") against Ronnie Lee Moss, Jr. pursuant to Section 15(b) of the Securities Exchange Act of 1934.[1] On July 6, 2022, the Division of Enforcement filed an affidavit of Eugene Young of Cavalier Courier & Process Service, which stated (i) that Cavalier received the OIP to be served on Moss at an address in Flower Mound, Texas (hereinafter, "Address 1"); and (ii) that Young served the OIP to "Ronnie Lee Moss Sr. as co-resident/father of Ronnie Lee Moss Jr. at" an address in Conyers, Georgia (hereinafter, "Address 2") and that, "[u]pon information and belief, [Address 2] is the usual place of abode of Ronnie Lee Moss Jr." But the affidavit did not clarify the discrepancy between the addresses, such as whether the process server attempted to serve Moss at Address 1 or how he determined that Address 2 is Moss's usual place of abode.

Accordingly, it is ORDERED that, if the Division has additional proof of service that clarifies the discrepancy between the addresses provided for Moss in the affidavit, it file such proof by August 31, 2022; and, if the Division does not have such proof, it file a status report concerning service of the OIP by August 31, 2022, and every 28 days thereafter until it obtains proof of service.

[1] *Ronnie Lee Moss, Jr.*, Exchange Act Release No. 94576, 2022 WL 990189 (Apr. 1, 2022).

The parties' attention is directed to the most recent amendments to the Commission's Rules of Practice, which took effect on April 12, 2021, and which include new e-filing requirements.[2]

For the Commission, by the Office of the General Counsel, pursuant to delegated authority.

Vanessa A. Countryman
Secretary

[2] *Amendments to the Commission's Rules of Practice*, Exchange Act Release No. 90442, 2020 WL 7013370 (Nov. 17, 2020), 85 Fed. Reg. 86,464, 86,474 (Dec. 30, 2020), https://www.sec.gov/rules/final/2020/34-90442a.pdf; *Instructions for Electronic Filing and Service of Documents in SEC Administrative Proceedings and Technical Specifications*, https://www.sec.gov/efapdocs/instructions.pdf. The amendments impose other obligations such as a new redaction and omission of sensitive personal information requirement. *Amendments to the Commission's Rules of Practice*, 85 Fed. Reg. at 86,465-81. And the amendments provide further requirements if a person cannot reasonably comply with the electronic filing requirements due to lack of access to electronic transmission devices. *Id.* at 86,478-79.

EXHIBIT 6

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-20807

In the Matter of **RONNIE LEE MOSS, JR.,** **Respondent.**	**DIVISION OF ENFORCEMENT'S NOTICE REGARDING STATUS OF SERVICE**

Pursuant to the Order regarding service issued in this proceeding on August 17, 2022, the Division of Enforcement files that attached Declaration of Delaney Jean Wyatt regarding the status of service of the OIP in this matter.

Dated: August 24, 2022.

Respectfully submitted,

Matthew J. Gulde
Illinois Bar No. 6272325
Attorney for the Division of Enforcement
Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, Texas 76102-6882
E-mail: guldem@sec.gov
Telephone: (817) 978-1410
Facsimile: (817) 978-4096

SERVICE LIST

In accordance with Rule 150 of the Commission's Rules of Practice, I hereby certify that a true and correct copy of the foregoing ***DIVISION OF ENFORCEMENT'S NOTICE REGARDING STATUS OF SERVICE*** was served on the persons listed below on the 24th day of August, 2022, *via* certified mail, return-receipt requested:

CERTIFIED MAIL
Mr. Ronnie Lee Moss, Jr.
[redacted]

Pro Se Respondent

Matthew J. Gulde

UNITED STATES OF AMERICA
Before the Securities and Exchange Commission

Case Number: 3-20807

In the Matter of Ronnie Lee Moss, Jr.

DECLARATION OF DELANEY JEAN WYATT

I, Delaney Jean Wyatt, declare as follows:

1. I am the Nationwide Manager of Cavalier Courier & Process Service ("Cavalier"). I have worked in a management capacity since October 2021 and previously from July 2017 to August 2019. The United States Securities and Exchange Commission ("SEC") contracts with Cavalier to provide process service nationwide and has done so since September 2015. Cavalier accomplishes this task through various employees and subcontractors across the United States. I support Cavalier's performance under its contract with the SEC in various capacities.

2. On June 23, 2022, the SEC instructed Cavalier to make service on Ronnie Lee Moss, Jr. ("Moss Jr."). The SEC provided Cavalier with the address 3[redacted]

3. On June 25, 2022, Cavalier attempted service at [redacted]. Cavalier spoke to the current resident who identified himself as Mike Kisslich ("Kisslich") and indicated that he was in the process of moving out. Kisslich stated that he had not heard from Moss Jr. in over four months, but many people have come to this address looking for him. Kisslich stated that last he heard Moss Jr. was in Atlanta, Georgia, at his father's house.

4. Cavalier searched social media; proprietary, non-public electronic databases; and other public records to identify Moss Jr.'s most likely address. In so doing, Cavalier discovered [redacted] as Moss Jr.'s likely address. Property records indicated that Ronnie Lee Moss, Sr. ("Moss Sr.") was the property owner.

OS Received 08/16/2022

5. On June 30, 2022, Cavalier attempted service at [redacted], and spoke with Moss Sr. who confirmed Moss Jr. is a co-resident. Moss Sr. accepted service on Moss Jr.'s behalf.

6. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on August 24, 2022.

Delaney Wyatt, Nationwide Manager
Cavalier Courier & Process Service
823 S. King Street, Suite C
Leesburg, VA 20175
(703) 431-7085

Status of Service

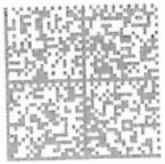
Minnick FW04163

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
FORT WORTH REGIONAL OFFICE
BURNETT PLAZA – SUITE 1900
801 CHERRY STREET – UNIT #18
FORT WORTH, TEXAS 76102-6882

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, $300
RETURN AFTER FIVE DAYS

CERTIFIED MAIL®

7016 0910 0000 8214 9657



US POSTAGE PITNEY BOWES

ZIP 02110 $ 007.82⁰
02 4W
0000376163 AUG 25 2022

Ronnie Lee Moss Jr
[redacted]

APP. 0069

OS Received 11/16/2022

EXHIBIT 7

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95633 / August 29, 2022

Admin. Proc. File No. 3-20807

In the Matter of

RONNIE LEE MOSS, JR.

ORDER TO SHOW CAUSE

On April 1, 2022, the Securities and Exchange Commission issued an order instituting administrative proceedings ("OIP") against Ronnie Lee Moss, Jr. pursuant to Section 15(b) of the Securities Exchange Act of 1934.[1] The Division of Enforcement filed an affidavit of Eugene Young on July 6, 2022, and a notice regarding status of service on August 24, 2022, which establish that service of the OIP was made on Moss on June 30, 2022, pursuant to Rule 141(a)(2)(i) of the Commission's Rules of Practice.[2]

As stated in the OIP, Moss's answer was required to be filed within 20 days of service of the OIP.[3] As of the date of this order, Moss has not filed an answer. The prehearing conference and the hearing are thus continued indefinitely.

Accordingly, Moss is ORDERED to SHOW CAUSE by September 12, 2022, why he should not be deemed to be in default and why this proceeding should not be determined against him due to his failure to file an answer and to otherwise defend this proceeding. Moss's submission shall address the reasons for his failure to timely file an answer, and include a proposed answer to be accepted in the event that the Commission does not enter a default against him.

When a party defaults, the allegations in the OIP will be deemed to be true and the Commission may determine the proceeding against that party upon consideration of the record

1 *Ronnie Lee Moss, Jr.*, Exchange Act Release No. 94576, 2022 WL 990189 (Apr. 1, 2022).

2 17 C.F.R. § 201.141(a)(2)(i).

3 *Moss*, 2022 WL 990189, at *2; Rules of Practice 151(a), 160(b), 220(b), 17 C.F.R. §§ 201.151(a), 160(b), .220(b).

without holding a public hearing.[4] The OIP informed Moss that a failure to file an answer could result in deeming him in default and determining the proceedings against him.[5]

If Moss files a response to this order to show cause, the Division may file a reply within 14 days after its service. If Moss does not file a response, the Division shall file a motion for entry of an order of default and the imposition of remedial sanctions by October 11, 2022. The motion for sanctions should address each statutory element of the relevant provisions of Section 15(b) of the Exchange Act.[6] The motion should discuss relevant authority relating to the legal basis for, and the appropriateness of, the requested sanctions and include evidentiary support sufficient to make an individualized assessment of whether those sanctions are in the public interest.[7] The parties may file opposition and reply briefs within the deadlines provided by the Rules of Practice.[8] The failure to timely oppose a dispositive motion is itself a basis for a finding of default;[9] it may result in the determination of particular claims, or the proceeding as a whole, adversely to the non-moving party and may be deemed a forfeiture of arguments that could have been raised at that time.[10]

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4 Rules of Practice 155, 180, 17 C.F.R. §§ 201.155, .180.

5 *Moss*, 2022 WL 990189, at *2.

6 *See, e.g., Shawn K. Dicken*, Exchange Act Release No. 89526, 2020 WL 4678066, at *2 (Aug. 12, 2020) (requesting additional information from the Division "regarding the factual predicate for Dicken's convictions" and "why these facts establish" the need for remedial sanctions); *see also Shawn K. Dicken*, Exchange Act Release No. 90215, 2020 WL 6117716, at *1 (Oct. 16, 2020) (clarifying the additional information needed from the Division).

7 *See generally Rapoport v. SEC*, 682 F.3d 98, 108 (D.C. Cir. 2012) (requiring "meaningful explanation for imposing sanctions"); *McCarthy v. SEC*, 406 F.3d 179, 190 (2d Cir. 2005) (stating that "each case must be considered on its own facts"); *Gary L. McDuff*, Exchange Act Release No. 74803, 2015 WL 1873119, at *1, *3 (Apr. 23, 2015); *Ross Mandell*, Exchange Act Release No. 71668, 2014 WL 907416, at *2 (Mar. 7, 2014), *vacated in part on other grounds*, Exchange Act Release No. 77935, 2016 WL 3030883 (May 26, 2016); *Don Warner Reinhard*, Exchange Act Release No. 61506, 2010 WL 421305, at *3-4 (Feb. 4, 2010), *appeal after remand*, Exchange Act Release No. 63720, 2011 WL 121451, at *5-8 (Jan. 14, 2011).

8 *See* Rules of Practice 154, 160, 17 C.F.R. §§ 201.154, .160.

9 *See* Rules of Practice 155(a)(2), 180(c), 17 C.F.R. §§ 201.155(a)(2), .180(c); *see, e.g.*, *Behnam Halali*, Exchange Act Release No. 79722, 2017 WL 24498, at *3 n.12 (Jan. 3, 2017).

10 *See, e.g.*, *McBarron Capital LLC*, Exchange Act Release No. 81789, 2017 WL 4350655, at *3-5 (Sep. 29, 2017); *Bennett Grp. Fin. Servs., LLC*, Exchange Act Release No. 80347, 2017 WL 1176053, at *2-3 (Mar. 30, 2017), *abrogated in part on other grounds by Lucia v. SEC*, 138 S. Ct. 2044 (2018); *Apollo Publ'n Corp.*, Securities Act Release No. 8678, 2006 WL 985307, at *1 n.6 (Apr. 13, 2006).

The parties' attention is directed to the most recent amendments to the Commission's Rules of Practice, which took effect on April 12, 2021, and which include new e-filing requirements.[11]

Upon review of the filings in response to this order, the Commission will either direct further proceedings by subsequent order or issue a final opinion and order resolving the matter.

For the Commission, by the Office of the General Counsel, pursuant to delegated authority.

Vanessa A. Countryman
Secretary

[11] *Amendments to the Commission's Rules of Practice*, Exchange Act Release No. 90442, 2020 WL 7013370 (Nov. 17, 2020), 85 Fed. Reg. 86,464, 86,474 (Dec. 30, 2020), https://www.sec.gov/rules/final/2020/34-90442a.pdf; *Instructions for Electronic Filing and Service of Documents in SEC Administrative Proceedings and Technical Specifications*, https://www.sec.gov/efapdocs/instructions.pdf. The amendments impose other obligations such as a new redaction and omission of sensitive personal information requirement. *Amendments to the Commission's Rules of Practice*, 85 Fed. Reg. at 86,465-81.

EXHIBIT 8

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 96089 / October 17, 2022

Admin. Proc. File No. 3-20807

In the Matter of

RONNIE LEE MOSS

ORDER REQUESTING ADDITIONAL BRIEFING AND MATERIALS

On April 1, 2022, the Securities and Exchange Commission issued an order instituting administrative proceedings ("OIP") against Ronnie Lee Moss, Jr. pursuant to Section 15(b) of the Securities Exchange Act of 1934.[1] Moss was subsequently served with the OIP but failed to file an answer to it. On August 29, 2022, the Commission issued an order requiring Moss to show cause by September 12, 2022, why he should not be deemed to be in default and why this proceeding should not be determined against him due to his failure to file an answer or otherwise defend the proceeding.[2] On October 6, 2022, after Moss failed to respond, the Division of Enforcement filed a motion for default and imposition of sanctions.

The Division's motion for default requested that the Commission bar Moss from the securities industry and from participating in penny stock offerings based on the record and the allegations in the OIP. The motion recited that, on March 11, 2022, a final judgment was entered against Moss permanently enjoining him from future violations of Exchange Act Sections 10(b) and 15(a) and Exchange Act Rule 10b-5, and Section 17(a) of the Securities Act of 1933.[3] To support its motion, the Division relied on materials submitted with its motion: the OIP, proof of service of the OIP, the complaint filed in district court, the district court's memorandum and order granting a motion for default judgment against Moss, and the district court's final judgment enjoining Moss based on the default judgment.

When determining whether remedial action, such as industry and penny stock bars, is in the public interest under Exchange Act Section 15(b), the Commission must consider the

1 *Ronnie Lee Moss, Jr.*, Exchange Act Release No. 94576, 2022 WL 990189 (Apr. 1, 2022).

2 *Ronnie Lee Moss, Jr.*, Exchange Act Release No. 95633, 2022 WL 3716555 (Aug. 29, 2022).

3 *SEC v. Moss*, No. 4:20-CV-972 (E.D. Tex. Dec. 23, 2020).

question with reference to the underlying facts and circumstances of the case.[4] The factors that the Commission considers are: the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his or her conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.[5] Such analysis must do more than "recite[], in general terms, the reasons why [a respondent's] conduct is illegal," but rather "devote individual attention to the unique facts and circumstances of th[e] case."[6]

The Division relies in part on the allegations of the OIP with respect to the injunctive action against Moss to support its request for sanctions. When a respondent defaults, the Commission may deem an OIP's allegations to be true.[7] But the OIP here recounts the allegations of the Commission's complaint; it does not independently allege that Moss engaged in particular misconduct.[8] Entering Moss's default would not appear to permit the Commission to deem true the allegations of the Commission's complaint in the injunctive action.

The Division also relies on the final judgment enjoining Moss from certain violations of the securities laws. But because that injunction was based on the default judgment entered against Moss, it does not have preclusive effect as to facts alleged in the Commission's complaint.[9]

Under the circumstances, the Commission would benefit from further development of the evidentiary record and additional briefing addressing the Division's arguments as to why industry and penny stock bars are warranted. The Division should address each statutory

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4 *See Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

5 *See id.*; *see also Lawrence Allen DeShetler*, Advisers Act Release No. 5411, 2019 WL 6221492, at *2-3 (Nov. 21, 2019) (applying Steadman factors in follow-on proceeding).

6 *See McCarthy v. SEC*, 406 F.3d 179, 189 (2d Cir. 2005) (vacating and remanding suspension for failing to meet this standard).

7 *See* Commission Rules of Practice 155(a), 220(f), 17 C.F.R. §§ 201.155(a), 201.220(f).

8 *Moss*, 2022 WL 990189, at *1 (stating, for example, that the "Commission's complaint alleged that . . . Moss prepared offering documents . . . contain[ing] untrue and misleading statements . . . , misappropriated offering proceeds . . . , and provided investors inflated production and revenue projections").

9 *See Don Warner Reinhard*, Exchange Act Release No. 61506, 2010 WL 421305, at *4 (Feb. 4, 2010); *see also Jaswant Gill*, Advisers Act Release No. 5858, 2021 WL 4131427, at *2 n.7 (Sept. 10, 2021) ("Because Gill's injunction in the civil action was entered by default, we do not rely on any findings made in that action in determining whether Gill's conduct warrants remedial sanctions.").

element of the relevant provisions of Exchange Act Section 15(b).[10] The Division's brief should discuss relevant authority relating to the legal basis for and the appropriateness of the requested sanctions and include evidentiary support sufficient to make an individualized assessment of whether those sanctions are in the public interest.[11]

Accordingly, it is ORDERED that the Division of Enforcement shall submit, as it deems necessary, any additional evidentiary materials that are relevant to its motion and determination of the public interest by November 16, 2022, as well as a brief not to exceed 5,000 words, explaining the relevance of those materials to its request and the public interest and containing specific citations to the evidence relied upon.

It is further ORDERED that Moss may file a brief by December 16, 2022, not to exceed 5,000 words, addressing the same matters to be addressed by the Division. Moss's brief should also address why he has failed to file an answer previously or to otherwise defend this proceeding, and why the Commission should not find him in default as a result.[12] Moss is reminded that when a party defaults, the allegations in the OIP will be deemed to be true and the Commission may determine the proceeding against that party upon consideration of the record without holding a public hearing.[13] If Moss files a response to this order, the Division may file a reply within 14 days after its service.

For the Commission, by the Office of the General Counsel, pursuant to delegated authority.

Vanessa A. Countryman
Secretary

BY: J. Matthew DeLesDernier
Deputy Secretary

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[10] *See, e.g., Shawn K. Dicken*, Exchange Act Release No. 89526, 2020 WL 4678066, at *2 (Aug. 12, 2020) (requesting additional information from the Division "regarding the factual predicate for Dicken's convictions" and "why these facts establish" the need for remedial sanctions); *see also Shawn K. Dicken*, Exchange Act Release No. 90215, 2020 WL 6117716, at *1 (Oct. 16, 2020) (clarifying the additional information needed from the Division).

[11] *See generally Rapoport v. SEC*, 682 F.3d 98, 108 (D.C. Cir. 2012) (requiring "meaningful explanation for imposing sanctions"); *McCarthy*, 406 F.3d at 190 (stating that "each case must be considered on its own facts"); *Gary McDuff*, Exchange Act Release No. 74803, 2015 WL 1873119, at *1, *3 (Apr. 23, 2015); *Ross Mandell*, Exchange Act Release No. 71668, 2014 WL 907416, at *2 (Mar. 7, 2014), *vacated in part on other grounds*, Exchange Act Release No. 77935, 2016 WL 3030883 (May 26, 2016); *Don Warner Reinhard*, Exchange Act Release No. 61506, 2010 WL 421305, at *3-4 (Feb. 4, 2010), *appeal after remand*, Exchange Act Release No. 63720, 2011 WL 121451, at *5-8 (Jan. 14, 2011).

[12] *See supra* note 2 (show cause order warning Moss that failure to respond may cause the Commission to find him in default, and noting that the OIP did the same).

[13] Rules of Practice 155, 180, 17 C.F.R. § 201.155, .180.

EXHIBIT 9

Declaration of Melanie Good

I, Melanie Good, hereby declare, pursuant to 28 U.S.C. § 1746, as follows:

1. My name is Melanie Good. I have personal knowledge of the matters set forth in this Declaration, I am of sound mind, and I am otherwise competent to testify to these matters.

2. I am an attorney licensed to practice law in the State of Texas. I have been practicing law since 2011. I am currently employed as an enforcement attorney with the United States Securities and Exchange Commission ("SEC") in its Fort Worth Regional Office in Fort Worth, Texas. I have been employed by the SEC since February 2016. Before I joined the SEC, I was employed at the Texas State Securities Board as an enforcement attorney.

3. As part of my duties with the SEC, I participated in an investigation into the activities of an individual named Ronnie Lee Moss, Jr. ("Moss"), and three companies that he controlled, Genesis E&P, Inc. ("Genesis"), Royal Oil, LLC ("Royal Oil"), and Catalyst Operating, LLC ("Catalyst Operating") that revealed the following:

a. From February 2014 through approximately March 2018, Moss through Genesis, Royal Oil, and Catalyst Operating, raised $5,774,026 from approximately 95 investors in multiple states through the sale of partnership unit investments. A copy of one of the partnership agreements, along with private placement memorandum, is attached hereto at Exhibit 9a.

b. Testimony from Stephanie Walters and Eddy Foster, who performed work for Genesis and Moss, revealed that Moss prepared offering documents and oversaw cold-calling efforts to solicit investors. Excerpts from transcripts of the testimony of Walters and Foster are attached hereto at Exhibits 9b and 9c, respectively.

c. These offering documents concealed Moss's 2004 conviction for securities law violations and misrepresented Moss's history of failure in the oil-and-gas industry. A copy of Moss's federal criminal information and judgment is attached hereto at Exhibit 9d. Excerpts from Moss's testimony in which he admitted, among other things, that the majority of the wells drilled did not perform well are attached hereto at Exhibit 9e.

d. David Glass acted as nominal CEO of Genesis while the company was actually controlled by Moss. Excerpts from Glass's testimony are attached hereto at Exhibit 9f

e. Moss misappropriated offering proceeds to pay unrelated business and personal expenses. *See* Declaration of Jody X. Moore, Exhibit 10 to the Motion.

f. Throughout these offerings, Moss acted as a broker, soliciting potential investors as part of a nationwide sales program and closing sales between them and securities issuers, recommending and opining on the merits of the investments, and controlling bank accounts receiving investors' funds.

g. Moss's conduct resulted in a total loss to his investors.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

SIGNED this 15th day of November, 2022.

Melanie Good

EXHIBIT 9a

OS Received 11/16/2022

BIG CREEK LA, LP

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

PURSUANT TO RULE 506
OF THE SECURITIES ACT OF 1933

BIG CREEK LA, LP

$1,250,000

5 Units At $250,000 Per Unit

Minimum Investment: One Unit ($250,000)

OFFERING PRICE: $250,000 Per Unit

FOR SOPHISTICATED INVESTORS ONLY

Big Creek LA, LP
1701 Shoal Creek Road, Suite 231
Highland Village, Texas 75077
(469) 293-2300

Big Creek LA, LP

$1,250,000

5 Units at $250,000 per Unit

Minimum Investment: One Unit ($250,000)

FOR SOPHISTICATED INVESTORS ONLY

Big Creek LA, LP is a Texas limited partnership (the "Partnership," "we," "us," or "our") formed to acquire overriding royalty and working interests in, and participate in the drilling and completion of, three oil and gas wells in the Big Creek Field located in Richland Parish, Louisiana. The managing general partner of the Partnership is Genesis E&P, Inc., a Texas corporation (the "Managing General Partner"). See "MANAGEMENT."

Investors ("Participants" or "Partners") will have the option to purchase Units either as general partners ("General Partners") or as limited partners ("Limited Partners"). General Partners will have the option to convert to Limited Partners at any time after December 31, 2014. See "TERMS OF THE OFFERING" and "FEDERAL INCOME TAX ASPECTS."

The Partnership's principal investment objectives are to:

- ***Acquire oil and gas properties with drilling sites primarily for development wells in areas where producing wells already exist on other nearby properties.***
- ***Provide monthly cash distributions and multiple returns on investment from the ownership of overriding royalty, net revenue and working interests in producing oil and gas wells in which the Partnership participated in the drilling and completion.***
- ***Manage investors' overriding royalty and working interests from a land, operating and tax perspective, providing active tax deductions for General Partners.***

There is no assurance that the Partnership will achieve any or all of its investment objectives. See "PROPOSED ACTIVITIES."

This investment involves substantial risks and is only appropriate for sophisticated investors. See "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Investors (1)	Offering Costs (2)	Proceeds to Partnership (3)
Per Unit	$250,000	(2)	$250,000
Total (4)	$1,250,000	(2)	$1,250,000

* See footnotes on following page.

The Date of this Memorandum is January 30, 2014

(1) This offering will terminate on April 30, 2014, unless the Partnership extends the offering period in its sole discretion for up to an additional 180 days (the "Sales Termination Date"). There is no requirement that any minimum number of Units be sold and therefore no escrow will be established for subscription funds. Subscription funds may be deposited by the Partnership directly into its operating account for use as described in this Memorandum. See "TERMS OF THE OFFERING."

(2) The Units will be offered on a "best-efforts" basis by the officers, directors and employees of the Managing General Partner, and may be offered through broker-dealers who are registered with the Financial Industry Regulatory Authority ("FINRA"), or through independent consultants. As of the date of this Memorandum, the Partnership had not entered into any selling agreements with registered broker-dealers. Selling commissions may be paid to broker-dealers who are members of FINRA with respect to sales of Units made by them and compensation may be paid to consultants in connection with the offering of Units. The Partnership may also pay incentive compensation to registered broker-dealers in the form of Units. We will indemnify participating broker-dealers with respect to disclosures made in the Memorandum. See "PLAN OF DISTRIBUTION."

(3) The amounts shown are before deducting organization and other offering costs to the Partnership, which include legal, accounting, printing, due diligence, consulting, marketing and other costs incurred in the offering of the Units. See "USE OF PROCEEDS" and "PLAN OF DISTRIBUTION."

(4) The Units are being offered pursuant to Rule 506(b) of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended. The Units will be sold to not more than 35 U.S. investors who are not Accredited Investors and to an unlimited number of Accredited Investors, as that term is defined in Regulation D promulgated under the Securities Act of 1933, as amended. The Partnership has the option in its sole discretion to accept less than the minimum investment from a limited number of subscribers. The Managing General Partner has the option to increase the maximum amount of the offering of Units by up to an additional $250,000 for a total maximum offering of $1,500,000. The additional capital may be raised at any time up to the Sales Termination Date. The additional capital would be available to (i) acquire new prospects, (ii) finance drilling, reworking and completion costs, (iii) acquire a greater working interest in existing wells, and (iv) other proper Partnership purposes. See "USE OF PROCEEDS."

THIS OFFERING OF SECURITIES IS BEING MADE PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION AVAILABLE IN RULE 506 PROMULGATED UNDER SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED.

THESE SECURITIES ARE OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND BY CERTAIN STATE SECURITIES LAWS, AND PURSUANT TO CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO. THE SECURITIES MAY NOT BE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION UNDER THE ACT OR AN OPINION OF COUNSEL ACCEPTABLE TO THE PARTNERSHIP AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED. THERE ARE, AND WILL CONTINUE TO BE, RESTRICTIONS ON THE TRANSFER OF THE SECURITIES AND ALL OTHER UNREGISTERED SECURITIES OF THE PARTNERSHIP. THERE IS NO MARKET FOR THE SECURITIES AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. A PURCHASE OF THE SECURITIES SHOULD BE REGARDED AS AN ILLIQUID, LONG-TERM INVESTMENT.

DURING THE COURSE OF THE OFFERING AND PRIOR TO SALE, EACH OFFEREE OF THE SECURITIES, AND HIS OR HER ADVISOR(S), ARE INVITED TO ASK QUESTIONS OF, AND OBTAIN ADDITIONAL INFORMATION FROM, THE PARTNERSHIP CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING AND ANY OTHER RELEVANT MATTERS (INCLUDING, WITHOUT LIMITATION, INFORMATION TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN), TO THE EXTENT THE PARTNERSHIP POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE. OFFEREES OR ADVISORS HAVING QUESTIONS OR DESIRING ADDITIONAL INFORMATION SHOULD CONTACT MR. EDWARD C. FOSTER, CHIEF EXECUTIVE OFFICER OF THE MANAGING GENERAL PARTNER OF THE PARTNERSHIP, AT (469) 293-2300. EXCEPT FOR THE INFORMATION SET FORTH HEREIN AND SUCH FURTHER INFORMATION AS MAY BE PROVIDED BY THE PARTNERSHIP, NO PERSON ACTING IN ANY CAPACITY WHATSOEVER WITH RESPECT TO THIS OFFERING HAS ANY AUTHORITY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED. IF GIVEN OR MADE, SUCH OTHER INFORMATION, REPRESENTATIONS, OR WARRANTIES MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP.

THE INVESTOR MUST RELY ON HIS OR HER OWN EXAMINATION OF THE PARTNERSHIP AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED IN MAKING AN INVESTMENT IN THE SECURITIES OFFERED HEREBY. PRIOR TO MAKING AN INVESTMENT IN THE SECURITIES, A PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR HER OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS, AND CAREFULLY REVIEW AND CONSIDER THE ENTIRE CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, AND IN PARTICULAR, THE SECTION ENTITLED "RISK FACTORS." PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM, OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE PARTNERSHIP OR ANY OF ITS AGENTS, OFFICERS, OR REPRESENTATIVES, AS LEGAL OR TAX ADVICE. EACH OFFEREE SHOULD CONSULT HIS OR HER OWN ADVISORS AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE PARTNERSHIP.

THIS MEMORANDUM IS NOT KNOWN TO CONTAIN AN UNTRUE STATEMENT OF A MATERIAL FACT OR TO OMIT MATERIAL FACTS WHICH, IF OMITTED, WOULD MAKE THE STATEMENTS HEREIN MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN. HOWEVER, THIS IS A SUMMARY ONLY AND DOES NOT PURPORT TO BE COMPLETE. ACCORDINGLY, REFERENCE SHOULD BE MADE TO THE DOCUMENTS REFERRED TO HEREIN, COPIES OF WHICH ARE ATTACHED HERETO OR WILL BE SUPPLIED UPON REQUEST, FOR THE EXACT TERMS OF SUCH AGREEMENTS AND DOCUMENTS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THE PARTNERSHIP OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON.

EXCEPT WHERE OTHERWISE INDICATED, THIS MEMORANDUM IS CURRENT AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE PARTNERSHIP AFTER THE DATE HEREOF.

STATE NOTICE REQUIREMENTS

NOTICE REQUIREMENTS IN STATES WHERE UNITS MAY BE SOLD ARE AS FOLLOWS:

1. **FOR CALIFORNIA RESIDENTS**: THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS OFFERING HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND IS BEING MADE PURSUANT TO THE EXEMPTION FROM QUALIFICATION UNDER THE NATIONAL SECURITIES MARKET IMPROVEMENT ACT OF 1996 OR, IN THE ALTERNATIVE PURSUANT TO THE EXEMPTION AVAILABLE IN SECTION 25102(f) OF THE CALIFORNIA CORPORATIONS CODE FOR PRIVATE PLACEMENTS.

2. **FOR FLORIDA RESIDENTS**: THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE FLORIDA DIVISION OF SECURITIES. EACH FLORIDA RESIDENT WHO SUBSCRIBES FOR THE PURCHASE OF SECURITIES HEREIN HAS THE RIGHT, PURSUANT TO SECTION 517.06:(11)(a)(5) OF THE FLORIDA SECURITIES ACT, TO WITHDRAW HIS SUBSCRIPTION FOR SUCH PURCHASE AND RECEIVE A FULL REFUND OF ALL MONIES PAID WITHIN THREE BUSINESS DAYS AFTER THE EXECUTION OF THE SUBSCRIPTION AGREEMENT OR PAYMENT FOR THE PURCHASE HAS BEEN MADE, WHICHEVER IS LATER. WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER NEED ONLY SEND A LETTER OR TELEGRAM TO THE COMPANY AT ITS ADDRESS SET FORTH IN THE TEXT OF THIS MEMORANDUM, INDICATING HIS INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THIRD BUSINESS DAY. IT IS ADVISABLE TO SEND SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED. IF THE REQUEST IS MADE ORALLY (IN PERSONAL OR BY TELEPHONE TO THE COMPANY AT THE NUMBER LISTED IN THE TEXT OF THIS MEMORANDUM), A WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN RECEIVED SHOULD BE REQUESTED.

3. **FOR PENNSYLVANIA RESIDENTS**: THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER SECTION 201 OF THE PENNSYLVANIA SECURITIES ACT OF 1972 (THE "ACT") AND MAY BE RESOLD BY RESIDENTS OF PENNSYLVANIA ONLY IF REGISTERED PURSUANT TO THE PROVISIONS OF THAT ACT OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE. EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION BY SECTION 203(d), (f), (p) OR (r), DIRECTLY FROM AN ISSUER OR AFFILIATE OF AN ISSUER SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE SELLER, UNDERWRITER (IF ANY) OR ANY OTHER PERSON, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE OR, IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO WRITTEN BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED.

SEE THE SUBSCRIPTION AGREEMENT FOR OTHER STATE NOTICES, IF APPLICABLE.

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*Available under separate cover

INVESTMENT SUMMARY

The following summary is qualified in its entirety by the other information included in this Memorandum. The definitions of terms used in this Memorandum are included in Article 1 of the Partnership Agreement, a copy of which is included as Exhibit A to this Memorandum.

THE PARTNERSHIP: Big Creek LA, LP, a Texas limited partnership.

MANAGING GENERAL PARTNER: Genesis E&P, Inc., a Texas corporation whose mission is to customize investment solutions for private investors by focusing on providing the highly specialized portfolio management expertise needed to meet investment goals, especially in the energy sector. The address of both the Partnership and Genesis E&P, Inc. is 1701 Shoal Creek Road, Suite 231, Highland Village, Texas 75077 and the telephone number is (469) 293-2300.

INVESTMENT CHOICES: Purchasers of Units ("Participants") may elect to invest either as limited partners or as general partners. The allocation of costs and revenues related to all Partnership activities will be the same for both limited partners and general partners (except the Managing General Partner). The legal and tax aspects of the investment will, however, be different. General partners will have general liability and the tax benefit of using certain Partnership deductions, if incurred, to offset their income from other sources, such as salaries, interest and business profits. Limited partners will have limited liability but will only be able to use Partnership deductions to offset passive income. See "TERMS OF THE OFFERING" and "FEDERAL INCOME TAX ASPECTS - Passive Income and Losses." General partners will have the option to convert to limited partners at any time after December 31, 2014. A copy of the form of Conversion Notice is attached to this Memorandum as Exhibit D.

PARTNERSHIP WELLS: The Partnership plans to acquire overriding royalty, working and net revenue interests in an existing oil and gas lease containing specified drilling sites for three (3) oil and gas wells (collectively, the "Interests") on a prospect ("Prospect") in Richland Parish, Louisiana selected by the Managing General Partner. The Prospect contains three 40 acre drilling sites to be conveyed to the Partnership by Tradestar Energy, Inc., an unaffiliated professional oil and gas operator incorporated in Louisiana which has acquired the right to develop a lease covering 440 acres in the Big Creek oil field in Richland and Franklin Parishes, Louisiana. Tradestar Energy, Inc. has the option of developing additional acreage in the same field, for which the Partnership will have a right of first refusal to participate in future operations. The Partnership would only exercise such right if it has the consent of the Partners and can raise sufficient additional capital. The Partnership's three wells are each proposed to be drilled to a depth of approximately 2,975 feet to the Tuscaloosa Sand, or to any other commercial sands which produce hydrocarbons in nearby

areas of the field. The identified Prospect is described in greater detail in Exhibit C to this Memorandum, which includes geological information. The Partnership expects to acquire minority interests in its oil and gas Prospect. The Partnership may acquire the identified Prospect or may select other Prospects for investment. The Managing General Partner will identify the other specific oil and gas Prospects and Interests to be acquired, if any, once they have been selected.

INVESTMENT ANALYSIS: The Managing General Partner expects the Partnership's Prospect to have excellent economic potential because the Interests will be (i) drilling sites in the vicinity of existing producing oil and gas wells, (ii) will include overriding royalty interests which do not bear operating costs, and (iii) the Partnership's wells will be drilled to relatively shallow depths to formations known to be productive on nearby leases.

OPERATORS: The Partnership's wells in Louisiana will be drilled and operated by Tradestar Energy, Inc., an unaffiliated professional oil and gas operator. The Managing General Partner may, on behalf of the Partnership, select other affiliated and unaffiliated professional oil and gas drilling companies to drill and operate the Partnership's wells. See "PROPOSED ACTIVITIES -The Operators." Information regarding the proposed operator for the Partnership's identified oil and gas Prospect in Louisiana, Tradestar Energy, Inc., is included in Exhibit C to this Memorandum. The operators will drill and operate the Partnership's wells in accordance with Operating Agreements, copies of which will be available upon request once the Partnership has executed them. If an affiliate of the Managing General Partner is the operator of wells drilled by the Partnership, it would be paid compensation for such services in accordance with standard industry practice. See "PROPOSED ACTIVITIES - The Operating Agreement."

PARTICIPATION IN COSTS AND REVENUES: The Participants will bear 100% of the Interest acquisition costs. Payout is the point in time when Participants have received cash distributions equal to 100% of their Capital Contributions plus a priority return on their Capital Contributions equal to 7% per annum on a cumulative noncompounded basis. Revenue and costs of the Partnership will be allocated as follows:

	Before Payout	After Payout
Managing General Partner:	1%	1%
Participants:	99%	99%

See "PARTICIPATION IN COSTS AND REVENUES."

MANAGEMENT COMPENSATION:	The Managing General Partner will receive a one-time management fee in the amount of $219,000 in consideration for managing the Partnership and its Prospects and Interests, and be reimbursed for its expenses. The Managing General Partner or its affiliates may also receive a carried interest at the well level. Royal Oil, LLC, an affiliate of the Managing General Partner, may receive a portion of the funds allocated for drilling and completion costs as an origination management fee, the amount of which is yet determined and may depend on the actual drilling and completion costs incurred by Tradestar Energy, Inc. on behalf of the Partnership. Operators who are affiliates of the Managing General Partner, if any, will receive compensation for their services as a driller and operator of the Partnership's wells in accordance with the applicable industry Operating Agreements. See "MANAGEMENT COMPENSATION."
MANAGEMENT:	The Managing General Partner will manage the Partnership's day-to-day business activities. See "MANAGEMENT."
TERMS OF THE OFFERING:	The purchase price of each Unit is $250,000, payable in full in cash upon subscription. The Managing General Partner will administer the collection and distribution of all Partnership revenue. See "TERMS OF THE OFFERING" and "PLAN OF DISTRIBUTION."
RISK FACTORS:	The Partnership involves risks including but not limited to: (i) the Partnership may drill dry holes, (ii) the Partnership may not be able to successfully complete its wells, (iii) the Partnership may incur cost overruns, (iv) the Partnership may not produce sufficient oil or natural gas to achieve positive cash flow or Payout, (v) the Partnership's producing wells, if any, may decline in production or encounter mechanical problems, (vi) the investment is not liquid, although the Managing General Partner will endeavor to arrange a resale of Units upon request, (vii) there will be various conflicts of interest between the Managing General Partner and the Partnership that are inherent in this type of investment program, (viii) the Interests owned by the Partnership may not be profitable, (ix) the market price of oil and natural gas may decline, and (x) other risks described in this Memorandum. See "RISK FACTORS."

USE OF PROCEEDS

The net proceeds from the offering are expected to be approximately $1,112,500, including the Managing General Partner's capital contribution ($1,332,500 if a total of $1,500,000 is raised from the sale of Units) after the payment of offering costs including printing, mailing, and legal and accounting costs, but not including potential selling commissions and referral fees that may be incurred. The Managing General Partner will contribute approximately $12,500 to the Partnership. The net proceeds from the placement of the Units and from the Managing General Partner's capital contribution are estimated to be utilized as follows: (1) $881,000 to Royal Oil, LLC, an affiliate of the Managing General Partner, which will in turn pay Tradestar Energy, Inc., an unaffiliated oil and gas operator, for operating,

engineering, seismic, geological, drilling, testing, and completion costs on behalf of the Partnership, (2) $219,000 to pay a one-time initial management fee to the Managing General Partner, and (3) $12,500 for general working capital. The preceding is only an estimated budget for the Partnership. The net proceeds from this offering may be allocated differently in management's discretion.

PARTICIPATION IN COSTS AND REVENUES

The following table sets forth the participation of the Participants and the Managing General Partner in the costs and revenues associated with the proposed operations of the Partnership. All references to allocations before or after Payout refer to allocations of costs or revenues at the Partnership level, calculated on an aggregate basis. "Payout" will be achieved when Participants recover 100% of their Capital Contributions plus a cumulative noncompounded return on their Capital Contributions equal to 7% per annum.

Costs	Participants	Managing General Partner
Selling Commissions	100%	-----
Organization and Offering Costs	100%	-----
Lease Acquisition and Geophysical Costs	100%	-----
Drilling and Completion Costs	100%	-----
Lease Operating Expenses of Producing Wells before Payout	99%	1%
Lease Operating Expenses of Producing Wells after Payout	99%	1%
Revenues		
Net Revenue before Payout (1)	99%	1%
Net Revenue after Payout (1)	99%	1%

(1) These amounts include revenue from all sources, including interest income earned on the Partnership's cash balances and revenue from the ownership, sale, exchange or other disposition of Interests, whether occurring during the term of the Partnership or as part of any plan of dissolution and liquidation. The Participants' share of Partnership costs and revenues will be allocated among them in proportion to their respective Capital Contributions.

PROPOSED ACTIVITIES

General

The Partnership plans to acquire overriding royalty, working and net revenue interests in existing oil and gas leases containing specified drilling sites for three (3) oil and gas wells (collectively, the "Interests") on prospects ("Prospects") selected by the Managing General Partner. The Managing General Partner anticipates that the Prospects will include three (3) oil and gas wells in the Big Creek Field located in Richland Parish, Louisiana. The identified Prospect is described in greater detail in Exhibit C to this Memorandum, which includes geological information, although other Prospects may be selected if a substitution is deemed to be in the best interests of the Partnership. There is no assurance that the Partnership will be able to obtain all of the leases that it seeks for ultimate acquisition. See "RISK FACTORS."

Prospect Profile

The Managing General Partner will endeavor to cause the Partnership to acquire overriding royalty, working and net revenue interests and similar rights in existing oil and gas leases containing specified drilling sites primarily in the domestic United States market. The Managing General Partner may seek the advice of independent petroleum engineers to do an analysis and render advice to the Partnership regarding the expected yield, longevity, and proven reserves of prospective oil and gas wells being considered for drilling by the Partnership. There is no assurance that the Partnership and its Partners will receive sufficient cash distributions from the Interests in order to realize expected returns on their investment. The Managing General Partner has the right to cause the Partnership to make distributions-in-kind instead of in cash, in which case the Partnership would assign record title to the Interests directly among the Partners on a pro rata basis. See "RISK FACTORS – Unlimited Liability."

The Partnership is expected to have less than a 50% working interest in each of its oil and gas wells. The Managing General Partner will determine the amount of working and net revenue interests in these Prospects which may be acquired by the Partnership, as well as negotiate the purchase terms on behalf of the Partnership if the Partnership acquires an interest in these Prospects, and those terms described in supplements or exhibits to this Memorandum may be revised prior to the closing of such transactions.

The Partnership may receive working interests in exploratory or development wells pursuant to farmouts or prospect sales from the Managing General Partner or its affiliates, including affiliated partnerships. The terms and conditions of such sales or farmouts will be determined by the Managing General Partner and will not be the result of arms-length negotiations. See "CONFLICTS OF INTEREST - Transactions With Affiliates." Under a farmout agreement, if the farmor previously drilled a successful well adjacent to the Partnership's proposed drill site, then the farmor may receive a profit on the sale of the Prospect to the Partnership to reflect the increase in the fair market value of the property. The Managing General Partner or one of its Affiliates may earn a profit and a carried interest on the sale of Prospects to the Partnership, which will not exceed the compensation customarily paid for the origination of oil and gas Prospects. In addition, to the extent that the operator takes less than a customary carried interest for drilling a well for the Partnership, then the Managing General Partner and/or consultants to the Partnership may take a carried interest on the drilling of that well. Under such circumstances, the Managing General Partner or consultant may elect to convert their carried interest, if taken, to a smaller overriding royalty interest.

The Managing General Partner has evaluated the Interests and Prospects described in Exhibit C to this Memorandum for acquisition by the Partnership. Geological and other information regarding these Interests and Prospects, or substitute or additional Prospects or Interests that may be selected by the Managing General Partner in the future, may also be included in supplements to Exhibit C to this Memorandum. This information has been or will usually be provided by professional oil and gas operators or petroleum engineers. Their expertise is being relied upon by the Managing General Partner.

Identified Prospects

The Managing General Partner has identified the following Prospect on which the Partnership intends to participate in the drilling and, if successful, the completion and operation of oil and gas wells:

BIG CREEK FIELD PROSPECT – Richland Parish, Louisiana
(25 miles east of Monroe, 5 miles south of Rayville)

Number of Drill Sites:	Three (3)
Target Formation:	Tuscaloosa Formation
Estimated Depth:	2,975 feet deep

	Royalty Interests	Working Interests	Net Revenue Interests
Landowner & Royalty Owners	30%	0%	30%
Royal Oil, LLC – Operator/Other Entities	0%	90%**	50%**
Partnership	10%	10%*	20%*
Total	40%	100%	100%

*Subject to proportionate upward adjustment to the extent that more than five (5) Units are sold in this offering.

**Subject to proportionate downward adjustment to the extent that more than five (5) Units are sold in this offering.

The Big Creek Field, discovered in 1945, is located in Richland Parish, Louisiana, approximately 25 miles east of the city of Monroe and five miles south of the city of Rayville. Big Creek is one of several fields developed along the pacific shallow (2,500-4,500 feet) Tuscaloosa sand trend of northeast Louisiana, and has produced over 18 million barrels of oil to date. Past completions on leases offset to this Prospect have also been successful in finding commercial oil and gas production due to the complex stratigraphy of the Tuscaloosa sands.

The Tuscaloosa Formation at Big Creek Field consists of altering sands and shale occurring between 2,600 feet and 3,500 feet in depth with sands being lenticular or channel in type varying in thickness from several inches to 40 feet or more. Volcanic ash beds and dispersed ash within the sands further complicate the reservoir zones, making new infield discoveries possible. This sequence forms an unconformity bounded wedge at Big Creek, varying from 65 feet in thickness approximately one mile south of the Prospect, to less than eight feet in thickness immediately to overlying angular unconformity for the upper sands. Massive irregular volcanic ash (igneous, tuff) beds provide much of the trapping in this particular area.

Tradestar Energy, Inc. has the opportunity to drill up to three Tuscaloosa oil wells in close proximity to existing production with definite possibilities to encounter new zones as well. It is therefore recommended that a range of 2,950 feet to 3,750 feet deep wells be drilled by the Partnership to test the Tuscaloosa formation for commercial oil and gas production.

Overriding Royalty Interest

An overriding royalty is an interest which gives the investor the right to receive payments that are not encumbered by any operational or developmental costs associated with the investment. The investor receives an overriding royalty that is connected with a lease on a specific field, based on the revenue that is generated by producing wells on that lease during the course of that lease. The royalty payments continue throughout the duration of the lease, but cease once that lease has expired. Another

characteristic that distinguishes the overriding royalty is that the cash flow tendered to the investor is not based on the revenue remaining after operational costs have been calculated and deducted from the gross revenue. Instead, this type of royalty is determined based on the actual gross revenue that results from production in the field that is subsequently sold to buyers at market prices. For as long as this temporary royalty remains available, the investor is able to collect both the overriding royalty and the net revenue interest payments, with the balance of each calculated based on different criteria.

An overriding royalty interest is created out of the working interest. It is, therefore, limited in its duration to the life of the lease under which it is created. An overriding royalty is the right to receive revenues, in addition to the net revenue interest, from the production of oil and gas from a well without paying the drilling or monthly operating expenses from the well. Overriding royalty interests are not connected to an ownership of minerals under the ground. Rather, it stems from ownership of a portion of generated revenues from oil and gas. Owners of overriding royalty interests own only proceeds from the production of minerals and not the minerals under the ground. An overriding royalty interest expires once the lease has expired and production has stopped, whereas, minerals and royalties owners maintain their ownership after production stops.

Development and Exploratory Wells

The new wells to be drilled by the Partnership may be considered to be exploratory or development wells. Development wells are drilled either as direct offsets from producing wells or as higher risk wells in the vicinity of other producing wells. Development wells are drilled to known producing formations in previously discovered fields and are usually adjacent to producing wells on the same or adjacent lease. Exploratory drilling involves the search for a new and as yet undiscovered pool of oil or gas or a significant expansion of a field currently under development. While development wells are considered to involve lesser risk, the classification of any well as a development or exploratory well is often based on a geologist's determination which is somewhat subjective. Therefore, a precise determination as to the classification of a well is not definite.

The risks of oil and gas drilling include both the risk of drilling unproductive wells and the further risk of drilling wells that, although productive, do not produce oil and gas in sufficient amounts to return a profit on the amount expended. Drilling or reworking development wells normally involves less risk of drilling dry holes than does the drilling of exploratory wells, although no assurance can be given that any development wells will be successful. While drilling exploratory wells is recognized as involving a greater risk of dry holes, the reward from any resulting discovery of oil or gas and the reserves established may be greater if these types of wells are productive.

The Operators

The Partnership anticipates that its wells in Louisiana will be drilled by Tradestar Energy, Inc., an unaffiliated professional oil and gas operator. The Managing General Partner may, on behalf of the Partnership, select other affiliated and unaffiliated professional oil and gas drilling companies to drill and operate the Partnership's wells. See "PROPOSED ACTIVITIES - The Operating Agreements." The operators will be expected to have extensive experience and proficiency in the business of oil and gas production and operation. In general, the operators provide title reports, logs and other information regarding the wells to the working interest owners. The operators also drill and complete wells, operate them on a day-to-day basis and arrange for the sale of any oil and gas produced. The operators are compensated by the working interest owners by payment of drilling and completion charges and monthly per well management fees which are included in operating costs. In many cases, as may be the case with the Partnership's Prospects, operators are granted a "carried interest" whereby they earn a net revenue

interest without being obligated to pay any drilling costs, although they normally pay their own completion costs.

Drilling Contracts

The Partnership may enter into turnkey drilling contracts with an operator, the Managing General Partner or certain of its affiliates. Pursuant to a turnkey drilling contract, the driller would agree to cause the Partnership's well to be drilled for a fixed identified cost. If the actual costs of drilling were less, the driller would retain the balance as drilling profit, and if the actual costs of drilling were more, then the driller would bear the excess cost. The fixed drilling fee would be established by the driller and would generally be at a level that would result in compensation to the driller in the absence of unexpected drilling costs. Completion costs would generally not be included in a turnkey drilling contract, although certain turnkey drilling contracts do include completion costs, if the well is to be completed. In arranging turnkey drilling contracts with the Partnership, the Managing General Partner may have a conflict of interest because the contracts may not be arms length agreements with the Partnership. See "CONFLICTS OF INTEREST - Transactions With Affiliates."

The Operating Agreements

The Partnership's wells are expected to be managed by the operators pursuant to a Model Form Operating Agreement, a copy of which will be provided to investors upon request when they are available. Under the Joint Operating Agreements, the operators will have full control of all operations on the Partnership's wells, and will be obligated to maintain the wells in an accepted industry workmanlike manner. The operators will otherwise have no liability to the working interest holders (such as the Partnership) except for losses caused by their gross negligence or their breach of the agreement. All costs and liabilities incurred on Partnership wells will be borne by the working interest owners in the percentages specified in the agreements. All revenue from oil and gas production will be shared in accordance with the parties' respective net revenue interests, subject to landowners' and other overriding royalties. The operators are generally reimbursed for the direct and an allocable portion of the indirect costs incurred by them in operating oil and gas wells. Operators may call on working interest owners to contribute additional capital from time to time if net operating revenues from the wells are not sufficient to cover Prospect operating or capital costs. If working interest owners do not participate in additional capital calls by the operator, their working interests may be subordinated to the multiple return of the additional capital contributed by the participating working interest owners, or they may relinquish their rights in the Prospect.

Conduct of Operations

As previously discussed, the Managing General Partner will screen and evaluate prospective wells for the Partnership and will monitor the Partnership's activities. The Managing General Partner will be relying on reports and advice rendered by independent or affiliated petroleum consultants regarding operations on the Partnership's Prospects. In this regard, the Managing General Partner expects to supplement its staff by retaining consultants. See "MANAGEMENT." The Managing General Partner and its Affiliates will review and evaluate professional operators and their Prospects, including geological and seismic information.

Prior to purchasing a Prospect for the Partnership, the Managing General Partner will determine whether it believes that the production of oil or gas from that Prospect is likely to return revenues in excess of the operating costs. The factors considered in making this determination will include, as appropriate, the geology of the Prospect, the then current prices and price trends for oil and natural gas,

the projected cost of drilling, completing and operating the wells, anticipated production from the Prospect, estimated reserves and the projected length of time until payout.

Title to the Partnership's working interests will be held in the name of the Partnership, except that leases may temporarily be held in the name of the Managing General Partner or its affiliates, as nominee, to facilitate the acquisition of properties and for similar purposes. In general, the Managing General Partner will rely on the selected operators to resolve title and manage Partnership wells on a day-to-day basis, under the Managing General Partner's review and supervision.

Insurance Coverage

The operators will, on behalf of the working interest owners, carry insurance of various types including well control, pollution, public liability and workers' compensation insurance. The insurance policies will provide detailed coverage and detailed exclusions for the specific damages which might be incurred, and provides for deductible amounts which would be paid by the Partnership. The Managing General Partner believes that the insurance coverage its operators maintain will be adequate for the Partnership's operations, but there is no assurance that the Partnership will not suffer uninsured losses. See "RISK FACTORS - Uninsured Losses - Operating Hazards" and "RISK FACTORS - Unlimited Liability."

Gas and Oil Sales

The Partnership's Prospects may produce oil or natural gas, if they are productive. Any natural gas and crude oil produced by the Partnership would be sold to any available purchaser paying the highest price reasonably obtainable, on the best terms. A Partnership Prospect may, however, contain acreage which has previously been dedicated to a gas purchaser. Natural gas produced from such Prospects would be subject to the terms of existing gas purchase contracts. See "COMPETITION, MARKETS AND REGULATION."

Voluntary Assessments

The Managing General Partner anticipates that, assuming the maximum capital is raised in this offering, the initial Partnership capital will be sufficient to pay for the initial operations of the Partnership, including the Partnership's costs for the drilling and completion of the Partnership's wells. The anticipated initial Partnership capitalization proceeds to be derived from the sale of Units was determined based upon estimated costs of initial operations. Since such estimated costs of initial operations are not fixed, the Partnership may require financing in excess of the initial Partnership capitalization to conduct its planned operations.

If the Managing General Partner or, in the case of oil and gas operations, an operator determines that additional operations should be commenced for which the initial Partnership capitalization is insufficient and for which voluntary assessments will be necessary ("Subsequent Operations"), written notice of the proposed Subsequent Operations will be given to the Participants. The notice given by the Partnership to the Participants will specify the nature and purpose of the Subsequent Operations, will describe the effect of not participating in the Subsequent Operations, and estimate each Participant's proportionate share of the expenditure necessary to finance the Subsequent Operations. A Participant may elect to participate in the Subsequent Operations (such Participants are hereinafter referred to as "Participating Partners") described in the notice by sending to the Managing General Partner payment in the amount of such Participant's proportionate share of the expenditure necessary to finance the Subsequent Operations, as such share is more fully described in the notice. The Participating Partner's payment must be postmarked no later than seven (7) business days (48 hours if the rig is on location) after

the initial notice is delivered and must be received by the Managing General Partner no later than 20 days after such notice is delivered. Thereafter, the Partnership will be under no obligation to include such Participant in such Subsequent Operations unless full payment is received.

In the event voluntary assessment proceeds are not paid to the Managing General Partner by the due date stated in the notice, the Managing General Partner shall have the right, but not the obligation, to abandon the proposed Subsequent Operations and refund the voluntary assessments previously paid by the Participating Partners. In that event, the Partnership may sell or farmout, to any person or entity, its interest in the subject Partnership well or the lease or portions thereof upon such terms as the Partnership deems appropriate.

In the event of the failure of a Participant to contribute his proportionate share of a voluntary assessment, the Managing General Partner may (i) deem such failure a request that the non-Participating Partner's interest in the wells subject to the Subsequent Operation be abandoned, with no further benefits, rights or obligations with respect to the sharing of income, gains and losses with respect to the subject wells; or (ii) reduce such non-Participating Partner's interest in the Partnership proportionately to reflect the non-payment; or (iii) subject the non-Participating Partner's interest to a penalty (payable out of the non-Participating Partner's allocable portion of Partnership revenue from all sources) in an amount equal to 500% of the non-Participating Partner's share of such voluntary assessments.

If less than all Participants pay the proposed voluntary assessment, the Managing General Partner shall have the option to (i) pay the unpaid portion of such assessment and thereafter succeed to all rights that the non-Participating Partner would otherwise abandon by failing to pay the assessment, (ii) allow any or all Participating Participants to pay such assessment and therefore be entitled to succeed to all rights that the non-Participating Partner would otherwise abandon by failing to pay the assessment, (iii) secure the funds from other sources including, but not limited to, loans or the proceeds of the sale of the non-Participating Partner's abandoned interest to third parties, or (iv) abandon the Subsequent Operations for which the voluntary assessment was requested, which may entail abandoning the subject well(s) or the lease. See Section 4.07 of the Partnership Agreement.

Borrowing Policies

The Managing General Partner may also cause the Partnership to borrow for any purpose in the conduct of the Partnership's business. It is not anticipated that the Partnership will incur significant borrowings although it may borrow for liquidity purposes or in lieu of voluntary assessments if the borrowing is deemed prudent by the Managing General Partner. In addition, unforeseen expenditures due to operating repairs, uninsured hazards or other events may require the Partnership to borrow. See "RISK FACTORS - Possible Inadequacy of Partnership Funds."

Unit Resale Policy

The Partnership does not expect that a public market will develop for the Units or that they will have liquidity. Accordingly, as an accommodation to the Partners, the Managing General Partner will use its best efforts to arrange for private resales of Units at the request of prospective selling Partners, subject to the Partner's approval as to the terms and conditions of any resale. There is no assurance that the Managing General Partner will be able to effect resales on terms satisfactory to the selling Partner.

MANAGEMENT COMPENSATION

The Managing General Partner will receive a one-time management fee in the amount of $219,000 in consideration for managing the Partnership and its Prospects and Interests. The Managing General Partner will also be reimbursed for its direct expenses and an allocable portion of its actual general and administrative expenses. Operators of the Partnership wells that are affiliates of the Managing General Partner will earn compensation for performing drilling, completion and operating services for the Partnership. The Managing General Partner or one of its affiliates or an operator of the Partnership wells may take a carried or overriding royalty interest at the well level, either before or after Payout. The Managing General Partner will determine the amount of the Partnership's working interest and net revenue interest to be acquired in each well. The Managing General Partner or one of its affiliates may earn compensation for originating Partnership Prospects. The compensation may take the form of profits or fees on sale or farmout, payment or reimbursement of evaluation costs, and carried interests. In this regard, it is expected that Royal Oil, LLC, an oil and gas operator that is an affiliate of the Managing General Partner, will be paid an origination management fee from the initial acquisition, drilling and completion budget for the Partnership's three (3) oil and gas wells indentified as its Prospect in Richland Parish, Louisiana. The amount of the origination fee is yet to be determined. Royal Oil, LLC is not expected to be the operator of the Partnership's wells on the identified Prospect, rather, Tradestar Energy, Inc. will be the operator.

RISK FACTORS

The purchase of the Units is speculative and involves a high degree of risk and significant dilution. Prospective investors should carefully consider all of the information contained in this Memorandum and, in particular, the following factors which could adversely affect the operations and prospects of the Partnership, before making a decision to purchase the Units.

Cautionary Statements

The discussions and information in this Memorandum may contain both historical and forward-looking statements. To the extent that the Memorandum contains forward-looking statements regarding the financial condition, operating results, business prospects, or any other aspect of the Partnership, please be advised that the Partnership's actual financial condition, operating results, and business performance may differ materially from that projected or estimated by the Partnership in forward-looking statements. The Partnership has attempted to identify, in context, certain of the factors it currently believes may cause actual future experience and results to differ from the Partnership's current expectations. The differences may be caused by a variety of factors, including but not limited to, the Partnership drilling dry holes, Partnership wells experiencing production declines, oil and gas equipment failure, volatile energy prices, adverse economic conditions, intense competition for rigs, equipment, supplies and customers, adverse federal, state, and local government regulation, inadequate capital, unexpected costs, unexpected delays in oil and gas operations, inability to transport or sell oil or natural gas produced by the Partnership, lower revenues and greater costs than forecast, recourse liability to General Partners, potential dilution caused by future offerings of securities of the Partnership, price increases for labor and supplies, the risk of litigation and administrative proceedings involving the Partnership, its properties and its employees, environmental risks, natural hazards such as adverse weather and geological obstacles, changes in interest rates, inflationary factors, and other specific risks that may be alluded to in this Memorandum or in other reports issued by the Partnership.

Financial Projections. Financial projections concerning the estimated operating results of the Partnership may be included with the Memorandum. Any projections would be based on certain assumptions which could prove to be inaccurate and which would be subject to future conditions which may be beyond the control of the Partnership, such as general industry conditions and fierce competition. The Partnership may experience unanticipated costs, or anticipated revenues may not materialize, resulting in lower revenues than forecasted. There is no assurance that the results illustrated in any financial projections will in fact be realized by the Partnership. Any financial projections would be prepared by management of the Partnership and would not be examined or compiled by independent certified public accountants. Counsel to the Partnership has had no participation in the preparation or review of any financial projections prepared by the Partnership. Accordingly, neither the independent certified public accountants nor counsel to the Partnership would be able to provide any level of assurance on them. There is no assurance that the Partnership will have sufficient capital to fund its business operations. There is no assurance that the Partnership could obtain additional financing or capital from any source, or that such financing or capital would be available to the Partnership on terms acceptable to it.

Unlimited Liability. The Partnership will offer general partnership interests as well as limited partnership interests. Furthermore, the Partnership may make distributions-in-kind instead of in cash, in which case Partners, even Limited Partners, could become direct working interest owners in the oil and gas wells comprising the Interests, if the Interests include working interests. Each Partner should carefully assess the effects of such general liability. The general partners will be jointly and severally liable for all liabilities to creditors and claimants in the conduct of Partnership operations, and working interest owners can have similar liability on specific wells. A general partner and working interest owners may be subjected to liability in excess of his Capital Contributions. The operators will carry well control, pollution, clean-up and contamination insurance, as well as public liability and workers' compensation insurance. Such insurance should but may not be sufficient to cover all types and amounts of liabilities. The Partnership has the right to make voluntary assessments of all Participants to cover unanticipated costs on existing Partnership wells or other Subsequent Operations.

Speculative Nature. The business of exploring for and producing oil and gas is speculative. There is no assurance that the Partnership wells will produce oil or gas in commercial quantities or in sufficient amounts to return a profit on the costs expended. The reworking of existing wells, which is the Partnership's primary strategy, and the drilling of exploratory wells entail substantial risks. Although less risky than exploratory wells, the drilling of development wells may also result in dry holes, producing wells can experience mechanical problems and produce less than anticipated, and reworked wells may not be successfully recompleted. There is no assurance that the Partnership's exploratory drilling will result in the discovery of a new oil and gas field. See "PROPOSED ACTIVITIES - Prospect Profile."

No Assurance of Profit. The Partnership's business is speculative and dependent upon the Partnership's performance in acquiring working and net revenue interests in oil and gas properties and in discovering and producing oil and natural gas, none of which is assured. There is no assurance as to whether the Partnership will be successful or earn profits. There is no assurance that the Partnership will earn significant revenues or that investors will not lose their entire investment.

Oil and Gas Markets. Oil and gas prices are prone to wide fluctuation and cannot be predicted with any certainty. There is no assurance that worldwide or local surpluses of oil or natural gas will not arise causing benchmark prices in certain markets to decline. The Partnership would be adversely affected by price declines.

Risks of Productive Wells. The Partnership may own producing wells through the drilling of wells. No assurances can be given that these wells will perform as estimated. Producing wells can

decline unexpectedly in production and may develop mechanical problems which can impede or halt production.

Estimated Reserves. Petroleum engineers will make estimates of proven and unproven oil and gas reserves on the Partnership's Prospects, based on certain assumptions and analytical techniques. Based on these engineering reports and on assumptions made with respect to drilling, completion and operating costs, the Managing General Partner may prepare financial projections regarding potential operating results on the Partnership's Prospects. There is no assurance that the reserve estimates or financial projections will reflect the actual operating results experienced by the Partnership. Drilling, rework, completion and recompletion projects involve technological risks that may cause higher costs and less production than anticipated. New development or exploratory wells may not discover the anticipated reserves of oil and natural gas or may result in dry holes. Existing producing wells may not have the reserves estimated and production rates may decline more rapidly than anticipated. No assurance can be made regarding the economic return to the Participants from the Partnership's investment in oil and gas Prospects.

Lack of Diversity. The Partnership may not participate in different Prospects. Its identified Prospect contains proposed oil and gas wells with similar risks and similar depths, pay zone targets, and risk levels. There is no assurance that the Partnership will achieve Prospect and risk diversity. As a result, there may be no geographic or Prospect diversity. Furthermore, a minimally capitalized Partnership will not be able to achieve diversity. With minimal capital the Partnership may not participate in more than one well or may have a smaller working interest in its Prospects. See "USE OF PROCEEDS" and "PROPOSED ACTIVITIES."

Management Compensation. The Managing General Partner and its affiliates will earn fees and expense reimbursements from the Partnership in connection with its business operations. Funds payable to the Managing General Partner and its affiliates from the gross proceeds of the offering will generally not be available to finance the Partnership's oil and gas operations. In light of the services being performed and expenses being incurred by the Managing General Partner and its affiliates in connection with the Partnership, including forming the Partnership, organizing its operations, raising its capital, evaluating and selecting Prospects, and monitoring and managing its day to day operations, the Managing General Partner believes that the compensation and expense reimbursements are fair and in accordance with standard industry practices. The Managing General Partner or its affiliates may earn compensation as originators and operators of Partnership wells.

Competition, Markets and Regulation. The Partnership will be competing with other oil and gas companies and investment companies in acquiring Interests and in the marketing of oil and natural gas, many of whom have significantly greater financial resources. The Partnership's activities are subject to both federal and state regulations. No assurances can be given that federal or state legislation in the future will not have a material adverse effect on the Partnership. The sale of any oil and gas produced will be affected by fluctuating market conditions which are beyond the control of the Partnership or the Managing General Partner. There can be no assurance that the Partnership's revenues will not be adversely affected by market and regulatory factors. See "COMPETITION, MARKETS AND REGULATION."

Uninsured Losses - Operating Hazards. Drilling oil and gas wells involves hazards, such as encountering unusual or unexpected geological conditions, which could result in the Partnership incurring substantial losses and liabilities to third parties. The Partnership may not be insured against losses or liabilities which arise from such hazards, either because such insurance is unavailable or because the operator has elected not to purchase such insurance. The operators will be expected to agree to provide customary insurance coverage for the working interest owners under the Partnership's operating

agreements. In the event the Partnership incurs uninsured losses or liabilities, the Partnership and the General Partners will have to bear such loss directly. The Partnership is designed so that the Limited Partners should not have personal liability beyond the amount of their Capital Contributions, the undistributed earnings and assets of the Partnership and, under certain circumstances, prior distributions. See "RISK FACTORS - Unlimited Liability."

Federal Income Taxation. The Partnership has not sought a ruling from the Internal Revenue Service (the "Service") or an opinion of counsel as to its treatment as a Partnership for tax purposes and there can be no assurance that the Service will not challenge the proposed tax treatment. An opinion of tax counsel that the Partnership should be treated as a Partnership for tax purposes, even if sought and issued, would not be binding on the Service. If the Partnership were found to be an association taxable as a corporation, the Participants would be treated as shareholders and income, deductions and credits would not flow through to the Participants. In addition, distributions to the Participants could be subject to tax as corporate distributions. The Tax Reform Act of 1986 limited the deductibility of losses arising from "passive activities," which would apply to Limited Partners of the Partnership. General Partners in the Partnership should not, however, be subject to this restriction with respect to certain tax deductions generated by the Partnership's business and Interests. The timing, availability and amount of deductions to be taken by the Partnership are subject to potential challenge by the Service. There can be no assurance that the current Internal Revenue Code or the Treasury regulations will not be amended or reinterpreted so as to adversely affect the tax treatment of the Participants. Each potential investor should consult with his tax advisor on the effects of federal and state taxation. See "FEDERAL INCOME TAX ASPECTS."

Conflicts of Interest. The relationship of the Managing General Partner and its affiliates to the Partnership will create conflicts of interest. The Managing General Partner and its affiliates may continue to sponsor investment programs or other entities which engage in activities similar to those of the Partnership. The Partnership's possible sale, farmout and operating agreements with the Managing General Partner or its affiliates would not be arm's length agreements. The determination of the Managing General Partner's compensation under those contracts is subject in part to the Managing General Partner's discretion. Affiliates of the Managing General Partner may be the originators and operators of one or more of the Partnership's wells. The decision by the Managing General Partner to call for voluntary assessments may also be subject to conflicts of interest. It may enable the payment of management compensation by, among other things, preserving all or a portion of the origination management fee payable to Royal Oil, LLC. Operating agreements with affiliates of the Managing General Partner will be standard industry operating agreements comparable to arrangements with unaffiliated operators in the same geographic area. See "CONFLICTS OF INTEREST."

Reliance on Management. Under the Partnership Agreement, the Managing General Partner is given the exclusive authority to manage the Partnership's business. The consent of the Managing General Partner is required in most instances under the Partnership Agreement, including amendments to the Partnership Agreement. In such instances, a conflict of interest may arise between the Managing General Partner and the Participants. Furthermore, the Managing General Partner has the right to cause the Partnership to sell, pledge or otherwise dispose of all or any Partnership assets without the consent of the Participants. Although Participants may elect to become general partners, they will have no authority to act on behalf of the Partnership or to participate in its management. All Participants must be willing to entrust all aspects of the Partnership's business to the Managing General Partner. Participants, whether General or Limited Partners, will have certain voting rights under the Partnership Agreement in proportion to their relative Capital Contributions to the Partnership. While there is a risk that a General Partner might bind the Partnership by its acts, the Managing General Partner believes that it will have exclusive control over the conduct of the Partnership's business. Unauthorized acts by a General Partner

are specifically prohibited by the Partnership Agreement, a violation of which would give rise to an action by the Partnership against the offending General Partner.

Reliance on Key Executives. The Partnership's success is substantially dependent on the performance of the Managing General Partner and its executive officers and key employees. The loss of an officer, key employee or director of the Managing General Partner would have a material adverse impact on the Partnership. The Partnership will generally be dependent upon David Glass for the direction, management and daily supervision of the Partnership's operations. See "MANAGEMENT."

Resources of Managing General Partner. The Managing General Partner is essentially a service company with a limited and illiquid net worth comprised in substantial part of subordinated profit interests in other oil and gas limited companies. Consequently, it is not anticipated that the Managing General Partner or its affiliates will have the financial resources or the liquidity to provide funds to the Partnership in the event that the Partnership needs additional working capital. See "MANAGEMENT."

Unidentified Prospects. The Managing General Partner may not yet have selected all of the Prospects to be acquired by the Partnership, although the Partnership expects to invest its capital in the Prospect described in greater detail in Exhibit C to this Memorandum. The amount of working and net revenue interests to be purchased by the Partnership will also be determined by the Managing General Partner. Participants investing prior to the identification of all Partnership Prospects will not have an opportunity to evaluate such Prospects or working and net revenue interests before investing, nor will they have a voice in the selection of investments after they are admitted into the Partnership. See "CONFLICTS OF INTEREST."

Operations. The Partnership is expected to own working interests in conjunction with other third-party owners. It is anticipated that the Partnership will be a minority owner in some or all of its Prospects, or own non-operating Interests such as overriding royalty and net revenue interests, and therefore will not have control of the operations on those Prospects. The Managing General Partner in not expected to be the operator on Partnership wells. If the Partnership contracts with operators who fail to pay for materials and services on a timely basis, the wells they operate could be subject to materialmen's and workmen's liens. If title to the Partnership's Prospects are held in the name of a nominee, the properties could be subject to the nominee's creditors should the nominee default on its other obligations.

Possible Inadequacy of Partnership Funds. The Partnership will have limited capital available to it and voluntary assessment rights. If the entire original capital and voluntary assessments are fully expended and the Managing General Partner cannot or is not obligated to bear certain additional costs, or such costs cannot be funded from borrowings, then the Managing General Partner may cause the Partnership to sell, farmout or abandon the Partnership's properties. Furthermore, a shortage of funds may prevent or delay the Partnership from capitalizing on producing well opportunities which may become available. Although the Managing General Partner has planned for all costs and the Partnership will be insured to a certain extent, there is no assurance that the Partnership will have adequate funds to pay all of its costs.

Limited Transferability of Units. No market for the resale of Units is expected to develop. In addition, significant restrictions have been placed on the transferability of Units and the Participants will have no right to present their Units to the Managing General Partner for repurchase. Thus, investors may have considerable difficulty in selling Units or pledging Units as collateral for loans. Units should be purchased only by persons with the financial ability to acquire and hold the Units as a long-term investment. Federal and state securities laws also impose restrictions on transferability.

Indemnification of Managing General Partner. The Partnership Agreement provides that the Partnership, within the limits of Capital Contributions and retained assets, will hold the Managing General Partner harmless against certain claims arising out of Partnership activities. If the Partnership were called upon to perform under its indemnification agreement, then the portion of its assets expended for such purpose would reduce the amount otherwise available for oil and gas operations.

Voluntary Assessments. The Partnership has the right to request additional Capital Contributions from the Participants. Participants who do not make the additional Capital Contributions requested by the Partnership will experience a reduction of their share of Partnership distributions and allocations. In addition, to the extent that new wells are acquired with the proceeds of voluntary assessments, Participants who do not contribute the additional capital will not share in allocations or distributions, if any, from the new wells.

No Minimum Capitalization. The Partnership does not have a minimum capitalization and it may use the proceeds from the issuance of Units once the corresponding subscription agreements are accepted. The Partnership may only raise a minimum of capital, which would leave it with insufficient capital to implement its business plan, resulting in a complete loss of the Partners' investment in the Partnership unless the Partnership is able to raise the required capital from alternative sources. There is no assurance that alternative capital or financing would be available.

Absence of Public Market. There is no public market for the Units and no market is ever expected to develop. In addition, the Partnership has no obligation and no present intention of registering its Units. The Units may not be sold or otherwise transferred except pursuant to registration or qualification under applicable federal and state securities laws or evidence satisfactory to the Partnership (which may require an opinion of counsel to be provided at the investor's expense) that such registration or qualification is not required. There are no registration rights associated with the Units. Consequently, the investors may not be able to liquidate their investment in the Partnership if such liquidation should become necessary or desired.

Potential Dilution of Ownership. Under Section 3.21 of the Partnership Agreement, the Managing General Partner has the right to issue additional units of limited partnership interests and general partnership interests in the Partnership in excess of amounts designated in this offering, on such terms and conditions and for such consideration as are determined by the Managing General Partner without the consent of any of the Participants. The issuance of additional Units would likely cause dilution of the Participants' ownership in the Partnership.

Risk of Litigation. The Partnership is subject to the risks of disputes and litigation in the future in all aspects of its business, including but not limited to with suppliers, materialmen, employees, joint venture partners, sellers, operators, customers and others.

Application of Securities Laws. The exemptions upon which we are relying for this offering may not be available. This offering has not been registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the "private offering" exemption contained in Section 4(2) and Rule 506 of Regulation D of the Securities Act. It is currently anticipated that reliance will also be made on similar available exemptions from securities registration under applicable state securities ("Blue Sky") laws. We cannot assure that the offering presently qualifies or will continue to qualify under such exemption provisions. Furthermore, unlicensed finders referring investors to us may be deemed to be broker-dealers who should be licensed under federal and state law. If suits for rescission are brought under the Securities Act or state law and successfully concluded for failure to register this offering or for acts or omissions constituting offenses under the Securities Act, the Securities Exchange Act of 1934, as amended, or under Blue Sky laws, both our capital and assets could be adversely affected, thus

jeopardizing our ability to operate successfully. Further, our time and capital could be adversely affected by our need to defend any action by investigators of government agencies, even when we are ultimately exonerated.

CONFLICTS OF INTEREST

The Partnership is subject to various conflicts of interest arising out of its relationships with the Managing General Partner and certain of its affiliates. These conflicts include those relating to the arrangements pursuant to which the Managing General Partner will be compensated by the Partnership. The agreements and arrangements among the Partnership, the Managing General Partner, and certain of its affiliates have been established by the Managing General Partner and are not the result of arm's-length negotiations. See "FIDUCIARY RESPONSIBILITY OF MANAGEMENT" for a discussion of the Managing General Partner's fiduciary duties to the Participants. The conflicts of interest include, but are not limited to, the following:

1. *Management of Other Programs.*

The Managing General Partner and its affiliates may serve as general partners of other companies which are similar to the Partnership. It is expected that the Managing General Partner will organize other programs in the future, including those which may have investment objectives similar to those of the Partnership. The Managing General Partner and its affiliates will have conflicts of interest in allocating management time, services and functions between various existing programs and future programs which it may organize, as well as other business ventures in which they are involved. As a general partner of other investment programs, it may also have liability for the obligations of such entities as well as for those of the Partnership. The Managing General Partner and its affiliates believe that they have sufficient resources to fully discharge their responsibilities to all programs they have organized or will organize in the future. The Managing General Partner will devote only so much of its time to the business of the Partnership as in its judgment is reasonably required.

2. *Competition by the Partnership with the Managing General Partner and its Affiliates.*

The Managing General Partner or any of its affiliates do and may continue to engage for their own account or for the account of others, including other partnerships, in other business ventures, including purchasing, owning, selling and exchanging overriding royalty, net revenue and working interests similar to the Interests to be acquired by the Partnership. The Managing General Partner or its affiliates (including companies sponsored by the Managing General Partner) may therefore compete with the Partnership for Prospects. Neither the Partnership nor any Participant will be entitled to any interest in other business ventures engaged in by the Managing General Partner or its affiliates.

3. *Determination and Receipt of Fees.*

The Managing General Partner and its affiliates will receive certain compensation from the Partnership regardless of the profitability of the Partnership. The Managing General Partner or its affiliates may also earn compensation as a carried interest at the well level. These compensation arrangements have not been determined on the basis of arm's-length negotiations between independent parties. While the Managing General Partner has budgeted for cost overruns to a certain extent, it also determines the amount of working interests to be purchased in each Partnership well, which will affect budgeted costs. Voluntary assessments may be called in the discretion of the Managing General Partner. Voluntary assessments may have the effect of enabling the payment of management compensation otherwise divertible to Subsequent Operations (management has no obligation to make such a diversion).

The Managing General Partner believes that the Partnership's compensation arrangements, in light of the evaluation, acquisition and management services performed by the Managing General Partner and its affiliates, are comparable to compensation which would be paid to unaffiliated parties for comparable services.

4. *Transactions with Affiliates.*

The Partnership may obtain loans from and engage in other transactions with the Managing General Partner or its affiliates, including Joint Operating Agreements and the purchase, exchange, sale or farmout of properties pursuant to which the Managing General Partner, its affiliates or independent Partnership consultants may earn additional profits or compensation. The terms of these transactions would not be determined by "arm's length" negotiations. An affiliate of the Managing General Partner may act as an operator on Partnership wells pursuant to standard industry operating agreements, and may sell or exchange Prospects and Interests to the Partnership. Such operating, participation and exchange agreements with affiliates would not be arms-length transactions. The Managing General Partner, in accordance with its fiduciary responsibilities to the Partnership, will cause such transactions to be on terms which are fair to the Partnership.

5. *Petroleum Consultants.*

The Managing General Partner and the Partnership may utilize independent or affiliated petroleum consultants to evaluate oil and gas Prospects and to originate investment opportunities. A conflict of interest may arise with the petroleum consultants since the consultants are rendering advice and earning compensation in connection with the sale of Prospects to the Partnership. These consultants may also be performing services for other oil and gas companies and may not be devoting their time exclusively to the Partnership's business.

6. *Lack of Separate Representation.*

Legal counsel for the Partnership will not represent any of the Participants. Each investor should accordingly consult with and rely on his own counsel regarding any investment in the Units. The attorneys, accountants and other experts who perform services for the Partnership may perform services for the Managing General Partner and its Affiliates. Such dual representation may continue in the future. Should a dispute arise between the Partnership and the Participants or the Managing General Partner, the Managing General Partner will cause the Partnership to retain separate counsel for such matters.

FIDUCIARY RESPONSIBILITY OF MANAGEMENT

The Managing General Partner is accountable to the Partnership as a fiduciary and, consequently, must exercise good faith and integrity in handling Partnership affairs. Where the question has risen, courts have often held that a partner may institute legal action on behalf of himself and all other similarly situated partners (a class action) to recover damages for a breach by a managing general partner of the general partner's fiduciary duty, or on behalf of the Partnership (a Partnership derivative action) to recover damages from third parties. In addition, (i) partners may have the right, subject to procedural and jurisdictional requirements, to bring Partnership class actions in courts to enforce their rights under federal securities laws and (ii) partners who have suffered losses in connection with the purchase or sale of their Partnership interests may be able to recover such losses from a managing general partner where the losses resulted from the managing general partner's violation of the anti-fraud provisions of the federal securities laws. Since the foregoing summary involves a complex and changing area of the law,

Participants who believe that a breach of fiduciary duty by the Managing General Partner has occurred should consult with their own counsel.

The Managing General Partner is not liable to the Partnership or Participants for (i) errors in judgment or other acts or omissions not amounting to fraud, bad faith or gross negligence, or (ii) any disallowance of tax deductions, allocations or the like upon audit by the Internal Revenue Service which are not caused by the fraud, bad faith or gross negligence of the Managing General Partner, since provision has been made in the Partnership Agreement for indemnification of the Managing General Partner by the Partnership. See "SUMMARY OF THE PARTNERSHIP AGREEMENT." Therefore, purchasers of Units may have a more limited right of action than they would have absent this provision in the Partnership Agreement. TO THE EXTENT THAT THE INDEMNIFICATION PROVISIONS PURPORT TO INCLUDE INDEMNIFICATION FOR LIABILITIES ARISING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN THE OPINION OF THE SECURITIES AND EXCHANGE COMMISSION, SUCH INDEMNIFICATION IS CONTRARY TO PUBLIC POLICY AND THEREFORE UNENFORCEABLE.

MANAGEMENT

Genesis E&P, Inc.

The Managing General Partner of the Partnership is Genesis E&P, Inc., a Texas corporation organized in 1984. The Managing General Partner and its affiliates will manage all aspects of the Partnership's business, including evaluating and selecting Prospects, negotiating farmout and sale agreements, preparing reports for investors and making decisions on behalf of the Partnership. The following persons are the shareholders, officers, directors and key employees of Genesis E&P, Inc.:

Name	Position
David Glass	Chairman of the Board of Directors
Edward C. Foster	Chief Executive Officer
Kelly Nutt	President
Jason Benavides	Executive Vice President

David Glass, age 38, served as the chief executive officer and a director of the Managing General Partner from August 1998 until July 2013, and the chairman of the board of directors of the Managing General Partner since July 2013. He also served as the president of the Managing General Partner from August 1998 until May 2010. Mr. Glass began his career in 1996. As an All American college athlete in baseball, he discovered the value of teamwork and the fundamentals of leading. In addition to the Partnership, he has engaged in several business ventures, including but not limited to Lil' Angels Photography, a national photography franchise. Mr. Glass was the owner of Lil' Angels Photography from 1998 to 2008. During his tenure with Lil' Angels Photography, it was voted the top franchise to purchase in the photography field and #286 of the top 500 franchises in America by Entrepreneur Magazine. Mr. Glass has been sought and served as a consultant in other industries as well. Mr. Glass attended and graduated from the University of Arkansas with a Bachelor of Science Degree in marketing and management. He has resided in the Dallas area since 1996.

Edward C. Foster, age 45, has worked for the Managing General Partner since July 2012 and has been its chief executive officer since July 2013. Prior to joining the Managing General Partner, from July 2009 to June 2012, Mr. Foster was the branch manager and a mortgage consultant for Network Funding, a mortgage brokerage firm located in Houston, Texas. Since 2010 he has served as the chief executive

officer and a trader with Wealth Capital Group LLC, a financial firm located in Bartonville, Texas. He was the owner of and a mortgage broker for Integrity Home Mortgage/Coventry Mortgage, a mortgage brokerage located in Bartonville, Texas, and the branch manager of Country Wide Home Loans' Flower Mound, Texas office. From December 1998 to March 2006, he was the vice president and an owner of Wall Street Home Mortgage, Ltd. In the 1990's he was a senior loan consultant for Executive Home Mortgage in Flower Mound, Texas, a loan consultant for Stanford Mortgage Company in Dallas, Texas, and the vice president and production manager of Government Mortgage Investors in Dallas, Texas. Mr. Foster received his bachelor degree from Ferris State University in 1991.

Kelly Nutt, age 55, has worked for the Managing General Partner since July 2010 and has been its senior executive project manager since January 2012 and president since July 2013. He received a bachelor's degree in business management from Stephen F. Austin University in 1981. Mr. Nutt also played football while attending Stephen F. Austin University. In addition to the Managing General Partner, Mr. Nutt has more than ten years of experience in the oil and gas industry. Prior to joining the Managing General Partner, from June 2006 to July 2010, he served as a vice-president of JK Resources, an oil and gas company located in Dallas, Texas. From November 2002 to May 2006, he served as a vice president of Trans Coastal Corporation, an oil and gas company located in Dallas, Texas. Mr. Nutt has been involved with planning and developing several drilling projects in Texas, Kansas, Wyoming, South Dakota, and Nevada. Mr. Nutt has two children and has resided in the Dallas, Texas area for over 30 years.

Jason Benavides, age 42, has worked for the Managing General Partner since November 2010 and has been its executive vice president since July 2010. Mr. Benavides received a Bachelor of Arts degree from Kansas Wesleyan University in 1996. From March 1996 to 2001, he worked as an independent living coordinator for Saint Francis, a boys school located in Kansas. From 2002 to 2007, he worked as a physical therapy assistant for Orthopedic Center of Mesquite in Texas. From March 2007 to October 2010, Mr. Benavides was the supervisor of the House of Blues in Texas.

Consultants and Advisors

Ron Moss - Royal Oil, LLC – Originator of Partnership Wells and Consultant

Mr. Moss has been in the oil and gas industry for over 20 years and has extensive knowledge in geology and oil and gas drilling, completion and production operations. Over the past 20 years, he has worked with several large independent oil and gas companies heading up marketing, drilling, completion and production operations. He has been directly associated with the drilling of over 400 wells in 20 states. Mr. Moss has participated and drilled wells with several major companies as well as numerous independent oil companies throughout the United States. Over the years of his career, he has worked in various positions and he uses his expertise to manage the drilling, completion, and production processes of wells. With the knowledge that there are major untapped reservoirs with world class reserves still remaining in the United States, his current focus is drilling the best of these prospects. Mr. Moss continues to implement a formula for success by drilling sound geological prospects with the use of multiple scientific disciplines which are considered "risk limiting technologies". Royal Oil, LLC has assembled what it believes to be one of the best operational and geological teams possible.

Tom Feimster- Director, Completions and Field Operations – President and Chief Executive Officer of Tradestar Energy, Inc.

Mr. Feimster is an oil and gas operations and financial professional with a background in land-based exploration and production operations. Since 1998, Mr. Feimster has served as the president and chief executive officer of Tradestar Energy, Inc. and of E.T.G. Energy Resources, a family owned oil and

gas business for investments and holdings in multiple states, with operations primarily in Arkansas, Louisiana, Oklahoma, and Texas. He has more than 25 years combined oil and gas experience both domestic and foreign. Tradestar Energy Inc. has vast experience in taking old leases from non-profitable to profitable using the latest technology and methods. From 1991 to 1997, Mr. Feimster served as an independent counsel, through the United States Embassy in the Middle East, for technology transfer for industries. He attended Henderson State University on a football scholarship.

Dan Morrison – Royal Oil, LLC – Director - Drilling and Exploration

Mr. Morrison was trained within the Halliburton organization and spent several years in multiple product service lines and management positions within Haliburton. Most notable was his time and experience as the director of completion within the integrated solutions organization where he was an instrumental part of the asset team in the Gulf of Mexico developing SMI-9 and WC-17. His team was instrumental in taking production from 10 mmcfd to over 250 mmcfd and eclipsed the field high water mark from 1984 to a new production record in 2002. This was in large part due to the rig-less completion methods Mr. Morrison developed to help reduce drilling and completion costs associated with individual wells. Halliburton sold its interest in the fields back to Chevron for nearly $350 million in cash and $150 million in additional service work. After the sale of the asset, Mr. Morrison worked on the asset team for Petsec Energy and helped to drill and complete the first three true mono bore completions in the Gulf of Mexico with a 3-1/2" dual SSCV production liner deployed inside of 7-1/2" intermediate casing. The team was able to batch drill and complete three deviated wells off a single platform structure in less than 60 days. The wells were simultaneously fractured stimulated and utilized the algorithms perfected at WC-17 and SMI-9 to help design the stimulation and well completion. The platform went from producing 1.5 mmcfd to 28 mmcfd with the three additional new wells. Mr. Morrison also served as Halliburton's Western United States manager for well intervention and pin point stimulation (Rockies, West Coast, and Alaska). During this time, he was the global point contact for Halliburton with respect to fracture and acidizing, subsea well intervention, subsea well testing, nitrogen, HWO, slick line, and coiled tubing operations for Shell. Some notable projects with which Mr. Morrison has been involved include Shell Mars, Exxon Diana, BP Marlin, Jim Bob Mountain (McMoran high pressure deep Miocene/shallow shelf), Coal Bed Methane pin point stimulation (Turner Ranch), Lost Hills (pinpoint stimulation project), PXP (signal hill completions), Anaconda CT Drilling Project, Amoco Shelf CT Drilling, Rigless Completion Initiative North Sea and West Africa, and Extended Reach operations Sakhalin island project (Exxon). Mr. Morrison has published several articles and technical papers.

Wayne Bagan – Consulting Geologist – Executive Vice President of Geology and Geophysics for Allegiance Oil & Gas

Mr. Bagan has 32 years of petroleum industry experience, including extensive global experience in geological and geophysical prospect generation, prospect development, and presentation, including farm-ins and farm-outs. Mr. Bagan is an established domestic and international oil and gas finder of numerous new field discoveries, including three world-class discoveries, each with greater than 200 MMBOE of potential recoverable oil. Since February 1999, Mr. Bagan has worked for Allegiance Oil & Gas, a company he founded and for which he is currently its executive vice president of geology and geophysics. Allegiance Oil & Gas provides oil and gas investments to private investors. From April 2005 to October 2012, he was the manager of geology and geophysics for Ominex Resources, an oil and gas company located in Fort Worth, Texas. While at Ominex Resources, he directed exploration and exploitation growth for a large private exploration and production company, and utilized 2D and 3D seismic data and new well drilling campaigns for both domestic and international properties. From January 1981 to February 1999, Mr. Bagan worked in various capacities for Mobil Oil Corporation. From 1997 to 1999, he was located in Dallas, Texas, and was assigned to multi-billion dollar geology and geophysics projects in South America. From 1991 to 1997, he was located in Dallas, Texas and evaluated

and prioritized basins in Argentina. From 1985 to 1991, he was located in Midland, Permian Basin, Texas and evaluated multiple well discoveries in West Texas. From 1981 to 1985, he was located in Houston, Texas near the Gulf of Mexico where he participated in three nomination lease sales and the two regional lease sales.

Prior Performance

Since its formation in 2010, Genesis E&P, Inc. has sponsored 11 other private drilling ventures: the Holder #2 Joint Venture, the Red Ruby #2 Joint Venture, the HGB Joint Venture, the Kellam Lease Bank Joint Venture, the Dalusa Joint Venture, the Dalusa 1-A Joint Venture, the Dalusa 1-B Joint Venture, the Dalusa 1-C Joint Venture, the Atlas 1-A Joint Venture, the Big Horn Basin Drilling Fund Joint Venture, and the Big Horn Basin Joint Venture.

The Holder #2 drilled one oil well located in Dawson County, Texas. The well was drilled and successfully completed in August 2010.

The Red Ruby #2 Joint Venture drilled one oil well located in Dawson County, Texas. The well was drilled and was not completed (dryhole).

The HGB Joint Venture drilled one oil well located in Dawson County, Texas. The well was drilled and was not completed (dryhole).

The Tiger #1 drilled one oil well located in Weston County, Wyoming. The well was drilled to a depth of approximately 6,800 feet and successfully completed.

The Cougar #1 drilled one oil well located in Weston County, Wyoming. The well was drilled to a depth of approximately 7,200 feet and successfully completed.

The Moorcroft-Schuricht #11-12 drilled one oil well located in Crook County, Wyoming. The well was drilled to a depth of approximately 6,600 feet and was not completed (dryhole).

The Sparr Creek 19-3 drilled one oil well located in Crook County, Wyoming. The well was drilled to a depth of approximately 6,000 feet and was not completed (dryhole).

The Beachner #A-1 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Beachner #A-2 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Beachner #A-3 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Beachner #A-4 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Beachner #A-5 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Beachner #A-6 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Beachner #A-7 drilled one oil well located in Neosho County, Kansas. The well was drilled to a depth of approximately 860 feet and was successfully completed.

The Bullseye #1 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #12 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #2 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #4 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #9 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #26 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #27 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #13 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #19 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #17 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #25 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Bullseye #22 drilled one oil well located in Lusk County, Wyoming. The well was drilled to a depth of approximately 1,000 feet and was successfully completed.

The Nakota-Traub #1 drilled one oil well located in Meade County, South Dakota. The well was drilled to a depth of approximately 650 feet, and was successfully completed.

The Norstegaard #1 drilled one oil well located in Meade County, South Dakota. The well was drilled to a depth of approximately 650 feet, and was successfully completed.

Investors should be cautioned that prior performance may not be indicative of future returns. There can be no prediction as to the future production, if any, of any well to be drilled.

It should not be assumed that any Partner in this Partnership will have success or failure comparable to that experienced by venturers and partners in the other ventures sponsored by the Managing General Partner. Each oil and gas well has unique characteristics and a Partner cannot predict

future performance of any given well based upon the performance of a prior well, even if the prior well was drilled in the same area. The Managing General Partner believes the rates of return and production, or lack thereof, experienced by its other ventures are not indicative of the future performance of this Partnership. It should also be noted that all wells decline over time, some more frequently and drastically than others. Additional specific information concerning the other ventures sponsored by the Managing General Partner will be furnished upon request. For these and other reasons, including the unpredictability of oil and gas pricing and differences in program structure, property location, program size and economic conditions, operating results experienced by the other ventures sponsored by the Managing General Partner should not be considered as indicative of the operating results obtainable by this Partnership.

Administrative Order

In May 2012, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist against the Managing General Partner and Big Horn Lease Bank Joint Venture, an affiliate of the Managing General Partner ("Big Horn"). The Summary Order directed Big Horn and the General Managing Partner to cease offering and selling Big Horn joint venture interests in the Commonwealth of Pennsylvania unless registered or exempted from registration.

FEDERAL INCOME TAX ASPECTS

The following income tax information is based on the relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Department regulations ("Regulations"), and current judicial and administrative decisions through the date of this Memorandum. It is only a summary of the material tax consequences affecting individuals who become Participants in the Partnership. No ruling from the Internal Revenue Service as to the tax treatment affecting Participants has been sought, and no assurance can be given that legislation or judicial or administrative changes will not modify this summary in the future. Because it is impractical to comment on all aspects of federal, state, and local tax laws which may affect the tax consequences of participating in the Partnership, each prospective Participant should satisfy himself as to the income and other tax consequences of this investment by obtaining advice from his own tax counsel. The following tax matters, however, are of particular significance.

General

The Partnership will be organized as a limited partnership under the laws of Texas. If the Partnership is classified as a "partnership" for federal income tax purposes, each item of income, gain, deduction, credit and loss will flow through the Partnership to the Participants substantially as though such Participants had incurred such income, gain, deductions, credits and losses directly. Accordingly, each Participant will be required to include on his tax return his share of income, gain deductions, credits and losses, if any, of the Partnership. See "FEDERAL INCOME TAX ASPECTS - Special Features of Oil and Gas Taxation." Each Participant will be required to include his share of income or gain from the Partnership in his taxable income regardless of whether any cash distributions are made by the Partnership.

Although the tax aspects of ownership of Units as either a General Partner or a Limited Partner are similar in many respects, certain of the tax consequences may vary significantly. In particular, it is anticipated that the treatment of income and deductions attributable to ownership as a limited partner will be more restrictive than the treatment afforded income and deductions attributed to ownership as a general partner under the provisions of the Tax Reform Act of 1986, as amended. EACH PROSPECTIVE INVESTOR SHOULD CAREFULLY REVIEW AND CONSIDER THE DIFFERENT TAX

TREATMENT AFFORDED GENERAL PARTNER UNITS VERSUS LIMITED PARTNER UNITS WITH HIS PERSONAL TAX ADVISOR IN LIGHT OF HIS PERSONAL CIRCUMSTANCES. SEE "FEDERAL INCOME TAX ASPECTS - Passive Income and Losses."

Tax Status of Partnership

The Partnership is not requesting a ruling from the Service or an opinion of tax counsel as to its federal income tax consequences, including whether the Partnership is a "partnership" for federal income tax purposes. An opinion of tax counsel for the Partnership, if sought and issued, would not be binding on the Service in any event, and there is no assurance that the Service will not in the future assert that the Partnership is an association taxable as a corporation. If the Partnership is treated as an association taxable as a corporation for tax purposes, and not a Partnership, the holders of interests would be treated as shareholders. In that case, income, deductions, losses and credits, would be taken into account at the Partnership level and would not flow through to the Participants for tax purposes. In addition, distributions to the Participants could be subject to tax as corporate distributions. In order to support the position that the Partnership be treated as a Partnership for tax purposes rather than as an association taxable as a corporation, the Partnership will ensure that it has at least one general partner.

Adjusted Basis for Units

A Participant may not deduct in any year from his taxable income his share of Partnership losses in excess of his tax basis for his interest in the Partnership at the end of the Partnership tax year. Any such excess is allowed as a deduction at the end of the Partnership tax year in which the Participant again has a tax basis for his interest. In general, a Participant's tax basis for his Partnership interest will be the amount of cash contributed plus any increase in the Participant's individual liability by reason of assumption of Partnership liabilities and his share of Partnership net income. A Participant's tax basis will be decreased by any decrease in his share of Partnership liabilities and his share of Partnership losses and cash distributions from the Partnership.

At-Risk Limitations

A Participant also may not take deductions for Partnership losses in an amount exceeding the amount with respect to which he is "at risk" at the end of each Partnership tax year. Suspended losses would be allowable under the at-risk rules in a subsequent year to the extent the Partner's at-risk amount exceeds zero at the close of such year. If a Partner's amount at risk is less than zero at the close of a year, the negative at-risk amount would be recaptured as ordinary income for such year. In general, the amount which any Participant would be "at risk" with respect to the Partnership at the end of any Partnership tax year will be the same as his tax basis for his interest.

Allocation of Partnership Revenues and Expenses

The Partnership Agreement provides for the allocation of all revenues, operating costs and other non-operating costs among the Participants and the Managing General Partner. See Articles VI and VII of the Partnership Agreement. The Partnership Agreement also provides that, to the extent permitted by law, all tax deductions are allocated to the party who was charged with the expenditure giving rise to the deductions, and tax credits, if any, are allocated in the same ratio as revenues are shared when the credit arises.

The deduction for depletion with respect to each separate property is computed separately by each Participant. For the purposes of such computation, the adjusted basis of each property, the number of units of minerals sold within the taxable year and the number of mineral units remaining as of the end of

the taxable year will be allocated in the same ratio as capital contributions. Production from each property for the purpose of applying the limitation of Section 613A(c)(3) of the Code will be allocated in the same ratio as revenues. All other allocations necessary for the purpose of computing depletion will be allocated on the basis set forth in the Partnership Agreement.

The allocations of income, gain, loss, deduction or credit by the Partnership will be recognized for federal tax purposes provided such allocations have substantial economic effect. Regulations under Code Section 704(b) provide guidelines regarding when an allocation will be considered to have substantial economic effect. In order to comply with these regulations, the Partnership Agreement contains provisions reallocating Partnership tax items in order to avoid or eliminate any negative Capital Account for the Participants. It is possible that these reallocation provisions will alter the method in which the Participants share the profits and losses of the Partnership.

Although the Service may generally challenge the allocations made by the Partnership, the Partnership's tax counsel has rendered an opinion to the effect that it is more likely than not that such allocations will have substantial economic effect and will be recognized for federal income tax purposes. To the extent an allocation is not recognized for federal income tax purposes, the items involved would be ascribed to each Participant in accordance with his interest in the Partnership. The tax treatment of any item, the allocation of which is not recognized for tax purposes, will depend upon its nature in the hands of the Participants concerned.

Passive Income and Losses

Under the Tax Reform Act of 1986, losses from passive activities for Participants who invest as limited partners may not offset other income of a taxpayer such as salary, interest, dividends and active business income. Deductions from passive activities may offset income from passive activities. Credits from passive activities generally are limited to the tax attributable to income from such passive activities. Disallowed losses and credits are carried forward and treated as deductions and credits from passive activities in subsequent taxable years. Disallowed losses from an activity are allowed in full when the taxpayer disposes of his entire interest in the activity in a taxable transaction. Such losses are allowed first against any gain on disposition, second against any net passive income and last against trade, business and portfolio income.

Passive activities include trade or business activities in which the taxpayer does not materially participate. The limitation on passive activity losses applies to individuals, estates, trusts, closely held Subchapter C Corporations and personal service corporations. Working interests in an oil and gas property which a taxpayer holds directly or through an entity which does not limit the taxpayer's liability are specifically excepted from the definition of a "passive activity". Therefore, any losses generated in connection with such working interests are not subject to the passive income and loss limitations.

In general, a working interest is an interest with respect to an oil and gas property that is burdened with the cost of development and operation of the property. The Partnership may hold working interests in certain properties in which it invests. Although the Participants who are general partners will not directly hold a working interest, the exception provided from the passive loss limitations specifically provides that the interest may be held through an entity if that entity does not limit the liability of the taxpayer with respect to the working interest.

As partners in a partnership, the Participants who are General Partners will remain liable for all claims against the Partnership. Further, although the Partnership or the operator will maintain liability insurance to protect all of the Partners against certain claims which may be made against the Partnership, the Senate Finance Committee Report regarding the Tax Reform Act of 1986 specifically provides that

the maintenance of such insurance does not limit the liability of the working interest holder so as to cause the passive loss limitations to be applicable. Accordingly, General Partners in the Partnership will be able to deduct certain Partnership costs and expenses currently from their other active income. If and when a General Partner converts his interest into a limited partnership interest, any future income and losses allocated to him by the Partnership would be deemed to be passive income and losses which could be offset only by other passive losses and income.

It should be noted that broad discretion has been granted to the Service with respect to promulgating regulations to implement the passive loss rules. There can be no assurance that the Service will not attempt to limit the exception provided for the holding of a working interest and seek to disallow any losses claimed by the Participants who invest as General Partners.

Partnership Syndication and Organization Costs

Costs incurred in the organization of a partnership or in the sale of partnership interests must be capitalized and therefore may not be deducted. A partnership may, however, amortize organization costs over a 60-month period beginning with the month in which the Partnership begins business. Organization costs are defined as those expenditures which are incidental to the creation of the Partnership, chargeable to the capital accounts, and of a character which, if expended in connection with the creation of a Partnership having an ascertainable life, would be amortized over that period of time.

Syndication costs are expenditures connected with issuing and marketing interests in the Partnership, such as commissions, professional fees, and printing costs. Syndication costs must be capitalized and are not subject to the special 60-month amortization provision. As a result of the nondeductibility of syndication fees, Participants may have a tax basis in their Units remaining upon dissolution of the Partnership which may result in a capital loss for tax purposes at that time. The Partnership intends to amortize its organization costs over a 60-month period commencing with the organization of the Partnership.

Special Features of Oil and Gas Taxation

Under the Code and Regulations, there are certain incentives available to owners of oil and gas properties. These include: (i) the right to deduct the capitalized cost of any dry holes and abandoned wells, and (ii) the right to a deduction for depletion of the natural resources. Other tax incentives, not unique to oil and gas operations, include deductions for business expenses and depreciation on plant and equipment. The following is a summary of some of the principal features of federal income taxation of oil and gas operations. It is based on existing judicial and administrative interpretations as well as provisions of the Code and Regulations, which are subject to change at any time.

Intangible Drilling and Development Costs. Section 263(c) of the Code gives a taxpayer the option to capitalize or deduct currently as an expense all "intangible drilling and development costs" incurred in connection with the drilling and completion of oil and gas wells. Such costs include costs for drilling, labor, fuel and hauling which are incurred in drilling and preparing wells for production. They do not include costs for the acquisition or installation of tangible property normally considered as having a salvage value such as pumping units, storage facilities, separators and gathering lines. The Partnership will elect to deduct currently all costs which may be so deducted pursuant to Section 263(c) of the Code and its Regulations. To the extent that a Partnership enters into "turnkey" or fixed cost drilling agreements with third parties, the amounts paid pursuant to such agreements will be characterized as Intangible Drilling and Development Costs only if the turnkey price represents a reasonable arm's-length charge for services rendered. Court decisions involving turnkey drilling cost deductions have recognized

that a reasonable mark-up for profit and assumption of risk may properly be included as an intangible drilling cost deduction.

Prepayment of Intangible Drilling and Development Costs. Prepaid intangible drilling and development costs are deductible in the year paid only if the drilling of the well is commenced within 90 days after the close of the taxable year. In addition, certain statutory provisions, administrative rulings and court decisions (including those covering prepayments made to affiliated parties) set forth criteria for the deductibility of prepaid intangible drilling costs. The Partnership will claim deductions for prepaid intangible drilling costs only in compliance with these criteria.

The Managing General Partner anticipates that a portion of the Partnership's intangible drilling costs will be paid in 2014 and that drilling activities will commence in 2014. To the extent that wells are spudded by March 31, 2015 and all other prepayment tests are met (i.e. including payments being made to the operator on or before December 31, 2014), then the Participants should be able to deduct the intangible drilling and development costs associated with the Partnership wells in 2014. To the extent that intangible drilling costs are not prepaid by December 31, 2014, or that Partnership wells are not spudded on or before March 31, 2015, Participants will not be able to deduct in 2014 the intangible drilling costs associated with wells not spudded by such dates, but will be able to deduct such expenses in the year such wells are actually drilled. There is no assurance as to the amount of intangible drilling costs that will be paid in 2014, or whether or not the Partnership's wells will be spudded by March 31, 2015.

Reworking Costs. Costs incurred to rework existing wells are generally deductible as business operating expenses and as such, would not be a preference item under Section 57 of the Code. Rework and repair costs would therefore not be included in taxable income as a preference item for purposes of the alternative minimum tax rules.

Depletion. If a lease becomes productive, proceeds from the sale of oil and natural gas production would be taxable as ordinary income subject to the depletion deduction. The depletion deduction is generally the greater of cost depletion or percentage depletion, when available. Cost depletion allows the capitalized cost of a producing property to be deducted over its life by an annual deduction computed on the basis of the ratio of oil and gas recovered during the year to estimated reserves of oil and gas recoverable during the life of the well.

Percentage depletion for oil and gas is available under the independent producers' exemption which permits taxpayers a deduction for percentage depletion with respect to 1,000 barrels of domestic oil per day or 6,000,000 cubic feet of domestic natural gas (if the taxpayer applies the exemption to natural gas in his tax return). The percentage rate applied to the exempt production will be 15% of gross income from the property. Percentage depletion is subject to a limit of 50% of the taxable income from the property. Percentage depletion under the independent producers exemption is also limited to 65% of the taxpayer's taxable income, computed without regard (i) to the percentage depletion deduction allowed under the independent producers exemption, (ii) any carryback of a net operating loss or a capital loss, and (iii) in the case of trusts, without regard to distributions to beneficiaries. There is an unlimited carry-forward to subsequent taxable years for percentage depletion disallowed under this limitation.

The Omnibus Budget Reconciliation Act of 1990 (the "1990 Act") added incentives for continued production from marginal properties, extended the Section 29 credit, introduced a new credit for costs attributable to enhanced oil recovery projects, and provided alternative minimum tax relief for oil and gas operations. The 1990 Act added a provision for interest in oil and gas wells with marginal production held by independent producers or royalty owners for the continuing loss of production from mature fields and marginal properties. The statutory percentage depletion rate of 15% is increased by one percent (1%) for each whole dollar that the average domestic wellhead price of crude oil for the immediate preceding

calendar year is less than $20.00 a barrel. For example, if the average domestic wellhead price from a property drops to $18.00, the allowable percentage depletion rate for a well with marginal production will be 17%. This increase in percentage rate issued subject to a maximum increase of 10%. The term "marginal production" includes crude oil and natural gas produced from a domestic stripper well property and heavy oil produced from a domestic property. The term "stripper well" is any oil or gas producing property which produces a daily average of 15 or less equivalent barrels of oil and gas per producing well, assuming that such production rate is the maximum efficient rate of flow. It is not yet known whether any of the Partnership's Prospects will qualify for the increased percentage depletion allowance.

For purposes of the independent producers' exemption, percentage depletion is computed separately by each Participant and not by the Partnership. Therefore, each Participant will determine if he will be entitled to his own exemption. Only one exemption is available to certain related taxpayers, including commonly controlled corporations, trusts and estates owned by the same or related parties and members of the same family (the taxpayer, spouse and minor children). The independent producers' exemption is not available to the taxpayer if the taxpayer or any related party sells (excluding certain bulk sales) certain amounts of oil or gas through retail outlets or engages in the refining of crude oil with runs on any day during the taxable year in excess of 50,000 barrels.

The independent producers' exemption also is not available in the case of a transfer of an interest in a proven oil or gas property, including the transfer of such an interest to a newly formed Partnership. This transferee rule also applies to the transfer of an interest in a Partnership which holds an interest in a proven oil and gas property, other than a transfer at death and certain transfers involving controlled corporations, commonly controlled business entities, related persons, and certain changes of beneficiaries of a trust. Thus, if there is a transfer of a Partnership interest in a Partnership which holds an interest in a proven property in a transaction other than the exceptions enumerated in the previous sentence, percentage depletion will not be available to the transferee. This restriction may have an adverse effect on the ability of a Participant to transfer his interest in the Partnership. The Partnership will provide information sufficient to allow each participant to compute allowable cost or percentage depletion.

Tax Credit For Enhanced Recovery Expenditures. The 1990 Act also added a domestic energy exploration and production tax credit which is included as a component of the general business credit. This credit is equal to 15% of qualified costs attributable to qualified enhanced oil recovery projects. Once the average price of crude oil exceeds $28.00 per barrel, the credit is reduced and ultimately phased out at $34.00. Qualified enhanced oil recovery costs include the following costs which are paid or incurred with respect to a qualified domestic enhanced oil recovery project:

1. The cost of tangible property which is an integral part of the project and with respect to which depreciation or amortization is allowable.

2. Intangible drilling and development costs with respect to which a taxpayer may make an election to deduct under Code Section 263(c).

3. The cost of tertiary injectants with respect to which a deduction is allowable.

The amounts otherwise deductible or required to be capitalized with respect to these costs must be reduced by the amount of credit allowed. The credit is available for taxable years beginning after December 31, 1990 with respect to costs paid or incurred in enhanced recovery project underway or significantly expanded after that date.

Depreciation. Costs for tangible equipment, such as casing, tubing, tanks, pumping units and other types of tangible property normally considered as having a salvage value cannot be deducted

currently but must be capitalized and depreciated or amortized pursuant to applicable provisions of the Code. The Modified Accelerated Cost Recovery System ("MACRS") allows certain tangible equipment to be depreciated over a predetermined period shorter than its actual useful life. Most depreciable Partnership personal property will be depreciated over a seven-year period.

Leasehold Costs and Abandonment. The cost of acquiring an oil and gas leasehold interest, including evaluation costs, is a capital expenditure which may not be deducted in the year paid or incurred. If a leasehold is subsequently proven to be worthless, the cost of that leasehold (less the amount, if any, previously recovered through depletion) becomes a loss which may be deducted in the year of worthlessness as an ordinary loss with respect to real property used in a trade or business.

Certain Farmout Arrangements. In Revenue Ruling 77-176, 1977-1 C.B. 78, the Internal Revenue Service determined that in certain farmout transactions (i) the drilling party (the "Farmee") must recognize compensation income equal to the fair market value of interests earned outside the drill site and (ii) the party owning the undeveloped lease and conveying such interest (the "Farmer") must treat the conveyance of the interests in the surrounding acreage as a sale, producing gain or loss equal to the difference between the fair market value of such interests and his adjusted basis. The fair market value of the interests is determined as of the date they are earned by the Farmee. The conveyance of the interest in the drill site is not a taxable event to either party under this ruling.

If the Partnership enters into a farmout, the Managing General Partner will endeavor to minimize the Partnership's exposure under Revenue Ruling 77-176. However, the application of this ruling in certain fact situations is unclear and the Internal Revenue Service may claim that a farmout entered into by the Partnership results in taxable income or gain to each Participant in excess of his distributive share of income or gain from such transaction reported on the Partnership's income tax return. If such a position is sustained, each Participant's distributive share of the Partnership's income or gain would increase, although no cash would be available to the Partnership with respect to the income or gain. Under a recently decided case, this same adverse tax consequence may occur even with respect to the standard operating agreements that will be entered into by the Partnership. *ZuHone v. Commissioner*, T.C.M. 1988-142. Because the application of the ruling to the Partnership's activities depends upon future facts, it is impossible to determine the Partnership's exposure in this area.

Sales of Partnership Property

Gains and losses from sales of oil and gas property held for more than one year and not held primarily for sale to customers will be treated as gains and losses as described in Section 1231 of the Code, except to the extent of (i) depreciation recapture on equipment and (ii) the recapture of deductions for intangible drilling and development costs which are in excess of the deductions which would have been available had such costs been capitalized. Assuming that a Participant has no other capital or business transaction during a tax year, his share of Section 1231 net gain will generally be treated as a long-term capital gain, while his share of a net loss realized on such sales will be an ordinary deduction from gross income. However, net Section 1231 gains will be treated as ordinary income to the extent of unrecaptured net Section 1231 losses for the preceding five most recent prior years. Gains and losses on sales of oil and gas property not held for more than one year will result in ordinary income and deductions.

Sales of Interests in the Partnership

In the event that a Participant sells his interest in the Partnership, he will be required to recognize taxable gain or loss on the sale measured by the difference between the amount realized by him upon such sale and his adjusted tax basis for his interest. Assuming the Participant is not a dealer for purposes of the

Code, any gain or loss realized on the sale will be taxed as capital gain or loss (long-term if the interest has been held for more than one year). The portion of the sales price attributable to these items will be taxed to the selling Participant as ordinary income.

Recent changes in the tax laws impose information reporting requirements with respect to transfers of Partnership interests. The transferor is required to notify the Partnership within 30 days of the exchange. Such notification must include the names and addresses of the transferee and transferor, the date of the exchange and the taxpayer identification number of the transferor and, if known, of the transferee. The transferor transferring an interest in the Partnership may be required to attach a statement to his or her income tax return disclosing the fact that he or she has transferred such interest during the taxable year for which the return is filed.

Investment Interest

A Participant may incur investment interest expense either as a result of financing the purchase price of his Unit or through an allocation of interest expenses incurred by the Partnership, if any (i.e., if the Partnership has borrowings). The Partnership would be treated as engaged in an investment activity for purposes of the investment interest limitation to the extent the Partnership borrows funds to acquire and hold investment property. On the other hand, to the extent that the Partnership is engaged in a trade or business, interest expense incurred to finance such activity would not be subject to the investment interest limitations.

Any interest expense other than investment interest expense incurred by the Partnership and allocated to a general partner should be deemed to constitute trade or business interest expense and should be deductible by such general partner. Any interest expense other than investment interest expense incurred by the Partnership and allocated to a limited partner will be added to his loss from the Partnership and, accordingly, reduce the amount of his passive income or increase the amount of his passive loss from the Partnership. Interest expense allocated to a limited partner by the Partnership will be treated as a passive loss. See "FEDERAL INCOME TAX ASPECTS - Passive Income and Losses." Interest expense incurred by any Participant on the financing of his Units should be treated as investment interest.

Any interest the deduction of which is disallowed solely because of the investment interest rules may be carried forward, in which case it will constitute investment interest in the carryover years and may be deducted in the first carryover year in which the limitation is not otherwise reached. These restrictions are applied on a Partner-by-Partner basis. Each Participant is advised to consult with his tax advisor to determine whether his investment in the Partnership will cause the disallowance of a deduction for any portion of his investment interest.

Tax Exempt Investors

The income earned by a qualified pension, profit-sharing or stock bonus plan (collective, Qualified Plan") and by an individual retirement account ("IRA") is generally exempt from taxation. However, if a Qualified Plan or IRA earns "unrelated business taxable income" ("UBTI"), this income will be subject to tax to the extent it exceeds $1,000 during any fiscal year. The amount of unrelated business taxable income in excess of $1,000 in any fiscal year will be taxed at the same rates as other income or gain realized by the tax payer. In addition, such unrelated business taxable income may result in a tax preference which may be subject to the alternative minimum tax. It is anticipated that income and gain from the Partnership will be taxed as UBTI to tax exempt Participants.

Tax Administrative and Judicial Proceedings

If the Partnership is subject to a federal income tax audit by the Service, the audit will be conducted at the Partnership level. The Managing General Partner is the "Tax Matters Partner" of the Partnership, and as Tax Matters Partner it will act on behalf of the Partnership during an audit. The Participants will be subject to various administrative requirements or procedures during the course of an audit, and any final adjustments to Partnership tax items will result in an adjustment to the tax liability of each Partner.

Participants of the Partnership will receive notice from the Service that an administrative proceeding involving the Partnership is underway only if there are 100 or fewer Participants, or if the Participant has at least a 1% profits interest in the Partnership. If a group of Participants having an aggregate profits interest of 5% or more files a request with the Service, the Service must also mail notice to a Participant appointed by the group. Although all Participants may not be entitled to notice from the Service, the Managing General Partner intends to advise all Participants if an administrative proceeding is commenced, and all Participants have the right to participate in the administrative proceeding at the Partnership level if they choose.

The period for assessing a tax against a Participant as a result of adjustment to any Partnership tax item will generally be three years from the later of the date the Partnership tax return is filed or the last day prescribed by law for filing, which period may exceed the period normally applicable to a Participant. Furthermore, the Tax Matters Partner has authority to agree to extend the normal three-year period, which extension agreement will bind all Participants. The period of assessment may also be extended for substantial periods beyond the normal three-year period if judicial review of any proposed adjustment is sought, or the name, address or taxpayer identification number of a Partner has not been furnished on the Partnership return for the Partnership taxable year.

In the event an adjustment to a Partnership tax item is proposed, a Participant may enter into a settlement agreement with the Service which is binding as to that Participant, and any other Participant will be entitled to settle with the Service on the same basis. The Tax Matters Partner may enter into a settlement agreement with the Service which will bind any Participant not entitled to separate notice from the Service, unless the Participant files a statement with the Service which states that the Tax Matters Partner does not have authority to bind the Participant.

The Tax Matters Partner may elect to seek judicial review of any proposed adjustment, and if the Tax Matters Partner initiates such an action no other Participant may do so. If the Tax Matters Partner does not seek review, any other Partner entitled to notice may do so, and the Tax Matters Partner may intervene in the action. If judicial action is commenced by any Partner, the decision of the court considering the matter will be binding on all Participants. If a Participant is subject to assessment of a tax deficiency, the Participant will be required to pay interest on the deficiency, and may be subject to penalties in addition to tax and interest.

A tax deficiency may be assessed against any Participant without administrative proceedings or judicial review if the Participant has treated a Partnership tax item on the Participant's individual return in a manner inconsistent with treatment on the Partnership return, unless the Participant files a statement with the Service identifying the inconsistency. Furthermore, penalties may be assessed against a Participant for intentional disregard of the consistency requirement.

The Tax Matters Partner may file a request for administrative adjustment of a Partnership tax due against the Participants as a result of the request without the Participant having the opportunity for administrative or judicial review. Any Participant other than the Tax Matters Partner may also request an

administrative adjustment of a Partnership tax item, and such a request might result in the Service commencing a proceeding against the Partnership, which could affect all Participants. No Participant may commence suit for credit or refund arising from a Partnership tax item without first filing a request for administrative adjustment with the Service.

Penalty for Substantial Understatement of Tax

The Code imposes a 25% penalty on "substantial understatements" of tax liability. A "substantial understatement" of income tax exists if the amount of tax required to be shown on the return exceeds the amount of tax reported thereon by the greater of 10% of the tax required to be shown or $5,000. For an item other than a "tax shelter item", the amount of the understatement is reduced if and to the extent (i) the treatment of the item on the return is or was supported by substantial authority, or (ii) all the facts relevant to the tax treatment of the item were disclosed on the return. Whether the taxpayer's filing position is or was supported by substantial authority will depend on the circumstances of the particular case. The standard of substantial authority is less stringent than a "more likely than not" standard, but requires that a taxpayer have stronger support for a position than a mere "reasonable basis" (that is, one that is arguable, but fairly unlikely to prevail in a court upon a complete review of the relevant facts and authorities). The Managing General Partner believes that substantial authority will exist supporting the tax treatment claimed on the Partnership's tax returns.

With respect to tax shelter items, the penalty may be avoided only if the taxpayer establishes that, in addition to having substantial authority for his position, he reasonably believed that the treatment claimed was more likely than not the proper treatment of the item. The disclosure exception described above does not apply to tax shelter items. For this purpose, a "tax shelter item" is one that arises from an entity, plan or arrangement, the principal purpose of which is the evasion of federal income tax. There is a possibility that the IRS will treat deductions of a Participant which are attributable to an investment in the Partnership as "tax shelter items".

State and Local Taxes

Assets owned by the Partnership will be subject to normal ad valorem taxes assessed by the county and other local political jurisdictions within which the Partnership's assets are situated. Production from the Partnership's oil and gas wells may also be subject to state taxes on gross production in certain jurisdictions.

The Partnership may operate in states that impose a tax on each Participant's share of the income derived from the Partnership's activities in such state. In addition, to the extent that the Partnership operates in certain jurisdictions, estate or inheritance taxes may be payable to those jurisdictions upon the death of a Participant. Accordingly, a Participant might be subjected to income, estate or inheritance taxes in states and localities in which the Partnership does business, as well as in his own state.

Depending on the location of the Partnership's properties and on applicable state and local laws, deductions that are available to a Participant for federal income tax purposes may not be available to the Participant for state or local income tax purposes. Furthermore, the treatment of particular items under the state and local income tax laws may vary materially from the federal income tax treatment.

Tax Returns

The Partnership will arrange for the preparation and filing of all necessary federal, state and local tax returns of the Partnership, and will annually furnish each Participant with any information about the Partnership. While the Partnership will rely on qualified advisers in determining what deductions will be

claimed on Partnership tax returns, costs may be incurred for which the federal income tax treatment is unclear. Thus, there can be no assurance that Partnership tax returns will not be adjusted by tax authorities, which in turn could lead to adjustments in the individual returns of the Participants. The period in which such adjustments could be made with respect to Partnership items is generally three years from the later of the date on which the Partnership return is filed or the last day prescribed by law for filing. Furthermore, the Managing General Partner may extend the period of assessment as to all Participants by its consent.

Summary

The foregoing is only a summary of the material tax considerations generally affecting the Participants. Moreover, the federal income tax matters discussed above are subject to change by legislation, administrative action or judicial decision. No ruling has been sought, and no assurances can be given that any deductions or other federal income tax advantages which are described herein, or which prospective Participants may contemplate, will be available.

THE FOREGOING ANALYSIS OF THE FEDERAL INCOME TAX CONSIDERATIONS TO A PARTICIPANT IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. ACCORDINGLY, PERSONS CONTEMPLATING AN INVESTMENT IN THE PARTNERSHIP ARE URGED TO CONSULT THEIR TAX ADVISERS WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATIONS.

ERISA CONSIDERATIONS

General Fiduciary Obligations. Trustees and other fiduciaries of qualified retirement plans or IRAs that are set up as part of a plan sponsored and maintained by an employer, as well as trustees and fiduciaries of Keogh Plans under which employees, in addition to self-employed individuals, are participants (together, "ERISA Plans"), are governed by the fiduciary responsibility provisions of Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA"). An investment in Units by an ERISA Plan must be made in accordance with the general obligation of fiduciaries under ERISA to discharge their duties (i) for the exclusive purpose of providing benefits to participants and their beneficiaries; (ii) with the same standard of care that would be exercised by a prudent man familiar with such matters acting under similar circumstances; (iii) in such a manner as to diversify the investments of the plan, unless it is clearly prudent not do so; and (iv) in accordance with the documents establishing the plan. Fiduciaries considering an investment in the Units should accordingly consult their own legal advisors if they have any concern as to whether the investment would be inconsistent with any of these criteria.

Fiduciaries of certain ERISA Plans which provide for individual accounts (for example, those which qualify under Section 401(k) of the Code, Keogh Plans and IRAs) and which permit a beneficiary to exercise independent control over the assets in his individual account, will not be liable for any investment loss or for any breach of the prudence or diversification obligations which results from the exercise of such control by the beneficiary, nor will the beneficiary be deemed to be a fiduciary subject to the general fiduciary obligations merely by virtue of his exercise of such control. On October 13, 1992, the Department of Labor issued regulations establishing criteria for determining whether the extent of a beneficiary's independent control over the assets in his account is adequate to relieve the ERISA Plan's fiduciaries of their obligations with respect to an investment directed by the beneficiary. Under the regulations, the beneficiary must not only exercise actual, independent control in directing the particular investment transaction, but also the ERISA Plan must give the participant or beneficiary a reasonable

opportunity to exercise such control, and must permit him to choose among a broad range of investment alternatives.

Prohibited Transactions. Trustees and other fiduciaries making the investment decision for any qualified retirement plan, IRA or Keogh Plan (or beneficiaries exercising control over their individual accounts) should also consider the application of the prohibited transactions provisions of ERISA and the Code in making their investment decision. Sales and certain other transactions between a qualified retirement plan, IRA or Keogh Plan and certain persons related to it (*e.g.*, a plan sponsor, fiduciary, or service provider) are prohibited transactions. The particular facts concerning the sponsorship, operations and other investments of a qualified retirement plan, IRA or Keogh Plan may cause a wide range of persons to be treated as parties in interest or disqualified persons with respect to it. Any fiduciary, participant or beneficiary considering an investment in Units by a qualified retirement plan IRA or Keogh Plan should examine the individual circumstances of that plan to determine that the investment will not be a prohibited transaction. Fiduciaries, participants or beneficiaries considering an investment in the Units should consult their own legal advisors if they have any concern as to whether the investment would be a prohibited transaction.

Special Fiduciary Considerations. Regulations issued on November 13, 1986, by the Department of Labor (the "Final Plan Assets Regulations") provide that when an ERISA Plan or any other plan covered by Code Section 4975 (*e.g.*, an IRA or a Keogh Plan which covers only self-employed persons) makes an investment in an equity interest of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the underlying assets of the entity in which the investment is made could be treated as assets of the investing plan (referred to in ERISA as "plan assets"). Programs which are deemed to be operating companies or which do not issue more than 25% of their equity interests to ERISA Plans are exempt from being designated as holding "plan assets." Management anticipates that the Partnership would be characterized as an "operating company" for the purposes of the regulations, and that it would therefore not be deemed to be holding "plan assets."

Classification of the assets of the Partnership as "plan assets" could adversely affect both the plan fiduciary and management. The term "fiduciary" is defined generally to include any person who exercises any authority or control over the management or disposition of plan assets. Thus, classification of Partnership assets as plan assets could make the management a "fiduciary" of an investing plan. If assets of the Partnership are deemed to be plan assets of investor plans, transactions which may occur in the course of its operations may constitute violations by the management of fiduciary duties under ERISA. Violation of fiduciary duties by management could result in liability not only for management but for the trustee or other fiduciary of an investing ERISA Plan. In addition, if assets of the Partnership are classified as "plan assets," certain transactions that the Partnership might enter into in the ordinary course of its business might constitute "prohibited transactions" under ERISA and the Code.

Reporting of Fair Market Value. Under Code Section 408(i), as amended by the Tax Reform Act of 1986, IRA trustees must report the fair market value of investments to IRA holders by January 31 of each year. The Service has not yet promulgated regulations defining appropriate methods for the determination of fair market value for this purpose. In addition, the assets of an ERISA Plan or Keogh Plan must be valued at their "current value" as of the close of the plan's calendar year in order to comply with certain reporting obligations under ERISA and the Code. For purposes of such requirements, "current value" means fair market value where available. Otherwise, current value means the fair value as determined in good faith under the terms of the plan by a trustee or other named fiduciary, assuming an orderly liquidation at the time of the determination. The Partnership does not have an obligation under ERISA or the Code with respect to such reports or valuation although management will use good faith efforts to assist fiduciaries with their valuation reports. There can be no assurance, however, that any

value so established (i) could or will actually be realized by the IRA, ERISA Plan or Keogh Plan upon sale of the Units or upon liquidation of the Partnership, or (ii) will comply with the ERISA or Code requirements.

COMPETITION, MARKETS AND REGULATION

Competition

The Partnership is involved in investing in producing oil and natural gas wells. There are many companies and other entities engaged in oil and gas investments. Competition for desirable investments is intense. Many of the competitors operate with larger staffs and greater financial resources than the Partnership. Many competitors have more experience than management in selecting and operating wells.

Markets

The ability of the Partnership to market oil and natural gas will depend on a number of factors beyond the Partnership's control. These factors include the availability of additional domestic production, oil imports, the marketing of competitive fuels, the proximity and capacity of natural gas pipelines, fluctuations in supply and demand, the availability of a ready market, and governmental regulation of supply and demand. The price at which crude oil is sold depends upon a number of factors, including, among others, the well location, and crude oil gravity and sulfur differentials. The price will also vary depending upon supply and demand for oil. While oil and natural gas markets are currently strong, energy commodities have been in oversupply in the past, causing downward pressure on prices. There is no assurance that there will not be an oversupply of oil and natural gas in the future.

Regulation

Environmental Regulation. The federal government and various state and local governments have adopted laws and regulations regarding the control of contamination of the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended ("CERCLA" or "Superfund"), the Solid Waste Disposal Act as amended ("SWDA," also known as "RCRA" for a subsequent amending act), the Clean Air Act, as amended, the Oil Pollution Act and the Clean Water Act, as well as their state and local counterparts. It is always possible that one or more of the exemptions for oil and gas exploration and production activities will be eliminated, thereby possibly subjecting the Partnership and others in the industry to significantly costlier petroleum and waste handling and disposal practices.

The Partnership may own or lease numerous properties which have been used for the production of oil and gas for many years, and which were previously developed and operated by persons over whose petroleum and other waste handling activities the Partnership had no control. These handling and disposal practices may have resulted in contamination of these properties which may someday require remediation in order to comply with applicable environmental laws and regulations. Environmental laws and regulations may also increase the costs of routine operation of wells. Because these laws and regulations change frequently, the costs to the Partnership of compliance with existing and future environmental regulations cannot be predicted.

Federal Regulation of Natural Gas. The transportation and sale of natural gas in interstate commerce is heavily regulated by agencies of the federal government. The following discussion is intended only as a summary of the principal statutes, regulations and orders that may affect the production

and sale of natural gas from prospects. This summary should not be relied upon as a complete review of applicable natural gas regulatory provisions.

Price Controls. Prior to January 1, 1993, the sale of natural gas production was subject to regulation under the Natural Gas Act and the Natural Gas Policy Act of 1978 ("NGPA"). Under the Natural Gas Wellhead Decontrol Act of 1989, however, all price regulation under the NGPA and Natural Gas Act were phased out effective as of January 1, 1993.

FERC Order No. 636. In April 1992 the Federal Energy Regulatory Commission ("FERC") issued Order No. 636 pertaining to pipeline restructuring. This rule requires interstate pipelines to unbundle transportation and sales services by separately stating the price of each service and by providing customers only the particular service desired, without regard to the source for purchase of the gas. The rule also requires pipelines to (i) provide nondiscriminatory "no-notice" service allowing firm commitment shippers to receive delivery of gas on demand up to certain limits without penalties, (ii) establish a basis for release and reallocation of firm capacity, and (iii) provide non-discriminatory access to upstream pipeline capacity by firm transportation shippers on a downstream pipeline. The rule requires interstate pipelines to use a straight fixed variable rate design. These new rules should benefit the Partnership in transporting natural gas if it produces gas.

FERC Order No. 500. Order No. 500 adopted by FERC affects the transportation and marketability of natural gas. Traditionally, natural gas has been sold by producers to pipeline companies, which then resold the gas to end-users. FERC Order No. 500 alters this market structure by requiring interstate pipelines that transport gas for others to provide transportation to producers, distributors and all other shippers of natural gas on a nondiscriminatory, "first-come, first-served" basis ("open access transportation"), so that producers and other shippers can sell natural gas directly to end-users. FERC Order No. 500 contains additional provisions intended to promote greater competition in natural gas markets.

It is not anticipated that the marketability of and price obtainable for natural gas production from prospects will be significantly affected by FERC Order No. 500. Gas produced from prospects, if any, normally will be sold to intermediaries who have entered into transportation arrangements with pipeline companies. These intermediaries will accumulate gas purchased from a number of producers and sell the gas to end-users through open access transportation.

State Regulations. Production of any oil and gas from prospects will be affected to some degree by state regulations. Many states in which the Partnership will operate have statutory provisions regulating the production and sale of oil and gas, including provisions regarding deliverability. Such statutes, and the regulations promulgated in connection therewith, are generally intended to prevent waste of oil and gas and to protect correlative rights to produce oil and gas between owners of a common reservoir. Certain state regularity authorities also regulate the amount of oil and gas between owners of a common reservoir. Certain state regularity authorities also regulate the amount of oil and gas produced by assigning allowable rates of production to each well or proration unit.

Federal Lease. Certain of the Partnership's properties may be located on federal oil and gas leases administered by various federal agencies, including the Bureau of Land Management. Various regulations and orders affect the terms of leases, methods of operation, and related matters.

TERMS OF THE OFFERING

Securities Offered

The Partnership is offering units of limited partnership interests and general partnership interests (collectively, "Units") for a purchase price of $250,000 per Unit with a one Unit minimum ($250,000). Investors will have the option to invest either as Limited Partners or General Partners or both. Participants who are general partners may convert their interests in the Partnership to limited partnership interests at any time after December 31, 2014. See Section 4.08 of the Partnership Agreement.

The maximum offering is $1,250,000, subject to the Managing General Partner's option, exercisable in its sole discretion, to increase the maximum offering to $1,500,000. Investors may purchase Units as General Partners or Limited Partners in any combination aggregating at least $250,000, although the Managing General Partner reserves the right in its sole discretion to accept less than the minimum investment from a limited number of investors. The Managing General Partner will have the unrestricted right to reject tendered subscriptions for any reason and to sell fractional Units. In the event the Units available for sale are oversubscribed, they will be sold to those investors subscribing first, provided they satisfy the applicable investor suitability standards.

Determination of Offering Price

The offering price of the Units was arbitrarily determined by the Partnership and does not bear any relationship to the assets, results of operations or book value of the Partnership, or to any other historically based criteria of value.

Subscription Period

The offering of Units will terminate on April 30, 2014, subject to the Partnership's right exercisable in its sole discretion to extend the term of the offering for up to an additional 180 days (the "Sales Termination Date"). The Sales Termination Date may occur prior to April 30, 2014, if subscriptions for the maximum number of Units have been received and accepted by the Partnership before such date. Subscriptions for Units must be received and accepted by the Partnership on or before such date to qualify the subscriber for participation in the offering.

Subscription Procedures

Completed and signed subscription documents and subscription checks should be sent to Big Creek LA, LP, 1701 Shoal Creek Road, Suite 231, Highland Village, Texas 75077, Attention: Edward C. Foster, Chief Executive Officer of Managing General Partner. Subscription checks should be made payable to "Big Creek LA, LP." If a subscription is rejected, all funds will be returned to subscribers within ten days of such rejection without deduction or interest. Upon acceptance by the Partnership of a subscription, a confirmation of such acceptance will be sent to the subscriber.

Investor Suitability Standards

Units will be sold only to a person who either (i) has a net worth (or joint net worth with the purchaser's spouse) of at least $100,000 (not including the value of the person's primary residence) and an annual gross income of at least $50,000, or (ii) has a net worth (not including the value of the person's primary residence) of at least $250,000; provided, that if the person is not an "accredited investor" as that term is defined in Rule 501 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, the purchase price of the Units represents no more than 10% of the person's net worth including the

value of his primary residence. See the Purchaser Qualification Questionnaire in the Subscription Documents in Exhibit B to this Memorandum. In the case of sales to fiduciary accounts (Keogh Plans, Individual Retirement Accounts (IRAs) and Qualified Pension/Profit Sharing Plans or Trusts), the above suitability standards must be met by the fiduciary account, the beneficiary of the fiduciary account, or by the donor who directly or indirectly supplies the funds for the purchase of Units. Investor suitability standards in certain states may be higher than those described in this Memorandum. These standards represent minimum suitability requirements for prospective investors, and the satisfaction of such standards does not necessarily mean that an investment in the Company is suitable for such persons.

Each investor must represent in writing that he meets the applicable requirements set forth above and in the Subscription Agreement, including, among other things, that (i) he is purchasing the Units for his own account, for investment and not with a view toward distribution, and (ii) he has such knowledge and experience in financial and business matters that he is capable of evaluating without outside assistance the merits and risks of investing in the Units, or he and his purchaser representative together have such knowledge and experience that they are capable of evaluating the merits and risks of investing in the Units. Broker-dealers and other persons participating in the offering must make a reasonable inquiry in order to verify an investor's suitability for an investment in the Partnership. Transferees of Units will be required to meet the above suitability standards.

Interim Investments

Partnership funds not needed on an immediate basis to fund Partnership operations may be invested in government securities, money market accounts, deposits or certificates of deposit in commercial banks or savings and loan associations, bank repurchase agreements, funds backed by government securities, short-term commercial paper, or in other similar interim investments.

PLAN OF DISTRIBUTION

The Units are being offered by the Partnership on a best-efforts basis primarily by the officers, directors and employees of the Managing General Partner, and possibly through independent consultants and by registered broker-dealers who are members of the Financial Industry Regulatory Authority ("FINRA"). As of the date of this Memorandum, the Partnership had not entered into any selling agreements with registered broker-dealers. The Partnership may pay selling commissions to participating broker-dealers who are members of the FINRA, and fees to independent consultants. Participating broker-dealers may also be paid or reimbursed for due diligence costs incurred by them in reviewing the Managing General Partner and the Partnership. Participating broker-dealers, if any, will be indemnified by the Partnership and the Managing General Partner with respect to this offering and the disclosures made in this Memorandum.

SUMMARY OF THE PARTNERSHIP AGREEMENT

The business of the Partnership and the respective rights and obligations of the Partners will be governed by the Partnership Agreement. The following is a summary of certain pertinent provisions of the Partnership Agreement. The summary is not complete. Each prospective subscriber should carefully review the entire Partnership Agreement which is attached as Exhibit A of the Memorandum.

Powers and Authority

In managing the business of the Partnership the Managing General Partner is authorized to take such action as it considers appropriate and in the best interests of the Partnership. See Article III of the Partnership Agreement. The Managing General Partner is granted a broad power of attorney authorizing it to execute, on behalf of the Partners, certain documents required in connection with the organization, qualification, continuance, modification and termination of the Partnership. See Section 2.04 of the Partnership Agreement. The sale of any or substantially all of the Partnership's Properties can be made by the Managing General Partner without the affirmative consent of Participants. See Sections 3.15, 9.01 and 9.05 of the Partnership Agreement. No Participant may take part in the management of the business of the Partnership or transact any business for the Partnership, except as expressly provided in the Partnership Agreement. See Section 10.01 of the Partnership Agreement.

Limited Liability of Limited Partners

Section 4.04 of the Partnership Agreement provides that a Limited Partner's liability will generally be limited to his Capital Contribution and his share of the Partnership's undistributed net profits, if any. However, Limited Partners who have received the return, in whole or in part, of their Capital Contributions may be liable to the Partnership for any sum, not in excess of such return plus interest, necessary to discharge the Partnership's liability to all creditors who extend credit or whose claims arose before such return. Upon dissolution or liquidation of the Partnership, the Partners are liable to the Partnership to restore a negative balance in their respective Capital Accounts provided, however, that no Partner shall be required to restore the deficit in his Capital Account balance to the extent such deficit exceeds an amount equal to the amount of his Capital Contributions to the Partnership. See Section 11.03 of the Agreement.

Rights of Participants

Participants whose aggregate Capital Contributions equal 75% of the total Capital Contributions of all Participants can, under certain circumstances, remove the Managing General Partner and Participants whose aggregate Capital Contributions exceed 50% of the total Capital Contribution may select a successor managing general partner. See Section 10.04 of the Partnership Agreement. Participants holding more than 50% of the total Capital Contributions may vote to amend the Partnership Agreement or dissolve the Partnership, with the consent of the Managing General Partner. See Sections 11.08 and 11.02 of the Partnership Agreement.

Transferability of Interests

The transfer of a Participant's interest in the Partnership cannot be effected without the prior written consent of the Managing General Partner, which consent may be withheld as the Managing General Partner may determine in his discretion. The transferability of Units is also restricted under applicable federal and state securities laws. If a Participant dies or is adjudicated insane or incompetent, his legal representatives will have the rights and obligations of the Participant for the purpose of settling his estate, and such representative may, with the consent of the Managing General Partner, become a substituted Participant. Unless admitted as a substituted Participant, an assignee of a Partnership interest will only have the right to receive distributions from the Partnership and may not exercise any voting or other rights of a Participant. See Section 10.02 of the Partnership Agreement.

Liability and Indemnification

The Partnership Agreement provides that the Partnership will indemnify the Managing General Partner against any damages incurred by it in connection with any proceeding to which a Managing General Partner is a party by reason of the fact that it is or was the Managing General Partner, if the Managing General Partner acted in good faith. The Partnership will also indemnify the Managing General Partner against any expenses, including attorneys' fees, reasonably incurred by it in the defense or settlement of any proceeding to which the Managing General Partner is a party if the Managing General Partner acted in good faith, except that such indemnification will not apply to any claim as to which the Managing General Partner is adjudged to be liable for gross negligence or breach of fiduciary obligation, unless and only to the extent that the presiding court determines that the Managing General Partner is entitled to indemnity. To the extent that the Managing General Partner has been successful in defense of any proceeding referred to in this paragraph the Partnership will indemnify it against the expenses, including attorneys' fees, reasonably incurred by it. Notwithstanding the above, if a claim for indemnification arises from any claim as to which the Managing General Partner is adjudged in violation of federal or state securities laws, the Managing General Partner will not be entitled to any indemnification. See Section 9.06 of the Partnership Agreement.

Amendments

The Partnership Agreement may be amended with the approval of the Managing General Partner and Participants who's aggregate Capital Contributions exceed 50% of the total Capital Contributions of all Participants. Either the Managing General Partner or Participants who's aggregate Capital Contributions equal or exceed 10% of the total Capital Contribution of all Participants may propose amendments. See Section 11.08 of the Partnership Agreement.

Termination

The Partnership will continue in perpetuity, unless sooner terminated by the happening of one of the following events:

(1) The retirement, removal, withdrawal, death, insanity, incompetency, dissolution or bankruptcy of the Managing General Partner, and failure of the Partners to elect to continue the business of the Partnership.

(2) The Managing General Partner's written election to dissolve and wind up the affairs of the Partnership, on at least 60 days' prior written notice to the Partners.

(3) The affirmative vote of Participants whose aggregate Capital Contributions exceed 50% of the total Capital Contributions of all Participants, with the consent of the Managing General Partner.

Upon termination pursuant to subparagraph (1) above, except for the retirement, death or insanity of the sole remaining Managing General Partner, the business of the Partnership may be continued by one or more remaining or substituted general partners under certain circumstances. See Section 12.02 of the Agreement. Upon termination, the Managing General Partner may distribute, after satisfaction of all debts and liabilities, Partnership Properties in kind, or it may elect to sell Partnership Properties and distribute the proceeds.

REPORTS TO PARTNERS

The Managing General Partner will maintain adequate books, records and accounts for the Partnership and keep the Participants informed by means of written reports. The reports will contain descriptions of geological Prospects including a statement of the cost of each well acquired on behalf of the Partnership. The Managing General Partner will timely file the Partnership's income tax returns and will mail to each Participant by March 31 of each year the information necessary for inclusion in his federal income tax return. See Article VII of the Partnership Agreement.

FORWARD-LOOKING STATEMENTS

Some of the information in this Memorandum may contain forward-looking statements. These statements can be identified by the use of forward-looking phrases such as "will likely result," "may," "are expected to," "is anticipated," "estimate," "projected," "intends to," or other similar words. These forward-looking statements are subject to certain risks and uncertainties, including those described in the "RISK FACTORS" section of this Memorandum, which could cause actual results to differ materially from those projected. Additional risks that may affect the Partnership's future performance are included elsewhere in this Memorandum. When considering forward-looking statements, investors should keep in mind these risk factors and other cautionary statements in this Memorandum. Investors should not place undue reliance on any forward-looking statement that speaks only as of the date made.

ADDITIONAL INFORMATION

This Memorandum does not purport to restate all of the relevant provisions of the documents referred to or pertinent to the matters discussed herein, all of which must be read for a complete description of the terms relating to an investment in the Partnership. Such documents are available for inspection during regular business hours at the office of the Partnership, and upon written request, copies of documents not attached to this Memorandum will be provided to prospective investors. Each prospective investor is invited to ask questions of, and receive answers from, representatives of the Partnership. Each prospective investor is invited to obtain such information concerning the terms and conditions of this offering, to the extent the Partnership possesses the same or can acquire it without unreasonable effort or expense, as such prospective investor deems necessary to verify the accuracy of the information referred to in this Memorandum. Arrangements to ask such questions or obtain such information should be made by contacting Mr. Edward C. Foster at the Managing General Partner at the executive offices of the Partnership. The telephone number of the Partnership for this purpose is (469) 293-2300. Please be advised that prospective investors may not rely on any oral or written representations that are inconsistent with this Memorandum.

The offering of the Units is made solely by this Memorandum and the exhibits hereto. The prospective investors have a right to inquire about, request, and receive any additional information they may deem appropriate or necessary to further evaluate this offering and to make an investment decision. Representatives of the Partnership may prepare written responses to such inquiries or requests if the information requested is available. The use of any documents other than those prepared and expressly authorized by the Managing General Partner of the Partnership in connection with this offering are not to be relied upon by prospective investors.

ONLY INFORMATION OR REPRESENTATIONS CONTAINED HEREIN MAY BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP. NO PERSON HAS BEEN

AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFER BEING MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE PARTNERSHIP. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS MEMORANDUM. THE INFORMATION PRESENTED IS AS OF THE DATE ON THE COVER HEREOF UNLESS ANOTHER DATE IS SPECIFIED, AND NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION PRESENTED SUBSEQUENT TO SUCH DATE(S).

FINANCIAL STATEMENT OF
THE PARTNERSHIP
(Unaudited)

BALANCE SHEET

Big Creek LA, LP

Balance Sheet

January 30, 2014
(Unaudited)

ASSETS

Managing General Partner Contributions	$12,500
Special Limited Partner Contribution	$100
	$12,600

LIABILITIES

Loan Payable to Managing General Partner	$0
Total Liabilities	$0

PARTNER'S EQUITY

Managing General Partner's Equity	$12,500
Special Limited Partner's Equity	$100
Limited Partner's Equity	0
Total Partner's Equity	$12,600

See accompanying notes.

Big Creek LA, LP
A Texas Limited partnership

NOTES TO BALANCE SHEET

January 30, 2014
(Unaudited)

1. **General**

Big Creek LA, LP, a Texas limited partnership (the "Partnership"), was organized under the Revised Texas Limited Partnership Act pursuant to an Amended Certificate of Limited Partnership filed on or about January 30, 2014. The Partnership Agreement provides for Genesis E&P, Inc., a Texas corporation, to be the Managing General Partner (the "Managing General Partner"). The Partnership has been formed to acquire overriding royalty, net revenue and working interests in oil and gas properties.

2. **Transactions with Managing General Partner and Affiliates**

The Partnership will pay the Managing General Partner or its affiliates the fees and cost reimbursements set forth in Section 6.04 of the Partnership Agreement. Available Cash will be distributed among the Participants and the Managing General Partner in accordance with Section 6.03 of the Partnership Agreement.

EXHIBIT A

BIG CREEK LA, LP
A TEXAS LIMITED PARTNERSHIP

AGREEMENT
OF
LIMITED PARTNERSHIP

BIG CREEK LA, LP
A TEXAS LIMITED PARTNERSHIP

AGREEMENT
OF
LIMITED PARTNERSHIP

THESE UNITS OF GENERAL AND LIMITED PARTNERSHIP INTEREST HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("1933 ACT") AND, THEREFORE, CANNOT BE SOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED, OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE UNDER THE 1933 ACT AND UNDER APPLICABLE STATE LAW. ANY UNAUTHORIZED ASSIGNMENT OR TRANSFER SHALL BE VOID. ASSIGNEES OF THIS SECURITY MAY BECOME SUBSTITUTED PARTNERS ONLY WITH THE CONSENT OF THE MANAGING GENERAL PARTNER.

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Big Creek LA, LP

AGREEMENT OF LIMITED PARTNERSHIP

THIS AGREEMENT OF LIMITED PARTNERSHIP is made and entered into by and among Genesis E&P, Inc., a Texas corporation (the "Managing General Partner"), Ron Moss, an individual ("Special Limited Partner"), and each of those persons listed on Schedule A hereto who have executed a Subscription Agreement and Power of Attorney for Big Creek LA, LP, a Texas limited partnership (the "Partnership"), either as limited partners or as general partners (such persons collectively referred to herein as the "Participants"), under the Revised Limited Partnership Act of the State of Texas.

ARTICLE I

DEFINITIONS

Whenever used in this Agreement, the following terms will have the meanings described below:

1.01 *Affiliate.* An "Affiliate" of another person means (a) any person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of such other person; (b) any person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such other person; (c) any person directly or indirectly controlling, controlled by or under common control with such other person; (d) any officer, director or partner of such other person; and (e) if such other person is an officer, director or partner, any company for which such person acts in any such capacity.

1.02 *Available Cash.* The excess of the cash receipts from the operation, sale, refinancing or other disposition of Partnership assets over cash disbursements, including (i) all cash charges and expenses incurred in the operation of the Partnership, (ii) principal and interest payments on indebtedness, and (iii) reserves determined by the Managing General Partner to be necessary and desirable, including reserves for debt service, repairs, replacements and taxes.

1.03 *Capital Account.* The capital account maintained for each Partner pursuant to Section 8.03.

1.04 *Capital Contributions.* The total capital contributed to the Partnership by all of its Partners, both general and limited, including assessments paid pursuant to Section 4.07 herein.

1.05 *Capital Costs.* The cost of tangible equipment installed upon Productive Wells, Leasehold Acquisition Costs incurred in acquiring oil and gas properties that are later determined to be productive and other costs that under present law must be capitalized for federal income tax purposes.

1.06 *Code.* The Internal Revenue Code of 1986, as amended from time to time, or any corresponding provisions of succeeding law.

1.07 *Development Well.* A well which is drilled to a known producing geological zone in a previously discovered field.

1.08 *Direct Expenses.* All costs and expenses charged by third parties or incurred by the Managing General Partner or his Affiliates in connection with the performance of services to the Partnership, including, by way of illustration, (i) the cost of obtaining Partnership reserve information, (ii) the cost of independent audits, consulting and legal services readered to the Partnership, (iii) postage, printing and insurance, and (iv) out-of-pocket costs of supervision, reviewing and administering field activities on Partnership Properties, including travel.

1.09 *Evaluation Costs.* Those costs incurred by and reimbursed or paid to the Managing General Partner or affiliated or unaffiliated petroleum consultants by the Partnership for their services in evaluating and acquiring Partnership Prospects.

1.10 *Exploratory Well.* A well drilled either in search of a new or as yet undiscovered reservoir of oil or gas, or with the hope of greatly extending the limits of an existing reservoir.

1.11 *Farmout.* An arrangement whereby the owner of a Working Interest or of a right to acquire the same ("farmor") agrees to assign all or some portion of its interest in an oil and gas lease to an assignee ("farmee") in exchange for the participation by the farmee in the drilling of a well or the performance of other specified obligations as a condition of the assignment. The farmor generally retains some interest in the lease or fee such as an Overriding Royalty Interest, an oil and gas payment, offset acreage or other type of interest. The Partnership may act as a farmor or a farmee.

1.12 *General and Administrative Expenses.* All customary costs and expenses, exclusive of Direct Expenses, incurred by the Managing General Partner and its Affiliates in the conduct of Partnership business which are allocable to the Partnership on a cost basis, as reflected by allocating the time spent by the Managing General Partner's personnel to the Partnership's business.

1.13 *Leasehold Acquisition Costs.* The sum of (i) the prices paid in acquiring an oil and gas property, including bonuses; (ii) title insurance, examination costs, brokers' commissions, filing fees, recording costs, transfer taxes, if any, and like charges incurred in connection with the acquisition of such property; and (iii) such portion of the reasonable, necessary and actual expenses for geological, geophysical, seismic, land engineering, drafting, accounting, legal and other like services allocated to the property, whether or not acquired in accordance with generally accepted industry practices, except for expenses in connection with past drilling of wells which are not producers of sufficient quantities of oil or gas to make commercially reasonable their continued operations.

1.14 *Memorandum.* The Confidential Private Placement Memorandum, dated January 30, 2014, of the Partnership.

1.15 *Minimum Gain.* "Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-1T(b)(4)(iv)(c).

1.16 *Net Revenue Interests.* The lessee's interest under an oil and gas lease which entitles its holder to the net revenue from oil and gas production from such lease.

1.17 *Nonrecourse Deductions.* "Nonrecourse Deductions" has the meaning set forth in Treasury Regulation Section 1.704-1T(b)(4)(iv)(b).

1.18 *Operating Costs.* Expenditures made and costs incurred in producing and marketing oil or gas from completed wells, including labor, fuel, repairs, hauling, material, supplies, utility charges and other costs incident to the maintenance or operation of such wells or the marketing of production

therefrom, *ad valorem* and severance taxes, insurance and casualty loss, expense, ongoing management fees and compensation to well operators or others for services rendered in conducting such operations.

1.19 *Operator.* A person or corporation, whether lessee or contractor, who supervises the operations on an oil or gas lease.

1.20 *Organization and Offering Costs.* All expenses incurred in connection with the organization of the Partnership and the offer and sale of Units including, but not limited to, expenses for printing, engraving and mailing, expenses of employees while engaging in preparation of the offering, expenses of qualification of the sale of the Units under federal and state law, filing fees and all accountants' and attorneys' fees and expenses.

1.21 *Overriding Royalty Interest.* An interest in oil and gas produced at the surface, free of the expense of drilling, completing or production, and in addition to the landowner's royalty.

1.22 *Participants.* The parties who have executed a Subscription Agreement and Power of Attorney and who become partners (whether general or limited but not the Managing General Partner or the Special Limited Partner) under this Partnership Agreement, and each person who may become an additional or substituted limited partner pursuant to the provisions of this Agreement and of applicable law.

1.23 *Partner.* A general partner, Managing General Partner, Special Limited Partner or limited partner.

1.24 *Partner Nonrecourse Deductions.* "Partner Nonrecourse Deductions" has the meaning set forth in Treasury Regulation Section 1.704-1T(b)(4)(h)(2).

1.25 *Partnership.* Big Creek LA, LP, a Texas limited partnership which has been formed to conduct oil and gas drilling and producing activities, consisting of the Managing General Partner and the Participants.

1.26 *Partnership Agreement.* This Agreement of Limited Partnership.

1.27 *Partnership Percentage.* The ratio, the numerator of which is the Capital Contributions made by a Participant and the denominator of which is the total Capital Contributions made by all Participants.

1.28 *Partnership Property.* All interests, properties and rights of any type owned by the Partnership.

1.29 *Partnership Revenue.* The Partnership's gross revenues from all sources including interest income, sales of production, sales or other dispositions of Properties and dry hole and bottom-hole contributions, provided that contributions to Partnership capital by the Partners are specifically excluded.

1.30 *Payout.* The point in time when Participants have received cash distributions from the Partnership equal to 100% of their Capital Contributions plus priority return on their Capital Contributions equal to a cumulative noncompounded return of 7% per annum.

1.31 *Productive Well.* A well in which the Partnership has a property interest and which is producing or is capable of producing oil or gas in commercial quantities.

1.32 *Prospect.* Leases or other rights in an area which is geographically defined by the Managing General Partner on the basis of geological data and which is reasonably anticipated by the Managing General Partner to contain at least one oil or gas reservoir. Such area shall be enlarged, contracted or subdivided on the basis of geological data to define the productive limit of such reservoir and may be limited in depth by reference to potentially productive strata.

1.33 *Special Limited Partner.* Ron Moss, an individual.

1.34 *Subsequent Operations.* Subsequent Operations means activities that are not part of the initial operations of the Partnership funded by its initial Capital Contributions from the first offering of Units, but rather are proposed to be funded from the proceeds of assessments pursuant to Section 4.07 of this Partnership Agreement.

1.35 *Unit.* A Participant's interest in the Partnership equal in amount to $250,000 of a Participant's Capital Contribution.

1.36 *Working Interest.* The lessee's interest under an oil and gas lease which entitles its holder to conduct drilling and production operations and which obligates its holder to bear the expenses of such operations.

ARTICLE II

FORMATION OF LIMITED PARTNERSHIP

2.01 *Name and Principal Place of Business.* The name of the Partnership is Big Creek LA, LP. The principal place of business of the Partnership is located at 1701 Shoal Creek Road, Suite 231, Highland Village, Texas 75077. The Managing General Partner may from time to time establish additional or different places of business of the Partnership in such other locations, inside and outside of Texas, as it deems necessary or desirable for the conduct of the Partnership's business. The Managing General Partner shall promptly notify the Participants of any change in the Partnership's principal place of business.

2.02 *Term.* The Partnership shall commence operations as of the date of this Partnership Agreement. The Partnership will continue in existence in perpetuity, unless sooner terminated pursuant to any provision of this Partnership Agreement or unless dissolved by operation of law or judicial decree and terminated.

2.03 *Further Assurances.* The parties hereto will execute such certificates and documents, and the Managing General Partner will file, record and publish such certificates and documents, as may be necessary or appropriate to comply with the requirements for the formation and operation of a limited partnership under the Revised Limited Partnership Act of the State of Texas. The parties hereto will execute such certificates and documents, and the Managing General Partner will file, record and publish such certificates and documents, as the Managing General Partner deems necessary or appropriate to comply with the requirements of applicable laws in all other jurisdictions where the Partnership conducts business.

2.04 *Power of Attorney.*

(a) Each Participant by his execution of the Subscription Agreement and Power of Attorney irrevocably constitutes and appoints the Managing General Partner such Participant's true and lawful attorney and agent, with full power and authority in such Participant's name, place and stead, to execute, acknowledge, deliver, file and record in the appropriate public offices (i) all certificates or other instruments (including without limitation counterparts of this Partnership Agreement) and amendments thereto which the Managing General Partner deems appropriate to qualify or continue the Partnership as a limited partnership in the jurisdictions in which the Partnership conducts business; (ii) all instruments and amendments thereto which the Managing General Partner deems appropriate to reflect any change or modification of the Partnership or the admission of additional or substituted partners in accordance with the terms of this Partnership Agreement; (iii) all conveyances and other instruments which the Managing General Partner deems appropriate to evidence any sales or transfers by or the dissolution and termination of the Partnership; and (iv) all consents to transfers of Partnership Interests, to the admission of substituted or additional Partners or to the withdrawal or reduction of any partner's invested capital, to the extent that such actions are authorized by the terms of this Partnership Agreement.

(b) The foregoing grant of authority (i) is a Special Power of Attorney coupled with an interest in favor of the Managing General Partner and as such shall be irrevocable and shall survive the death or insanity (or, in the case of a Participant that is a corporation, association, partnership, joint venture or trust, shall survive the merger, dissolution or other termination of the existence) of the Participant, (ii) may be exercised for the Participant by a facsimile signature of the Managing General Partner of the Partnership or by listing all of the Participants, including such Participant, executing any instrument with the single signature of the Managing General Partner acting as attorney-in-fact for all of them, and (iii) shall survive the assignment by the Participant of the whole or any portion of his interest, except that where the assignee of the whole thereof has furnished a Power of Attorney and has been approved by the Managing General Partner for admission to the Partnership as a substituted participant, this Power of Attorney shall survive such assignment for the sole purpose of enabling the Managing General Partner to execute, acknowledge and file any instrument necessary to effect such substitution and shall thereafter terminate.

(c) A similar power of attorney shall be one of the instruments the Managing General Partner shall require an assignee of the Participant to execute as a condition of his admission as a substituted Participant, and which the Managing General Partner shall require an additional Participant to execute as a condition of his admission. Such power of attorney may be set forth on checks or instruments distributed by the Partnership to holders of Units of the Partnership from time to time. The execution of such power of attorney shall not, however, be a condition to the receipt of distributions from the Partnership.

(d) Any amendment to this Agreement substituting a Partner or adding a Partner may be signed by the Managing General Partner and by the person to be substituted as a Partner or added as a Partner, and shall also be signed by the assigning Partner, in the case of a substitution. Any amendment reflecting the determination of a remaining managing general partner, if any, to continue the business of the Partnership upon the death, withdrawal, retirement, removal, dissolution, assignment for the benefit of creditors, filing of a petition for bankruptcy, adjudication of bankruptcy, insanity or incompetency of the Managing General Partner need be signed only by any remaining General Partner. The execution of any such amendment on behalf of a Participant or any proposed substituted or added Participant may be effected by his attorney-in-fact.

ARTICLE III

PURPOSES AND POWERS OF THE PARTNERSHIP

The purposes of the Partnership are to acquire Overriding Royalty, Working and Net Revenue Interests in drilling sites for oil and gas wells, to produce and market oil, gas or other hydrocarbons or products derived therefrom, and to otherwise engage in such activities as obtaining funds to conduct Partnership operations. In accomplishing such purposes the Partnership may do (but is not limited to) the following:

3.01 Acquire oil and gas properties, either alone or in conjunction with other parties, and participate in drilling, reworking, completion, producing, and related operations on those properties, at such price and on such terms as the Managing General Partner determines.

3.02 Conduct geological and geophysical investigations, including without limitation, seismic exploration and other methods of exploration.

3.03 Acquire and dispose of tangible lease and well equipment for use in connection with Partnership wells.

3.04 Employ such personnel, including Affiliates of the Managing General Partner, and obtain such legal, accounting, geological, geophysical, engineering and other professional services and advice as the Managing General Partner deems advisable in the course of the Partnership's operations, at such compensation as the Managing General Partner determines.

3.05 Either pay or elect not to pay delay rentals on Partnership Properties as appropriate in the judgment of the Managing General Partner, it being understood that the Managing General Partner will not be liable for failure to make correct or timely payments of delay rentals if such failure was due to any reason other than lack of good faith.

3.06 Make or give dry-hole or bottom-hole or other contributions of oil or gas properties, money, or both, to encourage drilling by others in the vicinity of or on Partnership Properties.

3.07 Pay all *ad valorem* taxes levied or assessed against the Partnership Properties, all taxes upon or measured by the production of oil or gas or other hydrocarbons therefrom, and all other taxes (other than income taxes) directly relating to operations conducted under this Partnership Agreement.

3.08 Enter into operating agreements with respect to Partnership Properties containing such terms, provisions and conditions as the Managing General Partner deems appropriate.

3.09 Execute all documents or instruments of any kind which the Managing General Partner deems appropriate for carrying out the purposes of the Partnership, including, without limitation, unitization and utilization agreements, gasoline plant contracts, recycling agreements and agreements relating to secondary or tertiary production projects.

3.10 Purchase and establish inventories of equipment and material required or expected to be required in connection with its operations.

3.11 Borrow money from financial institutions for Partnership purposes and issue evidence of indebtedness for the same in connection with Partnership operations, and pay certain fees and expenses and secure such indebtedness, it being understood that no financial institution to which the Managing

General Partner makes application for a loan will be required to inquire as to the purposes for such loan. As between the Partnership and such financial institution it will be conclusively presumed that the proceeds of such loan are to be and will be used for purposes authorized under the terms of this Agreement.

3.12 Hold Partnership Properties in its own name, or in the name of a nominee (including the Managing General Partner) for the Partnership if the Managing General Partner deems such action necessary to facilitate the acquisition of the property or the business purposes of the Partnership.

3.13 Sell, relinquish, release, farmout, abandon or otherwise dispose of Partnership Properties, including undeveloped, productive and condemned properties.

3.14 Produce, treat, transport and market oil and gas and execute division orders, contracts for the marketing or sale of oil, gas or other hydrocarbons and other marketing agreements.

3.15 Purchase, sell or pledge payments out of production from Partnership Properties.

3.16 Enter into selling agreements with FINRA registered broker-dealer firms, including Affiliates of the Managing General Partner, pursuant to which said firms would sell Units and receive compensation from the Partnership with respect to such sales.

3.17 Perform any or all other acts and engage in such activities as are, in the discretion of the Managing General Partner, necessary, appropriate, desirable or incident to the exploration for or development, production and marketing of oil, gas and other hydrocarbons and products derived therefrom.

3.18 Make such distributions to the Partners, whether in cash or in kind, as the Managing General Partner deems appropriate.

3.19 Raise or otherwise obtain funds to conduct Partnership operations in whatever manner deemed appropriate by the Managing General Partner, including but not limited to assessments pursuant to Section 4.07 of this Partnership Agreement.

3.20 This Article III shall be interpreted broadly and shall be deemed to provide the Managing General Partner with the broadest possible authority in the management and operation of the Partnership, consistent with the Managing General Partner's fiduciary duty to the Participants.

ARTICLE IV

CAPITAL CONTRIBUTIONS

4.01 *Participants' Capital Contributions.* Each Participant shall make an investment in the Partnership by contributing his subscription price for Units in cash in full upon subscription, at a price of $250,000 per Unit.

4.02 *Special Limited Partner.* Notwithstanding Article 4.01 above, the Special Limited Partner shall be admitted to the Partnership upon its formation and shall concurrently therewith make a cash Capital Contribution to the Partnership equal to $100. Such cash contribution shall entitle the Special Limited Partner to participate in the Managing General Partner's interest in the Partnership, as agreed upon between the Special Limited Partner and the Managing General Partner.

4.03 *Managing General Partner's Capital Contribution.* The Managing General Partner shall make a Capital Contribution of $12,500 to the Partnership, and may purchase Units in its sole discretion as a Participant.

4.04 *Limited Liability.* No limited partner shall be personally liable for indebtedness or losses of the Partnership beyond his limited partner's Capital Contribution, plus an amount equal to his share of undistributed profits of the Partnership, if any, except as otherwise provided under applicable law.

4.05 *Interest.* No Partner, general or limited, shall be entitled to interest on account of a Capital Contribution.

4.06 *Withdrawal of Capital Contribution.* Except as specifically set forth in this Agreement, no Partner, general or limited, shall have the right to withdraw his Capital Contribution or to demand or receive the return of his Capital Contribution.

4.07 *Assessments.* If the Managing General Partner determines that the Partnership requires additional capital for the purpose of funding Subsequent Operations, each Participant may, within seven (7) business days after written notice of the assessment (or within 48 hours if the rig is on location), contribute the additional funds, which, when paid, shall be treated as Capital Contributions to the Partnership. Each Participant may contribute his or her pro rata share of the additional capital based on the amount of initial capital contributed.

4.07.1: Notice of Assessment. As the Managing General Partner recommends each Subsequent Operation, the Managing General Partner will give notice, in writing, to each Participant stating the nature and purpose of the proposed expenditure, and will attach an estimate of the complete cost of such Subsequent Operation and such Participant's proportionate share of the total assessment. The Managing General Partner may request payment in full of such amount or payment of any portion thereof. The estimate shall not constitute a limit as to the total assessments with respect to such Subsequent Operation.

4.07.2: Failure to Contribute Assessments. A Participant shall initially have no obligation to pay any of the requested assessments. If a Participant elects not to pay any assessment, or if a Participant agrees to pay any portion of an assessment with respect to any particular Subsequent Operation and fails to contribute his or her entire proportionate share of all assessments called for by the Partnership with respect to such matters within the time specified in any request therefor, the Managing General Partner may, in its sole and absolute discretion, (i) deem such election or failure to be a request that the Participant's interest in the wells subject to the Subsequent Operation be abandoned, and he or she shall be effectively withdrawn as a participant in those wells, with no further benefits, rights or obligations with respect to the sharing of income, gains and losses with respect to the wells subject to the Subsequent Operation; or (ii) reduce such Participant's interest in the Partnership proportionately to reflect the non-payment; or (iii) subject the non-Participating Partner's interest to a penalty (payable out of the non-Participating Partner's allocable portion of Partnership Revenue from all sources) in the amount equal to 500% of the non-Participating Partner's share of such assessments.

4.07.3: Election to Participate by Partners. Participants may elect to be Participating Partners with respect to any particular Subsequent Operation for which the notice was sent by sending to the Managing General Partner, within seven (7) business days (or such other period of time not less than seven (7) business days as the Managing General Partner may specify) (48 hours if the rig is on location) after the mailing of such notice, payment in the amount of such Participating Partner's proportionate share of the assessment estimated by the Managing General Partner to be necessary to finance the Subsequent

Operation. Any Participant shall be a non-Participating Partner if his or her payment is either:

(a) postmarked later than seven (7) business days (or such other period of time not less than seven (7) business days as the Managing General Partner may specify) (48 hours if the rig is on location) after the mailing of the notice of such Subsequent Operation; or

(b) received by the Managing General Partner later than 20 days after the date of such notice.

It is further provided that the check in payment of the Assessment must "clear" the bank on which it is drawn on the first attempt to present such check for payment. Failure of the check to "clear" or "be honored by" the bank on which it is drawn will result in the maker of such check being a non-Participating Partner.

4.07.4: Contribution by Managing General Partner. The Managing General Partner shall have the right to pay the assessment of any non-Participating Partner and succeed to all rights that the non-Participating Partner would otherwise abandon by virtue of failing to pay such assessment. Without limiting the foregoing, if the interest of the non-Participating Partner in the Partnership is reduced to reflect non-payment of an assessment, and the Managing General Partner pays such assessment, the Managing General Partner shall be deemed to have acquired an additional interest in the Partnership equal to the non-Participating Partner's relinquished interest.

4.07.5: Contribution by Other Participants. If the Managing General Partner declines or is unable to pay all or any part of the assessment of a non-Participating Partner, the Participants who have contributed their assessment may contribute the assessment of such non-Participating Partner pro rata or in such other proportion as may mutually be agreed upon by the Participants participating in the payment of such assessment and succeed to all rights that the Non-Participating Participant would otherwise abandon by virtue of failing to pay such assessment. Without limiting the foregoing, if the interest of the non-Participating Partner in the Partnership is reduced to reflect non-payment of an assessment, and other Participants pay such assessment, such Participants shall be deemed to have acquired an additional interest in the Partnership equal to the non-Participating Partner's relinquished interest. The Participants that pay all or a part of such assessment shall succeed to rights of the non-Participating Partner in such interests in the proportion in which they have paid the assessment of such non-Participating Partner.

4.07.6: Sale of Additional Interests Representing Non-Participating Partner Interest. If all assessments are not paid by the Managing General Partner or the Participants, the Participants shall be conclusively deemed to have consented to the sale by the Partnership of additional interest in the Partnership equal to the non-Participating Partner's relinquished interest, and the admission of persons as Participants as may be necessary to provide the capital required by the Partnership to fund the activity for which the assessment was called.

4.07.7: Other Sources of Funds. The Managing General Partner shall have the right but not the obligation to secure the necessary funds from other sources including loans and if such funds are not obtainable, the Partnership may abandon the Subsequent Operations to which such assessment relates.

4.08 *Conversion Rights.* At any time after December 31, 2014, any general partner (other than the Managing General Partner) shall have the right to exchange his general partnership interest for a limited partnership interest, and to withdraw as a general partner and simultaneously be admitted into the Partnership as a limited partner with an equivalent interest. General partners who elect to convert to limited partners must do so by giving the Managing General Partner 30 day's prior written notice. The

Managing General Partner will execute and will cause the Partnership to execute all documents necessary to effectuate this conversion, and will amend Schedule A hereto accordingly.

ARTICLE V

DEPOSIT AND USE OF COMPANY FUNDS

5.01 *Deposits of Partnership Funds.* Upon admission of Participants into the Partnership, Capital Contributions for such admitted Participants will be deposited into a Partnership account or accounts which shall be in such bank or banks as are selected by the Managing General Partner. Said accounts shall be maintained in the name of and for the benefit of the Partnership. All revenues, loan proceeds and other receipts will be deposited and maintained in such account or accounts for Partnership purposes, and all expenses and costs will be paid from such accounts by the Managing General Partner for Partnership purposes. Until required in the conduct of the Partnership's business, Partnership funds, including, but not limited to, Capital Contributions, Partnership Revenues and proceeds of borrowing by the Partnership, will be maintained on deposit, including short-term government securities, certificates of deposits, bank repurchase agreements, commercial paper, funds which invest in such securities, certificates, agreements or paper, and such other prudent short-term investments as the Managing General Partner, in its good faith, deems advisable. Any interest or other income generated by such deposits or investments will be for the Partnership account. Partnership funds from any of the various sources mentioned above may be commingled with other Partnership funds, but not with the separate funds of the Managing General Partner or his Affiliates or any other person, partnership or entity.

5.02 *Use of Partnership Funds.* Except as otherwise specifically provided herein, the Capital Contributions of the Partners and Partnership Revenue may be used for any of the purposes of the Partnership as set forth in Article III of this Partnership Agreement. If Partnership borrowings secured by interests in the Partnership Properties and repayable out of Partnership Revenue cannot be arranged on a basis which, in the opinion of the Managing General Partner, is fair and reasonable, and the entire sum required to pay such costs is not available from Partnership Revenue, the Managing General Partner may, among other things, dispose of Partnership Properties upon which such operations were to be conducted by sale, farmout or abandonment.

5.03 *Encumbering of Partnership Properties.* The Partnership Properties and production therefrom may be pledged, mortgaged or otherwise encumbered as security for borrowings by the Partnership.

ARTICLE VI

ALLOCATIONS; DISTRIBUTIONS; COMPENSATION TO THE MANAGING GENERAL PARTNER

6.01 *General Apportionment Provision.* For purposes of this Article VI, any Participant admitted to the Partnership on a date subsequent to the first day of the month shall be considered to have been admitted to the Partnership on the first day of the month during which such Participant was admitted to the Partnership. For the purposes of assignments of Partnership interests, as between a Partner and his assignee, the allocable share of distributions, income, losses, credits, or other items attributable to the Partnership interest assigned shall be apportioned on the basis of the number of days in the calendar year that each was the holder of the interest assigned, without regard to the results of the Partnership's operations during the periods before and after the assignment. Distributions and allocations to the

Participants shall be apportioned among them in accordance with their Partnership Percentages. Distributions attributable to a year shall be deemed to occur prior to allocations referable to such year. In general, allocations will be divided among Partners on the basis that the net income or net loss so allocated has occurred equally throughout the year, except for allocations arising from sales or other similar events which shall be allocated among the Partners who were Partners on the date of such event. In the event of a sale or other disposition of the Partnership's assets, the Managing General Partner shall have the authority to allocate ordinary income recapture among the Partners. Further, for the first two taxable years of the Partnership ending December 31, 2014 and 2015, the Participants' shares of revenues, income, gains, costs, expenses and losses of the Partnership will be allocated and apportioned on each day to the Participants most recently admitted to the Partnership so as to equalize, to the extent possible for the taxable year, the cumulative amounts of such items allocated and apportioned with respect to each Unit. The record date for distributions of Available Cash shall be the last day of each calendar quarter (the Managing General Partner may in his discretion make distributions more or less frequently than quarterly) or as otherwise designated by the Managing General Partner. The Managing General Partner shall make distributions within 60 days following the record date of the distribution.

6.02 *Allocation of Income, Loss, Tax Credits and Other Items.*

A. *General.* For purposes of this Partnership Agreement, net income or net loss shall mean the net income or net loss of the Partnership for each fiscal year (including the Partnership's share of income of any Partnership, venture or other entity which owns a particular property) as determined for Federal income tax purposes, with such adjustments as are required to comply with Treasury Regulation Section 1.704-1T(b)(2)(iv). An allocation of net income or net loss shall be reflected in each Partner's Capital Account.

(1) Net losses computed at the end of each fiscal year shall be allocated as follows:

(a) First, net losses shall be allocated among the Participants and the Managing General Partner in accordance with net income previously allocated among them during the fiscal year.

(b) Thereafter, net losses shall be allocated 99% among the Participants and 1% to the Managing General Partner.

(2) Net income computed at the end of each fiscal year shall be allocated as follows:

(a) First, among the Partners who have negative Capital Account balances in proportion to the negative balances until those Capital Accounts have a zero balance.

(b) Next, income shall be allocated among the Participants and the Managing General Partner in the same order and amount as distributions made to them pursuant to Section 6.03(i) herein.

(c) Thereafter, income shall be allocated 99% among the Participants and 1% to the Managing General Partner until Payout, and 99% among Participants and 1% to the Managing General Partner after Payout.

B. *Special Allocations.*

(1) Minimum Gain Chargeback. Notwithstanding any other provisions of this Article VI, if there is a net decrease in Minimum Gain during any Partnership fiscal year, each Partner who would otherwise have a negative balance in its adjusted Capital Account at the end of such year will be specially allocated, before any other allocation is made under this Article VI, items of income for such year (and if necessary subsequent years) in the amount and in the proportions needed to eliminate such deficit as quickly as possible. The items to be so allocated will be determined in accordance with Treasury Regulation Section 1.704-1T(b)(iv)(e). This subsection is intended to comply with the minimum gain chargeback requirement in such sections of the Treasury Regulations and shall be interpreted consistently with such sections.

(2) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of income shall be specially allocated to each such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the adjusted Capital Account deficit of such Partner pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(3) as quickly as possible; provided, that an allocation pursuant to this Section 6.02(B)(2) shall be made only if and to the extent that such Partner would have an adjusted Capital Account deficit after all other allocations provided for in this Section 6.02 have been tentatively made as if this Section 6.02(B)(2) were not in the Partnership Agreement.

(3) Gross Income Allocation. In the event any Partner has a deficit Capital Account at the end of any Partnership fiscal year which is in excess of the sum of (i) the amount such Partner is obligated to restore pursuant to any provision of this Partnership Agreement, (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulation Section 1.704-1T(b)(4)(iv)(f), and (iii) the amount such Partner would be deemed to be obligated to restore if Partner Nonrecourse Deductions were treated as Nonrecourse Deductions, each such Partner shall be specially allocated items of income in the amount of such excess as quickly as possible; provided, that an allocation pursuant to Section 6.02(B)(3) shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided in this Section 6.02 have been made as if this Section 6.02(B)(3) and Section 6.02(B)(2) were not in the Partnership Agreement.

C. *Overriding Allocations.*

(1) Regulatory Allocations. The allocations set forth in Section 6.02 of the Partnership Agreement (the "Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulation Sections 1.704-1(b) and 1.704-1T(b). Notwithstanding any other provisions of this Article VI (other than the Regulatory Allocations) the Regulatory Allocations shall be taken into account in allocating income and loss among the Partners so that to the extent possible the net Partnership allocations and the Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to each such Partner if the Regulatory Allocations had not occurred. Notwithstanding the preceding sentence (a) Regulatory Allocations relating to Nonrecourse Deductions shall not be taken into account except to the extent that there has been a reduction in Minimum Gain, and (b) Regulatory Allocations relating to Partner Nonrecourse Deductions shall not be taken into account except to the extent that there would have been a reduction in Minimum Gain if the economic risk for a loan to which such deductions are attributable was not shared by such Partner within the meaning of Treasury Regulation Section 1.704-1T(b)(4)(iv)(h).

(2) Adjusted Tax Basis. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or 743(b) is required to be taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m)

the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Treasury Regulations.

(3) Nonrecourse Deductions. Nonrecourse Deductions for any period shall be specially allocated to the Partners in proportion to their Partnership Percentages in accordance with Treasury Regulation Section 1.704-1T(b)(iv)(d).

(4) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any period shall be allocated to the Partners in the manner provided for in Treasury Regulation Section 1.074-1T(b)(4)(iv)(h)(2).

D. *Compensation to Partners for Services.* If and to the extent that any fee is paid to a Partner for services performed in his capacity as a Partner and is determined with regard to income, such fee shall be treated as a distribution of income under Code Section 731 to the Partner receiving such fee, and an equal amount of income shall be allocated to such Partner under Code Section 704.

E. *Construction of this Article.* The provisions of this Article governing the allocation of items of Income and Loss shall be construed and implemented in a manner which is consistent with the purpose of Section 704(b)(2) and the Treasury Regulations thereunder and may be amended without the consent of the Limited Partners in order to comply with subsequent changes in such regulations.

6.03 *Distributions.* Except as otherwise provided herein and in Section 11.03 relating to distributions in connection with the winding up and liquidation of the Partnership, Available Cash shall be distributed to the Partners as follows:

(i) First, 99% among the Participants and 1% to the Managing General Partner until Payout is achieved, as determined on a Partner-by-Partner basis.

(ii) Thereafter, 99% among the Participants and 1% to the Managing General Partner.

6.04 *Compensation and Reimbursement to the Managing General Partner.*

A. *Partnership Administration.* For its services in establishing management and reporting procedures and for administering the Partnership, the Managing General Partner shall, in addition to other compensation and reimbursements set forth herein, be entitled to receive customary compensation and expense reimbursements. These payments are intended to constitute guaranteed payments within the meaning of Code Section 707(c) and shall not be treated as distributions for the purposes of computing the Managing General Partner's Capital Account.

B. *Reimbursement of Direct Expenses.* The Managing General Partner and its Affiliates shall be entitled to prompt reimbursement for all Direct Expenses borne, incurred or advanced by it on behalf of the Partnership.

C. *Charge for General and Administrative Expenses.* From and after the date the Partnership commences its business, the Managing General Partner and its Affiliates shall be entitled to charge the Partnership for their General and Administrative Expenses. Such charges by the Managing

General Partner and its Affiliates will be made on a monthly basis with respect to allocable General and Administrative Expenses incurred by it during the preceding month. All such charges shall be on a cost basis, calculated on a relative allocation of time determined in the good faith discretion of the Managing General Partner. The Managing General Partner shall not be required to prepare or keep specific time reports or records.

D. *Organization and Offering Costs.* Organization and Offering Costs of the Partnership shall be reimbursed by the Partnership to the Managing General Partner upon commencement of its business.

E. *Evaluation Costs and Acquisition Fees.* Actual out-of-pocket Evaluation Costs incurred by the Managing General Partner or its Affiliates in evaluating and acquiring Partnership Properties will be reimbursed to the Managing General Partner. The Partnership may also pay management origination fees and Evaluation Costs to affiliated and unaffiliated petroleum consultants and oil and gas operators in the form of cash, carried interests and other forms of compensation.

ARTICLE VII

TAX MATTERS

7.01 *Filing of Returns.* The Managing General Partner will cause the Partnership to elect the calendar year as its taxable year and will timely file all Partnership income tax returns to be filed by the Partnership. By March 30 of each year, the Managing General Partner will furnish the information necessary for inclusion in each Partner's income tax return. Upon request, copies of relevant portions of the Partnership's tax returns will be furnished to the requesting Partner.

7.02 *Tax Elections.* The Managing General Partner shall, on the first federal income tax information return filed on behalf of the Partnership, make a proper election to deduct all Intangible Drilling and Development Costs in accordance with the option granted by Section 263(c) of the Code. No election shall be made by the Partnership, the Managing General Partner or any Participant to be excluded from the application of the provisions of Subchapter K of the Code or from any similar provision of state or local income tax laws. Upon the transfer of all or part of a Partner's interest or upon the death of an individual Partner, or upon the distribution of any Partnership Property to any party hereto, the Partnership, at the Managing General Partner's option, may file an election, in accordance with applicable regulations, to cause the basis of the Partnership Property to be adjusted for federal income tax purposes, as provided by Sections 734, 743 and 754, respectively, of the Code. Similar elections under provisions of state and local income tax laws may, at the Managing General Partner's option, be made.

7.03 *Tax Matters Partner.* The Managing General Partner will serve as the "Tax Matters Partner" as that term is defined in the Code.

7.04 *Individual General Partner.* The Managing General Partner will ensure that the Partnership has an individual general partner at all times during the term of the Partnership, unless he receives evidence satisfactory to him that an individual general partner is not necessary to maintain the status of the Partnership as a Partnership for tax purposes.

7.05 *No Public Trading.* Notwithstanding anything to the contrary contained in this Agreement, in no event shall any transfer of an interest in a Unit in the Partnership (including any right to distributions, net income or net losses) be permitted if such a transfer would cause the Partnership to be a "publicly traded partnership" as defined in Code Section 7704(b)(1). Both the Managing General Partner

and the Partnership shall refuse to recognize any transfers and they shall take such actions as are necessary to assure that such transfers are not, in fact, recognized.

ARTICLE VIII

FISCAL YEAR; ACCOUNTING REPORTS

8.01 *Fiscal Year.* The fiscal year of the Partnership will be the calendar year, and the books of the Partnership will be kept on the accounting basis used for income tax reporting purposes. The Partnership will use a method of accounting for income tax purposes selected by the Managing General Partner in its discretion.

8.02 *Annual Reports.* Within 120 days after the end of each fiscal year, the Managing General Partner will furnish each Partner with an annual report containing financial statements (which need not be audited) which fairly present the financial position, results of operations and the changes in financial position of the Partnership in accordance with the basis of accounting as described in Section 8.01.

8.03 *Capital Account.* A separate Capital Account shall be maintained for each Partner to be established and maintained in the manner provided in accordance with Section 704(c) of the Code and the Regulations promulgated thereunder. In the event that the provisions of Treasury Regulation Sections 1.704-1(b) and 1.704-1T(b) fail to provide guidance on how adjustments to the Capital Accounts of the Partners should be made to reflect particular adjustments to Partnership capital on the books of the Partnership, then such Capital Account adjustments shall be made by the Managing General Partner in its reasonable determination with the review and concurrence of the Partnership's accountants and/or with the advice of the Partnership's professional tax advisors in a manner that (i) maintains equality between (a) the aggregate Capital Accounts of the Partners and (b) the amount of the Partnership capital reflected on the Partnership's balance sheet as computed for book purposes in accordance with Treasury Regulation Sections 1.704-1(b) and 1.704-1T(b), (ii) is consistent with the underlying economic arrangement among the Partners, and (iii) is based wherever possible on Federal tax accounting principles. The Managing General Partner shall also make any appropriate modifications in the event unanticipated events might otherwise cause this Partnership Agreement not to comply with Treasury Regulation Sections 1.704-1(b) and 1.704-1T(b).

8.04 *Access to Records.* The Managing General Partner shall permit access to all financial records of the Partnership, after adequate notice at any reasonable time, to any Partner or his authorized representative, provided that the request is made for a proper purpose and with no intention to disrupt the Partnership. The Managing General Partner shall maintain all accounts, books and other relevant Partnership documents, including the Partnership's financial statements and its federal, state and local income tax returns and reports for at least the six most recent taxable years, at the Partnership's principal place of business. Notwithstanding the foregoing, the Managing General Partner may keep logs, well reports and other drilling data confidential for a reasonable period of time, if he determines in his sole discretion that it is in the best interests of the Partnership to do so.

8.05 *Records of Adjusted Tax Basis.* To the extent the Managing General Partner is required to determine the adjusted tax basis of any Partnership Property, the Managing General Partner may request information regarding such adjusted tax basis from the Partners, in writing, and such Partners shall furnish such information to the Managing General Partner within 90 days after said request is mailed by the Managing General Partner.

8.06 *Appraisal Report.* If the Partnership is successful in developing proven oil and gas reserves, the Managing General Partner may, in its sole discretion and at Partnership expense, cause the Partnership's producing and non-producing oil and gas properties to be evaluated by an independent oil and gas consulting firm. Each such appraisal report shall be distributed by the Managing General Partner to the Partners.

ARTICLE IX

RIGHTS, DUTIES AND OBLIGATIONS OF THE MANAGING GENERAL PARTNER

9.01 *Powers of the Managing General Partner.* In addition to the powers now or hereafter granted the general partner of a limited partnership under applicable law or which are granted to the Managing General Partner under any other provision of this Partnership Agreement, the Managing General Partner shall have full and exclusive power and authority to do all things deemed necessary or desirable by it in the conduct of the business of the Partnership, including, but not limited to: (i) the determination of which wells and operations will be participated in by the Partnership, which leases are developed, which leases are abandoned, and which leases are sold, farmed out, assigned to or exchanged with other parties, including other investor ventures organized by the Managing General Partner or its Affiliates; (ii) the making of any expenditures and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership; (iii) the acquisition, hypothecation, exchange, or disposition of any or all of the assets of the Partnership; (iv) the use of the revenues of the Partnership and the borrowing on behalf of, and the advance of monies to, the Partnership for any purpose and on any terms he sees fit, including without limitation, various operations of the Partnership and the repayment of such borrowings and the conduct of additional operations by the Partnership; (v) the negotiation and execution on any terms deemed desirable, in its sole discretion, of any contracts, conveyances or other instruments considered by the Managing General Partner to be useful or necessary to the conduct of Partnership operations or the implementation of the powers granted him under this Partnership Agreement; (vi) the selection of employees and outside consultants and contractors and the determination of their compensation and other terms of employment or hiring; (vii) the making of all decisions concerning the desirability of paying and the payment or supervision of the payment of all delay rentals and shut-in royalty payments; (viii) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary; (ix) the formation of any further limited or general partnership, joint ventures or relationships which it deems desirable; (x) the control of any matters affecting the rights and obligations of the Partnership, including the employment of attorneys to advise and otherwise represent the Partnership, settlement of claims and litigation; (xi) the drilling and completion of Partnership wells and the operation of Productive Wells on leases acquired by the Partnership, or on a drilling, spacing or similar unit which includes any part of such a lease; (xii) sue, complain and defend in the name and on behalf of the Partnership; (xiii) make assessments pursuant to Section 4.07 herein; (xiv) facilitate conversions pursuant to Section 4.08 herein, (xv) maintain such working capital reserves for the Partnership as it deems appropriate in its discretion, and (xvi) the selection of Affiliates of the Managing General Partner to perform services or to engage in transactions with the Partnership.

9.02 *Acquisition of Partnership Properties.* The Managing General Partner will principally utilize its and its Affiliates' organization and employees, and may hire outside consultants for the Partnership as necessary from time to time in order to provide experienced, qualified and competent personnel to conduct the Partnership's business. The Managing General Partner and its Affiliates shall be entitled to reimbursement for its Direct Expenses incurred in hiring such outside consultants. The Managing General Partner or its Affiliates may acquire oil and gas properties for the Partnership by direct acquisition, by the exercise of options, by farmout or otherwise, from the Managing General Partner or

from sellers who are affiliated or unaffiliated with the Managing General Partner. It may cause the Partnership to acquire undivided interests in oil and gas properties, or to participate with other parties in the acquisition and development of oil and gas properties. In exercising the authority provided for in this section, the Managing General Partner may cause the Partnership to agree upon such contractual terms, covenants and conditions and make such agreements with respect to royalties, overriding royalties and other payments out of production, as in the Managing General Partner's judgment are appropriate under the circumstances. In addition, although it is intended that the Partnership will acquire Prospects from those identified in the Memorandum, the Managing General Partner may in its sole discretion cause the Partnership to acquire other Prospects or to terminate all Partnership operations on said identified Prospects, or take any other actions it deems in the best interest of the Partnership.

9.03 *Title to Leases.* The Managing General Partner shall take such steps as are necessary in his best judgment to render title to each lease assigned to the Partnership acceptable for the purposes of the Partnership. The Managing General Partner shall be free to use his own best judgment in waiving title requirements. The Managing General Partner shall not be liable to the Partnership or the Partners for any mistakes of judgment, nor shall the Managing General Partner be deemed to be making any warranties or representations, express or implied, as to the validity or merchantability of the title to any lease assigned or the extent of the interest covered thereby. Title to all leases acquired by the Partnership may be taken in the name of the Partnership, in the name of the Managing General Partner as nominee of the Partnership, or in the name of a nominee designated by the Managing General Partner.

9.04 *Disposition of Properties.* The Managing General Partner may dispose of Partnership Properties by sale, farmout or abandonment when the Managing General Partner in its sole discretion determines that such disposition is in the best interests of the Partnership.

9.05 *Indemnification.* The Managing General Partner will perform the duties imposed upon him under this Partnership Agreement in a businesslike manner. The Managing General Partner and its Affiliates are hereby indemnified by the Partnership as follows:

(a) In any threatened, pending or completed action, suit or proceeding to which the Managing General Partner or any of its Affiliates were or are a party or are threatened to be made a party by reason of the fact that they are or were a Managing General Partner of the Partnership or an Affiliate of the Managing General Partner, the Partnership does hereby indemnify the Managing General Partner (including its Affiliates) against expenses, including attorneys' fees, costs of investigation, fines, judgments and amounts paid in settlement, actually and reasonably incurred by them in connection with such action, suit or proceeding if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Partnership and, in the case of a criminal proceeding, had reasonable cause to believe its conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the Managing General Partner or its Affiliates did not act in good faith and in a manner which they reasonably believed to be in or not opposed to the best interests of the Partnership or that they had reasonable cause to believe that its conduct was lawful. No Managing General Partner or his Affiliates shall be indemnified by the Partnership with respect to any expense relating to any claim, issue or matter as to which they are adjudged to be liable for gross negligence or willful misconduct, unless and only to the extent that the court in which such action, proceeding or suit was brought determines that the Managing General Partner or his Affiliates are fairly and reasonably entitled to indemnity for such expenses.

(b) To the extent that a Managing General Partner and its Affiliates have been successful on the merits or otherwise in defense of an action, suit or proceeding referred to in subparagraph (a) above, or in defense of any claim, issue or matter therein, the Partnership hereby

indemnifies the Managing General Partner or its Affiliates against the expenses, including attorneys' fees and costs of investigation, actually and reasonably incurred by them in connection therewith.

(c) Notwithstanding the above, if a claim for indemnification under this Section 9.06 arises from any claim, issue or matter as to which the Managing General Partner is adjudged in violation of federal or state securities laws, the Managing General Partner will not be entitled to any indemnification.

(d) The indemnification provided by this Section 9.06 shall only be recoverable out of the assets of the Partnership and not from any personal assets of any Partner.

9.06 *Loans.* The Partnership may not make any loans to the Managing General Partner, although it may make loans to Affiliates of the Managing General Partner, including affiliated oil and gas programs. In the event any loans are made to the Partnership by the Managing General Partner or its Affiliates, such Managing General Partner or Affiliate will not receive interest in excess of the amounts which would be charged to the Partnership by unrelated banks or financial institutions on comparable loans for the same purpose.

9.07 *Related Businesses.* The Managing General Partner and its Affiliates are and some or all of the Partners may be engaged in the conduct of various oil, gas and other mineral enterprises for their own account or with others. Accordingly, the Managing General Partner will be required to devote only such time to the Partnership as its affairs require. The Managing General Partner or any of its Affiliates may, either for their own account or for the account of any other corporation, Partnership, joint venture, firm, individual or other entity, engage in business activities of the same or similar nature to those of the Partnership, and the Managing General Partner or any of its Affiliates will be under no liability to the Partnership or the Participants by reason of engaging in such businesses or activity. The Managing General Partner and its Affiliates will have no duty or obligation to submit to the Partnership any business opportunities which may come to them or be presented to any corporation, joint venture, firm, individual or other entity in which they may have an interest.

9.08 *Operating Agreements.* If the Partnership owns an undivided interest in an oil and gas property that is to be developed, the Managing General Partner will, on behalf of or as nominee for the Partnership, enter into an appropriate operating agreement with the other owners of the property authorizing the Operator whether or not an Affiliate of the Managing General Partner, to conduct such operations. The Partnership will take such action in connection with operations pursuant to said operating agreements as the Managing General Partner, in its sole discretion, deems appropriate and in the best interests of the Partnership. The decision of the Managing General Partner with respect thereto will be binding upon the Partnership. Whenever, in connection with farmouts or other arrangements, the Partnership or the Managing General Partner or one of its Affiliates is acting as the Operator of a Partnership Property, the Managing General Partner or its Affiliate may receive additional compensation for acting as the Operator with respect to any Partnership Property.

9.09 *Assignment of Interest.* The Managing General Partner may assign its rights to receive fees or Partnership Revenue pursuant to this Partnership Agreement, to retire and withdraw from the Partnership, to appoint and substitute a successor general partner and to sell or exchange his interest, responsibilities and obligations as Managing General Partner to a successor general partner, provided that if the substitution of a new general partner is proposed, the approval of Participants who collectively hold more than 50% of the Partnership Percentages is obtained; provided further, that notwithstanding anything else herein to the contrary, the consent of the Participants who collectively hold more than 50% of the Partnership Percentages is required to continue the business of the Partnership in the event the last remaining Managing General Partner ceases to be a general partner of the Partnership.

ARTICLE X

RIGHTS AND OBLIGATIONS OF PARTICIPANTS

10.01 *No Participation in Management.* No Participant shall (i) take part in the management of the business or transact any business for the Partnership; (ii) have the power to sign for or to bind the Partnership; or (iii) be paid any salary, have a drawing account or, except as specifically set forth herein, receive interest on his Capital Contribution.

10.02 *Assignment of Interests.* A Participant may not withdraw or sell, assign, transfer, mortgage, encumber, charge or otherwise dispose of his interest in the Partnership or assign his right to receive distributions hereunder unless the assignment is by a written instrument in form satisfactory to the Managing General Partner evidencing the assignor's and assignee's consent to the assignment and provided further that:

(a) The Managing General Partner consents in writing to the assignment, which consent may be given or withheld in the Managing General Partner's sole discretion in the event of a proposed substitution of a Participant, except that the Managing General Partner shall not consent to an assignment which, in the opinion of the Managing General Partner, would jeopardize the status of the Partnership as a Partnership for federal income tax purposes, would cause a termination of the Partnership within the meaning of Section 708(b) of the Code or would violate, or cause the Partnership to violate, any applicable law or government rule or regulation.

(b) In the case of the proposed substituted Participant, the proposed substituted Participant consents in writing in form and substance satisfactory to the Managing General Partner to become a substitute Participant and to be bound by the terms of the Partnership Agreement in the place and stead of the assigning Participant. No substitution of a Participant which has been consented to by the Managing General Partner shall be effective until the assignor, assignee, and the Managing General Partner execute all certificates and other documents deemed necessary or appropriate by the Managing General Partner to constitute such assignee a Participant and to preserve the status of the Partnership as a limited partnership after the completion of such substitution.

(c) No transfer, sale or any exchange by a Partner shall be approved if the same shall require registration under the Securities Act of 1933, as amended, or pursuant to any federal or state statute, and any such attempted transfer, sale or issuance shall be void *ab initio.*

(d) If, during the term of the Partnership, a Participant dies or is adjudicated insane or incompetent, his legal representative shall have the rights of an assignee of a Partnership interest, but not the rights of a substituted Partner unless such legal representative is admitted as such pursuant to (a) above. The legal representative may dispose of the interest of the Participant only in accordance with the terms of this Partnership Agreement, as amended from time to time.

When the substitution of a Participant becomes effective, but not before, the assigning Participant shall be relieved of all of his obligations hereunder to the extent permitted by law with respect to his assigned interest. By executing the Subscription Agreement, each Participant shall be deemed to have consented to any substitution consented to by the Managing General Partner.

10.03 *Transfer Considered Assignment.* For purposes of this Partnership Agreement, any transfer or pledge of an interest in the Partnership or of the right to receive distributions hereunder, whether voluntary or by operation of law, shall be considered an assignment.

10.04 *Removal of the Managing General Partner.* The Managing General Partner may be removed by an affirmative vote of Participants who collectively hold 75% or more of the Partnership Percentages, if the Managing General Partner is determined by a court of law to have breached its fiduciary duty to the Participants, in which case the business of the Partnership may be continued with one or more substituted general partners selected by an affirmative vote of the Participants who collectively hold more than 50% of the Partnership Percentages. Such a vote shall be taken only if proposed by Participants who collectively hold 10% or more of the Partnership Percentages. In the event of a removal of the Managing General Partner as hereinabove provided, the Managing General Partner's interest in the Partnership shall be terminated and shall be acquired by the Partnership at the value determined by an independent oil and gas appraiser selected by the agreement of the removed Managing General Partner, any remaining Managing General Partner and any incoming managing general partners. If an independent oil and gas appraiser shall not have been selected within thirty (30) days after the date on which the Participants vote to remove a Managing General Partner, the Partnership, the removed Managing General Partner and the incoming Managing General Partner, if any, shall each have the right to petition a court of competent jurisdiction to appoint an appraiser. Each of such parties hereby consents to the jurisdiction of the court in which such a petition is first filed and agrees to be bound by the decision of such court. Any payment to the removed Managing General Partner pursuant hereto shall be made by the Partnership delivering its note, payable to the removed Managing General Partner in equal quarterly installments over three years from the date of removal of such Managing General Partner, with interest at the maximum rate permitted under Texas law on the date the Managing General Partner is removed. The note shall be secured by the Partnership Properties.

10.05 *Meetings.* Upon written request for a meeting of the Partnership by Participants who collectively hold 10% or more of the Partnership Percentages, or at the request of the Managing General Partner, the Managing General Partner, within 15 days of receipt of such request, shall call such a meeting, shall notify all Partners by registered or certified mail of the date (not less than 10 nor more than 60 days following the date of notice), time, place and the purpose thereof, and shall hold said meeting in accordance with such notice; provided, however, that should Participants who collectively hold more than 50% of the Partnership Percentages not be present at said meeting in person or by proxy, the meeting shall be adjourned without conducting any business. The Managing General Partner shall establish a record date not exceeding 50 or less than 10 days prior to the date of any meeting of the Partners for purposes of determining eligibility to vote at such meeting. Each Participant shall have the right to vote a number of votes proportionate to such Participant's Partnership Percentage.

ARTICLE XI

DURATION, TERMINATION AND AMENDMENT

11.01 *Death of a Participant.* Upon the death of a Participant, the Partnership shall not thereby terminate, but the executor or administrator of such Participant shall have all the rights of a Participant for the purpose of settling his estate and as an assignee, but shall have the right to become a Partner only in accordance with the provisions of this Partnership Agreement. The estate of a deceased Participant shall be liable for all his liabilities as a Participant.

11.02 *Termination.* The existence of the Partnership shall terminate upon the occurrence of any one of the following events:

(a) The removal, withdrawal, dissolution, death, assignment for the benefit of creditors, filing of a petition for bankruptcy or adjudication of bankruptcy of the Managing General Partner; provided, in each case, that

(i) the remaining Managing General Partner, if any, elects not to continue the Partnership business, and

(ii) the Participants elect not to continue such business pursuant to their right as follows: subject to Section 9.10 herein, Participants who collectively hold more than 50% of the Partnership Percentages may, within 90 days from an event described in this Section 11.02(a), decide to continue the business of the Partnership. The Partnership shall not be considered terminated or dissolved prior to the expiration of said 90-day period during which the Partners may, by the vote designated herein, elect to continue the business of the Partnership. Notwithstanding anything else herein to the contrary, Participants who collectively hold more than 50% of the Partnership Percentages may elect a new or substitute Managing General Partner and continue the business of the Partnership, except upon the termination of the last Managing General Partner other than by removal, in which case a new Managing General Partner must be elected by the unanimous consent of the Participants.

(b) The expiration of the term of the Partnership.

(c) The Managing General Partner's written election to dissolve and wind up the affairs of the Partnership, on 60 days' prior written notice to the Participants.

(d) The affirmative vote of Participants who collectively hold more than 50% of the Partnership Percentages to dissolve and wind up the affairs of the Partnership, with the consent of the Managing General Partner.

11.03 *Distributions Upon Termination.* Upon a dissolution and termination of the Partnership for any reason, the Managing General Partner shall: (i) take full account of the Partnership assets and liabilities, (ii) liquidate the assets as promptly as is consistent with obtaining the fair value thereof, and (iii) apply and distribute the proceeds therefrom in the following order: (a) first, to the payment of the creditors of the Partnership including the Partners, but excluding secured creditors whose obligations will be assumed or otherwise transferred on the liquidation of Partnership assets; and then (b) to the Managing General Partner and the Participants in accordance with the positive balances in their Capital Accounts after giving effect to all contributions, distributions and allocations for all periods. All distributions under this Section 11.03 must be made within the time period prescribed in Treasury Regulation Section 1.704-1(b)(2)(ii)(b)(2). Participants who withdraw from the Partnership prior to the date of liquidation of the Partnership (except in connection with a sale or assignment of Units) shall receive the amount of their Capital Accounts upon the date of such withdrawal. The Managing General Partner shall contribute to the capital of the Partnership, within the time period prescribed in Treasury Regulation Section 1.704-1(b)(2)(ii)(b)(3), an amount equal to any negative amount of its Capital Account existing after the distributions and allocations provided in Sections 6.02 and 6.03 of this Agreement, which contribution shall be distributed in the manner provided in this Section 11.03. The Managing General Partner's obligation to contribute an amount equal to its negative Capital Account pursuant to this Section shall be for the benefit of the other Partners only, and may not be enforced by any third parties, such as creditors of the Partnership. The Participants shall not be obligated to restore any negative amount in their Capital Accounts pursuant to this Section 11.03, and such negative amount shall not be considered to be a debt owed to the Partnership or any other person for any purpose.

11.04 *Sales Upon Liquidation and Distributions in Kind.* In connection with the termination and liquidation of the Partnership, the Managing General Partner may, but shall not be required to, sell all or any portion of the Partnership Properties. Any property distributed in kind to Partners upon liquidation of the Partnership shall be valued by the Managing General Partner and treated as though the property were sold and the cash proceeds were distributed. Each Partner shall receive his share of the assets of the Partnership in cash and/or kind, and the portion of such share that is received in cash may vary from partner to partner, all as the Managing General Partner or a trustee (if one is appointed) may determine.

11.05 *No Recourse Against the Managing General Partner.* A Participant shall look solely to the assets of the Partnership for the return of his investment, and if the Partnership Property remaining after the payment or discharge of the debts and liabilities of the Partnership is insufficient to return such investment, he shall have no recourse against either the Managing General Partner, any of his Affiliates, or any other Partner.

11.06 *Purchase by a Managing General Partner.* A Managing General Partner may, if he so desires, purchase Partnership Properties upon liquidation at the highest bona fide independent offer received, or if no such offer is received, the fair market value thereof, as determined by an independent appraiser selected by the Managing General Partner, provided at least 15 days' advance public notice of the proposed sale has been given.

11.07 *Managing General Partner's Discretion.* The winding up of the Partnership's affairs and the liquidation and distribution of its assets shall be conducted exclusively by the Managing General Partner (or a trustee, if one is appointed), which is authorized to do any and all acts authorized by law for these purposes. Distributions in accordance with the provisions of this Article XII upon termination and dissolution of the Partnership will constitute a complete return to the Partners of their interest in the Partnership.

11.08 *Amendments.* Any provision of this Partnership Agreement may be amended by the affirmative vote at a Partnership meeting, or by the written consents, of the Managing General Partner and Participants who collectively hold more than 50% of the Partnership Percentages. Notwithstanding anything else herein to the contrary, the Managing General Partner is hereby authorized, without prior notice to or the consent of any Participant (in addition to any other rights granted under the Partnership Agreement), (i) to amend the Partnership Agreement to reflect any substitution of assignees as Participants or the addition of Participants in accordance with the terms of the Partnership Agreement, (ii) to amend the Partnership Agreement to reflect the determination of a remaining Managing General Partner to continue the business of the Partnership upon the death, withdrawal, retirement, removal, dissolution, assignment for the benefit of creditors, filing of a petition for bankruptcy, adjudication of bankruptcy, insanity or incompetency of any Managing General Partner which amendment need be signed only by the remaining Managing General Partner(s), (iii) to make ministerial changes in this Partnership Agreement and record appropriate certificates, to satisfy requirements contained in any opinion, directive, order, ruling, request, or regulation of any federal or state agency or in any federal or state statutes, compliance with which, upon the advice of Partnership counsel, is deemed to be in the best interests of the Partnership, or (iv) to make other ministerial amendments to this Partnership Agreement which do not have a material adverse effect upon the rights or interests of the Participants. The Managing General Partner shall give written notice to all Partners promptly after any such amendment has become effective.

ARTICLE XII

MISCELLANEOUS

12.01 *Notices.* Any notice, request or demand required or permitted under this Partnership Agreement shall be deemed to have been duly given or made if delivered or if sent postage prepaid by registered or certified mail (i) in the case of the Managing General Partner, to Genesis E&P, Inc., 1701 Shoal Creek Road, Suite 231, Highland Village, Texas 75077, and (ii) in the case of a Partner, to the address set forth under his name on Schedule A hereto, or to such other address as the Partners may designate for this purpose.

12.02 *Applicable Laws.* This Agreement shall be governed by and interpreted under the laws of the State of Texas.

12.03 *Severability.* In case any one or more of the provisions contained in this Partnership Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

12.04 *Time.* Time is of the essence of each part of this Partnership Agreement.

12.05 *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of the parties, their heirs, devisees, personal representatives, successors and assigns, and shall run with the Partnership interests.

12.06 *Force Majeure.* The Managing General Partner shall not be liable for any loss or damage to Partnership Property caused by strikes, labor troubles, riots, fires, blowouts, tornadoes, floods, acts of a public enemy, insurrections, acts of God, freezing of wells, failure to carry out the provisions hereof due to provisions of law or rules or regulations promulgated by any governmental agency or any demand or requisition of any government, or from any other cause beyond the control of the Managing General Partner.

12.07 *Headings.* The headings in this Partnership Agreement are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Partnership Agreement.

12.08 *Partition.* Each of the parties hereto irrevocably waives during the term of the Partnership any right that it may have to maintain any action for partition with respect to Partnership Properties, except as herein otherwise expressly provided.

12.09 *Entire Agreement.* This Partnership Agreement embodies the entire understanding and agreement between the Partners concerning the Partnership, and supersedes any and all prior negotiations, understandings or agreements.

12.10 *Number of Partners.* Notwithstanding anything else herein to the contrary, in no event may the Partnership have more than 500 Partners.

12.11 *Counterparts.* This Partnership Agreement and the Subscription Agreement may be executed in multiple counterpart copies, each of which will be considered an original and all of which constitute one and the same instrument.

[Signatures on following page.]

IN WITNESS WHEREOF, this Agreement of Limited Partnership has been executed on this 1st day of August 2013 and any date thereafter the Participants are admitted into the Partnership.

MANAGING GENERAL PARTNER: GENESIS E&P, INC.,
a Texas corporation

By: _____
Edward C. Foster, Chief Executive Officer

SPECIAL LIMITED PARTNER: _____
Ron Moss

PARTICIPANTS: By: _____
Edward C. Foster as Chief Executive Officer of Genesis E&P, Inc. [The Attorney-In-Fact for all Partners listed on Schedule A hereto]

SCHEDULE A
List of Partners

Managing General Partner:

Name and Address	Capital Contribution
Genesis E&P, Inc. 1701 Shoal Creek Road, Suite 231 Highland Village, Texas 75077	$12,500

Special Limited Partner:

Name and Address	Capital Contribution
Ron Moss Royal Oil, LLC	$ 100

Partners:

Name and Address	Status	Capital Contribution

EXHIBIT B

SUBSCRIPTION DOCUMENTS

Big Creek LA, LP

$1,250,000

5 Units at $250,000 per Unit

Minimum Investment: One Unit ($250,000)

FOR SOPHISTICATED INVESTORS ONLY

INSTRUCTIONS FOR SUBSCRIPTION

To Subscribe

1. Subscription Agreement

   Please execute the signature page and return with the Purchaser Questionnaire.

2. Purchaser Questionnaire

   Please complete and return with your executed Subscription Agreement.

3. Please make check payable to: Big Creek LA, LP

4. Please mail subscription documents and checks to:

Big Creek LA, LP
1701 Shoal Creek Road, Suite 231
Highland Village, Texas 75077
Attention: Edward C. Foster, Chief Executive Officer of Managing General Partner

SUBSCRIPTION AGREEMENT
AND POWER OF ATTORNEY

Name of Investor:_____
(Print)

Big Creek LA, LP
1701 Shoal Creek Road, Suite 231
Highland Village, Texas 75077
Attention: Edward C. Foster, Chief Executive Officer of Managing General Partner

Re: Big Creek LA, LP – 5 Units (the "Units") - $1,250,000

Gentlemen:

1. *Subscription.* The undersigned hereby tenders this subscription and applies to purchase the number of Units in Big Creek LA, LP (the "Partnership") indicated below, pursuant to the terms of this Subscription Agreement and Power of Attorney. The purchase price of each Unit is two hundred fifty thousand dollars ($250,000). The undersigned further sets forth statements upon which you may rely to determine the suitability of the undersigned to purchase the Units. The undersigned understands that the Units are being offered pursuant to the Confidential Private Placement Memorandum, dated January 30, 2014, and its exhibits (the "Memorandum"). In connection with this subscription, the undersigned represents and warrants that the personal, business and financial information contained in the Purchaser Questionnaire is complete and accurate, and presents a true statement of the undersigned's financial condition. The undersigned elects to purchase Units as follows:

A. ____ General Partner for _____ Units.

B. ____ Limited Partner for _____ Units.

2. *Representations and Understandings.* The undersigned hereby makes the following representations, warranties and agreements and confirms the following understandings:

(i) The undersigned is acquiring the Units for investment purposes, for the undersigned's own account only, with no intention or view to distribute the Units or any participation or interest therein.

(ii) The undersigned has received a copy of the Memorandum, has reviewed it carefully, and has had an opportunity to question representatives of the Partnership and obtain such additional information concerning the Partnership as the undersigned requested. The undersigned acknowledges and agrees that only information or representations contained in the Memorandum may be relied upon as having been authorized by the Partnership. No person has been authorized to give any information or to make any representations other than those contained in the Memorandum, and if given or made, such information or representations must not be relied upon as having been authorized by the Partnership. Subscribers are cautioned not to rely upon any information not expressly set forth in the Memorandum. The information presented is as of the date on the cover of the Memorandum unless another date is specified, and neither the delivery of the Memorandum nor any sale hereunder shall create any implication that there has been no change in the information presented subsequent to such dates.

(iii) The undersigned has sufficient experience in financial and business matters to be capable of utilizing such information to evaluate the merits and risks of the undersigned's investment, and to make an informed decision relating thereto; or the undersigned has utilized the services of a purchaser representative and together they have sufficient experience in financial and business matters that they are capable of utilizing such

information to evaluate the merits and risks of the undersigned's investment, and to make an informed decision relating thereto.

(iv) The undersigned has evaluated the risks of this investment in the Partnership, including those risks particularly described in the Memorandum, and has determined that the investment is suitable for him. The undersigned has adequate financial resources for an investment of this character, and at this time he could bear a complete loss of his investment. The undersigned understands that any projections which may be made in the Memorandum are mere estimates and may not reflect the actual results of the Partnership's operations.

(v) The undersigned understands that the Units are not being registered under the Securities Act of 1933, as amended (the "1933 Act") on the ground that the issuance thereof is exempt under Section 4(2) of the 1933 Act and Rule 506 of Regulation D promulgated thereunder as a transaction by an issuer not involving any public offering, and that reliance on such exemptions is predicated in part on the truth and accuracy of the undersigned's representations and warranties, and those of the other purchasers of Units.

(vi) The undersigned understands that the Units are not being registered under the securities laws of certain states on the basis that the issuance thereof is exempt as an offer and sale not involving a public offering in such state. The undersigned understands that reliance on such exemptions is predicated in part on the truth and accuracy of the undersigned's representations and warranties and those of other purchasers of Units. The undersigned covenants not to sell, transfer or otherwise dispose of a Unit unless such Unit has been registered under the applicable state securities laws, or an exemption from registration is available.

(vii) The undersigned (i) has a net worth (exclusive of the value of the undersigned's primary residence) of at least $100,000 and an annual gross income of at least $50,000, or (ii) has a net worth (exclusive of the value of the undersigned's primary residence) of at least $250,000, or (iii) is an "accredited investor," as that term is defined in Rule 501 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended (see the attached Purchaser Questionnaire), or (iv) is the beneficiary of a fiduciary account, or, if the fiduciary of the account or other party is the donor of funds used by the fiduciary account to make this investment, then such donor, who meets the requirements of either (i), (ii) or (iii) above; and if the undersigned is not an "accredited investor," the purchase price of the Units represents no more than 10% of the undersigned's net worth, including the value of the undersigned's primary residence.

(viii) The undersigned has no need for any liquidity in his investment and is able to bear the economic risk of his investment for an indefinite period of time. The undersigned has been advised and is aware that: (a) there is no public market for the Units; (b) it may not be possible to liquidate the investment readily; and (c) the undersigned may have to bear the economic risk of his investment in the Units for an indefinite period of time because the Units have not been registered under the 1933 Act and applicable state law or an exemption from such registration is available.

(ix) All contacts and contracts between the undersigned and the Partnership regarding the offer and sale to him of Units have been made within the state indicated below his signature on the signature page of this Subscription Agreement and the undersigned is a resident of such state.

(x) The undersigned has relied solely upon the Memorandum and independent investigations made by him or his purchaser representative with respect to the Units subscribed for herein, and no oral or written representations beyond the Memorandum have been made to the undersigned or relied upon by the undersigned.

(xi) The undersigned agrees not to transfer or assign this subscription or any interest therein.

(xii) The undersigned hereby acknowledges and agrees that, except as may be specifically provided herein, the undersigned is not entitled to withdraw, terminate, or revoke this subscription.

(xiii) If the undersigned is a Partnership, corporation or trust, it has been duly formed, is validly existing, has full power and authority to make this investment, and has not been formed for the specific purpose of investing in the Units. This Subscription Agreement and all other documents executed in connection with this subscription for Units are valid, binding and enforceable agreements of the undersigned.

(xiv) The undersigned meets any additional suitability standards and/or financial requirements which may be required in the jurisdiction in which he resides, or is purchasing in a fiduciary capacity for a person or account meeting such suitability standards and/or financial requirements, and he is not a minor.

(xv) The undersigned has a pre-existing business relationship with the Partnership or an officer, director, employee, referring party or consultant to the Partnership or the General Managing Partner, and was not solicited pursuant to any form of public advertisement, cold calling or general solicitation. The offer to sell the Units was directly communicated to the undersigned by the Managing General Partner through the Memorandum in such a manner that the undersigned was able to ask questions of and receive answers from the Managing General Partner, or a person acting on its behalf, concerning the terms and conditions of this transaction. At no time was the undersigned presented with or solicited by or through any article, notice or other communication published in any newspaper or other leaflet, public promotional meeting, television, radio or other broadcast or transmittal advertisement or any other form of general advertising.

3. *Indemnification.* The undersigned hereby agrees to indemnify and hold harmless the Partnership and all of its affiliates, attorneys, accountants, employees, officers, directors, shareholders and agents from any liability, claims, costs, damages, losses or expenses incurred or sustained by them as a result of the undersigned's representations and warranties herein being untrue or inaccurate, or because of a breach of this agreement by the undersigned. The undersigned hereby grants to the Managing General Partner the right to setoff against any amounts payable by the Managing General Partner to the undersigned, for whatever reason, or any and all damages, costs, and expenses (including, but not limited to, reasonable attorney's fees) which are incurred by the Managing General Partner or any of its affiliates as a result of matters for which the Managing General Partner is indemnified pursuant to Section 3 of this Subscription Agreement.

4. *Taxpayer Identification Number/Backup Withholding Certification.* Unless a subscriber indicates to the contrary on the Subscription Agreement, he will certify that his taxpayer identification number is correct and, if not a corporation, IRA, Keogh, or Qualified Trust (as to which there would be no withholding), he is not subject to backup withholding on interest or dividends. If the subscriber does not provide a taxpayer identification number certified to be correct or does not make the certification that the subscriber is not subject to backup withholding, then the subscriber may be subject to twenty-eight percent (28%) withholding on interest or dividends paid to the holder of the Units.

5. *Governing Law.* This Subscription Agreement will be governed by and construed in accordance with the laws of the State of Texas. The venue for any legal action under this Agreement will be in the proper forum in the State of Texas.

6. *Acknowledgement of Risks Factors.* The undersigned has carefully reviewed and thoroughly understands the risks associated with an investment in the Shares as described in the Memorandum. The undersigned acknowledges that this investment entails significant risks.

7. *Special Power of Attorney.* By subscribing for Units, the undersigned hereby makes, constitutes and appoints Edward C. Foster as Chief Executive Officer of Genesis E&P, Inc. with full power of substitution, his true and lawful attorney in fact as provided in Section 2.04 of the Partnership Agreement, which Section is incorporated herein by reference and made a part hereof. The undersigned hereby agrees to be bound by all of the terms of the Partnership Agreement.

The undersigned has (have) executed this Subscription Agreement on this ____ day of _____, 20___, at _____.

SUBSCRIBER (1)	SUBSCRIBER (2)
_____ Signature	_____ Signature
_____ (Print Name of Subscriber)	_____ (Print Name of Subscriber)
_____ (Street Address)	_____ (Street Address)
_____ (City, State and Zip Code)	_____ (City, State and Zip Code)
_____ (Social Security or Tax Identification Number)	_____ (Social Security or Tax Identification Number)

Number of Units _____

Dollar Amount of Units (At $250,000 per Unit) _____

PLEASE MAKE CHECKS PAYABLE TO: "Big Creek LA, LP"

MANNER IN WHICH TITLE IS TO BE HELD:

☐ Community Property*	☐ Individual Property
☐ Joint Tenancy With Right of Survivorship*	☐ Separate Property
☐ Corporate or Fund Owners **	☐ Tenants-in-Common*
☐ Pension or Profit Sharing Plan	☐ Tenants-in-Entirety*
☐ Trust or Fiduciary Capacity (trust documents must accompany this form)	☐ Keogh Plan
☐ Fiduciary for a Minor	☐ Individual Retirement Account
* Signature of all parties required ** In the case of a Fund, state names of all partners.	☐ Other (Please indicate) _____

SUBSCRIPTION ACCEPTED:

Big Creek LA, LP

By: _____ _____
Edward C. Foster, Chief Executive Officer of Managing General Partner DATE

Big Creek LA, LP
PURCHASER QUESTIONNAIRE

Big Creek LA, LP
1701 Shoal Creek Road, Suite 231
Highland Village, Texas 75077
Attention: Edward C. Foster, Chief Executive Officer of Managing General Partner

Re: Big Creek LA, LP

Gentlemen:

The following information is furnished to you in order for you to determine whether the undersigned is qualified to purchase units of Partnership interest (the "Units") in the above referenced Partnership pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Act"), Rule 506 of Regulation D promulgated thereunder, and appropriate provisions of applicable state securities laws. I understand that you will rely upon the following information for purposes of such determination, and that the Units will not be registered under the Act in reliance upon the exemption from registration provided by Section 4(2) of the Act, Rule 506, and appropriate provisions of applicable state securities laws.

ALL INFORMATION CONTAINED IN THIS QUESTIONNAIRE WILL BE TREATED CONFIDENTIALLY. However, I agree that you may present this questionnaire to such parties as you deem appropriate if called upon to establish that the proposed offer and sale of the Units is exempt from registration under the Act or meets the requirements of applicable state securities laws.

I hereby provide you with the following representations and information:

1. Name: _____

2. Residence Address and Telephone No: _____

3. Mailing Address: _____

3a. Email Address: _____

4. Employer and Position: _____

5. Business Address and Telephone No: _____

6. Business or Professional Education and Degree: _____

7. Prior Investments of Purchaser:

Amount (Cumulative) $ _____ *(initial appropriate category below)*:

Capital Stock:	☐ None *(Initial)*	☐ Up to $50,000 *(Initial)*	☐ $50,000 to $250,000 *(Initial)*	☐ Over $250,000 *(Initial)*
Bonds:	☐ None *(Initial)*	☐ Up to $50,000 *(Initial)*	☐ $50,000 to $250,000 *(Initial)*	☐ Over $250,000 *(Initial)*
Other:	☐ None *(Initial)*	☐ Up to $50,000 *(Initial)*	☐ $50,000 to $250,000 *(Initial)*	☐ Over $250,000 *(Initial)*

8. Based on the definition of an "Accredited Investor" which appears below, I am an Accredited Investor:
☐ Yes ☐ No
(initial appropriate category)

I understand that the representations contained in this section are made for the purpose of qualifying me as an accredited investor as the term is defined by the Securities and Exchange Commission for the purpose of selling securities to me. I hereby represent that the statement or statements initialed below are true and correct in all respects. I am an Accredited Investor because I fall within one of the following categories *(initial appropriate category)*:

☐ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000, not including the value of the person's primary residence;

☐ A natural person who had an individual income in excess of $200,000 in each of the two most recent years and who reasonably expects an income in excess of $200,000 in the current year;

☐ My spouse and I have had joint income for the most two recent years in excess of $300,000 and we expect our joint income to be in excess of $300,000 for the current year;

☐ Any organization described in Section 501(c)(3) of the Internal Revenue Code, or any corporation, Massachusetts Business Trust or Fund not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

☐ A bank as defined in Section 3(a)(2) of the Securities Act whether acting in its individual or fiduciary capacity; insurance company as defined in Section 2(12) of the Securities Act, investment company registered under the Investment Partnership Act of 1940 or a business development company as defined in Section 2(1)(48) of that Act; or Small Business Investment Partnership licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

☐ A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

☐ An employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is to be made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000;

☐ An entity in which all of the equity owners are Accredited Investors under the above paragraph.

9. Financial Information:

(a) My net worth (not including the value of my primary residence) is:

$_____

(b) My gross income during the preceding two years was:

2012: $_____

2013: $_____

(c) My anticipated gross income in 2014 is $_____.

(d) (1) ☐ *(Initial here)* I have such knowledge and experience in financial, tax and business matters that I am capable of utilizing the information made available to me in connection with the offering of the Units to evaluate the merits and risks of an investment in the Units, and to make an informed investment decision with respect to the Units. I do not desire to utilize a Purchaser Representative in connection with evaluating such merits and risks. I understand, however, that the Partnership may request that I use a Purchaser Representative.

(2) ☐ *(Initial here)* I intend to use the services of the following named person(s) as Purchaser Representative(s) in connection with evaluating the merits and risks of an investment in the Units and hereby appoint such person(s) to act as my Purchaser Representative(s) in connection with my proposed purchase of Units.

List name(s) of Purchaser Representative(s), if applicable. _____

10. Except as indicated below, any purchases of the Units will be solely for my account, and not for the account of any other person or with a view to any resale or distribution thereof.

11. I represent to you that the information contained herein is complete and accurate and may be relied upon by you. I understand that a false representation may constitute a violation of law, and that any person who suffers damage as a result of a false representation may have a claim against me for damages. I will notify you immediately of any material change in any of such information occurring prior to the closing of the purchase of Units, if any, by me.

Name (Please Print): _____

Signature _____

Telephone Number _____

Social Security or Tax I.D. Number _____

Executed at: _____

on this _____ day of _____, 20_____.

EXHIBIT C

GEOLOGICAL, PROSPECT, AND OPERATOR INFORMATION*

***Available under separate cover.**

EXHIBIT D

CONVERSION NOTICE

NOTICE OF CONVERSION

Big Creek LA, LP, a Texas limited partnership

The undersigned hereby irrevocably elects to convert the number of Units of general partnership interest in Big Creek LA, LP, a Texas limited partnership (the "Partnership") indicated below currently owned by the undersigned, into an equivalent number of Units of limited partnership interest in the Partnership in accordance with Section 4.08 of the Agreement of Limited Partnership of the Partnership (the "Partnership Agreement"). Commencing on the effective date of the conversion indicated in this conversion notice, the undersigned agrees to be bound by the Partnership Agreement as a Limited Partner to the extent of the Units of limited partnership interest issued to the undersigned in consideration for the conversion of the equivalent number of general partnership Units indicated herein. The following indicates the total number of Units of general partnership interest in the Partnership owned by the undersigned, the number of those Units being converted into an equivalent number of Units of limited partnership interest pursuant to this conversion notice, the effective date of the conversion, and the current name, address and telephone number of the undersigned.

Effective Date of Conversion: _____

Name: _____

Address: _____

Telephone Number: _____

Total Number of General Partnership Units Owned: _____

Total Number of General Partnership Units Being Converted: _____

Total Number of Limited Partnership Units Issuable for Conversion: _____
(These numbers will be the same.)

Signature: _____

Name: _____

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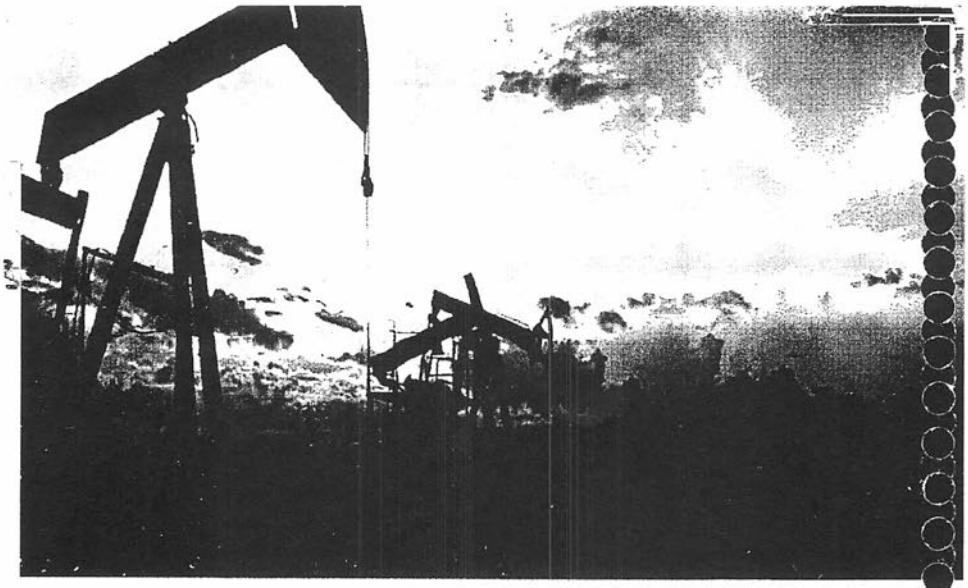

BIG CREEK LA, LP

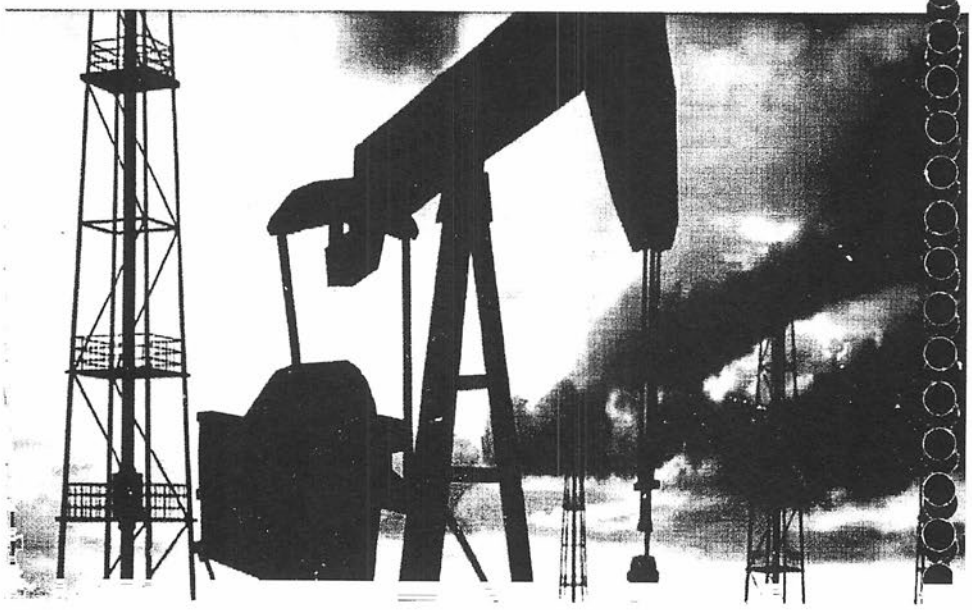

EXHIBIT 9b

FW-04163

WALTERS_STEPHANIE_20190808

8/8/2019 1:05 PM

Full-size Transcript

Prepared by:

Jamie Haussecker
FW-04163

Tuesday, November 15, 2022

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-04163-A
GENESIS E&P, INC.)

WITNESS: Stephanie Dawn Walters
PAGES: 1 through 156
PLACE: Securities and Exchange Commission
801 Cherry Street, Suite 1900
Fort Worth, Texas 76102
DATE: Thursday, August 8, 2019

The above entitled matter came on for hearing, pursuant to notice, at 1:05 p.m.

Diversified Reporting Services, Inc.
(202) 467-9200

discusses, you know, which wells are going to be the subject of this memorandum. And it says this project was going to be the drilling and completion of three oil and gas wells in the Big Creek Field located in Richland Parish, Louisiana. Do the name Strahan wells and Vineyard wells ring a bell --

A Yes.

Q -- at all for you? Okay. And if you could turn to -- in the document it's Page 19 and then on the bottom right-hand corner, it would be Bates 27. It's going to be under the title, Management.

A Yes.

Q So here, it's listing the management under Genesis E&P, Inc. And it has a list of names. And so David Glass is at the top. And next to his name is the chairman of the board of directors. And then under that is a name, Edward C. Foster; and he's listed as the CEO, chief executive officer. And then there is a Kelly Nutt, who is the president. And then there is a Jason Benavides, who listed as the executive vice president.

So I was hoping we'd kind of just go

through those four names. I guess I want to start with Edward C. Foster as the CEO because I know you have been talking about David Glass and Ron Moss. The CEO is kind of typically one of the lead roles. Do you know why he's listed here as the chief executive officer?

A I don't because he didn't -- nobody had say-so; Ron Moss did. I don't know why he's listed as the CEO.

Q Did you have an understanding of what Edward C. Foster did for Genesis?

A Yes. He was closer, so --

Q Okay.

A All the phone calls, all the deals; again, trying to raise money from these investors, they would all talk to Ron Moss at the end. He's the one that was the last person to talk to the people; you know, arrange for the checks to be mailed in; you know, the book to be sent out, that kind of thing. But, no, that's where -- that's what Edward did, basically. He was a closer, so --

Q What about Kelly Nutt, who is listed as the president here?

A Same. He was a closer as well.

Q Okay. So he was on the phones with investors?
A Yes.
Q They both were?
A Uh-huh.
Q Okay. And what about Jason Benavides?
A Same. And he kind of did a little in between. He didn't -- he was kind of training towards becoming a closer, but most of the time, he would have either Kelly, Edward or Ron close his deals.
Q So, you know, these guys -- Edward Foster, Kelly Nutt, Jason Benavides -- you know, they are listed as executive vice president, president, CEO. Did you ever see them making decisions that would have been comparable to these titles that you normally would understand would be able to --
A No, ma'am.
Q -- make management decisions?
A No.
Q Okay. So if you go down to the next page, 20 -- or on the bottom, Bates 28 -- there is a subcategory entitled Consultants and Advisors; and it has Ron Moss there, Royal Oil,

LLC.

A Yes.

Q I want you to take some time and just kind of look over his paragraph that kind of describes his background and let me know if his criminal conviction is anywhere in there.

A No, it is not.

Q Do you know why he's listed as a consultant or an advisor here and not maybe a part of the management section?

A Again, that was his way of he was -- he knew -- he was smart enough -- because he was talking to these people on the phone as the operator of Royal Oil -- he was smart enough to not list himself under -- and it's -- it goes back to probably his past. I mean, he was incarcerated, so I am sure that's why.

Q Now, below his name is a Tom Feimster; do you know who that is?

A Yes, I do.

Q And who is that?

A He was, basically, the Strahan and the -- those two wells that you had mentioned.

Q The Vineyard?

A Yes. Yes, ma'am. He had those wells.

Q And if -- and we can go back to the exhibit, but I don't recall seeing a Dan Morrison on the Royal Oil bank account.

A No.

Q Okay.

A Nope.

Q And if we go to the next page, 22, which is Bates 30, there is a section called Prior Performance.

A Okay.

Q Now, overall, what was your understanding of who put this -- this type of a booklet together? How was that formed or how was it described to you?

A Ron Moss was the one that put all of these books together. And, I mean, he would spend hours. Where he got his information, I think he got some of it online from, you know, the State reporting sites. Because he bought -- he bought Royal Oil, the company, from a family that lived in Wyoming. The wells that were in Wyoming on the Bighorn Basin joint venture, that whole field, that was their company. I do not recall their names.

Q And so if you look under this section

Prior Performance --

A Uh-huh.

Q -- it talks about some of the past ventures that Genesis has been involved in; and then it starts listing, by name, individual wells. And it looks like, if you kind of go through, it either says they were successfully completed or they were a dry hole. Were you ever a part of updating this section or --

A Huh-uh.

Q -- adding a new well when it had been drilled to this section at all?

A No. I -- no. The only person that would put the books together and the information, decide what wells were going to be put in what joint venture, was Ron Moss.

Q Okay. So do you -- do you know why, then -- why more information isn't provided; whether it's just a well was completed or a dry hole and not maybe how it was producing or anything like that?

A As far as I know, these Beachner wells, yeah, those were in Kansas. I don't believe they ever produced. I never went on the field, so I am just going by what I was told.

of directors of Genesis E&P?

A No one that I know of.

Q Okay. Who was David Glass' boss at Genesis E&P?

A He didn't -- Ron Moss. They were business partners, but Ron Moss called all the shots.

Q So Ron Moss had authority over all of the decisions of Genesis E&P?

A He tried -- again, he tried to keep things separate, but because they were business partners, so to speak, yes. Before David could do anything, he would need to talk to Ron; Ron insisted on that.

Q Ron insisted on that?

A Yes.

Q Did Ron also require him to obtain Ron's authority before he engaged in any significant decision on behalf of Genesis E&P?

A Yes.

Q Okay. Does that include decisions with respect to what oil and gas wells to drill?

A Yes.

Q Does that include decisions with respect to what limited partnership offerings to

offer to investors?

A Yes.

Q Does that include the information that would appear in the exhibit that we are looking at, which is number --

MS. GOOD: Oh, the exhibit number.

A Sorry. Oh. It's 26.

BY MR. MCCOLE:

Q Okay. Exhibit Number 26. Would that include the decision to put information -- would that decision -- I guess, let me ask -- rephrase the question.

I guess, let's start, whose decision was it to undertake the Big Creek LA, Limited Partnership offering?

A Ron Moss.

Q And who had the authority to determine what information was placed into the exhibit we're now looking at?

A Ron Moss.

Q Okay. What, if any, input did Mr. Glass have in that decision?

A Ron was the one that would even decide how much money was to be raised based on the drilling. I mean, he did everything. And,

again, because they would do this under Genesis for these joint ventures, that is why -- as far as I know, that is why David Glass is listed as chairman of the board and CEO. But, yeah, I don't believe that David Glass made -- had any say-so in any of that; any decisions.

Q Okay. So based upon -- based upon what you said about Mr. Foster being a closer --

A Yes.

Q -- is this statement right here that he was the chief executive officer, is that statement false?

A I mean, I see that title there, but as far as decision-making, he had none. None. Zero.

Q Okay. And based upon your experience, did he exercise any executive authority over Genesis E&P?

A No.

Q Okay. What about with respect to Kelly Nutt; where it says he's the president, is that statement accurate?

A He had -- he didn't do -- he had no authority. None. He was a closer on the phone; that's it.

Q Okay. And then about with respect to

EXHIBIT 9c

FW-04163

FOSTER_EDDY_20190612

6/12/2019 9:00 AM

Full-size Transcript

Prepared by:

Jamie Haussecker
FW-04163

Tuesday, November 15, 2022

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-04163-A
GENESIS E&P, INC.)

WITNESS: Edward Clay Foster, Jr.
PAGES: 1 through 133
PLACE: Securities and Exchange Commission
801 Cherry Street
19th Floor
Fort Worth, TX 76102
DATE: Wednesday, June 12, 2019

The above-entitled matter came on for hearing, pursuant to notice, at 9:00 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

management. Do you know why he wasn't listed as an officer?

A Through the time in which I was there, it became very apparent because we would be on the phone if somebody had a question, a serious question, we would direct to the owner of the company, Ron Moss. And then everybody including myself thought he was an owner of Genesis until he corrected everybody and said he does not own Genesis. That he owns Royal Oil and Catalyst. He's not an owner of Genesis. So the way that -- I mean that's just how we understood it. So when -- How they became this, I mean I can look back in hindsight, and it makes sense why he was not, but as far as this goes, the only thing that I can tell you is that he was not an owner of Genesis. Kelly -- Go ahead. I'm sorry.

Q But it's your impression that, you know, that David Glass, you, Kelly Nutt and Jason Benavides -- did Ron Moss report to any of you or did you all report to him?

A No. We all reported to Ron.

Q Okay. On the very next page, it's page 20 or Bates Number SEC-FosterE-P-0000028, under a sub-heading called Consultants and Advisors, you see there Ron Moss's name is mentioned there under a consultant and advisor role. And it says Ron Moss, Royal Oil LLC, originator of

partnership wells and a consultant. Do you know -- I mean when -- when you looked at that or whenever anyone maybe asked you about his role, do you know why he wanted to be a consultant or advisor?

A I don't know why he -- he titled himself that way or put himself in there. I do know that at this point in time, you know, I was aware that he had a prior conviction of some kind with either you guys or the FBI or somebody that he, you know, explained the way that he did. And so I think the way that he did this was to not have to disclose or like one of the reasons for Genesis, that he didn't have to disclose his prior.

Q So when did you find out about this past criminal conviction? Do you remember how you first found out?

A I think how I first found out it wasn't something that he hid from, but it wasn't something that was brought up or talked about.

Q Uh-huh.

A And I think when I first found out is I was in the office and somebody came and impounded his car.

Q Okay.

A A government agency impounded his car.

Q Do you remember what type of car they impounded?

operating company and also owns the investment arm of the -- the project or -- or Genesis. That it would -- could be viewed as a conflict of interest. But by no means is he not running Genesis. Without him there was no Genesis. Nobody had any prior experience in oil and gas. So without his knowledge and experience there was nothing. And he used that as a threat to David Glass at some point in time that he said I will just walk away and do my thing, and -- and you know, you're just going to falter, you know, leave you hanging, holding the bag, which, you know, you look in hindsight, and that's what would have happened. I mean his name was not on anything, so he wasn't responsible for anything. And everybody else that was involved that believed in what he said was the one who got caught holding the bag on the leases, on the office rents, and you know, there were friends and dear friends of all of them that, you know, he coerced into putting their names on the leases for the -- for the space. And now they have got, you know, judgments or collections on them for thousands and thousands of dollars because they walked away.

Q Whose name was on the lease?

A Bill Rauhauser, he's listed in -- in one of the things as -- as -- he was the original investor.

Q Okay. So back to Ron Moss for -- for just a

minute. Even though Ron Moss said he did not own Genesis, he based upon your observation treated Genesis as if he owned it. Would that be accurate?

A Yes. That would be very accurate.

Q And everyone who was employed by Genesis treated Ron Moss as if Ron Moss owned Genesis. Is that correct?

A Yes. Yes.

Q Okay. Including David Glass, correct?

A Including David Glass.

Q Even though David Glass was listed as the chairman of the board of Genesis?

A Right.

Q So the chairman of the board of Genesis reported to Ron Moss, correct?

A That is correct.

Q Okay. I want to look at these for a second. I am handing you Exhibit 9. Who prepared Exhibit 9?

A It's my understanding that Ron Moss did, but originally I am sure he -- well, he told us that his attorneys did, but this was given to all of us by Ron Moss.

Q What attorneys is he referring to?

A I have no idea.

Q Okay. Did you ever see him or did you ever see

an attorney present him with documents --

A Never.

Q -- purporting to have prepared them for Ron Moss?

A No.

Q Did Ron Moss ever indicate to you what the -- who the attorneys were?

A At one point in time he did mention who they were, and they were not in DFW. I think they were out of Houston, but I have no idea, no recollection of the name of the firm or -- or any of that.

Q Okay. So -- but is it your understanding that Ron Moss prepared Exhibit 9?

A It is, yes.

Q And what's the basis of that understanding?

A That all of the information provided in here and all the graphics was designed and -- and created by him in the office. So if this was a template or whatever it was, it was created by him. I saw it. I saw what he created with the software.

Q Okay. Did Ron Moss at any point ever present you with a document that is Exhibit 9 and instruct you to use that document in a sales effort?

A No. This document was never used in a sales effort. This document was sent to the prospective client

and for their review and was almost never gone over.

Q Okay. Tell -- tell me about the process in which documents like Exhibit 9 including Exhibit 9 were sent out to investors?

A The process would be we have a gentleman of interest on the phone that says yes, I have maybe gotten involved in a -- a drilling project in Louisiana and it was very successful, and where are you drilling, how deep are the wells, blah blah blah blah blah. And through that conversation, you know, I would like to give you -- get a copy of the project in your hands for your review, and we can either send you a hard copy or we can send you an internet copy which would be best. If it was a hard copy, we would get this.

Q And you're referring to Exhibit --

MS. GOOD: Eight.

A Exhibit 8, which would be the project details, a copy of the subscription agreement and a copy of this right here which is Exhibit 9, and we would send that to them, all of it, in a Fed Ex and try to set up an appointment 24, 48 hours later. So the gentleman whoever got that person interested who has started the relationship with this person would then over-the-phone go through all of the details of this and answer any questions that they may have on the project.

MS. GOOD: And that's Exhibit 8.

A Exhibit 8.

MS. GOOD: Not Exhibit 9.

A Not Exhibit 9. Exhibit 9 would almost never even be discussed, and if it was, it was too detailed for anybody to discuss. Any questions that would pertain to this would be referred to Ron Moss.

Q Okay. But Exhibit 8 and 9 were sent to investors, right?

A Yes.

Q And who physically sent those documents to the investors?

A The person who got the person interested on the phone would package up a Fed Ex, and then Fed Ex at the end of each day would come and pick up whatever files were going out, if any.

Q Did Ron Moss ever keep track of who was sending out documents and the Fed Exes and that type of thing?

A There was a clipboard that if you were sending a document, that you had to sign that clipboard and who it was going to because if somebody sent something, sometimes it would come back. Somebody would send it back and wouldn't even review it. They would just send it back. And if -- He would call that a boomerang. And if -- if something came back without even being able to

talk to anybody, then -- and that happened on a regular basis between -- for one specific person, then obviously that person wasn't doing their job properly and would now be either, you know, reprimanded or let go because they obviously were not, you know, doing their job properly before they sent out the materials.

Q Okay. Exhibit 8 that's in front of you, who prepared that document?

A Ron Moss.

Q And I am handing you Exhibit 5. Who prepared that?

A Ron Moss.

Q And who prepared Exhibit 4?

A Ron Moss.

Q Exhibit 7 we talked about. Who prepared Exhibit 7?

A I don't know who wrote the body of this, if it was Ron or if it was David. I don't know who wrote the body of this letter.

Q And in terms of the content of the e-mail that is Exhibit 6, would it be accurate to say that Ron Moss provided you the content of that e-mail to send to that --

A Yes.

Q -- prospective investor?

A Yes. That would be the only place I would have gotten it.

Q Who at Genesis had the authority to determine what documents were sent to investors?

A Only -- only Ron Moss.

Q Do you believe that Ron Moss either orally or in any of the materials that he -- that he prepared made untrue statements to investors?

A As I sit here today, yes, I do.

Q And can you point out any -- any untrue statements in the -- in the documents that are exhibits that Ron Moss prepared?

A As it is today, I do know that after speaking with Tom Feimster the majority of these 20 wells were never drilled.

Q From Exhibit 6?

A From Exhibit 7.

Q Yes. Okay.

A The majority of these wells were never ever drilled ever, and that through my conversation with Tom Feimster that most of those wells he never even had the lease rights to them.

Q Ron Moss never had?

A Ron Moss did not. That is not how it was relayed to us, but as it turns out well after I left, and

city in which we resided, him and his brother. Jeremy Rauhauser was a pretty big investor. He invested several hundreds of thousands of dollars. I don't believe he got more than a couple thousand dollars back. Bill Rauhauser was the initial investor in Genesis that got them started in business, got them the space, paid for the money for whatever systems they needed, got everybody started was the initial investment. I believe it was $250,000 is what Bill invested. And for that, he was, you know, on the board of directors and all of that. But Bill was non-existent. Bill was a happy lucky -- happy-go-lucky guy. He was -- If he was in the office, he just came by to go have lunch with Ron or David. They -- You know, from my understanding he did get his initial investment back, but that is it. Other than that, they ruined his credit. They cost him almost his marriage, his relationship. It cost him his practice because his brother and him divided ways because of him investing hundreds of thousands of dollars and never getting any money back. So all of his relationships in his life are now strained or ruined including his business.

Q One of the exhibits we looked at, it may have been the, you know, one of the Private Placement Memoranda or one of the brochures indicated that Ron Moss was associated with Genesis but only as a consultant.

Would it be your belief based upon your observation that that would be a true statement?

A No.

Q And so based upon your earlier testimony it seems like it would be more accurate to say that he exerted nearly complete control over Genesis?

A If I was to use a percentage of control --

Q Uh-huh.

A -- it would be 100 percent.

Q Okay.

MS. GOOD: I have a couple more follow-up questions.

EXAMINATION

BY MS. GOOD:

Q So you -- you had mentioned that there was a period of time where Ron left the office maybe to another office for about six months and then he came back. Do you know if that timing was right around the time when his Hummer had been repossessed?

A It was after. I can't remember if --

Q It was after that?

A -- if it was -- It was definitely after.

Q Was it shortly after that?

A Within -- I -- I -- If I can recall, it was within probably four or five months after that. That is

EXHIBIT 9d

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

UNITED STATES OF AMERICA	*	
	*	CRIMINAL NO. 4:03CR165
	*	(Judge Brown)
v.	*	
	*	
RON LEE MOSS, JR.	*	

INFORMATION

THE UNITED STATES ATTORNEY CHARGES THAT:

COUNT 1

Violation: 15 U.S.C. § 77(q)(a) (Securities Fraud)

The United States Attorney alleges that:

A. INTRODUCTION

1. Petromerica Resources, LLC ("PETROMERICA") was a limited liability company.

2. Defendant MOSS ("MOSS") was President and/or CEO of PETROMERICA at different times.

3. PETROMERICA was in the business of oil and gas exploration.

4. The office of PETROMERICA was located in the cities of Denton and Flower Mound, Denton County, Texas.

5. MOSS solicited funds from individuals in order to finance specific oil and gas exploration projects by PETROMERICA.

B. THE SCHEME AND ARTIFICE TO DEFRAUD

6. Beginning in or about September, 1999, and continuing through February, 2000, within the Eastern District and elsewhere, MOSS, in the offer or sale of securities, by use of means and

instruments of transportation in interstate commerce directly and indirectly:

(1) employed a device, scheme, and artifice to defraud, and

(2) obtained money and property by means of an untrue statement of a material fact and omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made non misleading, and

(3) engaged in a transaction, practice, and course of business which operated as a fraud and deceit upon the purchaser.

C. THE MANNER AND MEANS OF THE SCHEME AND ARTIFICE

It was part of the scheme and artifice that:

7. MOSS would cause employees of PETROMERICA to contact persons to solicit them to purchase a fractional interest in the Brunette Shale multi-well projects which included the Burnette projects, Stone Silver Lease, Savannah I, Savannah II, and Savannah III, which projects were represented to investors as specific oil and gas exploration projects that would be carried out by PETROMERICA.

8. MOSS would cause written materials describing the Burnette Shale multi-well projects to be mailed from Flower Mound and Denton, Texas, by Airborne Express, to the persons being solicited for investment in the multi-well projects.

9. In order to induce potential investors to invest money in PETROMERICA for the Burnette Shale multi-well projects, MOSS would cause the written materials and his employees to represent to potential investors that the money they invested in the multi-well projects would be used to carry out the specific projects. MOSS knew these representations were untrue and failed

to disclose material facts regarding the investment in that MOSS knew that the money that investors would send PETROMERICA for investment in the Burnette Shale multi-well projects had been, and would be used for other purposes.

D. THE MAILING IN EXECUTION OF THE SCHEME AND ARTIFICE

10. On or about the following dates, within the Eastern District of Texas, MOSS, for the purpose of executing and carrying out the scheme and artifice, did knowingly and willfully cause to be placed with Airborne Express, an interstate commercial carrier, to be delivered by Airborne Express, according the directions thereon, envelopes containing offering materials pertaining to the Burnette multi-well projects addressed to the following persons at the following addresses:

DATE	PERSON	ADDRESS
1/24/00	James C. Crow	[redacted]
12/10/99	Carl McEver	[redacted]
11/12/99	Frances McCabe	[redacted]

In violation of Title 15, United States Code, Section 77 (q)(a).

Respectfully submitted,

MATTHEW D. ORWIG
United States Attorney

J. ANDREW WILLIAMS
Assistant U. S. Attorney
660 N. Central Expressway, Ste. 400
Plano, Texas 75074
972/509-1201

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

UNITED STATES OF AMERICA	§	
	§	
	§	CRIMINAL NO. 4:03CR
vs.	§	(Judge _____)
	§	
RON LEE MOSS, JR.	§	

NOTICE OF PENALTY

COUNT 1

Violation: 15 U.S.C. § 77(q)(a)
(Securities Fraud)

Penalty: A fine of not more than $250,000 or twice the amount of any pecuniary gain to defendant or twice the pecuniary loss to one other than the defendant, and/or imprisonment for not more than 5 years; and period of supervised release of not more than 3 years.

Special Assessment: $100.00

AO 245B (Rev. 03/03) Sheet 1 - Judgment in a Criminal Case

United States District Court

EASTERN DISTRICT OF TEXAS

Sherman

UNITED STATES OF AMERICA
vs.
RON LEE MOSS, JR.

JUDGMENT IN A CRIMINAL CASE
(For Offenses Committed On or After November 1, 1987)

CASE NUMBER: **4:03CR00165-001**

JOHN CURTIS
Defendant's Attorney

THE DEFENDANT:

X pleaded guilty to count(s): **1 of an Information**

pleaded nolo contendere to count(s) _____ which was accepted by the court.

was found guilty on count(s) _____ after a plea of not guilty.

ACCORDINGLY, the Court has adjudicated that the defendant is guilty of the following offense(s)

Title & Section	Nature of Offense	Date Offense Concluded	Count Number(s)
15 77q(a)	**Fraudulent Interstate Transactions**	**02/28/2000**	**1**

The defendant is sentenced as provided in pages 2 through 5 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

The defendant has been found not guilty on count(s): _____

Count(s) _____ dismissed on motion of the United States.

IT IS ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant shall notify the court or United States Attorney of any material change in the defendant's economic circumstances.

Date of Imposition of Judgment: **04/08/2004**

Signature of Judicial Officer

Paul Brown, United States District Judge
Name and Title of Judicial Officer

April 14, 2004
Date

Defendant: **RON LEE MOSS, JR.**
Case No: **4:03CR00165-001**

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of **24 months**

X The court makes the following recommendations to the Bureau of Prisons:
That defendant participate in an evaluation for alcohol abuse and receive treatment if necessary.

X The defendant is remanded to the custody of the United States Marshal.
The defendant shall surrender to the United States Marshal for this district.

at _____ on _____.

as notified by the United States Marshal.

The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons.

before 2 p.m. on _____.

as notified by the United States Marshal.

as notified by the Probation or Pretrial Services Office.

RETURN

I have executed this judgment as follows:

_____

_____

_____

Defendant delivered on _____ to _____ at

_____ with a certified copy of this judgment.

_____
United States Marshal

_____
By: Deputy U.S. Marshal

Defendant: **RON LEE MOSS, JR.**

Case No: **4:03CR00165-001**

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of 3 years

The defendant shall report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

The defendant shall not commit another federal, state, or local crime.

The defendant shall not unlawfully possess a controlled substance.

The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as directed by the probation officer.

The above drug testing condition is suspended based on the court's determination that the defendant poses a low risk of future substance abuse. (Check, if applicable.)

X The defendant shall not possess a firearm, destructive device, or any other dangerous weapon. (Check, if applicable.)

The defendant shall cooperate in the collection of DNA as directed by the probation officer. (Check, if applicable.)

The defendant shall register with the state sex offender registration agency in any state where the defendant resides, is employed, carries on a vocation, or is a student, as directed by the probation officer. (Check, if applicable.)

If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution that remains unpaid at the commencement of the term of supervised release in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

The defendant shall comply with the following standard conditions that have been adopted by this court (set forth below). The defendant shall also comply with the additional terms on the attached page.

See additional terms on next page(s)...

STANDARD CONDITIONS OF SUPERVISION

1) The defendant shall not leave the judicial district without the permission of the court or probation officer;

2) The defendant shall report to the probation officer as directed by the court or probation officer and shall submit a truthful and complete written report within the first five days of each month;

3) The defendant shall answer truthfully all inquiries by the probation officer and follow the instruction of the probation officer;

4) The defendant shall support his or her dependents and meet other family responsibilities;

5) The defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;

6) The defendant shall notify the probation officer ten days prior to any change in residence or employment;

7) The defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any narcotic or other controlled substance, or paraphenalia related to such substances, except as prescribed by a physician;

8) The defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered;

9) The defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;

10) The defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation or any contraband observed in plain view by the probation officer;

11) The defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer;

12) The defendant shall not enter into any agreement to act as an informer or special agent of a law enforcement agency without the permission of the court; and

13) As directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

Defendant: **RON LEE MOSS, JR.**
Case No: **4:03CR00165-001**

Additional Terms of Supervised Release

The defendant shall provide the probation officer with access to any requested financial information, for purposes of monitoring the restitution payments and the defendant's efforts to obtain and maintain lawful employment.

The defendant shall not incur new credit charges or open additional lines of credit without the approval of the probation officer unless payment of any financial obligation ordered by the Court has been paid in full.

Defendant: **RON LEE MOSS, JR.**
Case No: **4:03CR00165-001**

CRIMINAL MONETARY PENALTIES

The defendant shall pay the following total criminal monetary penalties in accordance with the schedule of payments set forth on Sheet 6.

	Assessment	Fine	Total Restitution
Totals:	100.00	0.00	540,368.82

The determination of restitution is deferred until _____. An *Amended Judgment in a Criminal Case* AO 245C will be entered after such determination.

X The defendant shall make restitution (including community restitution)to the following victims in the amounts listed below:

If the defendant makes a partial payment, each payee shall receive an approximately proportional payment unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. 3664(i), all nonfederal victims must be paid in full prior to the United States receiving payment.

Name of Payee	* Total Amount of Loss	Amount of Restitution Ordered	Priority Order or Percentage of Payment
B J JACKSON	7,800.00	7,800.00	
CARL MCEVER	10,000.00	10,000.00	
COBURN C WALTON	8,325.00	8,325.00	
DAVID W SMITH	222.00	222.00	
EARL E GOLDMAN	2,413.00	2,413.00	
EARL M MCNAIL	10,000.00	10,000.00	
FRANCES W MCCABE	20,000.00	20,000.00	
GARY AND PAM ESHELMAN	5000.00	5000.00	
Totals:	540,368.82	540,368.82	

See additional victim information on next page

If applicable, restitution amount ordered pursuant to plea agreement 0.00

The defendant shall pay interest on any fine of more than $2,500, unless the fine is paid in full before the fifteenth day after the date of judgment, pursuant to 18 U.S.C. 3612(f). All of the payment options on Sheet 6 may be subject to penalties for default and delinquency pursuant to 18 U.S.C. 3612(g).

X The court has determined that the defendant does not have the ability to pay interest. It is ordered that:

X The interest requirement is waived for the fine and/or X restitution

The interest requirement for the fine and/or restitution is modified as follows:

* Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of the Title 18 for offenses committed on or after September 13, 1994 but before April 23, 1996.

Defendant: RON LEE MOSS, JR.
Case No: 4:03CR00165-001

ADDITIONAL VICTIM INFORMATION

VICTIM	AMOUNT OF LOSS	AMOUNT ORDERED	PRIORITY/PCNTG.
GEORGE E MATELICH	32,055.84	32,055.84	
GEORGE SOUTHERLAND	9,611.75	9,611.75	
GEORGE W CATINO	10,000.00	10,000.00	
GLEN HATCHETT	160,000.00	160,000.00	
GRAY M MAGEE	9,616.75	9,616.75	
H H HARDIN	35,000.00	35,000.00	
JAMES C CROW	9,616.75	9,616.75	
JAMES D WALL	8,500.00	8,500.00	
JAMES E WEECH	50,000.00	50,000.00	
JOHN H HINDS	1,000.00	1,000.00	
JOSEPH A COBURN	20,000.00	20,000.00	
KENT FLEENER	40,000.00	40,000.00	
LARRY CHRISTENSEN	19,213.50	19,213.50	
LUTHER C HAMMOND	4,808.38	4,808.38	
M L LEGLER	4,805.85	4,805.85	
MARK WEIGHT	20,000.00	20,000.00	
PETER BARANOWSKI	10,000.00	10,000.00	
ROBIN WATERS	16,250.00	16,250.00	
L PAUL SINOTTE	16,130.00	16,130.00	

Defendant: **RON LEE MOSS, JR.**
Case No: **4:03CR00165-001**

SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total fine and other criminal monetary penalties shall be as follows:

A X Lump sum payment of at least **$100.00** due immediately, balance due not later than _____; or

in accordance with C, D, E, or F below; or

B Payment to begin immediately (may be combined with C, D, E, or F below); or

C Payment in _____ *(e.g. equal, weekly, monthly, quarterly)* installments of at least **$0.00** over a period of _____ (e.g. months or years) to commence _____ (e.g. 30 or 60 days) after the date of this judgment; or

D X Payment to begin immediately. Any amount that remains unpaid when the defendant is placed on supervision is to be paid on a monthly basis at the rate of at least 10% of the defendant's monthly gross income, to be changed during supervision if needed, based on the defendant's changed circumstances, pursuant to 18 U.S.C. § 3664(k).

E Payment in _____ *(e.g. equal, weekly, monthly, quarterly)* installments of at least **0.00** over a period of _____ (e.g. months or years) to commence _____ (e.g. 30 or 60 days) after release from imprisonment to a term of supervision; or

F X Special instructions regarding the payment of criminal monetary penalties:

While incarcerated, it is recommended that the defendant participate in the Inmate Financial Responsibility Program at a rate determined by Bureau of Prisons staff in accordance with the requirements of the Inmate Financial Responsibility Program.

All criminal monetary penalty payments are to be made to the U.S. District Court, Fine & Restitution Section, P.O. Box 570, Tyler, TX 75710, except those payments made through the Bureau of Prisons' Inmate Financial Responsibility The defendant will receive credit for all payments made toward any criminal monetary penalties imposed

Joint and Several

The defendant shall pay the cost of prosecution:

The defendant shall pay the following court costs:

The defendant shall forfeit the defendant's interest in the following property to the United States:

Payments shall be applied in the following order: (1) assessment; (2) restitution principal; (3) restitution interest; (4) fine principal; (5) community restitution; (6) fine interest; (7) penalties; (8) cost, including cost of prosecution and court costs.

PROB 12B
(7/93)

UNITED STATES DISTRICT COURT
for the
EASTERN DISTRICT OF TEXAS

Request for Modifying the Conditions or Term of Supervision
with Consent of the Offender
(Probation Form 49, Waiver of Hearing, is Attached)

Name of Offender: Ron Lee Moss, Jr. Case Number: 4:03CR00165-001

Name of Sentencing Judicial Officer: U.S. District Judge Paul Brown

Date of Original Sentence: April 8, 2004

Original Offense: Fraudulent Interstate Transactions

Original Sentence: 24 Months Imprisonment Followed by a 3 Year Term of Supervised Release

Type of Supervision: Supervised Release Date Supervision Commenced: August 19, 2005

PETITIONING THE COURT

To modify the conditions of supervision as follows:

The defendant is barred from soliciting or raising money from any entity or person and/or from engaging in the securities business in any way whatsoever.

CAUSE

On October 17, 2005, the U.S. Probation Office received information from a member of the community that Ron Lee Moss, Jr., unknown to the U.S. Probation Office, was working at Sedona Oil and Gas, 5646 Milton St. Dallas, Texas, in the capacity of Sales Manager. During an unannounced visit by this U.S. Probation Officer, Mr. Moss was present at Sedona Oil and Gas and did have an office at the location. Mr. Moss has subsequently denied being employed as a Sales Manager or being involved in any type of solicitation directly or indirectly of potential investors on behalf of Sedona Oil and Gas. He stated his only business with the company is working as a contract employee preparing and printing graphics and updating the web page. In order to avoid any further appearance of impropriety, Mr. Moss has been instructed, and has agreed, to relocate his office to a location separate from Sedona Oil and Gas or any other company in the oil and gas industry. In order to adequately supervise Mr. Moss, the above noted modification is being recommended by the U.S. Probation Office. He is in agreement to the

modification as evidenced by the attached form PROB 49, Waiver of Hearing to Modify Conditions of Supervised Release.

Respectfully submitted:

G. Darryl Frederick
U.S. Probation Officer

Reviewed and approved:

Myra A. Kirkwood, Supervising
U.S. Probation Officer

Date: November 4, 2005

THE COURT ORDERS:

[ ] No Action

[✓] The Modification of Conditions as Noted Above

[ ] Other

FILED
U.S. DISTRICT COURT
EASTERN DISTRICT OF TEXAS
NOV 8 2005
DAVID J. MALAND, CLERK
BY
DEPUTY

Paul Brown
U.S. District Judge

11/8/05
Date

PROB 49

UNITED STATES DISTRICT COURT
for the
EASTERN DISTRICT OF TEXAS

Waiver of Hearing to Modify Conditions
of Probation/Supervised Release or Extend Term of Supervision

United States of America

v. Criminal No. 4:03CR00165-001

Ron Lee Moss, Jr.

I have been advised and understand that I am entitled by law to a hearing and assistance of counsel before any unfavorable change may be made in my Conditions of Probation and Supervised Release or my period of supervision being extended. By "assistance of counsel," I understand that I have the right to be represented at the hearing by counsel of my own choosing if I am able to retain counsel. I also understand that I have the right to request the Court to appoint counsel to represent me at such a hearing at no cost to myself if I am not able to retain counsel of my own choosing.

I hereby voluntarily waive my statutory right to a hearing and to assistance of counsel. I also agree to the following modification of my Conditions of Probation and Supervised Release or to the proposed extension of my term of supervision:

The defendant is barred from soliciting or raising money from any entity or person and/or from engaging in the securities business in any way whatsoever.

Witness: _____ Signed: _____
U.S. Probation Officer Ron Lee Moss, Jr.

Date: October 19, 2005

EXHIBIT 9e

FW-04163

MOSS_RON_20191217

12/17/2019

Full-size Transcript

Prepared by:

Jamie Haussecker
FW-04163

Tuesday, November 15, 2022

OS Received 11/16/2022

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-04163-A
GENESIS E&P, INC.)

WITNESS: Ronnie L. Moss, Jr.
PAGES: 1 through 284
PLACE: Securities and Exchange Commission
801 Cherry Street
19th Floor
Fort Worth, TX 76102
DATE: Tuesday, December 17, 2019

The above-entitled matter came on for hearing, pursuant to notice, at 9:01 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

Q And is it your contention that all you were doing with respect to the project that's described in Exhibit Number 5 was just operating?

A Yes. I think so.

Q Okay. So when Exhibit Number 5 went out to investors it was -- you knew that it omitted your securities fraud conviction. Correct?

A Correct.

MR. McCOLE: Okay. That's all I have got.

EXAMINATION

BY MS GOOD:

Q Okay. If you could turn a couple pages to page 22 in the document, which is Bates down here at the bottom 30.

A 30. Okay.

Q There is a section that has a sub-title called Prior Performance.

A Uh-huh.

Q And then it lists a bunch of wells that have been drilled I believe by Genesis. And next to each of the names of the wells there's a designation that either says successfully completed or dry hole. Do you see that there?

A Uh-huh.

Q Okay. What if any contribution did you have to

Q What I am asking is that amongst these successfully completed wells that are listed here as successfully completed, are there -- are any of those wells wells that ended up not being economically successful or producing any type of return for the investors?

A The majority fizzled out if they were completed and did not perform very well.

Q Okay.

A Now, some paid out, but the Bullseyes I am still mystified with the Bullseyes because it was actually generated by a very well-reknowned geologist, and I thought we had a home-run hit and --

Q So do you know why more wasn't disclosed about some of the wells that ended up not working out at this point in time because we're listing past wells here.

A I mean no, ma'am. I am sorry. We didn't put down that this well paid out to induce people. And all we said is that the wells were successfully completed or dry holes. And I'm -- I'm sure you can look at it multiple ways and say, well, you could have done this, you could have done that, but if I would have put down that one well paid out completely, I think it could be interpreted as inducing people to buy because I am telling that it paid out. So all we're trying to do is

EXHIBIT 9f

FW-04163

GLASS_DAVID_20191030

10/30/2019 9:07 AM

Full-size Transcript

Prepared by:

Jamie Haussecker
FW-04163

Tuesday, November 15, 2022

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-04163-A
GENESIS E&P, INC.)

WITNESS: David Charles Ballard Glass
PAGES: 1 through 296
PLACE: Securities and Exchange Commission
801 Cherry Street
19th Floor
Fort Worth, Texas 76102
DATE: Wednesday, October 30, 2019

The above-entitled matter came on for hearing, pursuant to notice, at 9:07 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

I was the owner.

And somewhere in there Ron had told me that he had had some trouble in his past and he could not be on the documents as part of Genesis.

Q Okay. And can you describe to me more that conversation.

A As I recall, he said he had gotten sent to prison for a short term in the past because of a partner that he had had that he had split away from and that partner started doing things they shouldn't have done during the time Ron was no longer involved, but because he was still a principal of that company, it caused him to have issues.

Q Did he elaborate on the type of company that he had with that former partner?

A Oh, yes, it was oil and gas.

Q So it was oil and gas?

A Yes.

Q Okay. Did you ask any other questions at that point when he said that he had been in prison?

A Well, I think he gave a very descriptive story of his partner's wrongdoings.

Q Did he say why, because, obviously, he was not in prison anymore, right, he was with you, so did he say why his name couldn't -- he couldn't be an

owner of the business?

A I don't remember him saying that, but, I mean, I think it is kind of common sense that you wouldn't want to have him on a piece of paper if he had been in prison before.

Q Okay. And why would that be common sense? Just kind of elaborate on that for me, if you could.

A Well, for the same reason he told us up front, I want to let you know I was in prison before just so that we are all in understandment before we start this process.

He may, I think he said -- I don't know.

Q Do you think that someone who may have saw his name, let's say as an owner, would be concerned if they found out later that he had been in prison?

A Yes.

Q Okay. So I think you said that you had an office within 48 hours, is that correct, after you-all had decided, yeah, we're going to start the business or shortly thereafter?

A Yes. Shortly thereafter, sure.

Q Okay. So that probably means a lease was signed, right?

A Yes.

Q Okay. And where was that office?

Q -- do you recall? Okay. And so it would list, you know, an estimate of how the funds, the capital that was raised were going to be used; is that correct?

A Yes.

Q Let's say if one of these projects, you know, let's say in one of the projects Genesis was seeking to raise $1 million, but it was only able to raise, let's say, 500,000, half of it, who would make the determination of how that project would go forward and how the funds would be used?

A Ron.

Q Ron? Okay. Was there ever a time when Genesis didn't raise the amount they wanted to for a particular project and then refunded the money to the investors?

A No. Clarification: One time I sent a cashier's check back to an investor, I think, because I couldn't get him on the phone and then the cashier's check was never cashed and I had to wait like 60 days to get the money back, so lesson learned there.

But I think the answer to your question is "no."

Q Okay. Were there ever any projects that the amount that was raised was not enough to drill a well

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Q Ron? Okay. Was there ever a time when Genesis didn't raise the amount they wanted to for a particular project and then refunded the money to the investors?

A No. Clarification: One time I sent a cashier's check back to an investor, I think, because I couldn't get him on the phone and then the cashier's check was never cashed and I had to wait like 60 days to get the money back, so lesson learned there.

But I think the answer to your question is "no."

Q Okay. Were there ever any projects that the amount that was raised was not enough to drill a well

EXHIBIT 10

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

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	**Case No. 4:20-cv-972**
	§	
RONNIE LEE MOSS, JR., GENESIS E&P, INC., ROYAL OIL, LLC, and CATALYST OPERATING, LLC,	§	**JURY TRIAL DEMANDED**
	§	
Defendants.	§	

DECLARATION OF JODY Z. MOORE

I, Jody Z. Moore, hereby declare under penalty of perjury pursuant to 28 U.S.C. §1746 as follows:

1. I am over the age of 21 and competent to testify to the facts stated herein. I am making this declaration voluntarily and based upon my personal knowledge. I am a Senior Staff Accountant in the Fort Worth, Texas regional office of the U.S. Securities and Exchange Commission's ("Commission") Division of Enforcement. I have 19 years of experience with the Commission. In addition to my work at the Commission for over 20 years I was employed in financial positions in various industries and worked as an auditor for international accounting firms. I am a Certified Public Accountant, licensed by the Texas State Board of Public Accountancy, and a Certified Fraud Examiner, licensed by the Association of Certified Fraud Examiners.

2. As a Senior Staff Accountant with the Commission, my responsibilities include investigating possible violations of the federal securities laws, including but not limited to: reviewing public company financial statements for compliance with Generally Accepted Accounting Principles, reviewing independent audit workpapers for compliance with Generally Accepted Auditing Standards, and analyzing financial records of non-public corporations, partnerships, limited liability companies, other entities, and individuals. During the course of these responsibilities, I routinely trace financial transactions to determine how they occurred and their ultimate disposition, summarize that information and data into various schedules and charts, and testify at hearings and trials.

3. I was an SEC investigative accountant in the investigation that led to the filing of the above-reference civil case, *SEC v. Ronnie Lee Moss, et al,* Case No. 4:20-cv-00972. As an investigative accountant, I collected and reviewed many documents, including business documents produced by the defendants related to the oil-and-gas offerings that are the subject of this lawsuit, such as private placement memoranda, subscription agreements, investor records, and bank records.

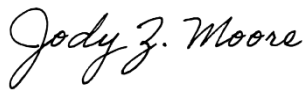
4. I also obtained and reviewed financial records and bank records related to Genesis E&P, Inc. ("Genesis"), Royal Oil, LLC ("Royal"), and Catalyst Operating, LLC ("Catalyst") and their related and subsidiary entities. Based on my review of these records, I learned that these entities used multiple accounts at BBVA Compass Bank ("Compass"), where Investor funds were deposited, commingled, and transferred between numerous other of the entity accounts, including in the accounts of unrelated projects or entities. In particular, I noticed that two accounts at Compass, (accounts styled Catalyst Operating LLC, account number *2561, and Royal Oil LLC, account number *8961) received investor funds from other accounts at Compass where,

subsequently, 56% of investor funds were misappropriated by Moss for personal and/or non-business related purposes.

5. From review of bank and other financial records I was able to separate the business expenditures of Genesis, Royal, and Catalyst from misappropriations of investor funds by Moss. The companies' business expenditures, included utilities, marketing and administrative expenses, payroll, and oil-and-gas project costs and are summarized as follows:

Raised from investors	$5,774,026
Used for business purposes	2,532,137
Misappropriated by Moss	$3,241,889

6. I state under penalty of perjury that the foregoing is true and correct. Executed on July 7, 2021.



Jody Z. Moore, C.P.A., C.F.E.