

RECEIVED

12 DEC 13 AM 10:54

ARKANSAS SECURITIES DEPT.

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
Case No. S-12-0104

IN THE MATTER OF
DUNWELL CORPORATION, and
PRESTON ENERGY, INC.

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (Staff) has received information and has in its possession certain evidence which indicates that Dunwell Corporation (Dunwell) and Preston Energy, Inc. (Preston) (collectively, Respondents) have violated provisions of the Arkansas Securities Act (Act), codified at Ark. Code Ann. §§ 23-42-101 - 509.

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of the Act, and is therefore properly before the Arkansas Securities Commissioner (Commissioner) in accordance with Ark. Code Ann. § 23-42-209.

RESPONDENTS

2. Dunwell is a Texas corporation formed on April 7, 1977. Its primary office is located at 8144 Walnut Hill Lane, Suite 285, Dallas, Texas 75231.
3. Preston is a Texas corporation formed on July 31, 2012. Its primary office is located at 8144 Walnut Hill Lane, Suite 285, Dallas, Texas 75231.

FACTS SUPPORTING CEASE AND DESIST ORDER

4. AR1, an Arkansas resident, received an unsolicited email dated May 16, 2012, from Dunwell. The email contained an advertisement soliciting investments in two projects

under a heading stating that Dunwell “proudly announces our new ‘Energy Investment Opportunities.’” The investment opportunities were described as follows (boldface and italics in original):

The Oil Drilling Venture, Hull Sterling No. 1 Well, is located in Liberty County, TX. This is an infield development project. The total depth for this well is 6,500 feet. This is a **fully tax deductible investment**.

The Gas Pipeline Opportunity, Hull Gas Gathering System, involves a gas pipeline which currently spans 4.5 miles. The pipeline will be expanded an additional 3.0 miles to accommodate additional gas tie-ins for additional revenue. Transportation and Delivery contracts are already established. This equity investment is **80% tax deductible**.

Let 30 years of experience help you generate a lucrative revenue stream!

5. Immediately below this advertisement was a link: “For more information, CLICK HERE.” When AR1 clicked, he was taken to a web page a prospective investor would use to obtain more information about the investment. There were spaces for the investor to fill in a name, email address, telephone number and time of day to call, along with a box for comments. There was a “submit” button for sending the information on to Dunwell. The page was topped with what appeared to be Dunwell’s corporate logo and a large heading that read: “INVEST IN A SAFE, PROVEN STRATEGY THAT WORKS.” Below that heading were several significant statements, including:

- a. “We have helped hundreds of clients generate thousands of dollars by investing in oil and natural gas.”
- b. “Don’t let this opportunity pass you by, let your money work harder for you in this

low cost investment today.”

c. “Potential returns up to 125% in the first year.”

d. “Low to moderate risk.”

6. Attached hereto as Exhibit A is a copy of the email to AR1 dated May 16, 2012, and the web page that appeared when AR1 clicked “For more information, [CLICK HERE](#).”

AR1 did not fill out the information boxes on the web page and obtain more information about these investment opportunities from Dunwell.

7. On August 13, 2012, AR1 received an unsolicited email from Preston. This email was an advertisement soliciting unspecified energy investments headed by Preston’s corporate logo. Across the top, just under photographs of what appears to be oil and gas field equipment, was a large heading stating, “It’s time for you to consider new investment opportunities. Add energy to your portfolio - A great hedge against inflation.” Just below this heading were several bulleted claims, including “Rate of return as high as 130% per year” and “Low to moderate risk investment opportunities currently available.”

Immediately below these claims was “to learn more, [CLICK HERE](#).” When this link was clicked, AR1 was taken to a web page much like the one described in ¶ 5, a web page a prospective investor would use to obtain more information about the investment. There were spaces for the investor to fill in a name, email address, telephone number and time of day to call, along with a box for comments. There was a “submit” button for sending the information on to Preston. On this page two “current projects” were briefly described, the Hull Gas Gathering System (HGGS) and the Hull Sterling No. 1 Well (HS Well), both described in the May 16, 2012, email sent to AR1 by Dunwell and described above

in ¶¶ 4 and 5.

8. Attached hereto as Exhibit B is a copy of the email to AR1 dated August 13, 2012, and the web page that appeared when AR1 clicked “to learn more, [CLICK HERE](#).” AR1 did not fill out the information boxes on the web page and obtain more information about these investment opportunities from Preston.
9. On November 30, 2012, AR1 received another unsolicited email from Preston soliciting investment in the HGGs. It also had a button to click for more information, this one entitled “[CLICK HERE](#) to receive more detailed information.” When this was clicked, AR1 was taken to a web page much like the one described in ¶¶ 5 and 7, a web page a prospective investor would use to obtain more information about the investment. There were spaces for the investor to fill in a name, email address, telephone number, state or province, a time of day to call and a box for a message. Under these boxes was a “submit” button for sending the information on to Preston.
10. Attached hereto as Exhibit C is a copy of the email to AR1 dated November 30, 2012, and the web page that appeared when AR1 clicked “[CLICK HERE](#) to receive more detailed information.” AR1 filled out the boxes to obtain more information that appeared on the web page and clicked on the submit button. In response, AR1 received an email dated December 4, 2012, from someone who identified herself as Brandi Steitle of Preston. In the email she identified Preston’s “two current projects as follows:

Oil Well.

98%-100% deductible first year
15% monthly income tax free
Potential annual return in excess of 100%
Min. Investment-\$24,750 D&T
Moderate Risk

Gas Gathering System

80% deductible in first year
income is paid quarterly and expected to grow
Potential annual return in excess of 40%+
Min. Investment
Low Risk

Attached hereto as Exhibit D is the email to AR1 dated December 4, 2012, from Brandi Steitle at Preston.

11. "In order to review actual projects," the email stated, "direct personal contact is required." A telephone conversation was then arranged. Someone identifying herself as Steitle called AR1 on December 5, 2012, and talked about both projects. She told AR1 that the rate of return was so good because Preston did not use brokers or brokerage firms, which would usually take most of the profits in any investment offering. Although she told AR1 that she could only send him a prospectus on one of these offerings, she emailed him a copy of an offering document for each project entitled "Confidential Informational Memorandum" (CIM) later that day. Each CIM contained information about the investment and subscription documents that could be used for investing.

HULL GAS GATHERING SYSTEM

12. The CIM for the HGGS reveals that HGGS is a joint venture formed under Texas law on October 11, 2011. Its managing venturer is Associated Gas Gathering LLC, (AGG) a Texas limited liability company organized on June 22, 2011, whose address is the same as the address for Dunwell and Preston. The joint venture agreement (JVA) is attached to the CIM as Exhibit A. According to the JVA, the "Principal Business" of HGGS is "to acquire gas gathering pipelines and equipment necessary to transport, compress and

dehydrate gas for delivery to DCP Midstream,” as described more fully in the CIM. The CIM describes the anticipated business of HGGs in further detail as follows:

[AGG] owns certain natural gas pipelines in Liberty County, Texas. [AGG] is contributing 100% of its ownership in the pipelines, permit to operate the pipelines, a negotiated Facilities Agreement and Gas Purchase Contract with DCP Midstream and Centana Intrastate Pipeline to the Joint Venture at a stipulated value of \$900,000 in the . . . Joint Venture.

13. According to the CIM, money would be made by creating “an open source gas gathering and transmission system to transport, compress and dehydrate natural gas for delivery to DCP’s Centana Intrastate Pipeline” for an initial fee of \$.75 per thousand cubic feet of gas delivered.
14. As represented in the CIM, AGG had completed regulatory requirements and obtained a permit from the Texas Railroad Commission to operate the pipelines in question and to enter into agreements with DCP to purchase natural gas.
15. According to the JVA and the CIM, AGG would contribute the pipelines and agreements it owned set out in ¶ 12 and thereby own 60% of HGGs. As stated in the CIM, “[AGG] is offering the balance in Forty (40) Units of participation in [HGGs], representing the remaining 40% of Joint Venture interest for a total of \$600,000.” Each unit was offered for \$15,000 and represented a 1% interest in HGGs.
16. As managing venturer of HGGs, the JVA vested AGG with complete control of the day-to-day operations of HGGs and permitted it to make all decisions for HGGs, albeit “in a prudent and businesslike manner, and in accordance with good practices in the industry.” According to the JVA, the managing venturer can be removed by a vote of the owners of

60% of the joint venture. However, the investors other than AGG (known as venturers) could own a maximum of only 40% of HGGs and, therefore, could not remove AGG as the managing venturer. Investors other than AGG were dependent on the managerial efforts of AGG in order to realize any return on their investment.

HULL STERLING No. 1 WELL

17. The CIM for the HS Well reveals that the HS Well is a joint venture formed under Texas law. Its address is the same as the address for Dunwell, Preston and AGG. The joint venture agreement (JVA) was dated August 1, 2012, and attached to the CIM as Exhibit A. According to the JVA, the "Principal Business" of the HS Well is "to acquire a percentage of the Working Interest in the 'Prospect Well' more fully described in the [CIM] . . . and to enter into a turnkey drilling and completion contract with Preston Energy to drill, test and complete, if warranted the Prospect Well and to distribute the producing property interest to the Venturers or plug and abandon" the "Prospect Well." The CIM identifies the "Prospect Well" as the Sterling Well No. 1, located in the Hull Oilfield in Liberty County, Texas. The JVA named Preston as the managing venturer and the drilling contractor.

18. According to the CIM,

Preston "has the right to acquire 100% of the Working Interest to a drill site location [for the HS Well] on Leases in the Hull Oilfield. [Preston] will transfer 75% working interest in the drill site location to the Venture and is offering to Participants Fifteen Units representing 99% of the Joint Venture Interest under the terms described in this [CIM]

19. The CIM and the JVA provided that each unit was comprised of approximately 5.00%

working interest, 3.75% net revenue interest and 6.6% of the joint venture, HS Well. A total of fifteen units were offered, Preston taking one unit for itself. Each unit sold for \$49,500 initial contribution/drilling cost and \$33,000 completion cost, for a total of \$82,500 per unit.

REGISTRATION RECORDS

20. A search of the records of the Arkansas Securities Department shows no registration or exemption from registration under state or federal law of any security issued by HGGs.
21. A search of the records of the Arkansas Securities Department shows no registration or exemption under state or federal law from registration of any security issued by HS Well.

APPLICABLE LAW

22. Ark. Code Ann. § 23-42-102(15)(A)(xi) defines a security as an investment contract.
23. Ark. Code Ann. § 23-42-102(15)(A)(xvi) defines a security in pertinent part as a certificate of interest or participation in an oil or gas lease or in payments out of production under such a lease.
24. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act or federal law.
25. Ark. Code Ann. § 23-42-102(13)(A)(ii) defines offer or offer to sell in pertinent part as a solicitation of an offer to buy any security for value.

VIOLATIONS OF LAW

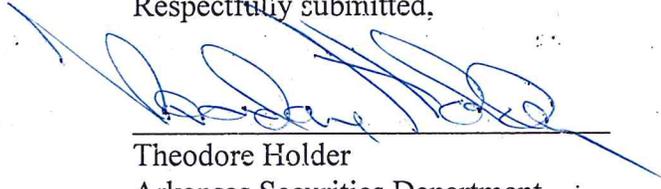
26. The investment in HGGG was an investment contract, a type of security listed at Ark. Code Ann. § 23-42-102(15)(A)(xi).
27. The investment in HS Well was a certificate of interest or participation in an oil or gas lease or in payments out of production under such a lease, a type of security listed at Ark. Code Ann. § 23-42-102(A)(xvi).
28. The facts set out above in ¶¶ 2, 4-6 and 12-21 show that Dunwell offered unregistered securities in the form of investment contracts in the case of investments offered in HGGG and unregistered securities in the form of certificates of interest or participation in an oil or gas lease or in payments out of production under such a lease in the case of investments offered in HS Well in violation of Ark. Code Ann. § 23-42-501.
29. The facts set out above in ¶¶ 3 and 7-21 show that Preston offered unregistered securities in the form of investment contracts in the case of investments offered in HGGG and unregistered securities in the form of certificates of interest or participation in an oil or gas lease or in payments out of production under such a lease in the case of investments offered in HS Well in violation of Ark. Code Ann. § 23-42-501.

LEGAL AUTHORITY TO ISSUE CEASE AND DESIST ORDER

30. Ark. Code Ann. § 23-42-209(a)(1)(A) provides that whenever it appears to the Commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act, he may summarily order the person to cease and desist from the act or practice.

WHEREFORE, the Staff respectfully requests that the Commissioner summarily issue a cease and desist order against Dunwell Corporation and Preston Energy, Inc., as well as others whose identities are not yet known who are employed by or otherwise affiliated with any of the Respondents who receive actual notice of the order, ordering them to cease and desist from any further actions in the state of Arkansas in connection with the offer or sale of securities, as set out in ¶¶ 2 - 21, until any securities offered or sold are properly registered or shown to be exempt from registration pursuant to the Act. It is further requested that the Commissioner order the Staff to continue its investigation to determine other possible violations of the Act by Dunwell Corporation and Preston Energy, Inc., and any affiliates or associates whose identities and/or actions are presently unknown to the Staff, including but not limited to securities fraud.

Respectfully submitted,



Theodore Holder
Arkansas Securities Department
Heritage West Building, Suite 300
201 East Markham Street
Little Rock, Arkansas 72201

Counsel for the Staff

Table of Exhibits

- Exhibit A Email from Dunwell Corporation to AR1 dated May 16, 2012,
and web page to be used to obtain more information
- Exhibit B Email from Preston Energy, Inc., to AR1 dated August 13, 2012,
and web page to be used to obtain more information
- Exhibit C Email from Preston Energy, Inc. to AR1 dated November 30, 2012,
and web page to be used to obtain more information
- Exhibit D Email from Brandi Steitle of Preston Energy, Inc. to AR1 dated
December 4, 2012

From: Dunwell Corporation [mailto:info@dunwellcorp.com]
Sent: Wednesday, May 16, 2012 11:30 AM
To: [REDACTED]
Subject: Tax Advantage Energy Investment

Dunwell Corporation proudly announces our new "Energy Investment Opportunities"

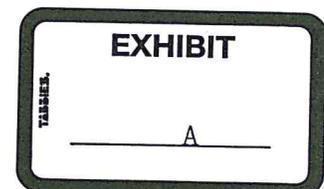
- **The Oil Drilling Venture**, Hull Sterling No. 1 Well, is located in Liberty County, TX. This is a infield development project. The total depth for this well is 6,500 feet. This is a **fully tax deductible investment**.
- **The Gas Pipeline Opportunity**, Hull Gas Gathering System, involves a gas pipeline which currently spans 4.5 miles. The pipeline will be expanded an additional 3.0 miles to accommodate additional gas tie-ins for additional revenue. Transportation and Delivery contracts are already established. This equity investment is **80% tax deductible**.

*Let 30 years of experience help you
generate a lucrative revenue stream!*

For more information,
[CLICK HERE](#)

Dunwell Corporation | 8144 Walnut Hill Lane, Suite 285 | Dallas, Texas 75231

To unsubscribe, [click here](#)





HOME	ABOUT US	TAX ASPECTS	PARTNERS	NEWS	CONTACT	CALCULATOR
------	----------	-------------	----------	------	---------	------------



Five minutes of your time could save you thousands of dollars in taxes and generate a steady income stream for years to come. **We have helped hundreds of clients generate thousands of dollars by investing in oil and natural gas.** No other investment offers the types of benefits. Submit your info below or reach us directly at (214) 363-4555 ext. 103. **Don't let this opportunity pass you by, let your money work harder for you in this low cost investment today.**

EXCEPTIONAL TAX BENEFITS

- The investment is 98% tax deductible in the first year ...
- Produces a monthly income stream that is 15% tax free

LONG TERM INCOME

- Potential returns up to 125% the first year
- Low to moderate risk
- Revenue distributed monthly

REQUEST FOR INFORMATION

(* required fields)

*Email:

*First Name:

*Last Name:

*Phone/Cell:

Morning

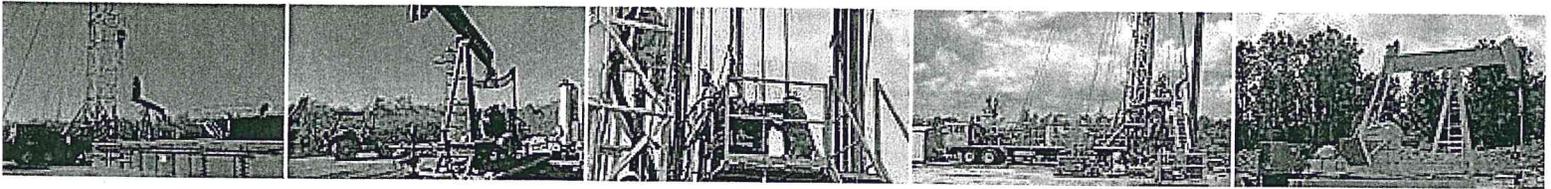
Afternoon

Evening

Comments:

Submit

From: Blackgold Texas [mailto:web@prestonenergy.com]
Sent: Monday, August 13, 2012 11:15 AM
To: [REDACTED]
Subject: High Yield Tax Advantaged Energy Investments



It's time for you to consider new investment opportunities.

Add energy to your portfolio - A great hedge against inflation.

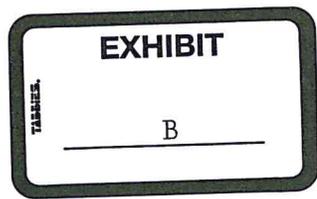
- Income is partially tax free
- Rate of return as high as 130% per year
- Investment ranges from \$30,000 - \$1,500,000
- 80-100% of entire investment is tax deductible first year
- Low to moderate risk investment opportunities currently available

to learn more,

[CLICK HERE](#)

Preston Energy, Inc. * 8144 Walnut Hill Lane * Dallas TX, 75231 * www.PrestonEnergy.com

To unsubscribe, [click here](#)





[About Us](#)
 [News/Articles](#)
 [Tax Benefits](#)
 [Partners](#)
 [Well Information](#)
 [Interactive Tools](#)
 [Contact Us](#)



CURRENT PROJECTS

NATURAL GAS PIPELINE



Hull Gas Gathering System:
 involves a gas pipeline which currently spans 4.5 miles. The pipeline will be expanded an additional 3.0 miles to accommodate additional gas tie-ins for additional revenue. Transportation and Delivery contracts are already established. This equity investment is 80% tax deductible.

(submit your information below to learn more)

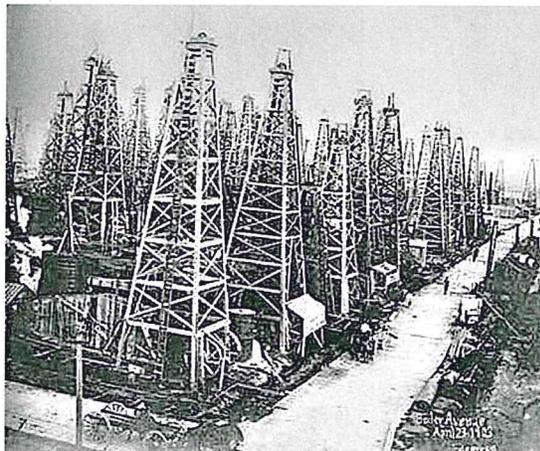
OIL DRILLING VENTURE



Hull Sterling No. 1 Well:
 is located in Liberty County, TX. This is an infield development project. The total depth for this well is 6,500 feet. This is a fully tax deductible investment.

(submit your information below to learn more)

1903 SPINDLETOP BOILER AVENUE



Spindle top is approximately 30 miles from our location. According to our research, we believe that production could last 10-20 years per well. Not just oil folks, but a nice gas play as well. The field was most actively drilled back in the 40's and 50's when oil was \$2-\$3 a barrel. It was justified to produce wells only that had production rates of at least 500 barrels of oil per day or more.

At today's prices, when can produce new wells in this location and even at 50-75 barrels a day it makes sense to develop. We analyze each well's economics based on combined research and data to make sure it's potential production makes sense on a small scale before offering it to our partners. Conservative expectations is the key!

Lucas 1", flowed at an initial rate of nearly 100,000 barrels per day, more than all of the other producing wells in the United States COMBINED!

The gusher at Spindletop was responsible for creating several companies that were to become giants in the oil industry, including Gulf Oil, Amoco and Humble Oil Company, which would later become an arm of Exxon.

It is difficult to overstate the importance of Spindletop. From this point on, nothing in the oil industry would ever be the same again, for this "gusher" ushered in the modern age of petroleum.

INTERACTIVE CALCULATOR

[Click Here](#)
 to use our
"Interactive Investment Calculator"

INFORMATION REQUEST FORM

*required fields

*Email:

*First Name:

*Last Name:

*Phone/Cell:

Units	
Total Units Offered	15
Drilling Costs	\$49,500
Completion Costs	\$33,000
Other Expenses	0
Total Units Purchased	1.00
Total Amount of Investment	\$82,500
Tax Data	
Your Personal Tax Bracket (%)	35%
Current Rate	
Current Oil Rate per Barrel	\$ 85.00
Current Natural Gas Rate	\$ 3.00

- Morning
- Afternoon

Comments:

Submit



Download Tax Form 6251



Corporate Tax Form i4626



Investing with Preston Energy



You Tube Videos

Preston Energy, Inc.
8144 Walnut Hill Lane
Dallas, Texas 75231
Phone: (214) 363-6515

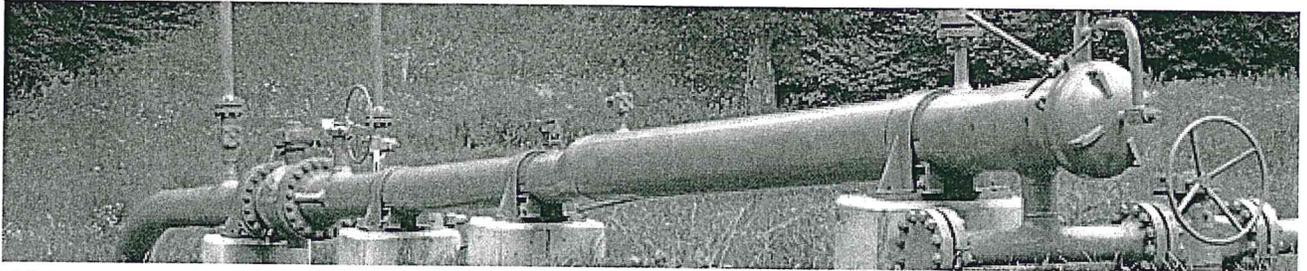
From: BlackGold Texas [mailto:web@prestonenergy.com]

Sent: Friday, November 30, 2012 10:05 AM

To: [REDACTED]

Subject: Year End Tax Deductions

PRESTON
ENERGY



Message For: Walter Biernacki

***Searching for tax advantaged investments
with an acceptable risk reward ratio can be difficult.***

A unique opportunity to own an interest in a natural gas gathering and delivery system could be the answer. In today's changing financial landscape income producing hard assets have become very attractive.

A natural gas gathering system and pipeline offers minimal risk and early stage returns on investment of 20% to 45%, long term income and growth potential in an equity investment.

The Hull Gas Gathering System

**A Texas Joint Venture
Liberty County, Texas**

- 40% Equity Interest \$600,000
- 40 Units at 1% each \$15,000
- Approximately 80% tax deductible in 2012
- 4.5 miles of existing pipeline being extended to 8.5 miles
- A Joint Venture to be converted to a limited liability company

[CLICK HERE](#)

to receive more detailed information

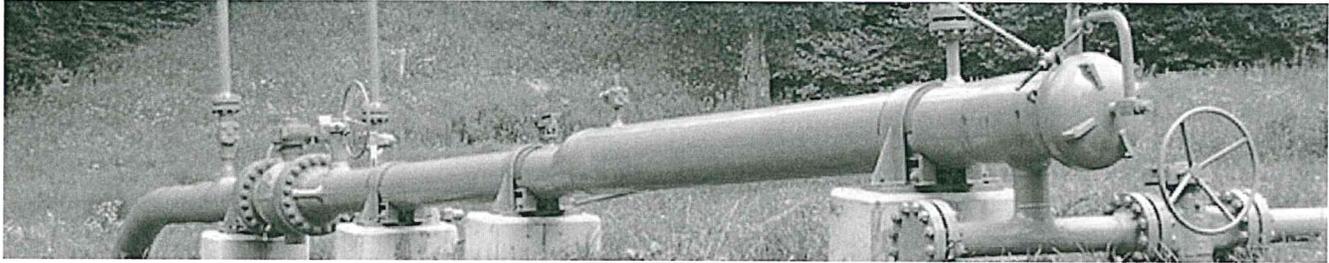
EXHIBIT

C

This information does not constitute an offer to sell or a solicitation of an offer to purchase and is for informational purposes only. Offers can only be made by authorized personnel after establishing a persons qualifications by direct personal contact and in jurisdictions where such offers can be legally made.

Preston Energy, Inc | 8144 Walnut Hill Lane | Dallas, Texas 75231

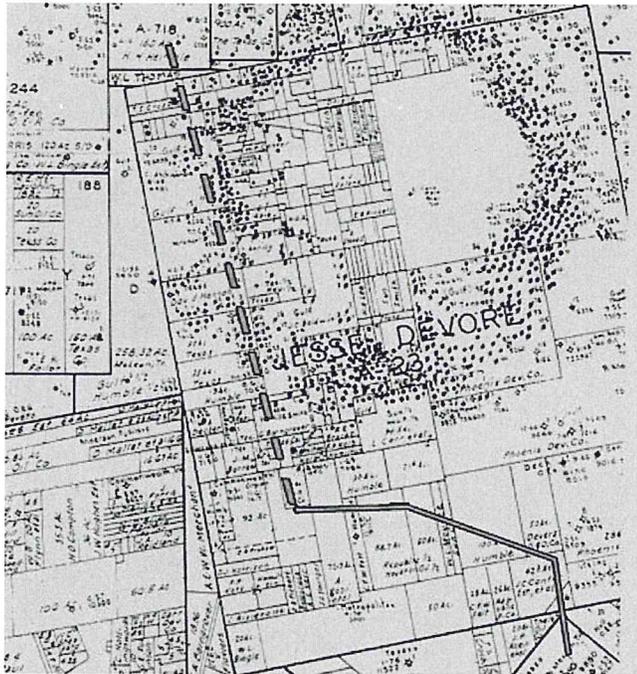
PRESTON ENERGY



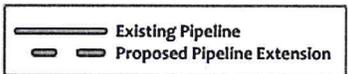
A few minutes of your time can save thousands on income taxes

Contact is handled by a single experienced executive of the company

- Direct personal contact is required to determine suitability of the investment with your individual investment objectives prior to delivery of offering material.
- Initial contact will be by email to schedule a convenient time to speak.
- Our ventures are limited to persons meeting the Accredited Investor standard and all information remains strictly confidential.



Liberty County, TX
FIGURE 1: PIPELINE ILLUSTRATION



* Required Fields

* Email Address:

* First Name:

* Last Name:

* State/Province:

* Phone:

Morning:

Afternoon:

Message:

Preston Energy, Inc. 8144 Walnut Hill Lane Dallas, TX 75231

From: Brandi Steitle [mailto:brandi@prestonenergy.com]

Sent: Tuesday, December 04, 2012 12:41 PM

To: [REDACTED]

Subject: Per your request

Mr. [REDACTED]

Thank you for your interest in our business. I have included some relevant information. Please let me know of a good day and time for us to discuss more detailed information. Please allow 15 minutes for the call.

I have attached the IRS form 6251 which outlines the tax benefits and has been highlighted for quick review. The attached map shows where we are developing. I have also included the link for the income calculator which allows you to review the merits and tax benefits of the income, <http://www.prestonenergy.com/calcpage.html>.

In order to review actual projects, direct personal contact is required.

Here is a brief overview of our two current projects:

Oil Well

98%-100% deductible first year
15% monthly income tax free
Potential annual return in excess of 100%
Min. Investment-\$24,750 D&T
Moderate Risk

Gas Gathering System

80% deductible in first year
Income is paid quarterly and expected to grow
Potential annual return in excess of 40%+
Min. Investment-\$15,000
Low Risk

Best Regards,



Brandi Steitle
Preston Energy
www.prestonenergy.com
214-363-6515 ext. 102
214-226-9019 cell

