



Oil Exec's Assets Frozen In \$17M Fraud Suit

By Joseph Marks

Law360, New York (September 09, 2010) -- A federal judge has frozen the assets of a Texas oilman accused of pocketing over \$1 million of investors' money in a \$17 million boiler room-style securities fraud.

Judge Jane J. Boyle of the U.S. District Court for the Northern District of Texas on Tuesday granted a U.S. Securities and Exchange Commission motion to freeze the assets in a suit that alleges energy securities company Giant Operating LLC defrauded over 150 investors out of \$17 million between 2007 and 2009.

Giant Operating was an unregistered securities trading company located west of Dallas that cold-called prospective investors and lied to them about what their money would be used for and the profits they could expect, according to the SEC's suit, filed in September 2009.

The company's assets have been in receivership since 2009. Tuesday's order amends the receivership order to also freeze the assets of Stephen Christopher Plunkett, former president of Giant Petroleum Inc., an exploration and drilling company.

Giant Operating and Giant Petroleum were both owned by George Wesley Harris.

Between July 2008 and August 2009, Harris illegally transferred \$3.9 million in investment revenue from Giant Operating to Giant Petroleum and transferred \$1.3 million to Plunkett personally, the SEC claims.

Plunkett was named as a relief defendant in the case against Giant Operating.

Tuesday's order also places his personal assets in receivership. The receiver is Dallas attorney Karen Cook with the firm Wick Phillips Gould and Martin LLP. Cook has already taken control of Harris' other enterprises.

The regulator argues that Plunkett's assets should be frozen because he has committed securities fraud in the past, is reasonably likely to do so in the future, and can easily hide or dissipate his personal assets to avoid paying restitution or other penalties, Judge Boyle said.

A call to the SEC seeking details of the receivership was not immediately returned Thursday. Plunkett and Harris could not immediately be reached for comment either.

According to the complaint, Giant Operating sold securities in five different drilling projects in Texas and New Mexico between 2007 and 2009 by cold-calling prospective investors and sending them glossy brochures and other sales material.

Those brochures included an “investment calculator” with a “conservative” estimate that investors would receive a 100 percent return within the first year, the suit states. Despite those lofty claims, none of the five drilling operations ever turned a profit, it says.

In a separate case, a federal judge sentenced Plunkett to three years of probation and a \$125,000 fine on extortion charges in January 2008.

According to the indictment, Plunkett and two other Giant Petroleum employees paid an employee of the Western Pipeline Corp. \$6,000 for proprietary information, then tried to extort \$1 million from the company for the information’s return.

Counsel information for Plunkett was not immediately available Thursday.

The case is U.S. Securities and Exchange Commission v. George Wesley Harris et al., case number 3:09-cv-1809, in the U.S. District Court for the Northern District of Texas.