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U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JUN - 4 2002
CLERK, U.S. DISTRICT COURT
By ________
Deputy

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

UNITED ENERGY PARTNERS, INC.,
a Texas corporation;
RICHARD A. QUINN; and
SCOTT W. TUCKER,

Defendants.

Civil Action No.
3:98-CV-0218-R

PARTIAL SUMMARY JUDGMENT AS TO
RICHARD A. QUINN AND SCOTT W. TUCKER

This matter came before the Court on Plaintiff Securities and Exchange Commission's Motion for Partial Summary Judgment as to Defendants Richard A. Quinn and Scott W. Tucker. Based on all the files, records and proceedings herein, the Court makes the following facts are undisputed:

Facts

1. Defendant United Energy Partners, Inc. ("United Energy") was incorporated in Texas in 1994 and was headquartered in Dallas, Texas.

2. United Energy was in the business of drilling oil and gas wells, and it continued to operate certain wells it drilled until the Court appointed a special master to do so.

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3. Defendant Richard A. Quinn ("Quinn"), age 29 and a resident of Dallas at the time the action was commenced, was a director, the chief executive officer, the president and a 90 percent shareholder of United Energy.

4. Quinn received Series 22 and 63 securities licenses in 1991 while he had been associated with Kinlaw Securities Corporation ("Kinlaw"), but he has not been associated with a broker-dealer since he left Kinlaw in 1992.

5. Quinn was responsible for the activities of United Energy, and he directly offered and sold to investors undivided working interests in United Energy oil and gas wells and assisted other salespersons in doing so.

6. Defendant Scott W. Tucker ("Tucker"), age 35 and a resident of Dallas at the time the action was commenced, was the executive vice-president and a 10 percent shareholder of United Energy.

7. Tucker was responsible for training and supervising United Energy's sales staff.

8. Tucker directly offered and sold undivided working interests in United Energy wells.

9. Tucker was compensated with a 15 percent commission, a bonus and overrides.

10. While associated with United Energy, Tucker was not registered as or associated with a broker-dealer.

11. From June 1995 through January 1998, United Energy raised approximately $7.5 million from at least 285 investors located in at least 40 states through the offer and sale of securities in the form of undivided working interests in oil and gas wells.

12. United Energy formed 11 joint ventures, each of which offered working interests in one or more planned wells and pooled investor funds to drill drilled 16 wells.

13. United Energy employed between five and ten full-time salespersons who used lead lists to "cold call" potential investors nationwide.

14. United Energy salespersons initially solicited investors with "cold calls," then sent interested persons a copy of the joint venture's offering memorandum.

15. United Energy's salespersons, including Quinn and Tucker, followed up with potential investors to discuss the representations in the offering memoranda.

16. Quinn prepared, or directed the preparation of, the offering memoranda for United Energy's joint ventures.

17. Tucker trained United Energy sales representatives and oversaw telephone sales presentations made by them.

18. United Energy, Quinn and Tucker failed to disclose that commissions of 10 to 15 percent were paid to salespersons, including Tucker, from investment funds.

19. United Energy, Quinn and Tucker failed to disclose that, in one offering, Quinn caused Tucker to be paid one percent of all investment funds procured by other salespersons.

20. United Energy, Quinn and Tucker failed to disclose that United Energy paid a bonus to salespersons who secured investments from new investors.

21. Although the offering memoranda disclosed that a certain percent of the production revenue from the wells was to be granted in the form of overriding royalty interests, United Energy, Quinn and Tucker failed to disclose that United Energy would grant overriding royalty interests in several of the wells to Quinn and Tucker at no cost.

22. Although the offering memoranda represented that United Energy received no carried interest in any of the wells, but reserved the right to purchase an interest in the wells for its own account on the same terms as other participants, United Energy never purchased any

interest in a well or paid any proportionate share of drilling expenses, but Quinn and Tucker did retain unsold interests at the time offerings closed.

23. Quinn and Tucker kept from five to 25 percent of the offerings for themselves.

24. The offering memoranda stated that all units in each joint venture were to be sold at a specified price.

25. United Energy, Quinn and Tucker failed to disclose that investors were not treated equally and that some potential investors were offered preferential treatment in certain of the joint ventures.

26. Some disappointed investors in wells with no production were offered the opportunity in a later joint venture to receive a quarter investment unit free with every unit purchased.

27. Other investors were given overriding royalty interests in certain ventures.

28. Quinn authorized those arrangements described in Paragraphs 24 through 26, and Tucker was aware of them.

29. None of these "special arrangements" was disclosed to the other participants in the joint ventures.

30. The offering memoranda represented that assignments of the investors' interest in the various wells were to be recorded in the appropriate county within 30 days after the well(s) went into production.

31. Even after investors insisted that assignments be recorded, Quinn refused to do so.

32. By the time the Commission commenced this action, no assignments had been recorded despite the fact that certain of the wells had been in production for months.

33. The offering memoranda represented that the total amount raised from investors in the offerings would be spent for drilling, testing, completing and equipping the wells.

34. The offering memoranda did state that United Energy would be responsible for all drilling cost overruns and would retain any excess funds from drilling cost savings.

35. In determining the amount of money to be raised from investors for a joint venture, Quinn's practice was to estimate the cost of drilling the well(s), add 15 percent for contingencies and then double that amount.

36. Investors were not told that Quinn would spend the excess monies raised at his discretion for non-well purposes.

37. Investors were not told that Quinn had padded United Energy's anticipated drilling costs by more than 100 percent

38. Upon receiving investment funds, United Energy earmarked half for drilling expenses and half for other uses.

39. Quinn used excess monies to pay sales commissions equaling 10 to 15 percent of the investment, to pay operating expenses for United Energy and to purchase lead lists from marketing companies.

40. Quinn spent funds to lease a Cadillac for himself and a Lexus for his girlfriend from investor funds.

41. Quinn paid for two out-of-state vacation trips for himself, Tucker and others from investor funds.

42. Quinn used investor funds to pay his rent, utility bills and credit card bills.

43. In 1996 United Energy spent more than $81,000 for Quinn's personal benefit.

44. United Energy, Quinn and Tucker did not disclose plans to expend monies for the purposes described in Paragraphs 38 through 42 to potential investors.

45. The offering memoranda misrepresented the projected return on investment and oil and gas production.

46. The projections in the offering memoranda were exaggerated and lacked a reasonable basis.

47. At times, Quinn pressured United Energy's geologist to inflate his production projections without any reasonable basis for doing so.

48. Well production never met the minimum projections set out in the offering memoranda, and no investor received a return equal to his original investment.

49. Both Quinn and Tucker were aware that the stated costs of drilling, testing and completing the wells were double the actual anticipated costs.

50. Both Quinn and Tucker told United Energy sales representatives that Quinn was purchasing working interests in the wells, and the representatives passed that information on to potential investors even though no one at United Energy invested in any of the joint ventures.

51. United Energy also sent copies of the offering memoranda by mail and/or by air courier service.

52. United Energy, Quinn and Tucker ceased their sales activities only after being served with Commission subpoenae.

53. Quinn expressed an intention to return to the business of offering and selling undivided interests in oil and gas wells.

54. In addition to the overrides and United Energy's payment of his personal expenses, Quinn received $445,328 from his employment with United Energy.

55. In addition to the overrides and United Energy's payment of his personal trip expenses, Tucker received $270,508 from his employment with United Energy.

Based on the foregoing undisputed facts, the Court reaches the following:

Conclusions Of Law

1. The Court has subject matter jurisdiction.

2. The Court has personal jurisdiction over Quinn and Tucker.

3. The investments offered and sold by United Energy, Quinn and Tucker are fractional undivided interests in oil and gas rights and investment contracts and are therefore "securities."

4. Quinn has violated and unless enjoined is likely to continue to violate 15 U.S.C. §77q(a)(1)-(3), 15 U.S.C. §78j(b) and 17 C.F.R. §240.10b-5.

5. Tucker has violated and unless enjoined is likely to continue to violate 15 U.S.C. §77q(a)(1)-(3), 15 U.S.C. §78j(b), 17 C.F.R. §240.10b-5 and 15 U.S.C. §780(a)(1).

6. Quinn and Tucker are liable for the violations of United Energy.

7. The Commission is entitled to an injunction against Quinn and Tucker.

8. The Commission is entitled to disgorgement from Quinn and Tucker.

9. Quinn and Tucker are jointly and severally liable for the disgorgement due from themselves and from United Energy.

10. The Commission is entitled to reserve the issue of civil monetary penalties.

Based on the foregoing undisputed facts and Conclusions of Law,

IT IS ORDERED:

A. Quinn and Tucker, individually and jointly, and their agents, employees, servants, attorneys and all persons in active concert or participation with them who receive actual notice of

this Partial Summary Judgment, by personal service or otherwise, be and hereby are enjoined and restrained from any of the following:

1. violating section 17(a) of the Securities Act of 1933, 15 U.S.C. §77q(a), by, directly or indirectly, in any way in connection with the offer or sale of any security by the use of any means or instrument of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly --

(a) employing any device, scheme or artifice to defraud, or

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

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

including, but not limited to, the offer and/or sale of an investment in a "prime bank" trading program and/or the unfounded promise or representation that repayment of monies previously invested in a "prime bank" trading program is likely to be made;

2. (a) violating section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. §78j(b), by, directly or indirectly, by the use of any means or instrumentality of interstate commerce, of the mails or of any facility of any national securities exchange, using or employing in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered any manipulative or deceptive device or contrivance in contravention or a rule or regulation prescribed by the Securities and Exchange Commission and/or

(b) violating Rule 10b-5 of the Securities and Exchange Commission, 17 C.F.R. §240.10b-5, by, directly or indirectly, by the use of any means or instrumentality of interstate commerce, of the mails or of any facility of any national securities exchange,

(1) employing any device, scheme or artifice to defraud,

(2) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement(s) made, in the light of the circumstances under which were made, not misleading, or

(3) engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person,

including, but not limited to, the offer and/or sale of an investment in a "prime bank" trading program and/or the unfounded promise or representation that repayment of monies previously invested in a "prime bank" trading program is likely to be made; and

B. Tucker and his agents, employees, servants, attorneys and all persons in active concert or participation with him who receive actual notice of this Partial Summary Judgment, by personal service or otherwise, be and hereby are restrained and enjoined from, directly or indirectly, violating section 15(a)(1) of the Securities Exchange Act, 15 U.S.C. §78o(a)(1), by 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' acceptance or commercial bill) unless he i9s associated with a broker or dealer that is registered in accordance with section 15(b) of the Securities Exchange Act, 15 U.S.C. §78o(b).

C. Quinn and Tucker shall make disgorgement to Leland C. de la Garza, as court-appointed agent, the following amounts:

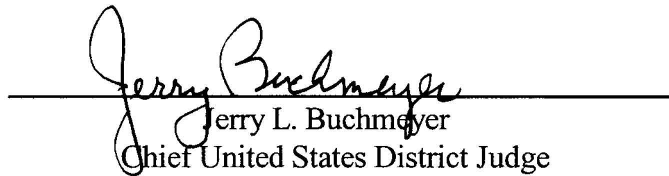
Payor	Amount
Quinn	$7.5 million
Tucker	$7.5 million

together with prejudgment interest and post-judgment interest at the statutory rate provided for in 28 U.S.C. §1961.

D. On proper motion, the Commission, the Commission may seek an award of civil monetary penalties.

E. Based on the Court's express determination that there is no just reason for delay, the Clerk shall enter judgment accordingly.

Dated: 3 June 02



Jerry L. Buchmeyer
Chief United States District Judge