

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

CHRISTOPHER JAMES LOLLAR

Defendant.

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CASE NO.

5:17-cv-1109

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the “Commission”), files this Complaint against Christopher James Lollar (“Lollar” or “Defendant”), respectfully alleging the following:

SUMMARY

1. This is an insider-trading case involving Defendant Christopher James Lollar—a former petroleum engineer at Apache Corporation (“Apache”), a Texas-based energy exploration and development company. Lollar illegally used information learned in the course of his employment to enrich himself by trading ahead of the company’s September 7, 2016 announcement of the discovery of a significant new resource play referred to as the “Alpine High” (the “Alpine High Announcement”). In the days and weeks leading to the Alpine High Announcement, Lollar conducted trades in shares and call option contracts in Apache stock that resulted in total profits of \$214,295.07.

2. From January 2014 through December 2016, Lollar worked as a petroleum engineer in Apache’s San Antonio office, where the geologic and geophysical work to explore and develop the Alpine High was performed. In this capacity, he learned inside information

about the company's intention to announce the Alpine High resource play. After obtaining this material, nonpublic information, Lollar placed, and profited from, illegal trades in shares and call option contracts in Apache stock.

3. By engaging in the conduct described in this Complaint, Lollar violated, and unless enjoined will continue to violate, Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

4. The Commission, in the interest of protecting the securities markets from any further unscrupulous and illegal activity, brings this action against Lollar, seeking permanent injunctive relief, disgorgement of all illicit trading profits he received, plus accrued prejudgment interest, and civil monetary penalties.

JURISDICTION AND VENUE

5. The Commission brings this action under the authority conferred upon it by Sections 21(d) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u-1] to enjoin Defendant from further illegal conduct and to seek the imposition of civil penalties.

6. This Court has jurisdiction over this action under Sections 21A and 27 of the Exchange Act [15 U.S.C. §§ 78u-1 and 78aa].

7. Defendant has, directly or indirectly, made use of the mails and of the means and instrumentalities of interstate commerce or the facilities of a national securities exchange in connection with the acts, transactions, practices, and courses of business described in this Complaint.

8. Venue is proper in this district because certain of the acts, transactions, practices, and courses of business constituting the violations alleged in this Complaint occurred in the Western District of Texas.

DEFENDANT

9. **Christopher J. Lollar**, age 29, resides in Houston, Texas. From January 2014 until June 2017, Lollar was a petroleum engineer for Apache Corporation. From January 2014 through December 2016, he worked in Apache's San Antonio, Texas office. In January 2017, Lollar relocated to Apache's Houston, Texas headquarters where he worked until the company terminated him in June 2017 for breaching its Insider Trading Policy and Code of Business Conduct.

RELATED ENTITY

10. **Apache Corporation**, a Delaware corporation headquartered in Houston, Texas, is an independent energy company that explores for, develops, and produces natural gas, crude oil, and natural gas liquids. At all relevant times, Apache's common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and was quoted on the New York Stock Exchange under the ticker symbol "APA."

STATEMENT OF FACTS

Lollar Joins Apache as a Petroleum Engineer

11. After interning with Apache during the summers of 2012 and 2013, Lollar went to work for the company full-time in January 2014 as a petroleum engineer in the Petroleum Engineering Development Program. At the time he made the illegal trades, Lollar worked in the Unconventional Resource Drilling Department ("URD Department") in Apache's San Antonio office.

12. Upon accepting his internships and full-time position with the company, Lollar acknowledged in writing that he had read, and agreed to abide by, Apache's corporate codes and policies, including its Code of Business Conduct and Insider Trading Policy.

13. Apache's Code of Business Conduct prohibited Lollar from "using corporate property, information or position for personal gain." It also prohibited Lollar from disclosing confidential information and from appropriating such information for his own use.

14. Apache's Insider Trading Policy prohibited Lollar from trading on material, nonpublic information learned through employment with the company. The policy included a non-exhaustive list of the type of information the company considers to be material, including "significant expansion or curtailment of operations" and "significant new services or discoveries." Apache's Insider Trading Policy specifically warned Lollar about trading ahead of import news—like the Alpine High Announcement—cautioning that "[p]erhaps the most dangerous time to engage in a purchase or sale of Apache securities is shortly in advance of a public release of important material information...."

Background on Apache's Decision to Announce the Alpine High

15. From approximately 2014 through mid-2016, Apache worked to develop the Alpine High resource play through extensive geologic and geophysical work, land accumulation, strategic testing and delineation drilling. On July 14, 2016, Apache personnel gave a presentation on the Alpine High to Apache's Board of Directors and certain senior executives (the "Board Presentation"). A group of seven San Antonio-based engineers and geologists who had worked on developing the Alpine High, and with whom Lollar worked, assisted in the preparation of the Board Presentation. It was made clear to the employees working on the Board Presentation that the presentation was confidential. Although Lollar worked with these employees, he did not work on the Board Presentation.

16. After the Board Presentation, Apache made the decision to publicly announce the Alpine High resource play. Between August 25, 2016 and September 2, 2016, Apache drafted a

presented at the 2016 Barclays CEO Energy-Power Conference (the “Barclays Conference”). Certain company executives, outside financial consultants, and employees specializing in public and investor relations were provided drafts of the press release and the Barclays Conference presentation for their review and comment before both were finalized on September 6, 2016.

17. At 6:40 a.m. (ET), before the markets opened on September 7, 2016, Apache made the Alpine High Announcement. In response to the news, Apache’s stock traded as high as \$58.99 per share on September 7, 2016 before closing at \$55.13 per share—an approximately 6.7% increase from the prior day’s closing share price of \$51.67. Trading volume that day also increased dramatically to over 14.5 million shares compared with Apache’s historical average daily volume of approximately 2.7 million shares for the month preceding the Alpine High Announcement.

Lollar’s Illegal Trading in Apache Securities

18. In the days and weeks following Apache’s decision to announce the Alpine High, Lollar traded Apache securities in two brokerage accounts: (1) his Fidelity Roth IRA account ending 9413 (the “Fidelity account”); and (2) his OptionsHouse account ending 0573 (the “OptionsHouse account”).

Trading in the Fidelity Account

19. Lollar opened the Fidelity account on February 24, 2016. There is no evidence that Lollar traded in Apache securities in the Fidelity account prior to August 2016.

20. In August 2016, Lollar sold all of the securities he held in the Fidelity account. He used the proceeds from that sale, and almost all the cash in the account, to purchase a total of 461 shares of Apache common stock on August 18 and 23, 2016, at a total cost of approximately \$24,580.60 (excluding commissions or other transaction fees). He made these purchases after

the Board Presentation and Apache’s decision to publicly announce the Alpine High.

21. On September 9, 2016, two days after the Alpine High Announcement, Lollar sold all 461 shares, resulting in proceeds of approximately \$26,954.67 and a net profit of \$2,374.07.

Trading in the OptionsHouse Account

22. Lollar opened the OptionsHouse account on January 16, 2015. Prior to September 6, 2016, no Apache securities were traded in the OptionsHouse account.

23. On September 1, 2016, in a recorded telephone call to OptionsHouse's customer service department, Lollar expressed concern about a notice he received that a \$5,000 incoming electronic transfer or deposit request (the "Deposit Request") into the OptionsHouse account would not be available until September 8, 2016. Lollar asked that the Deposit Request be cancelled and that a wire transfer be initiated the next day (September 2, 2016) so that the funds would be available immediately for a trade he wanted to make "on [the] open of next week which would be Tuesday, the 7th [of September]."¹ Lollar was told the Deposit Request was still in progress and that there might be a chance it could be cancelled.

24. OptionsHouse did in fact cancel the Deposit Request. OptionsHouse account records reflect that \$5,000 was deposited in Lollar's account on September 2, 2016. An additional \$1,200 was wired into Lollar's OptionsHouse account on September 6, 2016. That same day, Lollar used the wired funds and existing margin funds to purchase 490 Apache call option contracts in the OptionsHouse account at a cost of approximately \$7,275.00.

25. The options had an expiration date of September 9, 2016, and strike prices that varied between \$52.50 and \$53.50. Apache's stock price on September 6, 2016 opened at

¹ On this call, Lollar incorrectly stated that the following Tuesday was September 7th. In fact, he needed the funds available to purchase the three-day options contracts on Tuesday, September 6, 2016, in advance of Apache's Alpine High Announcement, which took place before the markets opened on Wednesday, September 7, 2016. The markets were closed on Monday, September 5, 2016, for the Labor Day holiday.

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\$51.38, had a high of \$52.00 and closed at \$51.67, thus the three-day options were out-of-the-money when Lollar bought them. For Lollar's call options to be in-the-money on September 6, 2016, Apache's closing stock price would have had to have been higher by between \$.84 to \$1.84, or 1.6% and 3.7%, respectively, as summarized below:

Strike Price	No. of Option Contracts	Apache Closing Price on 9/6/2016	Min. Increase in 9/6/16 Close to be in-the-money	% Increase
\$52.50	35	\$51.67	\$.84	1.6%
\$53.00	105	\$51.67	\$1.34	2.6%
\$53.50	350	\$51.67	\$1.84	3.7%

26. As this chart shows, Lollar expected a market moving event to take place in connection with Apache's stock before September 9, 2016. Notably, Apache had no earnings or other announcements scheduled between September 6 and 9, 2016. On September 6, 2016, Apache announced on its Facebook page and LinkedIn account that Apache's CEO would be making a presentation at the Barclays Conference on September 7, 2016, but no specifics were provided about the content of the presentation.

27. On September 7, 2016, later the same day of the Alpine High Announcement, Lollar sold all 490 Apache call option contracts, resulting in total proceeds of approximately \$219,196.00, and profits of approximately \$211,921.00. These profits far exceeded the profits of any of Lollar's other options trading in the OptionsHouse account since its inception in January 2015.

28. Because of the high percentage change in the value of the OptionsHouse account,² OptionsHouse opened its own internal fraud investigation into Lollar's trading in Apache securities on September 8, 2016. OptionsHouse ultimately closed Lollar's account on September 12, 2016, and he was informed of its decision on September 20, 2016.

Summary of Illegal Trading Activity and Profits

29. The following table summarizes Lollar's trading profits in Apache stock and options (excluding commissions and other transaction fees) during the relevant period:

Stock Purchases and Sales (Fidelity Account)						
Trade Date	Buy Quantity (Shares)	Sell Quantity (Shares)	Share Price	Purchase Costs	Sales Proceeds	Profit
8/18/2016	250		\$53.55	\$13,380.15		\$2,374.07
8/23/2016	211		\$53.12	\$11,200.45		
9/9/2016		(461)	\$58.47		\$26,954.67	
TOTAL	461	(461)		\$24,580.60	\$26,954.67	

Call Option Purchases and Sales (OptionsHouse Account)							
Trade Date	Strike Price	Buy Quantity No. of Contracts	Sell Quantity No. of Contracts	Unit Price	Purchase Costs	Sales Proceeds	Profit
9/6/2016	\$52.50	35		\$.29	\$1,015.00		\$211,921.00
9/6/2016	\$53.00	105		\$.18-\$.22	\$2,110.00		
9/6/2016	\$53.50	150		\$.11-\$.13	\$4,150.00		
9/7/2016	\$52.50		(35)	\$4.70		\$16,450.00	
9/7/2016	\$53.00		(105)	\$4.15-\$5.58		\$51,415.00	
9/7/2016	\$53.50		(350)	\$3.27-\$4.80		\$151,331.00	
TOTAL		490	(490)		\$7,275.00	\$219,196.00	

TOTAL COMBINED TRADING PROFITS	\$214,295.07
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Lollar's Inside Information

30. Lollar had ample opportunity to learn inside information about the impending Alpine High Announcement through his work as a petroleum engineer for Apache. At the time

² The value of Lollar's OptionsHouse account increased by approximately 2,700% between September 6, 2016 (account value of \$7,478) and September 7, 2016 (account value of \$212,639.41).

he made the illegal trades, Lollar was working in the URD Department in Apache's San Antonio office where the geologic and geophysical work that went into developing the Alpine High occurred. In this position, Lollar worked alongside the team of engineers and geologists that were actively working on the development of the Alpine High. During the course of his employment, Lollar had regular contact with, and access to, many of the engineers and geologists that assisted in preparing the Board Presentation. He also would have been provided high level information about the development of the Alpine High through staff meetings and daily email reports.

31. In addition to Lollar's suspiciously timed trades and his access to Apache's San Antonio-based URD Department, it is clear that Lollar illegally traded based on material, non-public information because:

a. Lollar liquidated all the securities in his Fidelity account and used the proceeds, along with almost all the available cash in the account, to purchase Apache stock shortly before the Alpine High Announcement;

b. Lollar used almost all of the available funds in his OptionsHouse account to purchase Apache stock options. No other securities were held, acquired, or sold in September 2016 in the OptionsHouse account;

c. Lollar's September 1, 2016 telephone call to OptionsHouse revealed that he was concerned about transferring funds into the OptionsHouse account prior to September 6th so he could purchase the call option contracts before the Alpine High Announcement;

d. Lollar purchased out-of-the-money call option contracts with a three-day expiration period, evidencing a high degree of confidence in the likely outcome of the trade;

e. The accounts in which Lollar made these purchases never maintained a position in Apache securities prior to the subject purchases;

f. When questioned about the trades by Commission staff, Lollar made many statements that were contradicted by information found in the public domain and elsewhere; and

g. Apache terminated Lollar in June 2017 for breaching the company's Insider Trading Policy and Code of Business Conduct.

32. In short, Lollar was willing to liquidate his Fidelity account to purchase Apache stock—which he had never purchased in that account before—and was willing to bet all of the funds in his OptionsHouse account on a rapid increase in the price of Apache stock in just a three-day time frame. He was only willing to make this bet because of the inside information he had obtained—that Apache was about to make a major public announcement about the Alpine High play. He then used that inside information to make illegal insider trades and realized substantial profits as a result.

CLAIMS FOR RELIEF

FIRST CLAIM

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

1. The Commission repeats and incorporates paragraphs 1 through 32 of this Complaint by reference.

2. Defendant, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails has: (a) employed devices, schemes and artifices to defraud; (b) made an untrue statement of a material fact or omitted 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) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

3. Defendant engaged in this conduct intentionally, knowingly or with severe recklessness with respect to the truth.

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

RELIEF REQUESTED

The Commission respectfully requests that this Court:

1) Issue findings of fact and conclusions of law that Defendant committed the violations charged and alleged herein;

2) Enter an order permanently restraining and enjoining Defendant, and, as appropriate, his agents, servants, employees, attorneys and all persons in active concert or participation with him who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 10(b) [15 U.S.C. §§ 78j(b)] of the Exchange Act and Rule 10b-5 [17 C.F.R. §§ 240.10b-5] thereunder in the form of the Final Judgment submitted herewith;

3) Enter an order directing Defendant to disgorge all ill-gotten gains obtained illegally as a result of the violations alleged herein, plus prejudgment interest on that amount, in the form of the Final Judgment submitted herewith;

4) Enter an order directing Defendant to pay civil monetary penalties under Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. § 78u(d)(3) and 78u-1] for his violations of the federal securities laws, in the form of the Final Judgment submitted herewith; and

5) Such further relief in law or equity that this Court may deem just and proper.

Dated: November 1, 2017

Respectfully submitted,

/s/ Tamara F. McCreary

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SECURITIES AND EXCHANGE COMMISSION

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