

SEC's Oil and Gas Investor Fraud Suit 'Overreaches,' Motion Says

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News Story

- Duo allegedly took \$2.7 million in purportedly illicit payments
- SEC has 'fundamental misunderstanding' of facts, defendants say

By Jennifer Bennett

(Bloomberg Law) --

A suit alleging a \$17.4 million fraudulent oil and gas investment scheme “represents an egregious example of SEC and administrative agency overreaching” and should be dismissed, the defendants told a federal court in Texas Thursday.

Paul W. Haarman and Patrick E. Duke [allegedly](#) used APEG Energy GP LLC to convince 115 investors to purchase limited partnership securities and pocketed nearly \$2.7 million for themselves. The Securities and Exchange Commission [complaint](#) suggests “a fundamental misunderstanding of the facts,” the defendants [told](#) the U.S. District Court for the Western District of Texas.

The agency complaint “fails to delineate the specific subsections of the securities laws under which it seeks relief,” according to the motion to dismiss. Even reading it in the light most favorable to the SEC, the agency “has failed to plausibly set forth any viable claims.”

The SEC accuses Haarman and Duke of taking in almost \$2.7 million in purportedly illicit payments. But the agency “incorrectly” asserts that their bonuses and acquisition fees weren’t permitted or disclosed to investors, and the allegations don’t “support a plausible claim for relief under the securities laws,” the defendants said.

The suit “signifies a rush to judgment without concern for” the “consequences of the allegations therein on Haarman and Duke,” who “did nothing wrong,” the motion said.

Ford O’Brien LLP represents the defendants.

The case is [SEC v. Haarman](#), W.D. Tex., No. 1:21-cv-00235, motion to dismiss filed 6/10/21.

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