

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

**SOUTHERN STAR TERRA #1-36 LP
SOUTHERN STAR TERRA #1-36 GP LLC
SOUTHERN STAR TERRA FUND II LP
SOUTHERN STAR RESOURCES LLC
DARIN H. MANGUM**

Respondents.

**STIPULATION AND CONSENT
ORDER**

Docket No. 12-0008
Docket No. 12-0009
Docket No. 12-0010
Docket No. 12-0011
Docket No. 12-0012

The Utah Division of Securities (the Division), by and through its Director of Corporate Finance, Benjamin Johnson, and Southern Star Terra #1-36 LP, Southern Star Terra #1-36 GP LLC, Southern Star Terra Fund II LP, Southern Star Resources LLC, and Darin H. Mangum (Mangum), representing himself and as attorney for Respondents, hereby stipulate and agree as follows:

1. Southern Star Terra #1-36 LP, Southern Star Terra #1-36 GP LLC, Southern Star Terra Fund II LP, Southern Star Resources LLC, and Mangum (Respondents) were the subjects of an

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investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.

2. The Division has now concluded its investigation, and the parties have agreed to completely resolve this matter by way of this Stipulation and Consent Order.
3. By entering into this Stipulation and Consent Order, Respondents waive the filing of an order to show cause and a notice of agency action.
4. Respondents waive any right to a hearing to challenge the Division's evidence, present evidence on their behalf, and any right to appeal.
5. Respondents acknowledge that they have read this Stipulation and Consent Order, understand its contents (and have consulted with an attorney, are satisfied with counsel, or have declined to consult).
6. Respondents further acknowledge that they entered into this Stipulation and Consent Order voluntarily, and that no promises or threats have been made as an inducement for agreeing to its terms.
7. Respondents acknowledge that this Stipulation and Consent Order does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.
8. Respondents admit the jurisdiction of the Division over them, and the subject matter of this action.

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I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

9. Southern Star Terra #1-36 LP (Issuer) is a limited partnership formed under the laws of Oklahoma on January 8, 2010. Its principal place of business is located in Enid, Oklahoma. Issuer is not registered in Utah. Mangum was the initial limited partner of Issuer.
10. Southern Star Terra #1-36 GP LLC (GP) is a limited liability company formed under the laws of Oklahoma on January 8, 2010. GP operates as the managing general partner of the Issuer. Its principal place of business is located in Enid, Oklahoma. GP is not registered in Utah. Mangum is general manager and counsel for GP.
11. Southern Star Terra Fund II LP (Fund II) is a limited partnership formed under the laws of Oklahoma on April 29, 2011. Its principal place of business is located in Provo, Utah. Fund II registered as a foreign limited partnership in Utah on May 11, 2011 and it is currently in good standing with the Utah Division of Corporations.
12. Southern Star Resources LLC (SSR) is a limited liability company that was originally formed under the laws of Oklahoma on January 14, 2010. It later withdrew its registration and re-formed in Oklahoma on April 29, 2011. SSR's principal place of business is located in Provo, Utah. It registered as a foreign business entity in this State on May 11, 2011 and is currently in good standing with the Utah Division of Corporations. SSR is the managing general partner of Fund II.

13. Mangum is a resident of Utah. He currently serves as the general manager and counsel for GP, as well as the initial limited partner of Issuer, and the general manager and counsel for SSR and Fund II.

GENERAL ALLEGATIONS

14. On September 13, 2010, the Issuer made the first sale in its \$2,250,000 offering of limited and/or general partner interests (the Offering), as described in its Confidential Private Placement Memorandum dated September 1, 2010 (PPM).
15. Sometime thereafter, SSR made an electronic copy of the PPM publicly available on its website (www.southernstaroil.com) without password protection or any other form of viewer restriction, and without any limitation or restriction to Utah.¹
- a. The Division obtained a copy of the PPM on SSR's website www.southernstaroil.com on March 16, 2011.²
- b. As of July 5, 2011, the PPM remained publicly available through that website.³
16. On February 25, 2011, the first Utah resident invested in the Offering.
17. On March 1, 2011, the Pennsylvania Securities Commission (PSC) initiated an action against Issuer, GP, and Mangum, in addition to a Texas-based corporation, Energy Exchange Inc. and its president David H. Mangum, and subsequently issued a Summary Order to Cease and

¹ Respondents maintain that they attempted to utilize a password-protected portal page at all times referenced herein at <http://www.southernstaroil.com/operations/index.html> in order to restrict public access to the Issuer's offering materials and that public access to the documents occurred inadvertently.

² See Footnote 1, above.

Desist against those parties, halting the offer and sale of unregistered securities in that state.⁴

18. The Issuer did not update the PPM to disclose the details of the PSC action to the Utah investors.⁵
19. Between April 6, 2011 and April 18, 2011, three more Utah residents invested in the Offering.⁶
20. On August 16, 2011, Mangum prepared a letter to the Issuer's existing partners, which included four Utahns, updating them on the status of the Issuer's operations in Garfield County, Oklahoma. Within the body of the letter, Mangum solicited additional investments in Fund II by extending the deadline for subscription.⁷ The letter was made publicly available on the SSR website (www.southernstaroil.wordpress.com) without password protection or any other form of view restriction, and without any limitation or restriction to Utah.
 - a. On September 16, 2011, the Division obtained the August 16, 2011 letter to investors on the website identified above.

³ See Footnote 1, above.

⁴ A final order has not been issued. Respondents represent that they have negotiated a settlement whereby the PSC's March 1, 2011 Summary Order to Cease and Desist will be prospectively rescinded upon the PSC's acceptance and payment to the PSC of an administrative assessment of \$5,000 and investigative and legal costs of \$2,500.

⁵ Fund II's PPM, dated June 1, 2011, which Respondents represent were delivered to the same Utah investors, disclosed the PSC's action.

⁶ Respondents represent that the Offering was closed on or about May 1, 2011.

⁷ The applicable portion of the letter stated "Thank you to those who have already elected to participate in Southern Star Terra Fund II LP. As a good faith gesture, the Managing General Partner has extended your right to participate in this partnership until 5:00 P.M., Mountain Time, September 16, 2011. Of course, the sooner this second partnership is funded the sooner we can get back into the field to drill another well – something we are very excited

- b. As of October 6, 2011, the August 16, 2011 letter remained publicly available.

II. THE DIVISION'S CONCLUSIONS OF LAW

21. Based on the Division's investigative findings, the Division concludes that:
- a. The Issuer, GP, SSR, and Mangum, individually and collectively, violated the prohibition against general solicitation found in Rule 502(c) of Regulation D by posting the Issuer's PPM on SSR's website.⁸ In accordance with Rule 508(a)(2) of Regulation D, this violation is significant to the offering as a whole and constitutes a loss of the Rule 506 exemption that otherwise qualifies securities as federally covered pursuant to § 61-1-13(1)(n) of the Act. As a result, the sale of the Issuer's securities in the State of Utah constitutes the sale of unregistered securities in violation of § 61-1-7 of the Act.
 - b. The failure to disclose the PSC action against Issuer, GP, and Mangum in an updated PPM to potential investors in Utah constitutes a material misrepresentation of fact in violation of § 61-1-1 of the Act.⁹
 - c. The Issuer, GP, Mangum, SSR, and Fund II, individually and collectively, violated the prohibition against general solicitation found in Rule 502(c) of Regulation D due to the August 16, 2011 letter soliciting investors for the Fund II offering. As a result, the securities in the Fund II offering do not qualify as federally covered in

to do.”

⁸ See Footnote 1, above.

accordance with § 61-1-13(1)(n) of the Act, and the subsequent sale of securities in the state of Utah constitutes the sale of unregistered securities in violation of § 61-1-7 of the Act.

III. REMEDIAL ACTIONS/SANCTIONS

22. Respondents neither admit nor deny the Division's findings and conclusions, but consent to the sanctions below being imposed by the Division.
23. Respondents represent that any information they provided to the Division as part of the Division's investigation of this matter is accurate.
24. Respondents agree to the imposition of an order prohibiting them from any conduct that violates the Act.
25. Pursuant to Utah Code Ann. § 61-1-6(1)(a)(iv) and in consideration of the guidelines set forth in Utah Admin. Code R164-31-1, the Division imposes a fine of \$8,000 upon Respondents, payable in full at the signing of this Stipulation and Consent Order.
26. Respondents agree to cooperate with the Division, the State of Utah, and the Federal Government in any future investigations and/or prosecutions relevant to the matter herein.

IV. FINAL RESOLUTION

27. Respondents acknowledge that this Stipulation and Consent Order, upon approval by the Securities Commission shall be the final compromise and settlement of this matter.

⁹ See Footnote 5, above.

28. Respondents further acknowledge that if the Securities Commission does not accept the terms of the Stipulation and Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
29. Respondents acknowledge that this Stipulation and Consent Order does not affect any civil or arbitration causes of action that third-parties may have against them arising in whole or in part from their actions, and that this Stipulation and Consent Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.
30. This Stipulation and Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Stipulation and Consent Order in any way.

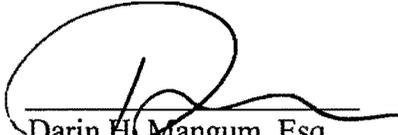
Utah Division of Securities

Darin H. Mangum, on behalf of all Respondents

Date: 1-10-12

Date: 4 Jan 2011

By: 
Benjamin Johnson
Director of Corporate Finance

By: 
Darin H. Mangum, Esq.

Approved:

Date: Jan. 11, 2012

By: 
~~Jeff Buckner~~
Assistant Attorney General



ORDER

IT IS HEREBY ORDERED THAT:

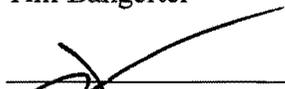
1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Respondents are hereby ordered to comply with the Utah Uniform Securities Act.
3. Division imposes a fine of \$8,000, payable in full at the signing of this Stipulation and Consent Order.
4. Respondents cooperate with the Division in any future investigations.

BY THE UTAH SECURITIES COMMISSION:

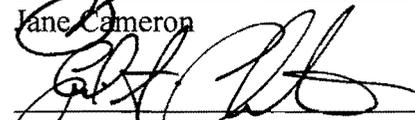
DATED this 26 day of January, 201~~1~~²



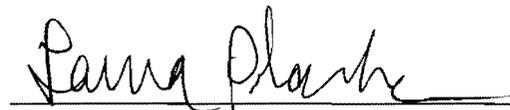
Tim Bangerter



Jane Cameron



Erik Christiansen



Laura Polacheck

Jan Graham



Certificate of Mailing

I certify that on the 11th day of January, 2017², I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Southern Star Terra #1-36 LP
Darin H. Mangum
Vintage II Building, Suite 210
4692 North 300 West
Provo, UT 84604

Certified Mailing # 707 0220 0001 0003 5670

Julio Ruiz