
THE UNITED STATES ATTORNEY'S OFFICE
NORTHERN DISTRICT *of* TEXAS

[U.S. Attorneys](#) » [Northern District of Texas](#) » [News](#)

Department of Justice

U.S. Attorney's Office

Northern District of Texas

FOR IMMEDIATE RELEASE

Tuesday, October 23, 2018

Oil-and-Gas Businessman Pleads Guilty to Defrauding Investors out of Millions

Texas oil-and-gas mogul Christopher A. Faulkner has pleaded guilty to securities fraud, engaging in illegal monetary transactions, and tax evasion, U.S. Attorney for the Northern District of Texas Erin Nealy Cox announced today.

A frequent media commentator and self-proclaimed "frack master," Faulkner, 41, admits he bilked investors out of millions of dollars and concealed millions more from the IRS.

According to documents unsealed today, from 2011 to 2016, Faulkner raised more than \$71 million from working interest investors, who took on a fixed portion of projected drilling costs in exchange for a share in his oil and gas profits.

But in marketing materials distributed to these investors, Faulkner inflated the estimated drilling cost by as much as 800 percent, allowing his three companies – Breitting Energy Corp., Crude Energy, LLC and Patriot Energy, Inc. – to pocket the difference between his projections and the actual cost of the wells.

He also gave would-be investors a "Geology Report," ostensibly prepared by an independent expert, estimating future production for each well. Unbeknownst to them, the report was generated by a geologist on Faulkner's payroll, and consistently overstated the wells' potential.

Faulkner routinely oversold shares, then transferred investment funds into comingled accounts, despite promising investors their money would be deposited in a segregated bank account used only to pay for drilling activities.

Over a five-year period, he admits, he diverted approximately \$23 million for his own personal benefit, shelling out hundreds of thousands of dollars at a time for luxury travel, professional concierge services, maintenance of multiple residences, and at least seven vehicles, including an Aston Martin, a Bentley, and a Mercedes Benz. During that time, his companies paid out just \$6.2 million to investors, according to the criminal complaint filed in June.

"As Mr. Faulkner continued to deceive his investors about drilling expenses and potential oil well output, he spent *their* millions of investment dollars on *his* lavish lifestyle," said Nealy Cox. "Let this case send a message that this type of egregious investor fraud will be prosecuted to the fullest extent of the law."

In 2014, Faulkner says, he concealed at least \$4.5 million in taxable income from the federal government, failing to file a return or pay income tax.

Following an FBI raid on his offices in Dallas in April 2016, Faulkner was arrested in June 2018 at the Los Angeles International Airport, and later transported to Texas. He is currently in federal custody at FCI Seagoville, and now faces 12 years in prison and \$350,000 in fines. According to the terms of his plea agreement, he will be required to pay restitution to those he defrauded.

Faulkner's guilty plea comes on the heels of a [civil settlement](#) with the Securities & Exchange Commission (SEC), which filed a complaint in June 2016 alleging multiple violations of federal securities laws. Faulkner's settlement with the SEC, which is subject to court approval, orders him to disgorge \$23.8 million; permanently enjoins him from violating, among other things, the antifraud provisions of the federal securities laws and from participating in any unregistered securities transactions; and bars him from serving as an officer or director of any SEC-reporting company and from participating in any offering of a penny stock.

The Internal Revenue Service – Criminal Division, Federal Bureau of Investigation, and U.S. Postal Inspection Service conducted the criminal investigation; Assistant U.S. Attorneys Christopher Stokes, Katherine Miller, and Mark Tindall prosecuted the criminal case.

Topic(s):
Financial Fraud

Component(s):

USAO - Texas, Northern

Contact:

Erin Dooley, Public Affairs Officer

214-659-8707

erin.dooley@usdoj.gov

Updated October 23, 2018