



COMMONWEALTH OF KENTUCKY  
PUBLIC PROTECTION CABINET  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES  
ADMINISTRATIVE ACTION NO. 2022-AH-00013

**Department of Financial Institutions,**

**Plaintiff;**

v.

**Nicholas Bures a/k/a Dean Knight**

and

**Magna Bures Oil LLC;**

**Respondents.**

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**FINAL ORDER OF DEFAULT**

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The Department of Financial Institutions (the “Department”), pursuant to Kentucky Revised Statutes (“KRS”) 292.470, KRS 292.500, and 808 Kentucky Administrative Regulations (“KAR”) 10:225, by counsel, enters this **Final Order of Default** against Respondent Magna Bures Oil LLC. In support, the Department states as follows:

**PARTIES**

1. The Department is responsible for administering the provisions of KRS Chapter 292, the Securities Act of Kentucky (“the Act”), as well as any applicable rules, regulations, and orders entered pursuant to the Act.

2. Nicholas Bures a/k/a Dean Knight is a Kentucky resident with a last-known address of 5448 State Route 69 South, Centertown, Kentucky 42328. Bures changed his name from Dean Knight to Nicholas Bures on or about April 26, 2018 by order of the Ohio District Court.<sup>1</sup> Prior to entry of that name-change order, “Dean Knight” was named as CFO and

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<sup>1</sup> Bures is referred to as Bures throughout this Order of Default, except where his use of the name Dean Knight is relevant for the factual record. Bures and Knight are the same person.

registered agent of Magna Bures Oil LLC in Kentucky. “Nicholas Bures” was named as CEO and that company’s sole representative (secretary, officer, director, or manager). Bures is a convicted felon who was found guilty between 2002 and 2010 (under the name Dean Knight) of twenty-one counts of theft by deception and four federal counts of wire fraud and mail fraud.

3. Magna Bures Oil LLC (“Magna Bures Oil”) is a Wyoming limited liability company, with a principal office listed with the Kentucky Secretary of State at 30 North Gould, Sheridan, Wyoming 82801, and a Kentucky registered agent of Steven Bures, 360 Salmon Blackjack Road, Bowling Green, Kentucky 42101. In Wyoming, Magna Bures Oil lists a principal office address and mailing address of 1309 Coffeen Avenue Suite 1200, Sheridan, Wyoming 82801, and a registered agent of Cloud Peak Law, LLC, 1095 Sugar View Drive Suite 500, Sheridan, Wyoming 82801, Magna Bures Oil is listed by each of the Kentucky and Wyoming Secretaries of State as inactive and in bad or delinquent standing for failure to timely file an annual report.

### **SERVICE OF ADMINISTRATIVE COMPLAINT**

4. On July 28, 2022, the Department filed an Administrative Complaint in the above-styled action against Bures and Magna Bures Oil, based on the facts described herein, alleging numerous violations of the Act by Respondents.

5. On July 29, 2022, the Department mailed a copy of that Administrative Complaint via certified mail, return receipt requested, to Magna Bures Oil’s listed registered agent for service of process with the Wyoming Secretary of State, Nicholas Bures, 30 North Gould, Sheridan, Wyoming 82801. The Department received a returned receipt indicating the mailing was received by Magna Bures Oil’s registered agent at that address on August 2, 2022.<sup>2</sup>

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<sup>2</sup> Aug. 2, 2022 Certified Mail Return Receipt, attached hereto as Exhibit 1.

6. An extensive notice in plain language was appended to the Administrative Complaint, conforming to the requirements of KRS 13B.050(3).

7. Under 808 KAR 10:225, Magna Bures Oil was required to file an answer responding to each allegation within twenty days of service of the Administrative Complaint and to request an administrative hearing if they desired one. The Department never received an answer or a request for a hearing from Magna Bures Oil.

8. Under Kentucky Rules of Civil Procedure 4.04(5) and (8), the Administrative Complaint was successfully served on Magna Bures Oil by delivery via certified mail to the company's registered agent for service of process in Wyoming.

9. As Magna Bures Oil failed to answer or to request a hearing within twenty days of service of the Administrative Complaint, this Final Order of Default is appropriate.

### **STATEMENT OF FACTS**

10. On August 13, 2020, the Department received a referral from the Wisconsin Department of Financial Institutions ("Wisconsin DFI") concerning that agency's preliminary investigation into Respondents. Subsequently, the Department conducted its own investigation, learning of the facts and circumstances described herein.

#### **I. J.U. Case**

11. On September 20, 2018, J.U.,<sup>3</sup> a Wisconsin resident, emailed a complaint to the Wisconsin Department of Agriculture, Trade and Consumer Protection's Bureau of Consumer Protection. J.U.'s case was referred to the Wisconsin DFI, whose staff interviewed J.U. on November 8, 2018.

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<sup>3</sup> Initials are used herein for the names of complainant investors.

12. J.U. told Wisconsin DFI that he learned of Magna Bures Oil through the website of Angel Investment Network ([www.angelinvestmentnetwork.us](http://www.angelinvestmentnetwork.us)), a site purporting to connect private investors with businesses with investment opportunities. J.U. contacted Bures through messages on the site. J.U. then provided Bures his contact information and the two began conversing via phone.

13. On April 11, 2018, J.U. began receiving text messages from a phone number, (xxx) xxx-8409,<sup>4</sup> purporting to be from “Nick from Magna Bures.” Subscriber records provided to Wisconsin DFI by AT&T indicate that “Magna Bures” was the user and contact name for that phone number, that Dean Knight was the financially liable and billing party associated with that phone number, and that the bill for that phone number had been paid with a credit card issued to Dean Knight.

14. Via text message, Bures invited J.U. to visit an oil well in Bowling Green, Kentucky and assess the legitimacy of Magna Bures Oil’s operations.

15. On April 11, 2018, Bures sent J.U. a link to a “Turnkey Participation Agreement” along with wire-transfer instructions. That Turnkey Participation Agreement stated that, in return for an investment of \$30,000, J.U. would receive 16.5% working interest ownership and 12.5% net revenue ownership in two oil wells to be drilled in Bowling Green, Kentucky.

16. The Turnkey Participation Agreement did not define “working interest ownership” or “net revenue ownership.” “Working interest” has been defined as “[t]he operating interest under an oil and gas lease,” where “[t]he owner of the working interest has the exclusive right to exploit the minerals on the land.”<sup>5</sup> “Net revenue interest” has been defined as “a share of

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<sup>4</sup> The full phone number is redacted herein.

<sup>5</sup> *Minex Res., Inc. v. Morland*, 467 N.W.2d 691, 696 n.3 (N.D. 1991) (citing 8 H. Williams and C. Meyers, *Oil and Gas Law Manual of Oil and Gas Terms*, at pp. 1086–1087 (1987)).

the working interest not required to contribute to, nor liable for, any portion of the expense of drilling and completing the initial well on the premises.”<sup>6</sup>

17. J.U. inquired of Bures concerning investing in the purchasing and reworking of three oil wells Bures deemed to have been abandoned and representing a speculative endeavor.

18. Text messages between J.U. and Bures indicate that Bures told J.U. the wells he financed would be drilled next, and that Bures promised J.U. a retirement income stream from his investment in oil wells with Magna Bures Oil. Those messages state, in relevant part:

April 11, 2018 10:47 A.M.	From: J.U. To: (xxx) xxx-8409	If it works out the way I hope I'll start sticking every time I have in it
April 11, 2018 3:58 P.M.	From: J.U. To: (xxx) xxx-8409	Alright we'll just bring the biggest drill and lots of barrels I plan on striking it rich
April 11, 2018 3:58 P.M.	From: J.U. To: (xxx) xxx-8409	; )
April 11, 2018 4:26 P.M.	From: (xxx) xxx-8409 To: J.U.	Like that
April 11, 2018 5:20 P.M.	From: J.U. To: (xxx) xxx-8409	Well trust me I'll put 30,000 in on this one you guys strike it and start making me money I'll buy another well right away my own and if that one pays off I'll buy two more
April 11, 2018 5:21 P.M.	From: J.U. To: (xxx) xxx-8409	What about natural gas you guys got anything with that
April 11, 2018 5:21 P.M.	From: (xxx) xxx-8409 To: J.U.	Then let's do it. We will be drilling yours next... nothing with natural gas here, no pipelines
April 11, 2018	From: (xxx) xxx-8409	Welcome aboard!!!

<sup>6</sup> *Id.* at 695 n.2 (citing 8 H. Williams and C. Meyers, Oil and Gas Law Manual of Oil and Gas Terms, at pp. 601–602).

5:25 P.M.	To: J.U.	
April 11, 2018 5:25 P.M.	From: J.U. To: (xxx) xxx-8409	Thanks happy to be here hopefully I finally found something that can give me a retirement
April 11, 2018 5:26 P.M.	From: (xxx) xxx-8409 To: J.U.	It will
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April 13, 2018 12:57 P.M.	From: J.U. To: (xxx) xxx-8409	I'm sure if I strike it rich some girl will want to marry me again lol
April 13, 2018 1:01 P.M.	From: (xxx) xxx-8409 To: J.U.	Guaranteed!!
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April 14, 2018 1:30 P.M.	From: J.U. To: (xxx) xxx-8409	Well I'll tell you one thing it's got to be better than fixing cars cuz because that is a real pain in my ass
April 14, 2018 1:31 P.M.	From: J.U. To: (xxx) xxx-8409	In fact can you believe that after 30 years of fixing cars I still don't like it :-)
April 14, 2018 1:32 P.M.	From: (xxx) xxx-8409 To: J.U.	Well you could buy 3 wells for 41k and put 5k more into it and make about 30% a year.
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April 14, 2018 1:55 P.M.	From: J.U. To: (xxx) xxx-8409	Well I can tell you one thing I sure hope I make a profit on this because if I do I have no problem sticking it right back into the company and try to make money for all of us because I can tell you one thing the mechanic business isn't it
April 14, 2018 2:20 P.M.	From: (xxx) xxx-8409 To: J.U.	Your going to be happy
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April 16, 2018 8:39 A.M.	From: (xxx) xxx-8409 To: J.U.	Sorry my phone crashed during our talk. Fixing up those wells is risky, but if it works they can be a solid return
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May 7, 2018 1:31 P.M.	From: J.U. To: (xxx) xxx-8409	I was wondering for the 44,000 youth [sic] said I get three Wells?
May 7, 2018 1:32 P.M.	From: (xxx) xxx-8409 To: J.U.	Tried calling back...but yes you get all 3 wells
May 7, 2018 8:44 P.M.	From: J.U. To: (xxx) xxx-8409	Let me run this by you. I like the three well idea however I'm just finding it hard to believe that some lady would give up money when she doesn't even have to do anything. I mean if the wells are producing and she doesn't have to do anything except for go to the mailbox once a month and get a check why would anyone in their right mind not just let him do whatever he needs to do to keep them running? I want to believe you and him but in the back of my mind something just doesn't seem right. [ . . . ]
May 7, 2018 10:26 P.M.	From: (xxx) xxx-8409 To: J.U.	[ . . . ] But you have way over thought this. The lady who owns these is also selling her home, her land, her auto etc and is moving to a retirement facility. It's not a home, but she is liquidating EVERYTHING she has to supplement her needs and pay for her housing. Plus she is 80 years old and in poor health. She doesn't need a yearly income stream, she needs immediate liquid cash. [ . . . ]

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May 9, 2018 9:52 A.M.	From: J.U. To: (xxx) xxx-8409	I'll just be happy if I can actually make a profit. I need an investment that actually pays and I can stop wrenching
May 9, 2018 9:52 A.M.	From: (xxx) xxx-8409 To: J.U.	Well you have 2 now

19. J.U. told Wisconsin DFI examiners he specifically recalled Bures verbally promising J.U. that J.U. would receive a share of \$8,000 monthly income from the wells to be developed under the Turnkey Participation Agreement.

20. On April 13, 2018, J.U. and Bures signed the Turnkey Participation Agreement.

21. On April 18, 2018, J.U. wired \$30,000 in satisfaction of the Turnkey Participation Agreement from his business's bank account to an account at Old National Bank ending in 9382. Records provided by Old National Bank to Wisconsin DFI indicate that account was opened in the name of "Magna Bures," and that Dean Knight and his wife Christina Knight were authorized signatories on that account.

22. The Turnkey Participation Agreement included a representation that J.U. was "an accredited investor within the meaning of the Securities Exchange Act of 1934<sup>7</sup> or ha[d] extensive knowledge of the oil and gas development industry and ha[d] participated in programs of this nature in the past." J.U., in his interview with Wisconsin DFI, disclaimed that he had any such knowledge and that he had sufficient income or net worth to qualify as an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933.<sup>8</sup>

23. On April 14, 2018, J.U. texted Bures concerning a representation of an investment opportunity with Magna Bures in purchasing and reworking existing oil wells.

24. On May 3, 2018, Bures sent an email to J.U. from inquire@magnaburesoil.com, stating:

OK, if you are serious about making money in oil you need new drills and producing wells to complete an oil portfolio. The program I attached is going to be gobbled up by a "Big Boy" very quickly. I'm not putting it on the open market until you take a look at it. It an automatic 30 to 40% yearly return as it sits with no work. You add a little work, 5k or less, it would increase. Look it over, and let me know your questions and i'll answer them asap. Need to move on this if you really want it, and I would if I were you. Hint hint.

Nicholas Bures  
CEO

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<sup>7</sup> The term "accredited investor" is not addressed within that statute or the regulations promulgated thereunder, but is within the regulations promulgated under the Securities Act of 1933.

<sup>8</sup> "Accredited investors" are, *inter alia*, individuals with a net worth over \$1,000,000 or annual income over \$200,000 in each of the two most recent years. 17 C.F.R. § 230.501(a).



Magna Bures Oil  
(307) 224-6422

25. On May 6, 2018, J.U. and his wife drove from Wisconsin to Bowling Green, Kentucky to meet with Bures and tour the location where Bures represented they would be drilling wells with J.U.'s investment. J.U. told Wisconsin DFI that they met a man who identified himself as Bures and followed him to an oil-well site where Bures explained what was being done at the site.

26. On May 9, 2018, Bures emailed J.U. from inquire@magnaburesoil.com, attaching a "Purchase Agreement," under the terms of which a "Purchasing Party" would pay a sum of money, which was blank in the attachment, "for the rework of three oil wells, located on Morgantown Road, Bowling Green Kentucky." The "Purchasing Party" would pay a \$300 monthly maintenance fee, and "[a]ny and all sales of oil from these wells [would] be applied to the total purchase price of \$43,000 once purchaser ha[d] completed maintenance. Once the seller receive[d] the total of \$43,000 from the sale of oil the wells listed [would] become the property of the purchaser."

27. The Purchase Agreement stated that "any transfer of ownership may be subject to compliance with the requirements of applicable state and federal securities laws."

28. Bures included wire-transfer instructions with his email and instructed J.U. to send \$25,000 in satisfaction of the Purchase Agreement.

29. J.U. recalled to Wisconsin DFI examiners that he signed the Purchase Agreement and sent it to Bures, but did not retain a copy for himself and was never sent a countersigned copy in return.

30. On May 9, 2018, J.U. wired \$24,000 to the account at Old National Bank ending in 9382, representing to Bures in a text message that he “only had 24,000 to transfer so that’s the best [he] could do on short notice.”

31. J.U. inquired persistently of Bures regarding the status of the wells J.U. expected Magna Bures Oil to drill under the Turnkey Participation Agreement. J.U. perceived that Bures kept giving him excuses why work was not being done — including that it was too hot, or that it had been raining.

32. On May 17, 2018, J.U. texted Bures saying “You know I’m really starting to question your company’s integrity. . . . In fact at this point I think I would rather just have a refund before you do anything.”

33. J.U. believed Bures attempted to dissuade him from withdrawing his investment by encouraging him to sign up for text alerts about the status of the projects in which he had supposedly invested.

34. Over a course of months, J.U. persisted in trying to get Bures and Magna Bures Oil to refund his investments. On August 16, 2018, Bures represented to J.U. in a text message both that the funds had been refunded and a check mailed, and that “[t]he well was drilled and hit oil just like we said.” However, J.U. never received any refund of his investments from Bures or Magna Bures Oil, nor any profits from the sale of oil.

35. Records provided by Old National Bank to Wisconsin DFI indicate that, on the same days that J.U.’s \$30,000 and \$24,000 wire transfers for investment purposes were received into the Magna Bures Oil checking account controlled by Bures, those same amounts were transferred out to a separate Old National account ending in 7208 and comingled with the funds in that account.

36. Old National Bank records indicate the account ending in 7208 account was opened in the name of “Magna Bures,” and that Dean Knight and his wife Christina Knight were authorized signatories on that account.

37. Payments made out of the account ending in 7208 after J.U.’s investment funds were transferred into that account, according to Old National Bank records, include \$14,446.82 paid by check to Ma’s Restaurant Equipment, with “Equipment” in the check memo line, and at least \$13,980 to Miller Excavation and Kenny Smith across various checks with “Restaurant” or “Restaurant Work” in the check memo lines.

38. Old National Bank records indicate that Dean Knight and Christina Knight are also authorized signatories on an account ending in 103229393 in the name of “Sorehead Station Burgers & More” of Hartford, Kentucky. Checks were drawn against that same account in June 2018 to “Johnny Miller/Miller Excavating” with “Rest. Contract work” in the check memo line, to “Hartford Building Supply” with “Restaurant Equipment” in the check memo line, and to “Stephen Edge” with “Restaurant Payment” in the check memo line.

39. A review of the Department’s records revealed that neither Bures, as an agent of issuer Magna Bures Oil, nor the above-referenced securities that Respondents offered J.U., were registered with the Department as required under the Act, nor have the Respondents filed any claim of exemption from registration with the Department.

## **II. T.S. Case**

40. As part of its investigation into Respondents, in an attempt to identify other affected investors, the Department sent a questionnaire to individuals known to have made funds transfers into the Old National Bank accounts.

41. T.S. responded to the Department's investor questionnaire. Documents provided by T.S. to the Department supplemented the Department's investigation.

42. T.S. is a Pennsylvania resident.

43. T.S. indicated in the completed investor questionnaire that he heard about Magna Bures Oil from LinkedIn posts.

44. On September 28, 2018, T.S. emailed inquire@magnaburesoil.com in response to a post by Magna Bures Oil seeking \$100,000 of outside investment to drill an oil well in November 2018. T.S. inquired "why this well [would] cost \$100k and most seem to be \$75k."

45. On September 28, 2018, Bures emailed T.S. from the inquire@magnabures.com address indicating to T.S. that the well would be "deeper" and require "some extra dozer work," and offering to call T.S. that night.

46. On October 3, 2018, Bures, from the same phone number ending in 8409, texted T.S., saying: "Hey [ . . . ] quick question, were you thinking of doing this November drill? And if so were you firm on 10k or could you swing 15k to close this out?" T.S. responded "10k please," and provided his email address.

47. On October 4, 2018, Bures emailed T.S. indicating he was "meeting at 11am CST with the drillers to schedule a spud date," and expressing hope that T.S. could "get the contract to [Bures] tonight and wire the funds to us before 11am."

48. On October 5, 2018, T.S. and Bures, signing for "Magna Bures Oil LLC," executed a written "Partnership Agreement."

49. The Partnership Agreement provided that T.S. would "fund the amount of \$10,000 to the drilling completions, and equipping of one (1) oil well" "on the Tittle Lease, located at 6275 Apple Valley Road Bowling Green Kentucky 42101."

50. The Partnership Agreement provided that T.S. “will have recorded with the State of Kentucky and Sunoco Oil a 10% Working Interest and a 8.5% Net Revenue Interest in the well to be drilled.”

51. Respondents provided T.S. an investment prospectus titled “Project TITTLE 2018,” describing a “target location” “in the Illinois Basin . . . in Warren County Kentucky, Apple Alley Road Bowling Green area and located around GPS location 37.359635 at 87.03109.” Those GPS coordinates are actually located in Muhlenberg County, away from Bowling Green, Kentucky.

52. The prospectus claimed “estimates,” or “best guess basis,” of a production of five barrels of oil a day worth a claimed \$10,500 per month, representing a 99% yearly return on investment, or ten barrels a day totaling \$21,000 per month, representing a 199% yearly return on investment.

53. The prospectus claimed Sunoco Oil established a contract for sale of all crude oil generated from each well drilled.

54. On October 5, 2018, T.S. wired \$10,000 in satisfaction of the Partnership Agreement from his bank account to an account at Old National Bank ending in 0346. Records provided by Old National Bank to Wisconsin DFI indicate that account was opened in the name of “Magna Bures,” and that Dean Knight and his wife Christina Knight were authorized signatories on that account.

55. The account ending in 0346 had only been opened on August 8, 2018. A substantial amount of T.S.’s \$10,000 wire transfer was used to cover a preexisting overdraft on the account Bures had caused by writing a bad check from “MBO LLC” to “Magna Bures” for \$5,950, with the memo line “Final Payment.”

56. On October 3, 2018, Bures, under the name Dean Knight, transferred \$3,965 in cash from that account to an account ending in 6335 opened in the names of Dean and Christina Knight, with a description line: “transfer to Acct [ \* \* \* ]6335<sup>9</sup> per Heather from fraud.” Account statements provided by Old National Bank to Wisconsin DFI indicate a “customer withdrawal” of \$3,723 was made out of the account ending in 6335 on October 9, 2018. On October 12, 2018, both the account ending in 0346 and the account ending in 6335 were closed.

57. On October 15, 2018, Bures emailed T.S. “on behalf of Magna Bures Oil LLC,” with the subject line “100% Return in 90 days,” soliciting T.S. to make a \$100,000 “bridge loan” for “a company from Canada . . . to begin a new program as an automotive manufacturer,” ensuring the company was “willing to return \$200,000 within 90 days.”

58. On October 16, 2018, Bures emailed T.S. offering an “End of Year Oil Deal,” seeking investment of \$48,000 to drill a new oil well to be “[d]rilled and completed by Christmas.”

59. On November 2, 2018, Bures texted T.S. from the phone number ending in 8409, stating: “We hit oil at 1108 feet with a 8 foot pay zone and 28% porosity,” and “We have a guy that didn’t come through with his money, he owes about 20k. Not asking for that, but if you want to double down since now it’s a for sure thing its on the table, or even just 5k. Offering it to partners first! Let me know asap.” In follow-up texts Bures said he would have to know from T.S. “[t]oday if possible,” describing the “deal” as “a no brainer, the more you can do the better, it’s free flowing.”

60. On November 30, 2018, Bures again solicited a further investment from T.S., texting from the phone number ending in 8409: “Hey this is Nick, look you got a good well here. We are 100% going to drill the sister well before the end of December, you took the risk with the

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<sup>9</sup> The full account number is redacted herein.

wildcat, it's crazy not to benefit in the 2nd well. We have 10k left to get in 2nd well. I'm not saying do all 10k unless you want to, but do something. It's crazy for you not to benefit from your risks and have other people profit from it. Let me know."

61. On December 18, 2018, Bures "on behalf of Magna Bures Oil LLC" emailed T.S. with the subject line "We have Cannabis Deal," writing: "In 2019 we will become Magna Bures LLC and will be opening 12 Cannabis retail locations in Canada and the United States. We are looking for a group of investors who can put a 6k investment into the development of this project. Need to be able to move regardless of Holidays. Very lucrative ground floor opportunity." "Magna Bures LLC" was never registered in Wyoming or Kentucky.

62. In response to the investor questionnaire, T.S. emailed the Department, writing: "I realized this was a scam when he sent pictures of the well they just "hit oil" in November in Kentucky and the trees all had their full green leaves in the pictures."

63. To date, T.S. has received no income from his \$10,000 investment in an oil well with Magna Bures Oil, nor any refund of his investment principal.

### **III. S.B. Case**

64. S.B. also responded to the Department's investor questionnaire. Documents provided by S.B. to the Department supplemented the Department's investigation.

65. S.B. is a resident of Modena, Italy.

66. It is not evident from S.B.'s response to the Department when or how S.B. first heard of Magna Bures Oil.

67. S.B. provided to the Department the first and last pages of a "Turnkey Participation Agreement," executed by S.B. on March 23, 2018, which appears to be substantially similar to that executed by J.U., including the same number of paragraphs and all the same verbiage on each of

the two provided pages, but with a \$10,000 investment penciled in, and blanks left for a percentage of working interest and a percentage of net revenue interest.

68. Records provided by Old National Bank to Wisconsin DFI indicate that S.B. made a wire transfer of \$6,000 on March 26, 2018 to the same Old National Bank account to which J.U.'s wire transfers had been directed — an Old National Bank account ending in 9382, opened in the name of “Magna Bures,” with Dean Knight and his wife Christina Knight as authorized signatories.

69. S.B.'s \$6,000 wire transfer was transferred out of that account, in full, the next day to an Old National Bank checking account ending in 7208.

70. Records provided by Old National Bank to Wisconsin DFI indicate that S.B. made a second wire transfer of \$4,000 on April 9, 2018 to the Old National Bank account ending in 9382 — together with the initial \$6,000 wire transfer, reflecting a \$10,000 investment with Magna Bures Oil.

71. Old National Bank charged a \$16 wire-transfer fee to the account ending in 9382. Immediately thereafter, on the same day as the transfer was received in the account, \$500 was transferred to the Old National Bank account ending in 6335 to which T.S.'s funds had been directed, and the remaining \$3,484 was transferred to the Old National Bank account ending in 7208 to which S.B.'s first \$6,000 had been directed.

72. On April 18, 2018, Bures emailed S.B., writing:

We hit the second well at a deeper formation, making both wells successful. They will be on pump by next week. You are going to be getting a nice sum return on your money over the years... so congratulations!

Now you have gotten a taste of the oil business I want to discuss you making a serious play on the next well. The cost of the well is \$85,000 which I would suggest you take this ownership 100%, because the location of the well is supported by the information we got



on the geology of the area from these 2 wells. We believe it is going to be a major hit. That is why I believe you should pull the trigger on this one and take the whole thing. We can drill it within 1 week of funding, then you will see the returns you expect from such a drill. 75% of all net money from the drill will go to you. If we hit only 8 barrels a day you could see in excess of \$142,000 per year in returns for over 5 years from your \$85,000 investment.

If this is not in your range, but I think it is, we have a gentleman who wants to partner with someone, he has \$30,000 of the \$85,000. But as I stated, if the funds are available you don't want to give this to anyone else.

S.B. did not make a further investment.

73. On May 9, 2018, Bures emailed S.B. to say, "All wells are pumping and production looks good. New division orders will be sent from Sunoco to you in the next few days. Another matter, the gentleman who is getting together funds for the next drill is ready. He was wanting to know if he could count on you for 20k? They want to drill mid May early June."

74. On June 20, 2018, inquire@magnaburesoil.com sent S.B. an email, purporting to be from "Dante Phillips, CEO, Magna Bures Oil," attaching a National Association of Division Order Analysts Model Form Division Order and asking S.B. to fill out his "company/personal information" and allow Magna Bures Oil to "fill in permit numbers, locations, and ownership %."

75. From May 17, 2018 through November 29, 2018, S.B. persistently emailed Bures requesting information on his expected income. Bures made consistent excuses including blaming holidays, his own travel, and Sunoco.

76. On August 7 and August 9, 2018, Bures requested S.B. email Magna Bures Oil a letter authorizing Magna Bures Oil to act on S.B.'s behalf, "for Sunoco," claiming "[i]t would be much easier if [Magna Bures Oil] were [S.B.'s] agent in this, had funds directed to [their] business office, and then forwarded to [S.B.]" S.B. provided Magna Bures Oil a letter, with bank details,

authorizing Magna Bures Oil “to act on my behalf as agent to collect dividends and royalties from oil production of the well I partially own.”

77. To date, S.B. has received no income from his \$10,000 investment in an oil well with Magna Bures Oil, nor any refund of his investment principal.

### **STATUTORY AUTHORITY**

78. KRS 292.310(1) defines an “agent” as “any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities.”

79. KRS 292.310(6) defines “covered security” as “any security that is or upon completion of a transaction will be a covered security under Section 18(b) of the Securities Act of 1933, 15 U.S.C. sec. 77r(b), or rules or regulations promulgated thereunder.” Generally, “[a] ‘covered security’ is one traded nationally and listed on a regulated national exchange.”<sup>10</sup>

80. KRS 292.310(13) defines an “issuer,” “with respect to fractional undivided interests in oil, gas, or other mineral rights,” as “the owner of any such right or of an interest in such right, whether whole or fractional, who creates fractional interests therein for the purpose of distribution.”

81. KRS 292.310(19) defines a “security,” in relevant part, as:

any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, life settlement investment, voting-trust certificate, certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; or, in general, any interest or instrument commonly known as a “security[.]”

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<sup>10</sup> 15 U.S.C.A. § 77r(b); Merrill Lynch, Pierce, Fenner & Smith Inc. v. Dabit, 547 U.S. 71, 83 and n.9 (2006) (citing 15 U.S.C.A. § 77r(b)).

82. KRS 292.320 states, in pertinent part,

(1) It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:

- (a) To employ any device, scheme, or artifice to defraud;
- (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or
- (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

83. KRS 292.330 states, in pertinent part,

(3) It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter as an agent or is exempt from registration under subsection (4) of this section. . . .

(7) It is unlawful for a broker-dealer or an issuer to employ or associate with an agent unless the agent is registered under this chapter or exempt from registration.

84. KRS 292.340 states, “It is unlawful for any person to offer or sell any security in this state, unless the security is registered under this chapter, or the security or transaction is exempt under this chapter, or the security is a covered security.”

85. KRS 292.470 states, in pertinent part,

Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order under this chapter, the commissioner may in his or her discretion bring any or all of the following remedies: . . .

- (3) Issue a final order, after notice and an opportunity for a hearing, containing findings of fact and conclusions of law, directing any person or persons found to have engaged in, or

about to be engaged in, activity that constitutes a violation of this chapter or any rule or order under this chapter:

- (a) To cease and desist from the activity;
- (b) To perform any other reasonable mandates directed by the commissioner pursuant to an appropriate remedy fashioned by the commissioner and reasonably calculated to carry out the provisions of this chapter; or
- (c) To pay fines assessed under KRS 292.500(14) and costs assessed under KRS 292.500(15).

86. KRS 292.500(14) states, in pertinent part,

The commissioner may impose civil fines against any person who violates any provision of this chapter or any rule or order or voluntary agreement entered into under this chapter. The fine shall not exceed twenty thousand dollars (\$20,000) per violation[.] . . . Each act or transaction which violates this chapter or administrative regulation, or orders or agreements entered into under this chapter, shall constitute a separate violation.

#### **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

87. Respondents offered securities for sale to prospective investors.

88. Based on the facts set forth above, the “Turnkey Participation Agreement” and “Purchase Agreement” entered into by Magna Bures Oil and J.U., the “Partnership Agreement” entered into by Magna Bures Oil and T.S., and the “Turnkey Participation Agreement” entered into by S.B., each such agreement having been entered into after solicitation by Bures, qualify as securities under KRS 292.310(19), as they represent investment contracts and fractional undivided interests in oil rights, and are each “an investment of money in a common enterprise with profits to come solely from the efforts of others.”<sup>11</sup>

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<sup>11</sup> S.E.C. v. W.J. Howey Co., 328 U.S. 293, 301 (1946).

89. The Department's records show that neither of the Respondents, nor the securities Respondents offered, have ever been registered with the Department.

90. Neither Respondent qualifies for an exemption from registration under the Act, nor do the securities the Respondents offered.

91. The securities the Respondents offered do not qualify as covered securities under the Act.

92. Based on the facts set forth above, Magna Bures Oil qualifies under the Act as an issuer of fractional undivided interests in oil.

93. Based on the facts set forth above, Bures qualifies under the Act as an unregistered issuer agent.

#### Violations of KRS 292.320(1)

94. Magna Bures Oil, through its sole member, Bures, solicited and received investments totaling \$54,000 from J.U., \$10,000 from T.S., and \$10,000 from S.B. in order to drill oil wells or rework old wells and remit profits from oil sales to J.U., T.S., and S.B. (collectively, the "Victims"). Based on the facts set forth above, Magna Bures Oil never drilled new wells or reworked old wells for the Victims' benefit, despite Bures's representations that it had done so.

95. Magna Bures Oil thus violated KRS 292.320(1) by employing a scheme to defraud the Victims and by making untrue statements of material fact necessary in order to make Magna Bures Oil's solicitations and representations not misleading, in light of the circumstances under which those solicitations and representations were made.

#### Violations of KRS 292.330

96. Bures transacted business in Kentucky as an agent of Magna Bures Oil.

97. Bures failed to register with the Department as an agent.

98. Magna Bures Oil thus violated KRS 292.330(7) by employing and associating with Bures while he was unregistered.

Violations of KRS 292.340

99. Magna Bures Oil offered and sold securities in Kentucky; to wit, investment contracts and fractional undivided interests in purported oil rights of Magna Bures Oil.

100. Those securities have never been registered with the Department, and Magna Bures Oil have never sought registration for those securities.

101. The securities Magna Bures Oil offered and sold do not qualify for an exemption from registration.

102. The securities Magna Bures Oil offered and sold do not qualify as covered securities.

103. Thus, Magna Bures Oil violated KRS 292.340 by offering or selling unregistered securities in Kentucky.

**ORDER**

The Commissioner hereby **ORDERS**:

1. Magna Bures Oil pay a fine in the amount of sixty-thousand dollars (\$60,000.00) for violations of the Act;
2. Magna Bures Oil shall cease and desist in perpetuity from violating KRS Chapter 292 and from engaging in the securities industry in Kentucky;
3. Magna Bures Oil shall make restitution to all investors for any losses incurred due to the violations described herein; and
4. Magna Bures Oil shall pay the Department's costs and attorneys' fees.
5. This Order shall be final and appealable.

**SO ORDERED** on this the 21<sup>st</sup> day of December, 2022.



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JUSTIN M. BURSE  
ACTING COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS

**CERTIFICATE OF SERVICE**

I, Victoria Ward, hereby certify that a copy of the foregoing Final Order of Default was sent on this the 22 day of December, 2022, by certified mail, return receipt requested, to the following:

Magna Bures Oil LLC  
c/o Nicholas Bures  
30 North Gould  
Sheridan, WY 82801

And via electronic delivery to:

Custodian of Records  
Department of Financial Institutions  
500 Mero Street  
2 SW 19  
Frankfort, Kentucky 40601

Signed: Kentucky Department of Financial Institutions  
Kentucky Department of Financial Institutions

Name: Allison Reed by Victoria Ward

Title: Executive Staff Advisor



# **EXHIBIT 1**

August 2, 2022 Certified Mail Return Receipt

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Magna Bures Oil LLC  
c/o Nicholas Bures  
30 North Gould  
Sheridan, WY 82801



9590 9402 4013 8079 3747 18

2. Article Number (Transfer from service label)

7018 1830 0002 2891 3289

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

- Agent  
 Addressee

B. Received by (Printed Name)

WYCO

C. Date of Delivery

8/2/22

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

AH-00013 MB 3-3

3. Service Type

- |  |   |
|--|---|
| <input type="checkbox"/> Adult Signature                         | <input type="checkbox"/> Priority Mail Express®                     |
| <input type="checkbox"/> Adult Signature Restricted Delivery     | <input type="checkbox"/> Registered Mail™                           |
| <input checked="" type="checkbox"/> Certified Mail®              | <input type="checkbox"/> Registered Mail Restricted Delivery        |
| <input type="checkbox"/> Certified Mail Restricted Delivery      | <input type="checkbox"/> Return Receipt for Merchandise             |
| <input type="checkbox"/> Collect on Delivery                     | <input type="checkbox"/> Signature Confirmation™                    |
| <input type="checkbox"/> Collect on Delivery Restricted Delivery | <input type="checkbox"/> Signature Confirmation Restricted Delivery |
| <input type="checkbox"/> Mail Restricted Delivery (00)           |   |