

SEALED BY ORDER
OF COURT

1 DAVID L. ANDERSON (CABN 149604)
United States Attorney

FILED

DEC 19 2018

SUSAN Y. BOONG
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

2
3
4
5
6 UNITED STATES DISTRICT COURT
7 NORTHERN DISTRICT OF CALIFORNIA
8 SAN JOSE DIVISION

9 UNITED STATES OF AMERICA,
10 Plaintiff,
11 v.
12 JOEY STANTON DODSON,
13 Defendant.

CASE NO. **CR 19 00703 BLF**
VIOLATIONS:
18 U.S.C. § 1343 – Wire Fraud;
18 U.S.C. § 1341 – Mail Fraud;
18 U.S.C. § 1957 – Transactional Money Laundering;
18 U.S.C. §§ 981(a)(1)(C), 982(a)(1) and 28 U.S.C.
§ 2461(c) – Forfeiture Allegations
SAN JOSE VENUE
VKD

14
15
16 INDICTMENT

17 The Grand Jury charges that, at all relevant times:

18 Introductory Allegations

19 1. The defendant, Joey Stanton Dodson (“DODSON”), was a California resident who held
20 himself out as the executive chairman and managing partner of Citadel Energy. Citadel Energy
21 purported to provide fluid-management services to oil and gas companies in North Dakota. Citadel
22 Energy was comprised primarily of three limited partnerships, described more fully below, and several
23 limited liability companies created to manage the limited partnerships and operate their assets. Prior to
24 Citadel Energy, DODSON held himself out as the chairman of Duke Equity Partners.

25 2. Fort Berthold Water Partners, L.P. (“FBWP”) was a Delaware limited partnership formed
26 by DODSON on or about November 2, 2012, for the purpose of investing in the drilling, completion,
27 and infrastructure assets of up to four water wells on the Fort Berthold Indian Reservation in western
28

INDICTMENT

1 North Dakota. DODSON raised approximately \$1,700,000 through the sale of limited partnership
2 interests in FBWP between in or about November 2012 and September 2013.

3 3. Citadel Watford City Disposal Partners, L.P. ("CWCDP") was a Delaware limited
4 partnership formed by DODSON on or about September 13, 2013, for the purpose of investing in the
5 drilling, completion, and infrastructure assets of Pembroke SWD, LLC, which would own and operate a
6 salt-water disposal well in McKenzie County, North Dakota. DODSON raised approximately
7 \$6,800,000 through the sale of limited partnership interests in CWCDP between in or about October
8 2013 and December 2014.

9 4. H2O Partners, L.P. ("H2O Partners") was a Delaware limited partnership formed by
10 DODSON on or about, July 29, 2014, for the purpose of investing in the acquisition of water rights to
11 more than 127 surface-water well sources throughout North Dakota. DODSON raised approximately
12 \$7,000,000 through the sale of limited partnership interests in H2O Partners between in or about August
13 2014 and December 2014.

14 5. Private Equity Firm A was an investment firm located in Washington, D.C., that, among
15 other things, provided capital funding for middle-market and growth companies.

16 6. Duke Equity Partners was a California corporation formed by DODSON on or about
17 September 24, 2001, to raise funds from investors under a series of entities that included, but was not
18 limited to, Duke Special Opportunity Fund, Duke Industries, Duke Aerospace, Duke Greentech, and
19 Duke Realty (collectively, "Duke Equity"). From at least as early as 2011, DODSON began entering
20 into repurchase agreements with some of his Duke Equity investors, whereby he agreed to repay them at
21 least a portion of their initial investment.

22 The Scheme to Defraud

23 7. Beginning at least as early as November 2012 and continuing until approximately May
24 2015, the defendant, DODSON, in the Northern District of California, and elsewhere, aided and abetted
25 by others known and unknown to the Grand Jury, knowingly and willfully, and with the intent to
26 defraud, devised and intended to devise a scheme to defraud investors in three limited partnerships
27 affiliated with Citadel Energy, and to obtain money and property by means of materially false and
28 fraudulent pretenses, representations, and promises, as further described below.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

The Purpose of the Scheme to Defraud

8. The purpose of the scheme to defraud was to: (a) divert investor funds for DODSON’s own personal benefit; (b) divert investor funds to cover the costs and expenses associated with separate and distinct investments; and (c) conceal the true financial condition of Citadel Energy, including its limited partnerships, to allow DODSON to continue soliciting investor funds and to avoid detection of the scheme to defraud.

The Manner and Means of the Scheme to Defraud

9. DODSON used a combination of methods to carry out this scheme to defraud, including, but not limited to, making and causing to be made materially false and misleading misrepresentations to prospective and current investors about: (a) his compensation; (b) the use of investor funds; and (c) the status of a potential acquisition by Private Equity Firm A, as further detailed below:

- a. DODSON’s compensation: DODSON represented to investors in writing that he would not receive compensation other than as identified in each Private Placement Memorandum (“PPM”) issued in connection with the respective limited partnership offerings. In truth and fact, DODSON took compensation far in excess of the amounts identified in the PPMs. Beginning in or about November 2012 and continuing until in or about May 2015, DODSON misappropriated more than \$1,300,000 of investor funds, which he used to pay for numerous unauthorized expenditures, including, but not limited to, the repayment of former Duke Equity investors, gambling activity, his personal rent in Los Angeles, and his wife’s BMW.
- b. Use of investor funds: DODSON represented to investors both orally and in writing that limited partner investor funds would be used for the costs and expenses associated with the specific limited partnership for which they were raised. The PPM for each respective limited partnership contained explicit language identifying how investor funds would be used, namely, that the funds would be used to invest in the drilling, construction, acquisition, or operation of a specific asset associated with each partnership. In truth and fact, DODSON commingled investor funds from the various partnerships in various accounts and diverted funds for projects and purposes other

1 than those identified in the offering materials, including, but not limited to, repaying
2 former Duke Equity investors and paying for the costs and expenses of unrelated
3 partnerships. For example, while the H2O Partners' PPM stated that the investor
4 funds would be used to acquire and exploit water rights for the exclusive benefit of
5 the partnership, between approximately August 2014 and December 2014, DODSON
6 misappropriated and diverted approximately \$1,000,000 in H2O Partner funds to
7 CWCDP for unauthorized purposes.

- 8 c. Acquisition of Citadel Energy by Private Equity Firm A: Beginning on or about
9 December 20, 2014, DODSON represented to investors both orally and in writing that
10 an acquisition of Citadel Energy, to include H2O Partners, by Private Equity Firm A
11 was at, or near, completion and "moving at a faster than normal pace to close." In
12 truth and fact, on or about December 17, 2014, Private Equity Firm A had told
13 DODSON that it had lost confidence in Citadel Energy's management, had ceased
14 conducting due diligence, and would not move forward with the acquisition unless
15 Citadel Energy could restore its confidence. Based on DODSON's false and
16 misleading statements, two investors invested a total of \$250,000 in H2O Partners.

17 10. It was further part of the scheme and artifice to defraud that DODSON exercised total
18 control over Citadel Energy's financial information, including, but not limited to, the deposit and
19 movement of investor funds and dissemination of financial information, in order to, among other things,
20 facilitate his misappropriation of investor funds and conceal the true financial condition of the
21 partnerships from the investors and others. For example, on or about July 3, 2014, following the deposit
22 of investor funds into a CWCDP Wells Fargo account ending in 4127 controlled by DODSON,
23 DODSON caused funds to be dispersed amongst multiple Citadel Energy accounts and then caused the
24 following wire transfers to be issued:

- 25 a. an approximately \$20,000 wire from a Wells Fargo account ending in 2928 to repay a
26 former Duke Equity investor, J.B.;
- 27 b. an approximately \$4,000 wire from a Wells Fargo account ending in 1586 to repay a
28 former Duke Equity investor, L.H.;

- 1 c. an approximately \$3,000 wire from a Wells Fargo account ending in 4127 to
2 DODSON's personal account;
- 3 d. an approximately \$2,500 wire from a Wells Fargo account ending in 2928 to
4 DODSON's wife's personal account; and
- 5 e. an approximately \$2,000 wire from a Wells Fargo account ending in 2928 to
6 DODSON's mother's personal account.

7 11. It was further part of the scheme and artifice to defraud that DODSON claimed to have
8 successfully managed investments as part of Duke Equity, while concealing negative information
9 regarding his management of these investments, including, but not limited to, complaints by Duke
10 Equity investors regarding the lack of timely financial information and financial accountability,
11 DODSON's execution of agreements to repurchase certain investors' interests in Duke Equity
12 investments, and the existence of a lawsuit filed by Duke Equity investor K.R., on or about May 2011,
13 related to his investment in Duke Equity, which DODSON settled.

14 12. In total, as part of and in furtherance of his scheme to defraud, DODSON raised
15 approximately \$15,000,000 from 50 investors.

16 COUNTS ONE THROUGH FOUR: 18 U.S.C. § 1343 (Wire Fraud)

17 13. Paragraphs 1 through 12 of this Indictment are re-alleged and incorporated by reference
18 as if fully set forth here.

19 14. From at least in or around November 2012 through at least in or around May 2015, in the
20 Northern District of California, and elsewhere, defendant,

21 JOEY STANTON DODSON,

22 aided and abetted by others known and unknown to the Grand Jury, on or about the dates specified as to
23 each count below, did knowingly and with the intent to defraud, having devised and intending to devise
24 a scheme and artifice to defraud, and to obtain money and property by means of materially false and
25 fraudulent pretenses, representations, and promises, knowing such pretenses, representations, and
26 promises were false and fraudulent when made, transmit and cause to be transmitted, by means of wire
27 communications in interstate commerce, writings, signals, pictures, and sounds, for the purpose of
28 executing the scheme and artifice discussed in paragraphs 1 through 12, as more particularly described

1 below:

Count	Approximate Date	Description of Interstate Wire Communication
2 3 4 5 6 7 8 9 10 11 12	1 December 20, 2014	An email sent from DODSON to victim-investor S.S., who was located in the Northern District of California, soliciting an investment in H2O Partners, which passed through AOL's servers in Virginia.
2 December 20, 2014	An email sent from DODSON to victim-investor D.H., who was located in the Northern District of California, soliciting an investment in H2O Partners, which passed through AOL's servers in Virginia.	
3 December 23, 2014	A wire transfer of \$100,000, initiated in the Northern District of California, on behalf of victim-investor C.D. to an H2O Partners Wells Fargo account ending in 5384, which was processed through Wells Fargo's servers in Alabama.	
4 December 24, 2014	A wire transfer of \$150,000, initiated in the Northern District of California, on behalf of victim-investor D.H. to an H2O Partners Wells Fargo account ending in 5384, which was processed through Wells Fargo's servers in Alabama.	

13 All in violation of Title 18, United States Code, Section 1343.

14 COUNTS FIVE THROUGH SEVEN: 18 U.S.C. § 1341 (Mail Fraud)

15 15. Paragraphs 1 through 12 of this Indictment are re-alleged and incorporated by reference
16 as if fully set forth here.

17 16. From at least in or around November 2012 through at least in or around May 2015, in the
18 Northern District of California, and elsewhere, defendant,

19 JOEY STANTON DODSON,

20 aided and abetted by others known and unknown to the Grand Jury, on or about the dates specified as to
21 each count below, did knowingly and with the intent to defraud, having devised and intending to devise
22 a scheme and artifice to defraud, and to obtain money and property by means of materially false and
23 fraudulent pretenses, representations, and promises, knowing such pretenses, representations, and
24 promises were false and fraudulent when made, place and cause to be placed in a Post Office or
25 authorized depository for mail a thing to be sent and delivered by the Postal Service or any private or
26 commercial interstate carrier, to wit: Federal Express, for the purpose of executing the scheme and
27 artifice discussed in paragraphs 1 through 12, the following items, as more particularly described below:
28

Count	Approximate Date	Description of Mailing
5	January 2, 2015	Documents related to victim-investor D.H.'s investment in H2O Partners mailed via Federal Express from D.H. in Los Altos, California, to DODSON in Beverly Hills, California.
6	February 3, 2015	Documents related to victim-investor C.D.'s investment in H2O Partners mailed via Federal Express on behalf of DODSON from Beverly Hills, California, to C.D. in Los Gatos, California.
7	February 4, 2015	Documents related to victim-investor D.H.'s investment in H2O Partners mailed via Federal Express on behalf of DODSON from Beverly Hills, California, to D.H. in Los Altos, California.

All in violation of Title 18, United States Code, Section 1341.

COUNTS EIGHT THROUGH TEN: 18 U.S.C. §§ 1957 (Monetary Transactions in
Criminally Derived Property)

17. Paragraphs 1 through 12, 14, and 16 of this Indictment are re-alleged and incorporated as if fully set forth here.

18. On or about the dates specified as to each count below, in the Northern District of California, and elsewhere, the defendant,

JOEY STANTON DODSON,

aided and abetted by others known and unknown to the Grand Jury, did knowingly engage in monetary transactions within the United States, that is the deposit, withdrawal, transfer, and exchange of funds by, through, and to a financial institution, affecting interstate commerce, in criminally derived property of a value greater than \$10,000, such property having been derived from a specified unlawful activity, that is, Wire Fraud in violation of Title 18, United States Code, Section 1343, and Mail Fraud in violation of Title 18, United States Code, Section 1341, as more particularly described below:

Count	Approximate Date	Description of Monetary Transaction
8	December 26, 2014	A wire transfer of \$54,000 from H2O Partners Wells Fargo account ending in 5384 controlled by DODSON to Citadel Energy Services 1st International Bank & Trust account ending in 0198 controlled by DODSON.

1	9	December 31, 2014	An online bank transfer of \$18,000 from H2O Partners Wells Fargo account ending in 5384 controlled by DODSON to CWCDP Wells Fargo account ending in 4127 controlled by DODSON.
2			
3	10	December 31, 2014	An online bank transfer of \$40,000 from H2O Partners Wells Fargo account ending in 5384 controlled by DODSON to Citadel Energy Services Wells Fargo account ending in 2928 controlled by DODSON.
4			
5			

6 All in violation of Title 18, United States Code, Sections 1957.

7 FRAUD FORFEITURE ALLEGATION: 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c)
 8 (Forfeiture of Wire and Mail Fraud Proceeds)

9 19. The allegations contained in this Indictment are re-alleged and incorporated by reference
 10 for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and
 11 Title 28, United States Code, Section 2461(c).

12 20. Upon conviction for any of the offenses set forth in Counts 1 through 7, the defendant,
 13 JOEY STANTON DODSON,
 14 shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and
 15 Title 28, United States Code, Section 2461(c) all property, real or personal, constituting, or derived from
 16 proceeds the defendant obtained directly and indirectly, as the result of those violations, including but
 17 not limited to the following: a sum of money equal to \$15,000,000 in United States currency, which
 18 represents the amount of proceeds obtained as a result of the offenses charged in Counts 1 through 7.

19 21. If any of the property described in paragraph 20, as a result of any act or omission of the
 20 defendant:

- 21 a. cannot be located upon exercise of due diligence;
- 22 b. has been transferred or sold to, or deposited with, a third party;
- 23 c. has been placed beyond the jurisdiction of the court;
- 24 d. has been substantially diminished in value; or
- 25 e. has been commingled with other property which cannot be divided without difficulty,

26 the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21,
 27 United States Code, Section 853(p), as incorporated by 18 U.S.C. § 982(b), to seek forfeiture of any
 28 other property of the defendant up to the value of the forfeitable property described above.

1 22. All pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(b), Title 28,
2 United States Code, Section 2461(c), and Federal Rule of Criminal Procedure 32.2.

3 MONEY LAUNDERING FORFEITURE ALLEGATION: 18 U.S.C. § 982(a)(1) (Forfeiture of
4 Money Laundering Proceeds)

5 23. The allegations contained in this Indictment are re-alleged and incorporated by reference
6 for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982(a)(1).

7 24. Upon conviction for any of the offenses set forth in Counts 8 through 10, the defendant,
8 JOEY STANTON DODSON,
9 shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), all
10 property, real or personal, involved in such offense, and any property traceable to such property,
11 including but not limited to the following: a sum of money equal to the total value of property involved
12 in the commission of said offenses.

13 25. If any of the property described in paragraph 24, as a result of any act or omission of the
14 defendant:

- 15 a. cannot be located upon exercise of due diligence;
- 16 b. has been transferred or sold to, or deposited with, a third party;
- 17 c. has been placed beyond the jurisdiction of the court;
- 18 d. has been substantially diminished in value; or
- 19 e. has been commingled with other property which cannot be divided without difficulty,

20 the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21,
21 United States Code, Section 853(p), as incorporated by 18 U.S.C. § 982(b), to seek forfeiture of any
22 other property of the defendant up to the value of the forfeitable property described above.
23
24
25
26
27
28

1 All pursuant to Title 18, United States Code, Sections 981(a)(1)(C), 982(a)(1), Title 28, United
2 States Code, Section 2461(c), and Federal Rule of Criminal Procedure 32.2.

3
4 DATED:


A TRUE BILL.

5
6 12/19/13

FOREPERSON

7
8 DAVID L. ANDERSON
United States Attorney

9
10 ROBERT A. ZINK
11 Chief, Fraud Section, Criminal Division

12
13 
14 JASON M. COVERT
Trial Attorney, Fraud Section, Criminal Division