

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 103629 / August 4, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22502

In the Matter of

**SOURCEROCK GROUP,
LLC**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Sourcerock Group, LLC (“Sourcerock” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. These proceedings concern a violation of Rule 105 of Regulation M under the Exchange Act [17 C.F.R. § 242.105] (“Rule 105”) by Sourcerock, a registered investment adviser. In November 2022, Sourcerock purchased equity securities for the accounts of six of its private fund clients (“Sourcerock Funds”) in a covered offering after Sourcerock had sold short the same securities on behalf of the Sourcerock Funds during Rule 105’s restricted period.

Respondent

2. Sourcerock, a Delaware limited liability company based in Denver, Colorado, is registered with the Commission as an investment adviser and advises the Sourcerock Funds. In its most recent annual updating amendment to Form ADV filed on March 26, 2025, Sourcerock reported having approximately \$2.6 billion in regulatory assets under management.

Rule 105

3. Rule 105 makes it unlawful for any person to purchase equity securities from an underwriter, broker, or dealer participating in a covered public offering if that person sold short the security that is the subject of the offering during the restricted period as defined in the rule, absent meeting the conditions of an exception. See 17 C.F.R. § 242.105(a) and (b). The Rule 105 “restricted period” is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Exchange Act Form 1-A or 1-E and ending with the pricing. See 17 C.F.R. § 242.105(a)(1) and (a)(2).

4. The Commission adopted Rule 105 “to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity.” Short Selling in Connection with a Public Offering, Exchange Act Release No. 34-56206, 72 Fed. Reg. 45094 (Aug. 10, 2007) (effective Oct. 9, 2007). Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller’s intent. See id.

Facts

5. After market close on November 3, 2022, Magnolia Oil & Gas Corporation (“Magnolia”) (NYSE: MGY) announced a proposed underwritten offering of 7,500,000 shares (“Magnolia Offering”). Before market open on November 4, Magnolia priced the shares for the Magnolia Offering. The Rule 105 restricted period for the Magnolia Offering, therefore, was from October 28, 2022, through November 3, 2022 (“Magnolia Restricted Period”).

6. Between November 1 and 2, 2022, during the Magnolia Restricted Period, Sourcerock sold short 123,800 Magnolia shares on behalf of the Sourcerock Funds.

7. On November 4, 2022, Sourcerock purchased a total of 450,000 shares as part of the Magnolia Offering in the same Sourcerock Funds in which Sourcerock had engaged in short selling during the Magnolia Restricted Period.

8. Sourcerock did not qualify for an exception to Rule 105 when Sourcerock purchased shares for the accounts of the Sourcerock Funds in the Magnolia Offering.

9. The Sourcerock Funds improperly benefited from Sourcerock's trading set forth above by acquiring Magnolia shares at a discount from the market price.

Violations

10. As a result of the conduct described above, Sourcerock violated Rule 105 of Regulation M under the Exchange Act.

Sourcerock's Cooperation and Remedial Efforts

11. In determining to accept the Offer, the Commission considered Sourcerock's cooperation with the staff's investigation. For example, Sourcerock cooperated with the staff's investigation by voluntarily gathering documents and communications, conducting a review for prior violations (of which none were found), and presenting to the staff, including on the firm's efforts at compliance.

12. In determining to accept the Offer, the Commission also considered Sourcerock's remediation. After Sourcerock discovered the Rule 105 violation, it undertook certain remedial acts, including promptly conducting a review of its trading history and updating its related trading processes. Sourcerock also updated its compliance policies and procedures to prevent future violations of Rule 105.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M under the Exchange Act.

B. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$250,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Sourcerock as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Kimberly L. Frederick, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 1961 Stout St., Suite 1700, Denver, CO 80294.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary