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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
LICENSING, COMPLIANCE AND	:	
ENFORCEMENT	:	DOCKET No. 13 <u>0052</u> (SEC-CAO)
v.	:	
	:	
LAVACA RIVER JOINT VENTURE	:	
TEXAS ALLIED PETROLEUM, INC.	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Securities Licensing, Compliance and Enforcement ("Bureau") has conducted an investigation of the business practices of Lavaca River Joint Venture ("Lavaca") and Texas Allied Petroleum, Inc. ("Texas Allied") (collectively, hereinafter referred to as "Respondents") and its respective officers and employees. Based on the results of its investigation, the Bureau has concluded that the Respondents have operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. ("1972 Act"). The Respondents, in lieu of litigation, and without admitting or denying any allegations or implications of fact or any violation of laws or regulations governing the conduct and operations of Respondents, and intending to be legally bound, hereby agree to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.

2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

3. Lavaca was, at all times material herein, an entity located at 515 Congress Avenue, Suite 2525, Austin, Texas 78701. At all times material herein, Lavaca was in the business of exploration, operation, and production of an oil and gas well in Lavaca County, Texas.

4. Texas Allied was, at all times material herein, an entity located at 515 Congress Avenue, Suite 2525, Austin, Texas 78701. At all times material herein, Texas Allied was the manager of Lavaca and was offering for sale joint venture units ("Units") in Lavaca.

5. In or about January 2011, a representative ("Representative") of Texas Allied cold-called at least one Pennsylvania resident ("PA Resident") and offered for the sale the Units.

6. In or about January 2011, Texas Allied mailed offering materials ("Materials"), including a "Private Placement Memorandum," to at least one PA Resident. The Materials state:

a. Texas Allied is offering for sale twenty-six Units at a price of \$60,000 per Unit for a total capitalization of \$1,560,000;

b. The minimum investment is \$60,000, but Texas Allied "may accept in its sole discretion Participation by Fractional Units";

c. Texas Allied is the managing venturer of Lavaca; and

d. Returns on an investment of \$30,000 could be as high as 187% or \$7,004 monthly if production reached 4,000 MCFE per day (one barrel of oil contains 20.5 MCFE).

7. In or about January 2011, the Representative spoke to the PA Resident by telephone and stated:

a. The PA Resident could make \$200,000 on a \$60,000 investment;

b. Investments in amounts of \$30,000 were acceptable and would represent a one-half Unit; and

c. Texas Allied would make all necessary decisions relating to the venture.

8. The PA Resident had no substantive, pre-existing relationship with Lavaca, Texas Allied, or the Representative.

9. The PA Resident was not an accredited investor under Rule 501 of Regulation D, and did not have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment.

10. On February 1, 2011, the Pennsylvania Securities Commission (“PSC”)¹ issued a Summary Order to Cease and Desist (“C&D Order”) to the Respondents, finding a violation of Section 201 of the 1972 Act.

11. The Units described above are “securities” within the meaning of Section 102(t) of the 1972 Act, 70 P.S. § 1-102(t).

12. Lavaca is the “issuer” of the Units described above within the meaning of Section 102(l) of the 1972 Act, 70 P.S. § 1-102(l).

13. Texas Allied acted as an “affiliate” of Lavaca within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused and is about to cause Lavaca to commit the herein alleged acts which violated, and are about to violate, the 1972 Act, 70 P.S. § 1-101 et seq.

14. The records of the Department disclose that the Units are (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not federally covered securities; and, further, the

¹ The PSC merged with the Department of Banking effective October 1, 2012, creating the PA Department of Banking and Securities.

securities transactions relating to the Units are not exempt under Section 203 of the 1972 Act, 70 P.S. § 1-203.

VIOLATION

15. By engaging in the acts and conduct set forth in paragraphs 3 through 14 above, the Respondents offered for sale Units in Pennsylvania in violation of Section 201 of the 1972 Act, 70 P.S. § 1-201.

RELIEF

16. Within 30 days of the Effective Date of this Order, as defined in Paragraph 25, the Respondents shall pay the Department an administrative assessment in the amount of \$4,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

17. Within 30 days of the Effective Date of this Order, as defined in Paragraph 25, the Respondents shall pay the Department investigative and legal costs in the amount of \$1,000. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

18. The C&D Order is hereby RESCINDED prospectively.

19. The Respondents are ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 201, 70 P.S. § 1-201.

20. Should the Respondents fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to the Respondents' right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

21. Consent. The Respondents hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that they understand all of the terms and conditions contained herein. The Respondents, by voluntarily entering into this Order, waive any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

22. Entire Agreement. This Order contains the entire agreement between the Department and the Respondents. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and the Respondents.

23. Binding Nature. The Department, the Respondents, and all officers, owners, directors, employees, heirs and assigns of Respondents intend to be and are legally bound by the terms of this Order.

24. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

25. Effectiveness. The Respondents hereby stipulate and agree that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

26. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against the Respondents in the future regarding all matters not resolved by this Order.

(b) The Respondents acknowledge and agree that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

27. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

28. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

29. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

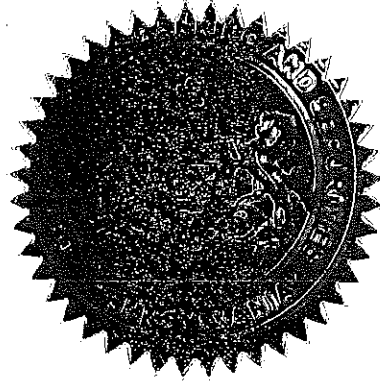
30. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Licensing, Compliance and Enforcement, Lavaca River Joint Venture, and Texas Allied Petroleum, Inc., intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES LICENSING, COMPLIANCE AND ENFORCEMENT**

Victoria A. Reider
Executive Deputy Secretary

Date: 8/16/13



FOR LAVACA RIVER JOINT VENTURE

(Officer Signature)

ANTHONY BLACK
(Print Officer Name)

PRESIDENT + CEO
(Title)

Date: JULY 22, 2013

FOR TEXAS ALLIED PETROLEUM, INC.

(Officer Signature)

ANTHONY BLACK
(Print Officer Name)

PRESIDENT + CEO
(Title)

Date: JULY 22, 2013