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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

Carson Energy, Inc.; Earl Carter Bills, Jr. and
Jerrold S. Rothouse

Respondents

Order Number S-03-074-04-CO01

CONSENT ORDER AND ORDER VACATING
SUMMARY ORDER TO CEASE AND DESIST
ORDER NO. S-03-074-03-TO01

Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents, Carson Energy, Inc.; Earl Carter Bills, Jr. and Jerrold S. Rothouse, do hereby enter into this CONSENT ORDER in settlement of the above-captioned matter.

The Securities Division makes the following Findings of Fact and Conclusions of Law. Respondents consent to the entry of the Findings of Fact and Conclusions of Law solely for the purposes of this proceeding without admitting or denying them. Respondents assert that they sell joint venture interests that do not constitute securities and that they have prepared offering materials that disclose all material risks of the joint venture interests they offer and sell. Nevertheless, Respondents each acknowledge the Securities Division’s jurisdiction over this matter and its authority to enter this order. Respondents each consent to the entry of this order and agree to abide by its terms.

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CONSENT ORDER

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

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FINDINGS OF FACT

I. RESPONDENTS

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1. Carson Energy, Inc. (“Carson Energy”) is a Texas corporation with its principal place of business at 1114 Lost Creek Boulevard, Suite 215, Austin, Texas. Carson Energy is engaged in oil and gas exploration and development.

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2. Earl Carter Bills, Jr. (“Bills”) is president of Carson Energy.

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3. Jerrold S. Rothouse (“Rothouse”) is vice president of Carson Energy.

II. NATURE OF THE OFFERING

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In April 2003, Jerrold S. Rothouse “cold called” a prospective Washington investor who was 74 years old and had no specialized knowledge about the oil and gas industry and no previous experience investing in oil and gas wells. The prospective investor had about \$50,000 to invest and wanted to find a safe investment that would provide a regular monthly income.

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Rothouse offered the prospective investor a working interest in an oil and gas well and some mineral leases as a joint venture interest in an oil and gas well drilling project.. Rothouse said that investor funds would be pooled together to purchase the working interest and to fund the drilling project. He said that investors would share in profits from the venture. Rothouse also said that the investment would not require any active participation by the prospective investor.

III. UNREGISTERED SECURITIES

Carson Energy, Inc. has never registered securities for sale in the State of Washington.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

1 **CONCLUSIONS OF LAW**

2
3 **I.**

4 The offer or sale of the oil and gas investments described in the Findings of Fact constitutes the offer
5 or sale of a security as defined in RCW 21.20.005(10) and (12), whether in the form of a participation in an
6 oil, gas or mining title or lease or in payments out of production under such a title or lease or in the form of
7 an investment contract.

8 **II.**

9 The offer or sale of said securities was made in violation of RCW 21.20.140 because, as described in
10 paragraph III of the Findings of Fact, no registration for the sale of Carson Energy, Inc. securities was on
11 file with the Securities Administrator.

12 **CONSENT ORDER**

13
14 Based upon the foregoing:

15 IT IS AGREED AND ORDERED that Respondents, Carson Energy, Inc.; Earl Carter Bills, Jr. and
16 Jerrold S. Rothouse, and their agents and employees each shall cease and desist from offering or selling
17 securities in violation of RCW 21.20.140, the registration section of the Securities Act of Washington.

18 IT IS AGREED AND ORDERED that if Respondents offer or sell securities in the State of
19 Washington, they will file a Form D in accordance with ch. 460-44A of the Washington Administrative
20 Code.

21 IT IS FURTHER AGREED that if Respondents offer or sell securities or joint venture interests in
22 the State of Washington, they will limit their offers and sales to persons or entities whom they reasonably
23

1 believe are “accredited investors,” as defined in Rule 501(a) of Regulation D, promulgated under the
2 Securities Act of 1933.

3 IT IS FURTHER AGREED that Respondents shall pay investigative costs of \$2,500 prior to the
4 entry of this Order.

5 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.

6 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents each waive their
7 rights to a hearing in this matter and to judicial review of this order and the Securities Division hereby
8 vacates Summary Order to Cease and Desist #S-03-074-03-TO01.

9
10 SIGNED this ___28th___ day of _____October_____, 2004

11 Approved for entry by:

12
13 /s/ Dan R. Waller
14 Dan R. Waller
15 Attorney for Respondents

16 Signed by:

17
18 /s/ Jerrold S. Rothouse
19 Jerrold S. Rothouse, individually

20 Signed by:

21
22 /s/ Earl Carter Bills, Jr.
23 Earl Carter Bills, Jr., individually

Signed by:

CARSON ENERGY, INC.

By /s/ Earl Carter Bills, Jr.
Earl Carter Bills, Jr.
President

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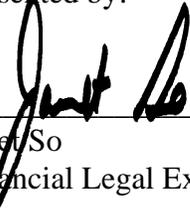
SIGNED and ENTERED this __29th__ day of October, 2004

Michael E. Stevenson
Assistant Director

Approved by:

Presented by:

Martin Cordell
Chief of Enforcement



Janet So
Financial Legal Examiner

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) S-03-074-03-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) SUMMARY ORDER TO CEASE AND
) DESIST
CARSON ENERGY, INC.; EARL CARTER)
BILLS, JR.; and JERROLD S. ROTHOUSE)
Respondents)
)

THE STATE OF WASHINGTON TO: Carson Energy, Inc.
Earl Carter Bills, Jr.
Jerrold S. Rothouse

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Carson Energy, Inc.; Earl Carter Bills, Jr.; and Jerrold S. Rothouse, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

1 **TENTATIVE FINDINGS OF FACT**

2 **I.**

3 **RESPONDENTS**

4 1. Carson Energy, Inc. (“Carson Energy”) is a Texas corporation with its principal place
5 of business at 1114 Lost Creek Boulevard, Suite 215, Austin, Texas. Carson Energy is
6 purportedly engaged in the oil and gas business.
7

8 2. Earl Carter Bills, Jr. (“Bills”) is president of Carson Energy.

9 3. Jerrold S. Rothouse (“Rothouse”) is vice president of Carson Energy.

10 **II.**

11 **NATURE OF THE OFFERING**

12 In April 2003, Jerrold S. Rothouse “cold called” a prospective Washington investor who
13 was 74 years old and had no specialized knowledge about the oil and gas industry and no
14 previous experience investing in oil and gas wells. The prospective investor had about \$50,000
15 to invest and wanted to find a safe investment that would provide a regular monthly income.

16 Rothouse offered the prospective investor a working interest in an oil and gas well and
17 some mineral leases and a joint venture interest in an oil and gas well drilling project. Rothouse
18 said that investor funds would be pooled together to purchase the working interest and to fund
19 the drilling project. He said that investors would share in profits from the venture. Rothouse
20 also said that the investment was a passive investment that would not require any active
21 participation by the prospective investor.
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III.

MISREPRESENTATIONS AND OMISSIONS

When offering the investment, Respondents estimated that an investor would realize a return of \$150,000 on a \$35,000 investment without disclosing any reasonable basis for this estimate. Rothouse also told the prospective investor that gross revenues would be more than \$2,400 per day, but did not provide any reasonable basis for this claim. Rothouse told the prospective investor that this investment was practically a “sure thing.”

When offering the investment, Respondents each failed to disclose material information about the investment. They failed to give the prospective investor any financial statements for Carson Energy. They failed to disclose the operating history of Carson Energy and its principals. They failed to disclose the compensation that would be paid to Carson Energy. They failed to disclose or adequately disclose significant risks of the investment, including inadequate capitalization; restrictions on transferability; lack of liquidity; possible environmental or other restrictions on drilling activities; and whether there was adequate liability insurance coverage for investors.

IV.

THREAT TO THE INVESTING PUBLIC

The Securities Administrator finds that the continued offering of oil and gas investments in the manner described in Tentative Finding of Fact presents a threat to the investing public.

Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

1 The offer or sale of the oil and gas investments described above constitutes the offer or
2 sale of a security as defined in RCW 21.20.005(10) and (12), whether in the form of a
3 participation in an oil, gas or mining title or lease or in payments out of production under such a
4 title or lease or in the form of an investment contract.

5
6 **II.**

7 The offer or sale of said securities was made in violation of RCW 21.20.010 because, as
8 described in paragraphs II and III of the Tentative Findings of Fact, Respondents made untrue
9 statements of material fact or omitted to state material facts necessary in order to make the
10 statements made not misleading.

11 **III.**

12 The Securities Administrator finds and concludes that an emergency exists, that the
13 continued violations of RCW 21.20.010 constitutes a threat to the investing public and that
14 summary orders to cease and desist from those violations is in the public interest and necessary
15 for the protection of the investing public.

16 **SUMMARY ORDER**

17 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Respondents,
18 Carson Energy, Inc.; Earl Carter Bills, Jr.; and Jerrold S. Rothouse, and their agents and
19 employees, shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section
20 of the Securities Act.
21

22 **AUTHORITY AND PROCEDURE**

23 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the
24 provisions of RCW 34.05. The respondents, Carson Energy, Inc.; Earl Carter Bills, Jr.; and
25 Jerrold S. Rothouse, may each make a written request for a hearing as set forth in the NOTICE

1 OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
2 order.

3 If a respondent fails to make a timely hearing request, the Securities Administrator
4 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make
5 the summary order to cease and desist permanent as to that respondent.
6

7 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

8 Dated this 23 day of May, 2003

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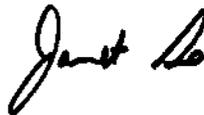
12 Deborah Bortner
13 Securities Administrator

14 Approved by:

Presented by:

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18

19 Michael E. Stevenson
20 Chief of Enforcement

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23 
24

25 Janet So
Senior Legal Examiner