

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:

Wayne K. West; Paul A. Burns; Wortham Oil
& Gas Enterprises, LLC; Wortham Oil & Gas
aka Wortham Realty Inc.; WOG/WOG
Ellison Well #1 Joint Venture,

Respondents.

Order Number S-07-256-08-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AND
IMPOSE FINES AS TO PAUL A. BURNS;
WORTHAM OIL & GAS ENTERPRISES,
LLC; WORTHAM OIL & GAS AKA
WORTHAM REALTY INC.; AND
WOG/WOG ELLISON WELL #1 JOINT
VENTURE

THE STATE OF WASHINGTON TO:

Paul A. Burns
Wortham Oil & Gas Enterprises, LLC
Wortham Oil & Gas aka Wortham Realty Inc.
WOG/WOG Ellison Well #1 Joint Venture

ENTRY OF FINAL ORDER

On December 3, 2007, the Securities Administrator of the State of Washington issued S-07-256-07-SC01, hereinafter referred to as the "Statement of Charges," against Wayne K. West, Paul A. Burns, Wortham Oil & Gas Enterprises, LLC, Wortham Oil & Gas aka Wortham Realty Inc. and WOG/WOG Ellison Well #1 Joint Venture.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing," and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," were personally served on Paul A. Burns, Wortham Oil & Gas Enterprises, LLC, Wortham Oil & Gas aka Wortham Realty Inc. and WOG/WOG Ellison Well #1 Joint Venture on March 24, 2008. The Notice of Opportunity for Hearing advised Paul A. Burns, Wortham Oil & Gas Enterprises, LLC, Wortham Oil & Gas aka Wortham Realty Inc. and WOG/WOG Ellison Well #1 Joint Venture that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. The Statement of Charges advised Paul A. Burns, Wortham Oil & Gas

1 Enterprises, LLC, Wortham Oil & Gas aka Wortham Realty Inc. and WOG/WOG Ellison Well #1
2 Joint Venture that if a hearing was not requested by a Respondent, the Securities Administrator intends to
3 adopt the “Tentative Findings of Fact” and “Conclusions of Law,” as set forth in the Statement of
4 Charges, as final, and enter a final order against that Respondent to cease and desist from violations of the
5 Securities Act, and to impose the fine.

6 Paul A. Burns, Wortham Oil & Gas Enterprises, LLC, Wortham Oil & Gas aka Wortham Realty
7 Inc. and WOG/WOG Ellison Well #1 Joint Venture failed to request an administrative hearing within
8 twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the
9 Application for Hearing provided or otherwise. The Securities Administrator therefore will adopt as final
10 the findings of fact and conclusions of law as set forth in the Statement of Charges and enter a final order
11 against Respondents to cease and desist from violations of the Securities Act, and to impose the fine.

12 The Securities Administrator makes the following findings of fact and conclusions of law:

13 **FINDINGS OF FACT**

14 Respondents

15 1. Wortham Oil & Gas Enterprises, LLC (“WOG”) is a Texas limited liability company
16 established on January 24, 2006, with its principal place of business at 410 N. Loop 336 West, Conroe,
17 Texas 77301. WOG is a privately owned development and management company that purportedly
18 specializes in oil and gas exploration in Texas.

19 2. Wortham Oil & Gas aka Wortham Realty Inc. (“WOG”) is a Texas corporation established
20 on July 7, 2003. WOG is believed to be currently conducting business at 410 N. Loop 336 West,
21 Conroe, Texas 77301.

22 3. WOG/WOG Ellison Well #1 Joint Venture is a partnership formed for the purpose of oil
23 and gas development in Texas. WOG is the Joint Venture Manager for the WOG/WOG Ellison Well

1 #1 Joint Venture. WOG is the Joint Venture Operator for the WOG/ELLISON Well #1 Joint
2 Venture.

3 4. Wayne K. West (“West”) is the Vice President of Operations of WOG. West is a resident
4 of Texas.

5 5. Paul A. Burns (“Burns”) is the President of both WOG and WOG. Burns is a resident of
6 Texas.

7 Nature of the Offering

8 6. WOG offered for sale 25 units in the WOG/ELLISON Well #1 Joint Venture, an oil
9 well drilling project located in Leon County, Texas, for the purpose of raising \$1.25 million dollars.
10 Investors nationwide found out about the investment through radio advertisements, including
11 advertisements broadcast over Washington radio stations. From January 2006 to August 2006, WOG
12 solicited Washington residents via advertisements on KTTH-770 AM and KVI-570 AM, Seattle-based
13 radio stations. At least two Washington residents responded to the advertisements and purchased units;
14 at least \$98,000 of the money raised for the venture came from Washington residents. At least one
15 investor was neither accredited nor experienced in oil and gas investments.

16 7. WOG’s pattern of solicitation began with radio advertisements for investments in oil and
17 gas. The advertisements provided a phone number to call for additional information. Upon calling the
18 phone number provided, potential investors had their contact information collected and were told they
19 would receive a telephone call by West, the Vice President of Operations of WOG. Potential investors
20 were also told an information package would be sent to them. Subsequently, potential investors received
21 an information package from WOG and a telephone call from West to further solicit the investment.

22 8. The information package sent to potential investors contained a Subscription Agreement, a
23 Private Placement Memorandum dated December 12, 2005, and a booklet containing information about

1 WOGÉ's management, associates and the geology of the target area. The booklet lists Burns as the
2 President and West as the Vice President of Operations of WOGÉ.

3 9. According to the Private Placement Memorandum sent to potential investors, 25 units in the
4 WOGÉ/WOG Ellison Well #1 Joint Venture were being offered for \$49,000 each, with each unit having
5 a 1.68% working interest. The working interest was further defined in the memorandum as an interest in
6 the oil and gas lease.

7 10. According to the Private Placement Memorandum and the booklet, the objective of the
8 venture was to re-enter the Ellison well, a well that had previously been drilled, using a horizontal
9 drilling technique. Using this drilling technique, oil could be produced from wells that had previously
10 been drilled but that had stopped producing much oil due to the limitations of older technology.

11 11. On or about January 2006, two Washington residents heard a radio advertisement on
12 KTTH-770 AM regarding an oil and gas investment. According to the advertisement, with a \$49,000
13 minimum investment in oil and gas, investors could earn up to \$4,800 per month for the next 30 years.
14 Two Washington residents responded by calling the number provided in the advertisement, and upon
15 calling the number had their contact information collected, were told they would receive a telephone call
16 by West, and were told an information package would be sent to them. Subsequently, two Washington
17 residents received an information package from WOGÉ.

18 12. West contacted two Washington residents via telephone to further solicit an investment in
19 the WOGÉ/WOG Ellison Well #1 Joint Venture. During a conversation, West represented that the
20 WOGÉ/WOG Ellison Well #1 Joint Venture was a turnkey business and there would be no additional
21 funds needed to complete the project, he was confident they would hit oil, and investors would start
22 receiving a return on the investment in one month. West told two Washington residents that there was
23 little risk in this investment because the company had insurance and 150 years of experience.

1 13. West represented to one Washington resident via telephone that oil wells in proximity to the
2 Ellison well were being drilled using the horizontal drilling technique and were producing approximately
3 400 barrels of oil a day. Thus, the Ellison well was expected to produce approximately 400 barrels of oil
4 a day.

5 14. West represented to one Washington resident via telephone that a \$49,000 initial
6 investment in the WOG/WOG Ellison Well #1 Joint Venture could result in a profit of 2.5 million
7 dollars within twenty years.

8 15. In February 2006, two Washington residents purchased units in the WOG/WOG Ellison
9 Well #1 Joint Venture.

10 16. In July 2006, one Washington resident traveled to Texas for the purpose of meeting with
11 other investors and visiting the site of the Ellison well. While in Texas, the resident met with West and
12 Burns. West took the resident to visit the drill site.

13 17. In November 2006, two Washington residents received a letter from Burns, stating that the
14 attempt to complete the horizontal drilling had failed due to formation integrity. The letter stated that an
15 additional \$10,000 was needed from each investor in order to gain production from a vertical portion of
16 the well. Payment was needed within ten days. One Washington resident decided not to invest
17 additional funds.

18 Misrepresentations and Omissions

19 18. Respondents failed to provide material information regarding the companies and the
20 WOG/WOG Ellison Well #1 Joint Venture, including, but not limited to: financial statements,
21 operational history, risks, full representation of the company history and prior performance information.

1 19. West's projection that a \$49,000 initial investment could result in a profit of 2.5 million
2 dollars within twenty years was misleading. West failed to provide a reasonable basis for this projection
3 and failed to disclose the limitations on the projection.

4 20. After May 12, 2006, Respondents' radio advertisements for the WOG/WOG Ellison Well
5 #1 Joint Venture failed to disclose that Wortham Oil & Gas Enterprises, LLC a/k/a Wortham Oil & Gas
6 Exploration, Wayne K. West and Paul Burns were Respondents in a Summary Order to Cease and Desist
7 issued by the State of Maryland.

8 Registration Status

9 21. WOG/WOG Ellison Well #1 Joint Venture is currently not registered to sell its securities
10 in the State of Washington and has not previously been so registered. In addition, there is no notice of a
11 claim of exemption on file with the Securities Administrator.

12 22. Wortham Oil & Gas Enterprises, LLC is not currently registered as a broker-dealer in the
13 State of Washington and has not previously been so registered.

14 23. Wortham Oil & Gas aka Wortham Realty Inc. is not currently registered as a broker-dealer
15 in the State of Washington and has not previously been so registered.

16 24. Wayne K. West is not currently registered as a securities salesperson or broker-dealer in the
17 State of Washington and has not previously been so registered.

18 25. Paul A. Burns is not currently registered as a securities salesperson or broker-dealer in the
19 State of Washington and has not previously been so registered.

20 Other Actions

21 26. On May 12, 2006, the State of Maryland, Office of the Attorney General, Securities
22 Division, issued a Summary Order to Cease and Desist against Wortham Oil & Gas Enterprises, LLC
23 a/k/a Wortham Oil & Gas Exploration, Wayne K. West and Paul Burns for the offer and sale of

1 unregistered securities, use of unregistered broker-dealers and/or agents, employment of unregistered
2 agents for the sale of securities, and material misrepresentations or omissions in the sale of securities.

3 27. On September 13, 2007, the State of Colorado, Department of Regulatory Agencies,
4 Division of Securities, issued a Final Cease and Desist Order against Wortham Oil & Gas Enterprises,
5 LLC, Paul A. Burns and Wayne K. West for the offer and sale of unregistered securities.

6
7 Based upon the above Findings of Fact, the following Conclusions of Law are made:

8 **CONCLUSIONS OF LAW**

9 1. The offer and/or sale of interests in the WOG/WOG Ellison Well #1 Joint Venture described
10 above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

11 2. The offer and/or sale of said securities were in violation of RCW 21.20.140 because
12 WOG/WOG Ellison Well #1 Joint Venture offering was not registered in the State of Washington.

13 3. The offer and/or sale of said securities were in violation of RCW 21.20.040 because Wortham
14 Oil & Gas Enterprises, LLC and Wortham Oil & Gas aka Wortham Realty Inc. offered and sold said
15 securities while not registered as broker-dealers in the State of Washington.

16 4. The offer and/or sale of said securities were in violation of RCW 21.20.040 because Paul A.
17 Burns and Wayne K. West offered and sold said securities while not registered as securities
18 salespersons or broker-dealers in the State of Washington.

19 5. The offer and/or sale of the WOG/WOG Ellison Well #1 Joint Venture securities were made
20 in violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents
21 made misstatements of material fact or omitted to state material facts necessary in order to make the
22 statements made, in light of the circumstances under which they were made, not misleading.

1 **FINAL ORDER**

2 Based upon the foregoing and finding it in the public interest:

3
4 It is hereby ORDERED that Respondent WOG/WOG Ellison Well #1 Joint Venture shall cease
5 and desist from offering and/or selling securities in violation of RCW 21.20.140, the securities
6 registration section of the Securities Act of Washington.

7 It is further ORDERED that the Respondents, Paul A. Burns, Wortham Oil & Gas Enterprises,
8 LLC, and Wortham Oil & Gas aka Wortham Realty Inc., shall each cease and desist from violations of
9 RCW 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act
10 of Washington.

11 It is further ORDERED that the Respondents shall cease and desist from violations of RCW
12 21.20.010, the anti-fraud section of the Securities Act of Washington.

13 It is further ORDERED that the Respondents, Paul A. Burns, Wortham Oil & Gas Enterprises,
14 LLC, Wortham Oil & Gas aka Wortham Realty Inc., and WOG/WOG Ellison Well #1 Joint
15 Venture, shall each be liable for and shall pay a fine of \$5,000.

16 **AUTHORITY AND PROCEDURE**

17 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395
18 and is subject to the provisions of RCW 21.20.440 and RCW 34.05. Respondents each have the right to
19 petition the superior court for judicial review of this agency action under the provisions of RCW 34.05.
20 For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.
21 Pursuant to RCW 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed,
22 the clerk shall treat the order in the same manner as a Superior Court judgment as to the fine, and the
23 fine may be recorded, enforced, or satisfied in like manner.

1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE**

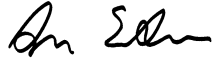
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3 DATED AND ENTERED this 5th day of June, 2008.

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MICHAEL E. STEVENSON
Securities Administrator

7 Approved by:

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Suzanne Sarason
Chief of Compliance & Examinations

Presented by:

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Bridgett Fisher
Enforcement Attorney