

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

IN THE MATTER OF DETERMINING ) Order No.: S-11-0584-11-FO01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) ENTRY OF FINDINGS OF FACT AND  
Texas State Energy Corporation, ) CONCLUSIONS OF LAW AND FINAL ORDER TO  
Respondent. ) CEASE AND DESIST, TO IMPOSE FINES, AND TO  
CHARGE COSTS AS TO TEXAS STATE ENERGY  
CORPORATION

**THE STATE OF WASHINGTON TO: Texas State Energy Corporation**

On May 27, 2011, the Securities Administrator of the state of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs S-11-0584-11-SC01 (“Statement of Charges”), against Respondents Texas State Energy Corporation and Thomas D. Woodcock, Jr. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”) and an Application for Adjudicative Hearing (“Application for Hearing”), were served on Respondent, Texas State Energy Corporation, on June 23, 2011. The Notice of Opportunity for Hearing advised Respondent, Texas State Energy Corporation, 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. Respondent, Texas State Energy Corporation, failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

The Securities Administrator therefore will adopt as final as to Texas State Energy Corporation the following Findings of Fact and Conclusions of Law and enter a final order against the Respondent to cease and desist from violations of the Securities Act, to impose a fine, and charge costs.

The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL  
ORDER TO CEASE AND DESIST, TO  
IMPOSE FINES, AND TO CHARGE  
COSTS AS TO TEXAS STATE ENERGY  
CORPORATION

1 **FINDINGS OF FACT**

2 Respondents

3 1. Texas State Energy Corp. (“TSEC”) is a Texas corporation established on November 28,  
4 2006. TSEC is a privately owned company that represents itself as specializing in oil and gas exploration.

5 2. Thomas D. Woodcock, Jr. (“Woodcock”) is a salesperson for TSEC. Woodcock is a Texas  
6 resident.

7 Related Person

8 3. William D. Addison (“Addison”) was the President of TSEC. Addison last resided in Plano,  
9 Texas. Addison died on February 12, 2011.

10 Nature of the Offering

11 4. In early November 2009, Woodcock cold-called an eighty-six-year-old Washington  
12 resident to solicit investment in TSEC. Woodcock told the resident that a \$20,000 investment would  
13 result in earnings of \$5,000 per month. Woodcock also told the resident that he could purchase the right  
14 to receive two percent of the income generated from oil wells worked by TSEC. Woodcock did not  
15 disclose either the risks involved with investing in TSEC or the basis for his earnings projections.  
16

17 5. On November 10, 2009, TSEC sent a Program Summary to the Washington resident.  
18 Within the Program Summary, TSEC offered part of its working interest in four oil wells (“Offering  
19 Wells”) for \$10,000 per one percent working interest. TSEC represented that the Offering Wells are  
20 located on leased property (the “Linn Lease”) in Montgomery County, Kansas. The Program Summary  
21 indicated that TSEC would use investment funds to purchase eighty percent of the working interest in the  
22 Offering Wells and to pay for turnkey re-work costs for placing the wells into production. The materials  
23 stated that the offering was “restricted to accredited investors and/or persons who have a prior business  
24 relationship with [TSEC] or its officers.” The offering materials did not explain the risks of investment in  
25

1 the venture, the financial history of TSEC, the operational history of TSEC, the past disciplinary action  
2 taken against TSEC officers and salespersons, or the licenses TSEC required or obtained. TSEC did not  
3 explain that inadequate capitalization of the venture could limit its ability to produce oil from the lease.  
4 Further, TSEC did not disclose that the Linn Lease would expire in January 2011 if no oil production was  
5 established and that all investment in the Offering Wells was forfeit upon lease expiration.

6 6. On November 20, 2009, the Washington resident sent to TSEC a \$20,000 cashier's check to  
7 purchase a two percent working interest in the Offering Wells. At the time of solicitation and investment,  
8 the eighty-six-year-old investor was not an accredited investor, had no prior dealings with TSEC or its  
9 officers, and had no experience investing in oil and gas ventures.

10 7. In December 2009, the Washington investor received from Addison a Notice of Right of  
11 Refusal form, which directed the Washington investor to choose either to purchase an additional  
12 percentage of the working interest in the Offering Wells at \$10,000 per one percent interest, or to refuse to  
13 make such a purchase. The Washington investor decided not to invest additional funds. The letter  
14 soliciting further investment did not identify any risks involved in the venture. TSEC never informed the  
15 investor that TSEC may make such additional capital calls and did not explain what impact the decision to  
16 invest or not to invest further funds would have on an investor's interest in the venture.

17 8. The Linn Lease expired on January 16, 2011 because of a lack of production. TSEC did not  
18 inform the Washington investor of the lease expiration.

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20 Other Actions

21 9. On August 1, 2002, the Texas State Securities Board issued an Emergency Cease and Desist  
22 Order against Addison, Texas State Oil Company ("TSOC"), Integrated Direct Marketing Corp.  
23 ("IDMC"), John Browning Stafford ("Stafford"), John Lopez, Tony Watkins, and Kevin Dan Hearn for  
24 the offer and sale of unregistered securities, use of unregistered broker-dealers and/or agents, employment

1 of unregistered agents for the sale of securities, and material misrepresentations or omissions in the sale of  
2 securities. This case involved a salesperson who made cold-call solicitations for investment in an oil/gas  
3 lease on behalf of Addison, TSOC, Stafford, and IDMC. Addison was the President and Director of  
4 TSOC and the Secretary/Director of IDMC. The respondents' misrepresentation of the investment  
5 included: (1) statements that the offer would be made only to accredited investors; (2) failure to disclose  
6 the amount of potential turnkey profit or liquid assets available from which to pay potential turnkey cost  
7 overruns; (3) misuse of the terms "Inc.," "Corp.," and "Company" in reference to TSOC and IDMC,  
8 which were not registered with the Texas Secretary of State in a manner to allow the use of such terms in  
9 conjunction with their business; and (4) failure to disclose a Summary Order to Cease and Desist issued  
10 against IDMC and Stafford by the State of Pennsylvania Securities Commission.

11 10. On September 2, 2009, default judgment was entered against Woodcock in a case brought  
12 by the United States Securities and Exchange Commission ("SEC"). The SEC brought the case, No.  
13 8:09-cv-01093-RAL-EAJ, in the United States District Court of the Middle District of Florida, Tampa  
14 Division. The SEC alleged, and the court later found, that Woodcock violated the Securities Act of 1933  
15 and the Securities Exchange Act of 1934 by soliciting investment for a prime bank scheme. Woodcock's  
16 violations involved the offer or sale of unregistered securities, acting as an unregistered broker-dealer  
17 and/or agent, and making material misrepresentations or omissions in the sale of securities with scienter.

18  
19 Misrepresentations and Omissions

20 11. Respondents failed to provide material information regarding the TSEC venture, including,  
21 but not limited to: financial statements, operational history, risks, full representation of the company  
22 history, licensing requirements and status, and prior performance information.

23 12. TSEC failed to provide material information regarding the consequences of inadequate  
24 capitalization, including the failure to establish well production, the expiration of the Linn Lease, and the  
25

1 risk of forfeiting all investment in the Offering Wells.

2 13. TSEC misrepresented that the offer of the investment in the Offering Wells would only be  
3 made to accredited investors and/or persons who have a prior business relationship with the company or  
4 its officers.

5 14. Woodcock failed to provide a reasonable basis for his projection that a \$20,000 initial  
6 investment would result in a payout of \$5,000 per month and failed to disclose the limitations on the  
7 projection.

8 15. Respondents failed to disclose that Addison was a respondent in an Emergency Cease and  
9 Desist Order issued by the Texas State Securities Board as described in paragraph nine.

10 16. Respondents failed to disclose that Woodcock was a defendant and had a default judgment  
11 entered against him in a lawsuit brought by the SEC in the United States District Court of the Middle  
12 District of Florida, Tampa Division as described in paragraph ten.

13 Registration Status

14 17. TSEC is currently not registered to sell its securities in the state of Washington and has not  
15 previously been so registered. In addition, there is no notice of a claim of exemption on file with the  
16 Securities Administrator.

17 18. Woodcock is not currently registered as a securities salesperson or broker-dealer in the state  
18 of Washington and has not previously been so registered.

19  
20  
21 Based upon the above Findings of Fact, the following Conclusions of Law are made:

22 **CONCLUSIONS OF LAW**

23 1. The offer and/or sale of interests in the TSEC venture described above constitute the offer  
24 and/or sale of securities as defined in RCW 21.20.005(10) and (12).

1 2. The offer and/or sale of said securities were in violation of RCW 21.20.140 because the  
2 TSEC offering was not registered in the state of Washington.

3 3. The offer and/or sale of said securities were in violation of RCW 21.20.040 because Thomas  
4 D. Woodcock, Jr. offered and sold said securities while not registered as a securities salesperson or  
5 broker-dealer in the state of Washington.

6 4. The offer and/or sale of said securities were made in violation of RCW 21.20.010 because,  
7 as set forth in the Findings of Fact, Respondents made misstatements of material fact or omitted to state  
8 material facts necessary in order to make the statements made, in light of the circumstances under which  
9 they were made, not misleading.

### 10 **FINAL ORDER**

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

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13 IT IS HEREBY ORDERED that the Respondent, Texas State Energy Corporation, its agents and  
14 employees each shall cease and desist from offering and/or selling securities in any manner in violation of  
15 RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

16 IT IS FURTHER ORDERED that the Respondent, Texas State Energy Corporation, its agents and  
17 employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities  
18 Act of Washington.

19 IT IS FURTHER ORDERED that the Respondent, Texas State Energy Corporation, shall be liable  
20 for and pay a fine in the amount of \$10,000.

21 IT IS FURTHER ORDERED that the Respondent, Texas State Energy Corporation, shall be liable for  
22 and pay costs in the amount of \$5,000.

### 23 **AUTHORITY AND PROCEDURE**

24 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is  
25 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondent have the right to petition  
the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the

1 requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395,  
2 a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the  
3 same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied  
4 in like manner.

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

6 SIGNED and ENTERED this 28th day of July 2011.

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10  
11 William M. Beatty  
12 Securities Administrator

13 Approved by:

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15  
16 Suzanne Sarason  
17 Chief of Enforcement

18 Presented by:

19 

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21 Drew Stillman  
22 Financial Legal Examiner