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

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

Texas State Energy Corp.;
Thomas D. Woodcock, Jr.,

Respondents.

Order Number S-11-0584-11-SC01

**STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ISSUE AN
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND CHARGE
COSTS**

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THE STATE OF WASHINGTON TO:

Texas State Energy Corp.
Thomas D. Woodcock, Jr.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Thomas D. Woodcock, Jr. and Texas State Energy Corp. 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 as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Texas State Energy Corp. ("TSEC") is a Texas corporation established on November 28,

1 2006, with its principal place of business at 840 Central Parkway E, Suite 120, Plano, Texas 75704.

2 TSEC is a privately owned company that represents itself as specializing in oil and gas exploration.

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

5 Related Person

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

8 Nature of the Offering

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

14 5. On November 10, 2009, TSEC sent a Program Summary to the Washington resident.
15 Within the Program Summary, TSEC offered part of its working interest in four oil wells (“Offering
16 Wells”) for \$10,000 per one percent working interest. TSEC represented that the Offering Wells are
17 located on leased property (the “Linn Lease”) in Montgomery County, Kansas. The Program Summary
18 indicated that TSEC would use investment funds to purchase eighty percent of the working interest in
19 the Offering Wells and to pay for turnkey re-work costs for placing the wells into production. The
20 materials stated that the offering was “restricted to accredited investors and/or persons who have a
21 prior business relationship with [TSEC] or its officers.” The offering materials did not explain the
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1 risks of investment in the venture, the financial history of TSEC, the operational history of TSEC, the
2 past disciplinary action taken against TSEC officers and salespersons, or the licenses TSEC required or
3 obtained. TSEC did not explain that inadequate capitalization of the venture could limit its ability to
4 produce oil from the lease. Further, TSEC did not disclose that the Linn Lease would expire in January
5 2011 if no oil production was established and that all investment in the Offering Wells was forfeit upon
6 lease expiration.

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

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

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

21 Other Actions

1 9. On August 1, 2002, the Texas State Securities Board issued an Emergency Cease and
 2 Desist Order against Addison, Texas State Oil Company (“TSOC”), Integrated Direct Marketing Corp.
 3 (“IDMC”), John Browning Stafford (“Stafford”), John Lopez, Tony Watkins, and Kevin Dan Hearn for
 4 the offer and sale of unregistered securities, use of unregistered broker-dealers and/or agents,
 5 employment of unregistered agents for the sale of securities, and material misrepresentations or
 6 omissions in the sale of securities. This case involved a salesperson who made cold-call solicitations
 7 for investment in an oil/gas lease on behalf of Addison, TSOC, Stafford, and IDMC. Addison was the
 8 President and Director of TSOC and the Secretary/Director of IDMC. The respondents’
 9 misrepresentation of the investment included: (1) statements that the offer would be made only to
 10 accredited investors; (2) failure to disclose the amount of potential turnkey profit or liquid assets
 11 available from which to pay potential turnkey cost overruns; (3) misuse of the terms “Inc.,” “Corp.,”
 12 and “Company” in reference to TSOC and IDMC, which were not registered with the Texas Secretary
 13 of State in a manner to allow the use of such terms in conjunction with their business; and (4) failure to
 14 disclose a Summary Order to Cease and Desist issued against IDMC and Stafford by the State of
 15 Pennsylvania Securities Commission.

16 10. On September 2, 2009, default judgment was entered against Woodcock in a case brought
 17 by the United States Securities and Exchange Commission (“SEC”). The SEC brought the case, No.
 18 8:09-cv-01093-RAL-EAJ, in the United States District Court of the Middle District of Florida, Tampa
 19 Division. The SEC alleged, and the court later found, that Woodcock violated the Securities Act of
 20 1933 and the Securities Exchange Act of 1934 by soliciting investment for a prime bank scheme.
 21 Woodcock’s violations involved the offer or sale of unregistered securities, acting as an unregistered
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1 broker-dealer and/or agent, and making material misrepresentations or omissions in the sale of
2 securities with scienter.

3 Misrepresentations and Omissions

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

7 12. TSEC failed to provide material information regarding the consequences of inadequate
8 capitalization, including the failure to establish well production, the expiration of the Linn Lease, and
9 the risk of forfeiting all investment in the Offering Wells.

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

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

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

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

21 Registration Status

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

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

6
7 Based upon the above Tentative 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 TSEC venture described above constitute the offer
10 and/or sale of securities 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 the
12 TSEC 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
14 Thomas D. Woodcock, Jr. offered and sold said securities while not registered as a securities
15 salesperson or broker-dealer in the State of Washington.

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

20 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

1 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
2 Administrator intends to order that Respondents, Texas State Energy Corp., Thomas D. Woodcock, Jr.,
3 and their agents and employees, shall each cease and desist from violations of RCW 21.20.140 and RCW
4 21.20.010, and that Thomas D. Woodcock, Jr. shall cease and desist from violations of RCW
5 21.20.040.

6 **NOTICE OF INTENT TO IMPOSE FINES**

7 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and
8 Conclusions of Law, the Securities Administrator intends to order that the Respondents, Texas State
9 Energy Corp. and Thomas D. Woodcock, Jr. shall be jointly and severally liable for and pay a fine of
10 \$10,000.

11 **NOTICE OF INTENT TO CHARGE COSTS**

12 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and
13 Conclusions of Law, the Securities Administrator intends to order that the Respondents, Texas State
14 Energy Corp. and Thomas D. Woodcock, Jr. shall be jointly and severally liable for and pay the Securities
15 Division the costs, fees and other expenses incurred in the conduct of the investigation of this matter in an
16 amount not less than \$5,000.

17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
19 21.20.395, and is subject to the provisions of RCW 34.05. The Respondents may each make a written
20 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
21 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

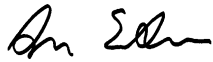
1 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
2 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist order as to
3 that Respondent, and impose the fines and costs sought.

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5 DATED and ENTERED this 27th day of May, 2011.

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WILLIAM M. BEATTY
Securities Administrator

10 Approved by:

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13 Suzanne Sarason
Chief of Enforcement

Presented by:

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16 Drew Stillman
Enforcement Attorney