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

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IN THE MATTER OF DETERMINING) Order No. S-14-1417-15-CO03
Whether there has been a violation of the)
Securities Act of Washington by:)
) CONSENT ORDER
Couch Oil & Gas, Inc.,) AS TO ROBIN CHARLET
Charles O. Couch,)
Robin Charlet,)
Kirk Porter,)
)
)
)
Respondents.)

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INTRODUCTION

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On May 23, 2014, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs (“Statement of Charges”), Order Number S-14-1417-14-SC01, against Respondents Couch Oil & Gas, Inc., Charles O. Couch, Robin Charlet, and Kirk Porter. Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Division and Respondent Robin Charlet do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondent Robin Charlet neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondents

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1. Couch Oil & Gas, Inc. (“Couch Oil”) is a Texas company that was incorporated in 2004 and has a principal place of business in Irving, Texas. Couch Oil is in the business of oil and gas exploration and development.

1 2. Charles O. Couch (“Couch”) is a resident of Texas and the President and owner of Couch
2 Oil.

3 3. Robin Charlet (“Charlet”) is a resident of California and was, at all times relevant to this
4 matter, a representative of Couch Oil.

5 4. Kirk Porter (“Porter”) is a resident of California and was, at all times relevant to this matter,
6 a representative of Couch Oil.

7 **Other Enforcement and Civil Actions**

8 5. On February 2, 1999, the Pennsylvania Securities Commission issued a Summary Order to
9 Cease and Desist against Couch and a related entity. The Commission alleged that Couch had violated the
10 securities registration section of the Securities Act of Pennsylvania. Couch was ordered to cease and desist
11 from offering and selling securities in violation of the Securities Act of Pennsylvania.

12 6. On March 18, 2005, the Wisconsin Division of Securities issued an Order of Prohibition and
13 Revocation against Couch and Couch Oil. The Division alleged that Couch and Couch Oil violated the
14 securities registration and securities salesperson registration sections of the Securities Act of Wisconsin.
15 Couch and Couch Oil consented to the entry of the order without admitting or denying the Division’s factual
16 findings.
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18 7. On August 14, 2008, Couch and Couch Oil were named as defendants in a lawsuit filed by
19 two oil and gas investors. The investors alleged, among other things, that Couch and Couch Oil violated the
20 Texas Securities Act when they offered and sold oil and gas investments to the investors. On October 5,
21 2011, a jury found that Couch Oil committed a securities act violation when it offered or sold a security to
22 the investors by means of an untrue statement or omission of a material fact. The jury did not award
23 damages to the investors and found that the investors should have discovered Couch Oil’s
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1 misrepresentations and omissions by December 2004. On November 1, 2011, based on the jury's findings,
2 the court entered judgment in favor of Couch and Couch Oil.

3 8. On July 14, 2009, the Pennsylvania Securities Commission issued a Summary Order to
4 Cease and Desist against Couch and Couch Oil. The Commission alleged that Couch and Couch Oil had
5 violated the securities registration section of the Securities Act of Pennsylvania. Couch and Couch Oil were
6 ordered to cease and desist from offering and selling securities in violation of the Securities Act of
7 Pennsylvania.

8 9. On May 12, 2014, the United States Securities and Exchange Commission ("SEC") filed a
9 civil enforcement action against Couch and Couch Oil in the U.S. District Court in Dallas, Texas. The SEC
10 alleged that Couch and Couch Oil violated federal securities laws when they offered and sold unregistered
11 securities in two oil and gas programs, including the Eastern Permian Basin 59 Oil Wells prospect. The SEC
12 alleged that Couch and Couch Oil fraudulently raised approximately \$9.8 million from more than 200
13 investors in at least 21 states through the offer and sale of these unregistered oil and gas securities.
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15 **Nature of the Offering**

16 10. Between June 2010 and January 2011, Couch Oil, Couch, Charlet, and Porter offered and
17 sold units of fractional undivided working interests in Couch Oil's Eastern Permian Basin 59 Oil Wells
18 prospect ("59 Wells") to Washington residents. The units were offered through a public website, and at least
19 three Washington residents responded to the offer and invested a total of \$629,375. At the time of the offer,
20 two of the Washington investors were retired and one of the investors was non-accredited. None of the
21 Washington investors had a pre-existing relationship with any of the respondents when the investment was
22 offered.

23 11. After each of the Washington investors responded to the 59 Wells offer, Charlet or Porter
24 contacted the investor by phone and email. Couch also spoke with at least one of the Washington investors.
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1 Couch Oil, Couch, Charlet, and Porter represented to offerees that Couch Oil would test, drill, operate, and
2 manage the 59 oil and gas wells associated with the program, and that investors would hold a percentage
3 working interest in all of the wells associated with the program. Couch Oil would distribute monthly
4 revenue checks to investors when it sold the oil or gas produced by the wells.

5 12. Charlet and Porter provided each Washington investor with a Participation and Subscription
6 Agreement (“Subscription Agreement”). While Couch Oil stated in the Subscription Agreement that
7 investors would be treated as limited liability partners, investors had no expectation of control over the
8 administration or management of the 59 Wells program. In addition, when investors signed the Subscription
9 Agreement, they signed a Power of Attorney appointing Couch Oil as their attorney-in-fact in matters
10 related to the 59 Wells program.

11 13. Couch, Charlet, and Porter provided each Washington investor with various documents
12 regarding the 59 Wells program. Porter forwarded email updates from Couch and Couch Oil to at least one
13 Washington investor. In the email updates, Couch and Couch Oil outlined their successes in testing and
14 drilling wells, including wells that would be part of the 59 Wells program. In one update, Couch represented
15 that Couch Oil had a “verified list of good oil producers.” In another, Couch stated that “one well bore
16 should earn us our initial investment back.”

17 14. Charlet provided an Estimated Projected Cash Flow Pro-forma (“Pro-forma”) to at least one
18 Washington investor. In the Pro-forma, Couch Oil represented that all 59 wells would be producing oil or
19 gas within twelve months. Couch Oil also represented that investors could receive \$81,533 in revenue per
20 1% working interest in the first fourteen months of the investment.

21 15. Couch and Porter provided an Executive Summary to at least two Washington investors. In
22 the Executive Summary, Couch Oil represented that the 59 Wells program had an estimated “30% APR
23 payback if all wells obtain estimated minimum daily production” (emphasis in the original). Couch Oil
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1 stated that the productive life of each well would likely vary from 10 to 50 years. Couch Oil also
2 represented that it would be drilling wells with proven past production, which was “comparable to buying
3 existing production.”

4 16. Couch Oil, Couch, Charlet, and Porter failed to provide investors with a basis for the
5 projections and assertions made in the email updates, Pro-forma, and Executive Summary, and they failed to
6 disclose the assumptions upon which the claims were made. Couch Oil, Couch, Charlet, and Porter also
7 failed to provide investors with material information regarding Couch Oil, including its financial condition,
8 its operating history, and the performance of other oil and gas investments offered, managed, or operated by
9 Couch Oil or its affiliates.

10 17. Couch Oil, Couch, Charlet, and Porter failed to disclose to investors that Couch had filed for
11 bankruptcy in 1999, and that Couch and/or Couch Oil had been the subject of administrative orders issued
12 by the Wisconsin Division of Securities in 2005 and the Pennsylvania Securities Commission in 1999 and
13 2009 for the offer or sale of unregistered securities. Couch Oil, Couch, Charlet, and Porter also failed to
14 disclose to investors that, at the time of the 59 Wells offer, Couch and Couch Oil were defendants in a civil
15 lawsuit filed by oil and gas investors that alleged securities act violations in the offer and sale of securities.
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17 18. Couch and Charlet represented to at least two Washington investors that the risk of investing
18 in the 59 Wells program was lower than investing in a single well because the risk of a dry hole was spread
19 over 59 wells and a non-producing well could be replaced with a new well. Couch Oil, Couch, Charlet, and
20 Porter failed to disclose to investors that a large number of oil and gas wells are dry holes or commercially
21 non-productive wells, and that replacing a dry or under-producing well would likely require raising
22 additional funds.

23 19. Couch Oil, Couch, Charlet, and Porter failed to provide the Washington investors with a
24 private placement memorandum or other document containing the general or specific risks of investing in an
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1 oil and gas prospect. Investors were only told broadly that oil and gas investments were risky and investors
2 could lose their entire investment. The risks that Couch Oil, Couch, Charlet, and Porter failed to disclose
3 include, but are not limited to, delays in the distribution of income, equipment shortages, changes in the
4 marketability of the product, commercially non-productive wells, and liability for costs beyond the initial
5 investment.

6 20. In April 2011, Couch Oil issued the first revenue checks for the 59 Wells program. All three
7 Washington investors received a revenue check that was substantially less than what each had expected, and
8 the revenue checks became smaller in the subsequent months. By the end of 2013, Couch Oil had notified
9 investors that it was pursuing a buyout and termination of the 59 Wells program.

10 **Registration Status**

11 21. Respondent Couch Oil & Gas, Inc. is not currently registered to offer or sell its securities in
12 the state of Washington, and it has not previously been so registered. There is no notification of exemption
13 on file with the state of Washington.

14 22. Respondent Charles O. Couch is not currently registered as a securities salesperson or
15 broker-dealer in the state of Washington, and he has not previously been so registered.

16 23. Respondent Robin Charlet is not currently registered as a securities salesperson or broker-
17 dealer in the state of Washington, and he has not previously been so registered.

18 24. Respondent Kirk Porter is not currently registered as a securities salesperson or broker-dealer
19 in the state of Washington, and he has not previously been so registered.
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1 Based upon the above Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 1. The offer or sale of units of fractional undivided working interests in an oil and gas prospect
4 as described above constitutes the offer or sale of a security as defined in RCW 21.20.005 (14) and RCW
5 21.20.005 (17).

6 2. Robin Charlet has violated RCW 21.20.140 because, as set forth in the Findings of Fact,
7 Respondents offered and/or sold securities for which no registration is on file with the Securities
8 Administrator.

9 3. Robin Charlet has violated RCW 21.20.040 because, as set forth in the Findings of Fact,
10 Robin Charlet offered and/or sold said securities while not being registered as a securities salesperson or
11 broker-dealer in the state of Washington.

12 4. Robin Charlet has violated RCW 21.20.010 because, as set forth in the Findings of Fact, in
13 connection with the offer, sale, or purchase of securities, Respondents made untrue statements of material
14 fact or omitted to state material facts necessary to make the statements made, in light of the circumstances in
15 which they were made, not misleading.
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17 **CONSENT ORDER**

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

19 IT IS AGREED AND ORDERED that Respondent Robin Charlet shall cease and desist from
20 violating RCW 21.20.140, the securities registration section of the Securities Act of Washington.

21 IT IS FURTHER AGREED AND ORDERED that Respondent Robin Charlet shall cease and desist
22 from violating RCW 21.20.040, the securities salesperson and broker-dealer registration section of the
23 Securities Act of Washington.
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IT IS FURTHER AGREED AND ORDERED that Respondent Robin Charlet shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondent Robin Charlet shall be liable for and shall pay a fine of \$1,000 on or before entry of this Consent Order.

IT IS FURTHER AGREED AND ORDERED that Robin Charlet shall be liable for and shall pay investigative costs of \$500 on or before entry of this Consent Order.

IT IS FURTHER AGREED that this Consent Order alone will not constitute a bar to the approval of an application of the respondent for registration as an investment adviser or broker-dealer in the state of Washington.

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

IT IS FURTHER AGREED that Respondent Robin Charlet entered into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that, in consideration of the foregoing, Respondent Robin Charlet waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this 3rd day of December 2015.

Signed by:

Approved as to form by:

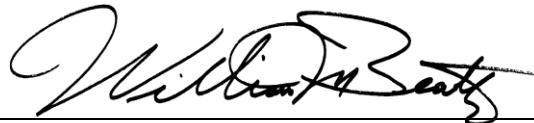
/s/

/s/

Robin Charlet, Individually

Wright Noel, Attorney for Respondent
WSBA No. 25264

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2 SIGNED and ENTERED this 24th day of December 2015.
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5 _____
6 William M. Beatty

7 Securities Administrator

8 Approved by:

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10 _____
11 Suzanne Sarason
12 Chief of Enforcement

8 Presented by:

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11 Holly Mack-Kretzler
12 Financial Legal Examiner

13 Reviewed by:

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15 _____
16 Robert Kondrat
17 Financial Legal Examiner Supervisor