

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81308 / August 3, 2017

INVESTMENT COMPANY ACT OF 1940
Release No. 32773 / August 3, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18098

In the Matter of

ALFRED C. TERAN,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940
AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Alfred C. Teran (the “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

SUMMARY

1. Between 2011 and 2015, the Respondent willfully violated Section 15(a) of the Exchange Act by selling or participating in the offer and sale of securities to hundreds of investors across the country in connection with unregistered offerings organized by Chris Faulkner.¹

¹ The Commission filed an action in United States District Court for the Northern District of Texas against Faulkner, seven additional individuals, and four entities for their roles in an \$80 million offering fraud (“Faulkner Scheme Litigation”). In the Faulkner Scheme Litigation, the Commission alleged violations of, among other things, the antifraud provisions of the federal securities laws. (*SEC v. Faulkner, et. al*, Civil Action No. 3:16-cv-01735-D)(N.D. Tex. June 24, 2016)). The Respondent is not a named defendant in the Faulkner Scheme Litigation.

2. The Respondent provided substantive details about the offerings to prospective investors, including details on prospective returns. In exchange for his sales activities, the Respondent received approximately \$1.6 million in undisclosed transaction-based compensation. The Respondent was not registered with the Commission as a broker or associated with a registered broker-dealer during this time.

RESPONDENT

3. Alfred C. Teran, age 63, is a resident of Frisco, Texas. Teran worked as a salesperson in an investor relations role for Breitling Royalties Corporation (“BRC”), Crude Royalties (“CR”), and Patriot Royalties (“PR”) selling undivided oil and gas interests as part of unregistered offerings. Teran is currently offering and selling undivided oil and gas interests to investors as part of unregistered offerings through his wholly-owned company, Royal Mesa Minerals, LLC. Teran is not registered with the Commission in any capacity and does not have any disciplinary history.

OTHER RELEVANT PERSON AND ENTITIES

4. Christopher A. Faulkner, age 40, is a resident of Los Angeles, CA. Faulkner is the co-founder of Breitling Oil and Gas (“BOG”) and BRC and served as President of those entities until December 2013. Faulkner is currently the President, CEO, and Chairman of the Board of Breitling Energy Corporation. He also directed the operations of Crude Energy, LLC (“Crude”), CR, Patriot Energy, Inc. (“Patriot”) and PR.

5. BRC is a corporation organized in Texas. Faulkner started the company with Parker Hallam (“Hallam”) and Dustin Michael Miller Rodriguez (“Miller”) in 2010, and controlled its operations thereafter. BRC’s principal place of business was in Dallas, Texas until December 9, 2013 when it was part of the transaction that created BECC. BRC is not registered with the Commission in any capacity.

6. CR is a limited liability corporation organized in Texas with its principal place of business in Dallas, Texas. Crude served as BECC’s royalty interest sales arm from late 2013 through April 2015. CR has since ceased operations. CR is not registered with the Commission in any capacity and does not have any disciplinary history.

7. Patriot is a corporation organized in North Dakota with its principal place of business in Dallas, Texas. Patriot served as BECC’s working interest sales arm until June 2016. Patriot also sold royalties under the name of PR. Patriot has since ceased operations. Patriot is not registered with the Commission in any capacity and does not have any disciplinary history.

RESPONDENT’S UNREGISTERED OFFER AND SALE OF SECURITIES

8. Between 2011 and 2015, the Respondent sold royalty interests in unregistered oil and gas offerings for BRC, CR, and PR (collectively the “Royalty Interest Entities”). The

Respondent was regularly and intimately involved at key points in the chain of distribution for the Royalty Interest Entities.

9. The Respondent was the first line of the sales process for the Royalty Interest Entities. Respondent cold-called prospective investors across the country using lead list information purchased from a third-party and handled customer calls in response to advertisements made on websites for Royalty Interest Entities.

10. After making contact, the Respondent initiated the sales process by providing substantive details on the relevant offerings, including the size of the offering, the location of the proposed wells, and projected performance of the wells and the investment. The Respondent also offered details on how prospective investors could obtain tax advantages under Section 1031 of the Internal Revenue Code by investing in royalty interests associated with the various offerings by Royalty Interest Entities. The Respondent regularly answered questions about the offerings, either on the telephone or by email, and was instrumental in convincing prospective investors to invest in the offerings.

11. In exchange for performing these sales-related duties, the Respondent received a fixed salary of \$800 payable every two weeks, equivalent to \$20,800 per year. Although investors were led to believe that transaction-based compensation (i.e., commissions) would not be paid in connection with the sale of the royalty interests, the Respondent's primary source of income was from commissions he received through a process designed to evade regulatory detection. The payment of commissions was never disclosed to investors.

12. After selling a royalty interest, the Respondent received a specific percentage of every dollar ultimately invested (typically 10%). However, instead of receiving these payments personally, the Respondent received his commission payments through a company he owned and controlled. In sum, Respondent received \$1,599,005.65 in transaction-based compensation in exchange for selling undivided oil and gas interests.

13. Respondent was not registered with the Commission as a broker or associated with a registered broker-dealer during this time.

VIOLATIONS

14. As a result of the conduct described above, the Respondent willfully violated Section 15(a) of the Exchange Act, which makes it unlawful for any broker or dealer to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security, unless such broker or dealer is registered or associated with a registered broker-dealer.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;
- B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b)(6) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;
- C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act including, but not limited to, disgorgement and civil penalties pursuant to Section 9 of the Investment Company Act; and
- D. Whether, pursuant to Section 21C of the Exchange Act, Respondent should be: (1) ordered to cease and desist from committing or causing violations of and any future violations of Section 15(a) of the Exchange Act; (2) ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act; and (3) ordered to pay disgorgement, with prejudgment interest, pursuant to Sections 21B(e) and 21C(e) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for purposes of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that the Respondent is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary