

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

SECURITIES AND EXCHANGE	§	
COMMISSION,	§	
	§	
Plaintiff,	§	Civil Action No.:
	§	
v.	§	
	§	
HALEK ENERGY, LLC, CBO ENERGY, INC.,	§	
JASON A. HALEK, and	§	
CHRISTOPHER CHAD WILBOURN.	§	
	§	
Defendants.	§	
	§	

COMPLAINT

Plaintiff United States Securities and Exchange Commission (“Commission”) alleges the following against Defendants Halek Energy, LLC, CBO Energy, Inc., Jason A. Halek (“Halek”) and Christopher Chad Wilbourn (“Wilbourn”), and would respectfully show the Court the following:

SUMMARY

1. Between June 2007 and September 2009, Halek Energy and CBO Energy, through owner Halek and various sales representatives, including Wilbourn, conducted an unregistered securities offering of working interests in several Texas oil and gas projects and pre-IPO shares of Southlake Energy. Halek Energy and CBO Energy raised approximately \$22 million from at least 300 investors. Halek Energy and CBO Energy offering materials contained materially false and misleading statements about the risks of the oil and gas projects, the use of investor funds, and potential returns from the

investments. In addition, Halek knew these representations were false and that the projected returns for the majority of the oil and gas projects lacked any foundation and were completely speculative.

2. The Commission, in the interest of protecting the public from any further fraudulent activity, brings this action and seeks a judgment from the Court: (a) enjoining Halek Energy, CBO Energy, Halek and Wilbourn from engaging in future violations of the registration and antifraud provisions of the federal securities laws; (b) ordering Halek Energy, CBO Energy, Halek and Wilbourn to disgorge, with prejudgment interest, their illicit profits as a result of the actions described herein; and (c) ordering Halek and Wilbourn to pay civil monetary penalties.

JURISDICTION

3. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint.

DEFENDANTS

4. **Halek Energy** is a Texas Limited Liability Company located in Southlake, Texas.

5. **CBO Energy** is a Texas corporation located in Southlake, Texas.

6. **Halek**, age 36, resides in Southlake, Texas. He owns and controls Halek Energy. Halek also owned and controlled CBO Energy during the relevant period. Halek holds no securities licenses and is not registered with the Commission in any capacity.

7. **Wilbourn**, age 26, resides in Colleyville, Texas, and is the President of CBO Energy. Between July 2007 and February 2009, Wilbourn received approximately \$1 million in commissions from sales of interests in oil and gas drilling projects offered by CBO Energy. Wilbourn holds no securities licenses and is not registered with the Commission in any capacity.

RELATED ENTITIES

8. **Central Basin Operating, Inc.**, is a Texas corporation owned by Halek located in Southlake, Texas that operated the majority of Halek Energy's wells. Central Basin Operating also provided administrative services for Halek Energy and CBO Energy. On August 26, 2009, Central Basin Operating filed for bankruptcy under Chapter 11. The bankruptcy was converted to a Chapter 7 liquidation on January 7, 2010.

9. **Southlake Energy, Inc.**, is a Delaware corporation located in Fort Worth, Texas. Southlake Energy was controlled by Halek until April 13, 2010, when he transferred control to a former independent contractor.

BACKGROUND

10. Beginning in mid-2007, Halek Energy and CBO Energy offered and sold working interests in numerous oil and gas leases, purportedly to fund drilling and operations on these leases. Halek Energy and CBO Energy raised approximately \$22 million from at least 300 investors.

11. Halek Energy and CBO Energy solicited investors through cold calls and various websites created and controlled by Halek, subsequently providing private placement memorandums ("PPM") and subscription agreements for a specific project.

Typically, Halek Energy and CBO Energy sold 75% of the project's working interest and kept the remaining 25%. After investing, investors received email updates about the respective projects.

12. Halek Energy and CBO Energy misused offering proceeds by commingling funds from numerous projects in one account, rather than segregating funds by project as represented in subscription agreements. In many instances, cost overruns on one project were paid from funds raised for a completely new project.

13. The PPMs provided to investors typically contained "Return on Initial Investment" ("ROI") projections, categorizing returns as "probable" or "possible." The PPMs defined "probable" as a "conservative or minimum expected production rate." According to the PPMs, the "probable" ROI would return investors their principal within 2 to 2.5 years and earn substantial returns thereafter of 9.8% to 32.3% annually. The PPMs defined "possible" as a more aggressive production rate yielded by wells of the same type or within same region, suggesting return of principal in less than a year and returns after that of between 57.7% and 119.3% annually.

14. These projections were wholly speculative. The projects in which Halek Energy and CBO Energy offered interests were "wildcats," meaning that they were speculative plays in areas not previously known to have significant oil or gas production. The oil and gas wells near these projects lacked any history of significant production to support the PPMs' projections. The wildcat nature of these wells was not disclosed to investors.

15. The probable and possible ROI figures were formulated by a Halek Energy employee who had no oil and gas experience. The employee, with Halek's

consent, merely extrapolated data from wells he deemed comparable to the Halek Energy and CBO Energy leases. The employee's methods were unreliable. Among other things, he did not consider, and was not qualified to evaluate, the different geological conditions that existed between the wells, which could greatly affect prospective production. Moreover, he used data that was flatly contrary to actual results from wells that surrounded the Halek Energy and CBO Energy prospects. For example, the PPM for the King prospect projected that the wells would produce between 100-300 barrels of oil and 1,000-3,000 MCF gas per day. In fact, there were very few producing wells near the prospect – and none producing at the levels the employee projected. Additionally, Halek Energy performed no additional tests to determine if its wells could be productive. Investors were not told any of these facts.

16. Halek Energy and CBO Energy sales frequently discounted the risks associated with the investments. For instance, they promised prospective investors that the projects were certain to generate large returns, either from production or from being re-sold to blue-chip energy companies. They also claimed that projects were already producing or were under contract to be sold for profit. These representations were false. For example, CBO Energy sales representatives told investors that the King prospect had no risk because it would be a “quick turnaround” and they would be able to “double or triple their initial investment.” In fact, drilling had commenced on this prospect more than two years earlier, and had not yet generated any returns. These facts were not disclosed to investors.

17. Halek Energy and CBO Energy's PPMs typically contained spreadsheets detailing the materials and services required to complete specific projects. Halek

normally designated a certain percentage of investor funds for specific materials and services and set aside 30% for “overhead, promotion and marketing.” Halek Energy and CBO Energy’s actual costs, however, were often substantially lower than what was projected in the PPMs. Halek’s PPM projections regularly inflated the costs of the materials and services by at least another 30% to provide Halek Energy and CBO Energy with additional, undisclosed profits.

18. For at least four prospects, the defendants projected returns based in part on the sale of the natural gas to be produced on the prospects, despite the fact that those prospects have no nearby pipelines. Indeed, one CBO Energy PPM falsely stated that the prospect wells were near a pipeline. Without a pipeline, the defendants had no means to sell gas, making the revenue projections unrealistic and fraudulent. To date, there are still no pipelines in these areas and investors in these projects have received no returns on their investments. Halek knew there was no pipeline prior for these projects, but did not disclose this information to investors.

19. In addition to selling working interests in oil and gas leases, Halek Energy, CBO Energy, and Wilbourn sold pre-IPO shares in Southlake Energy. Between November 2007 and June 2008, the defendants raised \$688,000 from at least 16 investors. According to the Southlake Energy PPM, the company had or was to receive interests in several Halek Energy and CBO Energy oil and gas wells. Halek also promised that Southlake Energy would hold an IPO. Halek transferred the interests in most of those prospects to others, not Southlake Energy. Moreover, no IPO has occurred. At this time, Southlake Energy has no ongoing operations and investors who purchased pre-IPO shares have not received their money back.

CLAIMS FOR RELIEF

FIRST CLAIM

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder)

20. Plaintiff Commission repeats and incorporates paragraphs 1 through 19 of this Complaint by reference as if set forth *verbatim*.

21. Defendants Halek Energy, CBO Energy, and Halek, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails: (a) have employed devices, schemes and artifices to defraud; (b) have made untrue statements of material facts and have omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

22. As a part of and in furtherance of their scheme, Defendants Halek Energy, CBO Energy, and Halek, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those set forth in above.

23. Defendants Halek Energy, CBO Energy, and Halek made these misrepresentations and omissions knowingly or with severe recklessness.

24. By reason of the actions alleged herein, Defendants Halek Energy, CBO Energy, and Halek have violated and, unless enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM
(Violations of Sections 5(a) and 5(c) of the Securities Act)

25. Plaintiff Commission repeats and incorporates paragraphs 1 through 19 of this Complaint by reference as if set forth *verbatim*.

26. Defendants Halek Energy, CBO Energy, Halek, and Wilbourn, directly or indirectly, singly and in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and have been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

27. As described in this Complaint, Defendants Halek Energy, CBO Energy, Halek, and Wilbourn offered and sold the purported joint venture interests to the public through a general solicitation of investors. No registration statement has been filed with the Commission or is otherwise in effect with respect to these securities.

28. By reason of the foregoing, Defendants Halek Energy, CBO Energy, Halek and Wilbourn violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)].

THIRD CLAIM
(Violation of Section 17(a) of the Securities Act)

29. Plaintiff Commission repeats and incorporates paragraphs 1 through 19 of this Complaint by reference as if set forth *verbatim*.

30. Defendants Halek Energy, CBO Energy, and Halek, directly or indirectly, singly and in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

31. As part of and in furtherance of this scheme, Defendants Halek Energy, CBO Energy, and Halek, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, those statements and omissions set forth above.

32. For these reasons, Defendants Halek Energy, CBO Energy, and Halek have violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

FOURTH CLAIM
(Violation of Section 15(a) of the Exchange Act)

33. Plaintiff Commission repeats and incorporates paragraphs 1 through 19 of this Complaint by reference as if set forth *verbatim*.

34. By reason of the foregoing, Defendant Wilbourn, directly or indirectly, singly and in concert with others, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as a broker or dealer, or being associated with a registered broker or dealer.

35. By reason of the foregoing, Defendant Wilbourn, directly and indirectly, has violated and, unless enjoined, will continue to violate Sections 15(a) of the Exchange Act [15 U.S.C. § 78o-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court issue a Final Judgment:

(a) Permanently enjoining Defendants Halek Energy, CBO Energy, and Halek from violating, directly or indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§77e(a), 77e(c) and 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5];

(b) Permanently enjoining Defendant Wilbourn from violating, directly or indirectly, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)] and Section 15(a) of the Exchange Act [15 U.S.C. §78o(a)];

(c) Ordering Defendants Halek Energy, CBO Energy, Halek, and Wilbourn to disgorge an amount equal to the funds and benefits they obtained illegally, or to which they are otherwise not entitled, as a result of the violations alleged, plus prejudgment interest on that amount;

(d) Ordering Defendants Halek and Wilbourn to pay monetary penalties under Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78uA];

(e) Granting such other and further relief as the Court deems just and proper.

DATED: August 31, 2010

Respectfully submitted,



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