

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10471 / March 22, 2018

SECURITIES EXCHANGE ACT OF 1934
Release No. 82929 / March 22, 2018

INVESTMENT COMPANY ACT OF 1940
Release No. 33050 / March 22, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-17716

In the Matter of

**ROBERT L. BAKER,
JACOB B. HERRERA,
MICHAEL D. BOWEN, and
TERRENCE A. BALLARD,**

Respondents.

**ORDER MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS
15(b) AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934 AND SECTION
9(b) OF THE INVESTMENT COMPANY
ACT OF 1940 AS TO ROBERT L. BAKER,
JACOB B. HERRERA, AND MICHAEL D.
BOWEN, AND ORDERING ADDITIONAL
PROCEEDINGS**

I.

On December 8, 2016, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), 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”) and Notice of Hearing against Robert L. Baker, Jacob B. Herrera, Michael D. Bowen, and Terrence A. Ballard (collectively the “Respondents”).

II.

In connection with these proceedings, Respondents Robert L. Baker (“Baker”), Jacob B. Herrera (“Herrera”), and Michael D. Bowen (“Bowen”) (collectively the “Settling Respondents”) have submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on

behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section VII, the Settling Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940 against Robert L. Baker, Jacob B. Herrera, and Michael D. Bowen, and Ordering Additional Proceedings ("Order") as set forth below:

III.

On the basis of this Order and the Settling Respondents' Offer, the Commission finds¹ that:

SUMMARY

1. Between 2011 and 2015, the Settling Respondents willfully violated Sections 5(a) and 5(c) of the Securities Act and Section 15(a) of the Exchange Act by engaging in the unregistered offer and sale of securities in the form of fractional undivided oil-and-gas interests to investors as part of the securities offerings described below.

2. The Settling Respondents worked at the entities described below and sold or participated in the sale of securities to investors, including cold-calling investors across the country to solicit investments in unregistered oil-and-gas securities offerings, and provided substantive details about the offerings to prospective investors. In connection with sales to investors, the Settling Respondents received transaction-based compensation. The Settling Respondents were not registered with the Commission as brokers or associated with a registered broker-dealer during this time.

SETTLING RESPONDENTS

3. Baker, age 54, is a resident of Dallas, Texas. Baker worked as a salesperson for Breitling Oil and Gas Corporation ("BOG"), Breitling Royalties Corporation ("BRC"), Crude Energy, LLC ("Crude"), Crude Royalties ("CR"), Patriot Energy, Inc. ("Patriot"), and Patriot Royalties ("PR"), selling oil-and-gas interests as part of unregistered offerings. Baker is not registered with the Commission in any capacity and does not have any disciplinary history.

4. Bowen, age 34, is resident of Waxahachie, Texas. Bowen worked as a salesperson for BOG, BRC, Crude, CR, Patriot, and PR selling oil-and-gas interests as part of unregistered offerings. Bowen is not registered with the Commission in any capacity and does not have any disciplinary history.

5. Herrera, age 26, also known as Brandon Jacobs, is a resident of Cedar Hill, Texas.

¹ The findings herein are made pursuant to the Settling Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Herrera worked as a salesperson for BOG, BRC, Crude, CR, Patriot, and PR selling oil-and-gas interests as part of unregistered offerings. Herrera is not registered with the Commission in any capacity and does not have any disciplinary history.

OTHER RESPONDENT IN PROCEEDING

6. Ballard, age 41, is a resident of Frisco, Texas. Ballard worked as a salesperson for BOG, BRC, Crude, CR, Patriot, and PR selling oil-and-gas interests as part of unregistered offerings. Ballard (CRD #4226733) previously held a Series 7 license, and was affiliated with several registered broker-dealers between 2000 and 2009. Ballard's license is currently expired, and he is not currently registered with the Commission in any capacity and does not have any disciplinary history. On March 3, 2017, the hearing officer found Ballard in default pursuant to Rule 155(a) of the Commission's Rules of Practice. Robert L. Baker, Admin Proc. Rulings Release No. 4652, 2017 SEC LEXIS 659 (March 3, 2017).

OTHER RELEVANT ENTITIES

7. Breitling Oil and Gas Corporation ("BOG") is a company that was originally organized by Christopher A. Faulkner² in the state of Oklahoma in 2004 under the name Southwest Energy Exploration, LLC ("Southwest Energy"). Faulkner controlled Southwest Energy and changed its name to BOG in July 2010 when he started the company with Parker Hallam ("Hallam") and Dustin Michael Miller Rodriguez ("Miller"). BOG's principal place of business was in Dallas, Texas until December 9, 2013, when it was part of the transaction that created Breitling Energy Corporation. BOG is not registered with the Commission in any capacity. Faulkner served as BOG's President until December 2013.

8. Breitling Royalties Corporation ("BRC") is a corporation organized in Texas. Faulkner started the company with Hallam and Miller in 2010, served as its President, and controlled its operations. 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.

9. Breitling Energy Corporation ("BECC") is a corporation organized in Nevada with its principal place of business in Dallas, Texas. BECC is the result of an asset-for-stock sale transaction between Bering Exploration (OTC: BERX), BOG, and BRC. BECC's common stock was registered with the Commission under Section 12(g) of the Exchange Act and quoted on OTC Link operated by OTC Markets Group, Inc. The Commission revoked the registration of BECC's securities on November 1, 2016. Faulkner is BECC's President, CEO, and Chairman of the Board.

10. Crude Energy, LLC ("Crude") is a limited liability company currently organized in Nevada with its principal place of business in Dallas, Texas. Crude, which was controlled by

² The Commission filed an action in United States District Court for the Northern District of Texas against Faulkner, seven additional individuals and four entities, alleging, among other things, violations of 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 Settling Respondents are not named in *SEC v. Faulkner, et al.*

Faulkner, served as BECC's working-interest sales arm from late 2013 through April 2015. Crude has since ceased operations. Crude is not registered with the Commission in any capacity and does not have any disciplinary history.

11. Crude Royalties ("CR") is a limited liability corporation organized in Texas with its principal place of business in Dallas, Texas. CR, which was controlled by Faulkner, 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.

12. Patriot Energy, Inc. ("Patriot") is a corporation organized in North Dakota with its principal place of business in Dallas, Texas. Patriot, which was controlled by Faulkner, served as BECC's working-interest sales arm until June 2016. Patriot also sold royalties under the name of Patriot Royalties, Inc. ("PR"). Patriot has since ceased operations. Patriot is not registered with the Commission in any capacity and does not have any disciplinary history.

SETTLING RESPONDENTS' UNREGISTERED OFFER AND SALE OF SECURITIES

13. Between 2011 and 2015, the Settling Respondents sold fractional undivided working interests in oil-and-gas prospects for BOG, Crude, and Patriot (collectively the "Working Interest Entities") and fractional undivided royalty interests in oil-and-gas prospects for BRC, CR, and PR (collectively the "Royalty Interest Entities"). The Settling Respondents were involved at key points in the chain of distribution for both the Working Interest Entities and Royalty Interest Entities until the investment process was complete.

14. The Settling Respondents served as the first line of the securities sales process, cold-calling prospective investors across the country using lead-list information purchased from a third party. After making contact, the Settling Respondents continued the sales process by providing substantive details on the relevant securities offerings, including the size of the offering, the location of the proposed wells, and projected performance of the wells and the investment. The Settling Respondents regularly answered questions about the offerings, either on the telephone or by email, and were instrumental in convincing prospective investors to invest in the oil-and-gas interests.

15. In exchange for performing these sales-related duties, the Settling Respondents received a fixed salary of \$800 payable every two weeks, equivalent to \$20,800 per year. The Respondents also received transaction-based compensation from the Working Interest Entities and Royalty Interest Entities for selling oil-and-gas interests to investors.

16. In connection with sales of working interests and royalty interests, the Settling Respondents received transaction-based compensation. Instead of receiving this transaction-based compensation personally, however, each of the Settling Respondents received it through a company he owned or controlled.

17. None of the Settling Respondents was registered with the Commission as a broker

or associated with a registered broker-dealer during this time.

18. Moreover, for each of the working interests sold by the Settling Respondents for the Working Interest Entities, no registration statement was in effect or filed with the Commission.

VIOLATIONS

19. As a result of the conduct described above, the Settling Respondents 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.

20. As a result of the conduct described above, the Settling Respondents also willfully violated Sections 5(a) and 5(c) of the Securities Act, which makes it unlawful for any person, directly or indirectly, to sell or to offer to sell a security for which a registration statement is not filed or is not in effect, and for which there is not an applicable exemption from registration.

UNDERTAKINGS

Each of the Settling Respondents undertakes the following: In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, the Settling Respondent: (i) will appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service (either personally or through counsel) by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints his undersigned attorney as agent to receive service of such notices and subpoenas; and (iv) consents to personal jurisdiction in any United States District Court for purposes of enforcing any such subpoena.

IV.

Pursuant to the Order, each of the Settling Respondents agrees to additional proceedings in this proceeding to determine, pursuant to Section 8A(e) of the Securities Act and Sections 21B(e) and 21C(e) of the Exchange Act, what, if any, disgorgement, and prejudgment interest, the Settling Respondents should be ordered to pay.

In connection with such additional proceedings: (a) the Settling Respondents agree that they will be precluded from arguing that they did not violate the federal securities laws described in this Order; (b) the Settling Respondents agree that they may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the findings of the Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, documentary evidence, and, if the hearing officer determines it necessary, hearing testimony.

V.

On the basis of the foregoing, each of the Settling Respondents hereby consents to the entry of an Order by the Commission imposing the following sanctions pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, and Section 9(b) of the Investment Company Act:

A. Each of the Settling Respondents shall cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act and Sections 5(a) and (c) of the Securities Act.

B. Each of the Settling Respondents be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by any of the Settling Respondents will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Settling Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Each of the Settling Respondents shall pay a civil monetary penalty in the amount of \$50,000 as directed below. For each of the Settling Respondents, payment shall be made in the following installments: (1) \$12,500.00 within 90 days of the entry of this Order; (2) \$12,500.00 within 180 days of the entry of this Order; (3) \$12,500.00 within 270 days of the entry of this Order; and (4) \$12,500.00 within 360 days of the entry of this Order. If any payment is not made by the date the payment is required, the entire outstanding balance of the civil penalty, plus any additional interest pursuant to 31 U.S.C. §3717, shall be due and payable immediately, without further application.

E. Each Payment shall be made to Thomas L. Taylor, the court-appointed receiver for the estates of defendants Christopher A. Faulkner, Breitling Oil & Gas Corporation, and Breitling Energy Corporation in *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.) (the “Receiver”) in accordance with the following instructions:

Payment must be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to "Receiver's Account, Estate of C. Faulkner, et al."; (C) hand-delivered or mailed to Thomas L. Taylor, The Taylor Law Offices, P.C., 245 West 18th Street, Houston, TX 77008; and (D) submitted under cover letter that identifies the Settling Respondent submitting the payment, the file number of these proceedings, and *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.), a copy of which cover letter and money order or check must be sent to Jessica B. Magee, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties referenced in paragraph D above. The Fair Fund will be distributed by the Receiver in accordance with a plan to be approved by the court in *SEC v. Christopher A. Faulkner, et al.*, Civ. Act. No. 3:16-1735-D (N.D. Tex.). In connection with the continuing administrative proceeding described in Section IV above, the hearing officer shall order payment or transfer of any funds ordered and collected to the Fair Fund, or as otherwise appropriate based on the facts and circumstances at that time. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, each of the Settling Respondents agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of his payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants a Settling Respondent such a Penalty Offset, such Settling Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against any of the Settling Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding

VI.

IT IS FURTHER ORDERED that the Administrative Law Judge shall designate the manner and method of taking evidence on the questions set forth in Section IV above as provided by Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111.

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 a party 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.

If any of the Settling Respondents fails to respond to any motion by the Division concerning the issues set forth in Section IV above or, if ordered by the Administrative Law Judge, otherwise fails to appear at a hearing, such Settling Respondent may be deemed in default and the allegations against him in this Order may be deemed as true as provided by Rules 155(a), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.221(f) and 201.310.

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.

VII.

IT IS FURTHER ORDERED that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by each of the Settling Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by such Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by such Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary