

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10264 / December 8, 2016

SECURITIES EXCHANGE ACT OF 1934
Release No. 79507 / December 8, 2016

INVESTMENT COMPANY ACT OF 1940
Release No. 32383 / December 8, 2016

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 INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS 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
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 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”) against Robert L. Baker, Jacob B. Herrera, Michael D. Bowen and Terrence A. Ballard (collectively the “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

SUMMARY

1. Between 2011 and 2016, the 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 undivided oil and gas interests to hundreds of investors across the country as part of an \$80-million offering fraud orchestrated by Chris Faulkner (the “Faulkner Scheme”).¹

2. The Respondents participated in the Faulkner Scheme by selling or participating in the sale of securities to hundreds of investors, including cold-calling thousands of investors across the country to solicit investments in dozens of unregistered oil and gas securities offerings, and providing substantive details about the offerings to prospective investors. For their roles in the Faulkner Scheme, the Respondents collectively received nearly \$9 million in undisclosed transaction-based compensation in the form of commissions. None of the Respondents was registered with the Commission as a broker or associated with a registered broker-dealer during this time.

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

5. 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.

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.

OTHER RELEVANT PERSON AND ENTITIES

7. Christopher A. Faulkner, age 39, is a resident of Dallas, Texas. Faulkner is the co-founder of BOG and BRC and served as President of those entities until December 2013.

¹ The Commission recently 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 the Faulkner scheme 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)).

Faulkner is currently the President, CEO, and Chairman of the Board of Breitling Energy Corporation. He also directed the operations of Crude, CR, Patriot and PR.

8. Breitling Oil and Gas Corporation (“BOG”) is a company that was originally organized 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.

9. Breitling Royalties Corporation (“BRC”) is a corporation organized in Texas. Faulkner started the company with Hallam and 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.

10. 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 is registered with the Commission under Section 12(g) of the Exchange Act, and BECC’s (ticker: BECC) stock has been quoted on OTC Link operated by OTC Markets Group, Inc. BECC is currently a respondent in an administrative proceeding brought by the Commission pursuant to Section 12(j) of the Exchange Act. *In the Matter of Breitling Energy Corporation*, Administrative Proceeding File No. 3-17336 (July 11, 2016). On September 12, 2016, the Administrative Law Judge issued an Initial Decision of Default against BECC and ordered that the registration of the company’s securities be revoked.

11. Crude Energy, LLC (“Crude”) is a limited liability company currently organized in Nevada with its principal place of business in Dallas, Texas. Crude 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.

12. Crude Royalties (“CR”) is a limited liability corporation organized in Texas with its principal place of business in Dallas, Texas. Crude serve 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.

13. Patriot Energy, Inc. (“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 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.

THE FAULKNER SCHEME

14. Starting in or around 2011, Faulkner orchestrated a multi-pronged scheme that defrauded hundreds of investors across the country out of at least \$80 million dollars in connection with the unregistered offer and sale of oil and gas interests. Faulkner relied upon the assistance of numerous individuals – including the Respondents – to carry out the Faulkner Scheme.

15. Faulkner ran the first part of the Faulkner Scheme through privately-held BOG, a Dallas-based company that offered and sold working interests in numerous oil and gas prospects in various states, including Texas, North Dakota and Oklahoma. Faulkner hired a team of salespeople – managed by two BOG officers – to offer and sell the BOG working interests to prospective investors based on offering materials replete with material misrepresentations and omissions. Those misrepresentations lured hundreds of investors from across the county to invest millions of dollars with BOG. Once BOG received investor funds, Faulkner used a significant portion to fund his extremely lavish lifestyle.

16. The Faulkner Scheme transitioned in December 2013 after BOG engaged in a transaction with a publicly-traded company to create BECC. BECC represented to investors that it was a legitimate exploration and production (E&P) oil and gas company with a business model that varied greatly from BOG. In reality, BECC's business model was similar to BOG's but with a different veneer. Faulkner set up two affiliated entities – Crude and later Patriot – to deceive investors with the same type of unregistered offerings that BOG promoted. The Crude and Patriot offering materials contained misrepresentations and omissions similar to those in the BOG offerings. After raising millions of dollars through Crude and Patriot, Faulkner again misappropriated several million for his personal use.

RESPONDENTS' UNREGISTERED OFFER AND SALE OF SECURITIES

17. Even though Faulkner conceived of and orchestrated the Faulkner Scheme, he delegated the offer and sale of the securities to others. Between 2011 and 2016, the Respondents sold working interests in oil and gas prospects for BOG, Crude, and Patriot (collectively the "Working Interest Entities") and royalty interests in oil and gas prospects for BRC, CR, and PR (collectively the "Royalty Interest Entities"). The Respondents were regularly and intimately involved at key points in the chain of distribution for both the Working Interest Entities and Royalty Interest Entities.

18. Although the relevant offering materials represented that officers of the various entities would be the only individuals to offer and sell the investments, the Respondents were, in fact, the primary salespeople. Although certain officers for the Working Interest Entities and Royalty Interest Entities did participate in the sales process - typically toward the end of the process after the Respondents had already offered the investment - the Respondents actively participated in the chain of distribution until the investment was complete.

19. The Respondents were the first line of the sales process, cold-calling thousands of prospective investors across the country using lead list information purchased from a third-party. After making contact, the Respondents continued 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 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 offerings.

20. In exchange for performing these sales-related duties, the Respondents received a fixed salary of \$800 payable every two weeks, equivalent to \$20,800 per year. Although the offering materials claimed that transaction-based compensation (*i.e.*, commissions) would not be paid in connection with the securities, the Respondents' primary source of income was from commissions that they received through a process designed to evade regulatory detection. This payment of commissions was never disclosed to investors.

21. After selling a working interest or a royalty interest, the Respondents received a specific percentage of every dollar ultimately invested (typically 10%). However, instead of receiving these payments personally, the Respondents received their commission payments through companies they owned and controlled. As set forth in the chart below, *each* of the Respondents received over a million dollars in transaction-based compensation for their unregistered offer and sale of securities:

RESPONDENT	YEARS	TRANSACTION-BASED COMPENSATION
Bob Baker/TWB Associates, LLC	2011-2016	\$2,912,514
Jacob Herrera/Boardwalk Consulting Group/JH Field Services	2010-2016	\$2,421,035
Michael Bowen/Legacy Consulting, LLC	2010-2016	\$2,016,490
Terry Ballard/Rothstein Ballard/Ballard Gold Group/Ballard Group	2010-2016	\$1,239,284

22. None of the Respondents was registered with the Commission as a broker or associated with a registered broker-dealer during this time.

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

VIOLATIONS

24. As a result of the conduct described above, the 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

25. Respondents willfully violated Sections 5(a) and 5(c) of the Securities Act, which make 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.

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 Respondents 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 8A of the Securities Act including, but not limited to, disgorgement and civil penalties;
- C. 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;
- D. 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
- E. Whether, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, each 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 and Sections 5(a) and 5(c) of the Securities Act; (2) ordered to pay a civil penalty pursuant to Section 8A(g) of the Securities Act and Section 21B(a) of the Exchange Act; and (3) ordered to pay disgorgement, with prejudgment interest, pursuant to Section 8A(e) of the Securities Act and 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 each 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 a 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 Respondents 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 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.

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