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## Texas State Securities Board

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IN THE MATTER OF  
PETRO-SAN RESOURCES, LLC  
AND SEAN PATRICK RILEY

§  
§  
§

Order No. ENF-15-CDO-1739

TO: Petro-San Resources, LLC  
5114 Elk Creek, San Antonio, TX 78251  
10111 Divine Breeze, San Antonio, TX 78251

Sean Patrick Riley  
5114 Elk Creek, San Antonio, TX 78251  
10111 Divine Breeze, San Antonio, TX 78251

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-43 (West 2010 & Supp. 2014) (the "Texas Securities Act").

The Staff of the Enforcement Division of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

#### FINDINGS OF FACT

1. Petro-San Resources, LLC ("Respondent Petro-San") is a Domestic Limited Liability Company. It maintains last known addresses at 5114 Elk Creek, San Antonio, Texas 78251 and at 10111 Divine Breeze, San Antonio, Texas 78251.
2. Sean Patrick Riley, also known as Patrick Riley ("Respondent Riley"), is the President and sole Managing Member of Respondent Petro-San. Respondent Riley maintains last known addresses at 5114 Elk Creek, San Antonio, Texas 78251 and at 10111 Divine Breeze, San Antonio, TX 78251.
3. Respondents are offering oil and gas investments in Texas through a webpage that is accessible to the general public at [www.petro-san.com](http://www.petro-san.com). Respondents also

maintain a social media presence at [www.linkedin.com](http://www.linkedin.com), [www.facebook.com](http://www.facebook.com), and [www.axial.net](http://www.axial.net).

4. Respondents are offering for sale in Texas investments in a single well oil and gas drilling program on the George Mackey lease (“**the George Mackey**”) in Caldwell County, Texas. Respondents are representing that the investment constitutes the purchase of working interests or the purchase of units in the George Mackey Prospect Joint Venture.
5. Respondents are touting the investment as follows:
  - a. The George Mackey is a one well project in Caldwell County, Texas.
  - b. The purchase price of the investment is \$7,500.00 per working interest.
  - c. Investors have no meaningful duty to manage the investment. An investor’s only duty is to provide money.
  - d. An investment of \$30,000 will entitle investors to a four percent working interest with an “asset value” of “around \$60,000,” not including monthly revenue.
  - e. An investment of \$30,000 may lead to monthly revenue of \$2,112.
6. The investment described herein has not been registered by qualification, notification, or coordination, and no permit has been granted for its sale in Texas.
7. Respondents are representing that they are relying on federal and state exemptions from securities registration requirements because the offer and sale of the investments does not involve a public offering. Respondents are also representing that they are relying on Regulation D, Rule 506.
8. Rule 506 of Regulation D under the Securities Act of 1933 authorizes an issuer to engage in general solicitation in offering and selling covered securities without first complying with state securities registration requirements, provided that, among other things, all purchasers of the securities are accredited investors and the issuer takes reasonable steps to verify that such purchasers are accredited investors.
9. Respondents are offering the above-described investment to purchasers who are not accredited investors. Respondents are not taking reasonable steps to verify that all purchasers are accredited investors.

10. In connection with the offer for sale of the above-described investment, Respondents are intentionally failing to disclose the following material facts:
  - a. On or around September 16, 2005, Respondent Riley pled guilty to state jail felony promotion of a pyramid scheme in State of Texas vs. Sean Patrick Riley, Case No. 1015925, in the 180th District Court in Harris County, Texas. Respondent Riley received two years deferred adjudication and had to pay \$500.00 in fines and \$203.00 in court costs.
  - b. On or around June 16, 2014, Respondent Riley was charged with misdemeanor driving while intoxicated in State of Texas vs. Sean Patrick Riley, Case No. 461377, in the County Court at Law No. 14 in Bexar County, Texas. The charge includes an extreme intoxication enhancement on the grounds that Respondent Riley's alcohol concentration level was 0.15 or more at the time analysis was performed. The case is currently pending in Bexar County.
  - c. On or around July 23, 2014, Respondent Riley was charged with misdemeanor assault with bodily injury to a spouse/cohabitating member in State of Texas vs. Sean Riley, Case No. 465301, in the County Court at Law No. 13 in Bexar County, Texas. The case is currently pending in Bexar County.
  
11. Respondents are making an offer containing statements that are materially misleading or otherwise likely to deceive the public by representing that "[t]hree generations of integrity, expertise and a strong work ethic characterize [Respondent Petro-San's] professional team," that Respondent Riley is the "third generation to prove successful within the oil and gas industry and has over 10 years of experience" and that Respondent Riley has "over 5 years [experience] managing the promotion of developmental, rework and exploratory oil and gas projects..." while failing to disclose the following:
  - a. On or around February 22, 2012, Respondent Riley was named in a Summary Order to Cease and Desist filed by the Pennsylvania Securities Commission, In the Matter of Tim Cooksey Oil, LLC, JKV Management Consulting, LLC, Jefferson K. Villines III, Sean Patrick Riley a.k.a. Patrick Riley, Case No. 2012-01-19. The Order found that Respondent Riley and others violated Pennsylvania securities laws by offering and selling securities in Pennsylvania without registering the securities under the Pennsylvania Securities Act of 1972.
  - b. On or around April 10, 2014, Respondent Riley was named in a Cease and Desist Order filed by the Georgia Securities Division, In the Matter of JKV Management Consulting, LLC, Tim Cooksey Oil, LLC, Tim Cooksey, Jefferson K. Villines III, Sean Patrick Riley, and Chris Termeer, Case No. ENSC-130195. The Order found that Respondent Riley and others violated Georgia securities laws by offering and selling securities in

Georgia without registering the securities under the Georgia Uniform Securities Act of 2008. Jefferson K. Villines III, Chris Termeer, and Respondent Riley were also named in the same Order for offering and selling securities in Georgia without registering as an agent.

### CONCLUSIONS OF LAW

1. The above-described investments are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are engaging in fraud in connection with the offer for sale of securities.
4. Respondents have made an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
5. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
6. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

### ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

### NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the

grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 22<sup>nd</sup> day of June, 2015.



JOHN MORGAN  
Securities Commissioner