

BEFORE THE INVESTOR PROTECTION DIRECTOR
OF THE STATE OF DELAWARE

INVESTOR PROTECTION DIRECTOR
FOR THE STATE OF DELAWARE
NOV 06 2014

IN THE MATTER OF:)
)
COUCH OIL & GAS, INC.; CHARLES)
COUCH, and SAMUEL P. FREES,)
)

Case No. 12-11-1

Respondents

ADMINISTRATIVE CONSENT ORDER

WHEREAS the Investor Protection Unit (the "IPU") filed an administrative complaint (the "Complaint") pursuant to the Delaware Securities Act, 6 *Del. C.* § 73-101, *et seq.* (the "Act") alleging one count of offer and sale of an unregistered and non-notice filed security against Respondent Couch Oil & Gas, Inc., in violation of 6 *Del. C.* § 73-202; and one count of offer and sale of an unregistered and non-notice filed security against Respondent Charles Couch (together with Respondent Couch Oil & Gas, Inc., the "Couch Respondents"), in violation of 6 *Del. C.* § 73-202;

WHEREAS the Couch Respondents, without admitting or denying the Conclusions of Law set forth below and solely for the purposes of this Consent Order, admit the jurisdiction of the Investor Protection Director for the State of Delaware (the "Investor Protection Director"), admit the Findings of Fact set forth below, voluntarily consent to the entry of this Consent Order, and waive any right to a hearing or to judicial review regarding this Consent Order; and

WHEREAS pursuant to 6 *Del. C.* § 73-501 and § 225A of the Rules and Regulations Pursuant to the Delaware Securities Act (the "Rules"), Special Deputy Attorney General Richard P. S. "Buzz" Hannum has been designated to act as the Hearing Officer in this matter; and

WHEREAS there are certain issues of fact and law that prevail in this matter that remain in doubt, and the parties wish to resolve their dispute;

NOW, THEREFORE, the Director, as administrator of the Act, hereby enters the following Order:

I. FINDINGS OF FACT

1. Respondent Couch Oil & Gas, Inc. ("Couch Oil") is a company organized under Texas law with a principal place of business at 5605 North MacArthur, Suite 860, Irving, Texas 75038.
2. Respondent Charles Couch ("Mr. Couch") is the President and CEO of Couch Oil.
3. Non-party _____ is a Delaware resident.
4. On May 20, 2009, Mr. _____ executed a Palo-Strawn 7 Participation and Subscription Agreement that was thereafter accepted and countersigned by Mr. Couch (the "Subscription Agreement").
5. Pursuant to the Subscription Agreement, Mr. _____ paid \$41,850 for one-half unit of a purported "joint venture interest" in the Palo-Strawn 7 well program sponsored by Respondent Couch Oil & Gas via check dated May 28, 2009.
6. The interests conveyed by the Subscription Agreement were not registered with the Securities and Exchange Commission (the "SEC").
7. No Form D filing was made with the SEC with respect to interests conveyed by the Palo-Strawn 7 Well Participation and Subscription Agreement.
8. No Notice of Form D filing or Notice of Limited Offering Exemption was submitted to the IPU with respect to the interests conveyed by the Palo-Strawn 7 Well Participation and Subscription Agreement.

II. CONCLUSIONS OF LAW

1. Under the Act, "sale" or "sell" includes "every contract of sale of, contract to sell or disposition of a security or interest in a security for value." 6 *Del. C.* § 73-103(17).

2. It is unlawful for any person to offer or sell any security in Delaware unless it is registered under the Act, the security or transaction is exempted under the Act, or it is a federal covered security for which a notice filing has been made pursuant to the Act. 6 *Del. C.* § 73-202.
3. In any proceeding under the Act, the burden of proving an exemption or an exemption from a definition is upon the person claiming it. 6 *Del. C.* § 73-207(d).
4. In any administrative proceeding before the Director, the Director may issue orders providing for the following remedies: cease and desist; fine, assessment of costs; restitution to investors; conditional or probationary registration; censure or reprimand; special reporting requirements; or other remedies which the Director determines to be in the public interest. 6 *Del. C.* § 73-601(a).
5. As a result, this Consent Order and the following relief are appropriate and in the public interest.

III. ORDER

On the basis of the Findings of Fact, Conclusions of Law, and the consent of the Respondents to the entry of this Consent Order,

IT IS HEREBY ORDERED:

1. The Couch Respondents shall refrain from committing any future violations of the Delaware Securities Act.
2. The Couch Respondents agree not to offer for sale in the State of Delaware, directly or through any intermediary, any joint venture interest; note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract, including pyramid promotion which includes any

plan or operation for the sale or distribution of property, services, or any other thing of value wherein a person for a consideration is offered an opportunity to obtain a benefit which is based in whole or in part on the inducement, by himself or herself or by others, of additional persons to purchase the same or a similar opportunity; voting-trust certificate; certificate of deposit for a security; certificate of interest of participation in an oil, gas or mining title or lease or in payments out of production under such a title or lease; options on commodities; viatical settlement investment; or, in general, any interest or instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate, for, receipt for guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

3. Within ninety (90) calendar days from the date this Consent Order is signed by the Investor Protection Director, the Couch Respondents shall pay \$1,000 to the Delaware Investor Protection Fund by United States postal money order, certified check, bank cashier's check or bank money order.
4. Within ninety (90) calendar days from the date this Consent Order is signed by the Investor Protection Director, the Couch Respondents shall deliver to the IPU, Delaware Department of Justice, 820 North French Street, 5th Floor, Wilmington, Delaware 19801, the sum of \$5,000 as restitution to Mr. . Such restitution shall be made by United States postal money order, certified check, bank cashier's check or bank money order, made payable to "Mr. ."
5. Within five (5) business days from the date this Consent Order is signed by the Investor Protection Director, the IPU shall dismiss the Complaint without prejudice to the IPU's right to refile or amend the Complaint in the event of a default by the Couch Respondents with

respect to the payments identified in paragraphs 3 and 4 above. In the event of any such action, the Couch Respondents expressly waive any defense based on a statute of limitations, statute of repose, laches, or passage of time.

6. The Couch Respondents agree that any failure by the Couch Respondents to make the payments to the IPU when due, or any other default of the obligations set forth in this Consent Order, shall be considered a violation of this Consent Order authorizing the IPU to apply to the Delaware Court of Chancery to enforce compliance pursuant to 6 *Del. C.* § 73-602.
7. This Consent Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of Delaware without regard to any choice of law principles. The exclusive venue for any litigation related to this Consent Order shall be in New Castle County, Delaware.
8. This Order is not intended by the IPU to subject the Couch Respondents to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any commodities regulator or self-regulatory organization, including without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions under Rule 506 of Regulation D.
9. This Consent Order is entered into solely for the purposes of resolving the referenced administrative proceeding, and is not intended to be used for any other purpose. For any person or entity not a party to the Consent Order, this Consent Order does not create any private rights or remedies against the Couch Respondents, create liability of the Couch

Respondents, or limit or preclude any legal or factual positions or defenses of the Couch

Respondents in response to any claims.

[Signature page to follow]

IT IS HEREBY ORDERED on this 6th day of November, 2014.



Owen P. Lefkon
Investor Protection Director

CONSENT TO ENTRY OF CONSENT ORDER

Respondents, by signing below, admit the Findings of Fact and Conclusions of Law set forth above, agree to the entry of this Consent Order, and waive any right to a hearing or to judicial review.

Respondents state that no promise of any kind or nature whatsoever that is not reflected in this Consent Order was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

Mr. Charles Couch

By: _____

Date: _____

Couch Oil & Gas, Inc.

By: _____

Date: _____