

Texas Regulators Issue Cease and Desist Against Texas Oilman Promising 70% Annual Returns

The Texas State Securities Board has entered an emergency cease and desist order to stop the ongoing fundraising efforts of Michael E. Patman, the director of operations for Woodland Resources LLC, company principal Brett Kroh, and another respondent.

In soliciting Texans for investments in oil wells promising annualized returns of up to 70 percent, Patman allegedly touted his decades of earning profits for investors through oil and gas drilling programs. The regulators claim, however, that his public record “shows a gusher of debt and a long trail of misleading investors.”

Patman, who lists addresses in Fort Worth and Bogota, Colombia, helmed two companies that went into bankruptcy and he owed millions of dollars to investors who successfully sued him for fraud.

According to the emergency action, Woodland is sending unsolicited emails to Texas residents offering investments in an offset well in producing oil wells in Seminole County, Oklahoma. Woodland is selling working interests in direct drilling offsets of a nearby well called Oddfellows A-1.

An offset well is one close to an existing well that is producing and may provide clues to how much oil the offset well will produce. Woodland Resources is claiming the Oddfellows well produced between 38 and 40 barrels of oil per day as of October 2018.

Production records, however, show that in the one-year period ended April 2019, Oddfellows produced an average of 19.7 barrels per day, or half of Woodland's claimed total.

Woodland Resources and its principals, according to the order, are telling potential investors that the company is positioned to become a major independent player in the domestic and international oil and gas industry.

According to the order, Woodland Resources is promoting Patman as a successful manager of oil companies for nearly four decades. The company claims that Patman led one company, Sundance Resources Inc., from start up to revenue of more than \$100 million in 2006.

Woodland and the three principals are not disclosing to investors that in 2010 the U.S. District Court for the Northern District in Dallas ordered Sundance and Patman to pay nearly \$13 million in damages to investors who had sued them for fraud and breach of contract.

The investors, most of whom were retirees, collectively loaned Sundance more than \$14 million to purchase drilling rigs. Sundance fell behind on loan repayments and eventually stopped making payments because its executives, including Patman, transferred Sundance assets to company insiders and their affiliated companies.

In 2011, creditors forced Sundance into bankruptcy in the Bankruptcy Court for the Northern District of Texas, Dallas Division. Seven years later the case was discharged with Sundance creditors owed more than \$44 million in claims.

Woodland Resources is also touting Patman's record as CEO of Patman Drilling, which supposedly built and deployed oil rigs.

Potential investors are not being told that Patman Drilling filed for bankruptcy in 2007, listing more than \$10 million in debt owed to at least 50 parties.

The bankruptcy judge found that “Patman was either incompetent or was mismanaging the company,” and added “he was not as knowledgeable about the company’s operations as a person drawing a \$385,000 annual salary should be.”

In addition to Texas, other state securities regulators have accused him of illegally offering investments tied to oil and gas programs.

In 2006, the Texas Securities Commissioner found that Patman and Sundance violated the Texas Securities Act by offering unregistered securities in Texas.

The Pennsylvania Securities Commission in 2004 barred Patman and Sundance from offering or selling securities in the state for one year unless they met certain conditions and paid the state’s investigative and legal costs.

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