

## HOUSTON★CHRONICLE ENERGY

# Regulator alleges Houston oil company misled investors



Anonymous, STF

**FILE-** In this Dec. 17, 2008 file photo, the Securities and Exchange Commission (SEC) headquarters in Washington is shown. Regulators are expected to vote Wednesday July 23, 2014 to end a longtime staple of the investment industry \_ the fixed \$1 share price for money-market mutual funds \_ at least for some money funds used by big investors. (AP Photo/File)

**By Rhiannon Meyers,By Rhiannon Meyers**

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The Securities and Exchange Commission on Monday charged a Houston exploration and production company with misleading investors by exaggerating the extent of its oil reserves in Colombia and downplaying the risks.

An SEC investigation found Houston American Energy Corp. and CEO John Terwilliger falsely claimed a Colombian oil concession in which the company held an interest contained 1 billion to 4 billion barrels of oil reserves. The company estimated its interest in the 345,542 acres in the Llanos basin was worth \$3 billion, a value of \$100 per share for Houston American Energy stockholders, the federal financial regulator alleged in a civil cease and desist order.

As it played up its Colombian reserves, Houston American raised about \$13 million in a public offering, with its stock price quadrupling to more than \$20 a share between November 2009 and April 2010, the agency said.

After the company's operator drilled three dry wells from 2010 to 2012, Houston American withdrew from the play in early 2013 without recovering any oil, the SEC said.

Terwilliger said in sworn testimony he knew the block had no reserves, according to the SEC's order. He could not be reached for comment. The company disclosed in April 2012 that it was under investigation by the SEC.

The company's stock price has since collapsed. Houston American shares closed down 1 cent at 34 cents Monday on the NYSE MKT Exchange.

If found in violation of the Securities and Exchange Act, Houston American and Terwilliger face substantial fines and debarment - a prohibition from working in the industry, said Philip Hilder, a Houston criminal defense attorney and former federal prosecutor.

The SEC also alleged that stock promoter Kevin T. McKnight and his firm, Undiscovered Equities, were paid by Houston American to disseminate the false claims.

The agency's cease-and-desist order sets into motion civil proceedings, including a hearing before an administrative law judge within 60 days.



SEC

*U.S. Securities and Exchange Commission (SEC) logo*

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