

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

**K-SAM OIL COMPANY,
OLD TOWN BAY DRILLING VENTURE
MICHAEL P. KRASNER**

RESPONDENTS.

**ADMINISTRATIVE ORDER
NO. CO-2011-0014**

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the State of Alabama, has determined as follows:

RESPONDENTS

1. **K-SAM OIL COMPANY, LLC. ("K-SAM")** is a Texas limited liability company with offices and principal place of business at 5844 Norway Road, Dallas, Texas 75230.
2. **OLD TOWN BAY DRILLING VETURE (OLD TOWN)** is drilling venture being marketed by K-SAM whose business address is 5488 Norway Road, Dallas, Texas 75230.
3. **MICHAEL P. KRASNER (KRASNER)** has been identified as the President and Managing Member of K-SAM with offices and principal place of business at 5844 Norway Road, Dallas 75230.

STATEMENT OF FACTS

4. On or about November 18, 2010, a Special Agent employed by the Commission received a telephone call from KRASNER. KRASNER was referred to the agent by a resident of the State of Alabama who KRASNER had cold called. In referring KRASNER to the agent, the Alabama resident represented to KRASNER that the agent was the resident's brother-in-law who managed their joint investments.

5. KRASNER represented to the agent that he was calling on behalf of K-SAM of Dallas, Texas. KRASNER further noted that he has been in the oil business for approximately thirty (30) years. KRASNER represented that K-SAM was embarking on new drilling venture by the name of OLD TOWN. KRASNER further represented that he could let the Commission Agent and his brother-in-law join the venture for a \$15,000.00 to \$30,000.00 investment

6. The Commission Agent asked KRASNER if he was registered with the Alabama Securities Commission relative to the OLD TOWN offering. KRASNER stated that he was not registered with the Commission.

7. On November 22, 2010, a search of the United States Securities & Exchange Commission, EDGAR database, did not disclose a Regulation D, Rule 506 filing by K-SAM or OLD TOWN.

8. On November 22, 2010, a review of the Commission's registration files confirmed that neither K-SAM, OLD TOWN, nor KRASNER were registered as a Dealer, Agent, Investment Advisor, or Investment Advisor Representative for securities in the State of Alabama. Additionally, no notice filing was perfected for KRASNER, K-SAM, or OLD TOWN relative to a Form D filing for the subject offering.

9. On May 19, 2011, Administrative Order No. CD-2011-0014, an Order to Cease and Desist, was issued by the Commission directing RESPONDENTS to cease and desist from further offers or sales of securities into, within or from the State of Alabama.

10. On June 7, 2011, the Commission was contacted by RESPONDENTS by telephone. The Commission agreed to consider the telephone contact a request for a hearing and requested follow-up information.

11. In a letter dated June 8, 2011, RESPONDENTS affirmed the substance of the telephone conversation which occurred the previous day, reaffirmed RESPONDENTS' intention to settle this matter administratively, and formally preserved RESPONDENTS' right to a hearing if settlement negotiations were unsuccessful.

12. On August 11, 2011, in an informal conference call through counsel, KRASNER represented to the Commission that KRASNER was a "one man shop", that he had two (2) investors who reside in Alabama in previous projects with which he was associated, one who invested in a 2008 project which was successful and resulted in the investor receiving monthly payments, and one in an April 2009 project that was not successful, that neither of those investors had complaints, and that KRASNER did not intend to do business with Alabama residents in the future.

13. Between August 12, 2011, and September 28, 2011, the Commission and RESPONDENTS discussed legal issues pertaining to the settlement of this matter with an administrative order. On September 28, 2011, the Commission provided the first draft of a proposed order to RESPONDENTS.

14. On January 10, 2012, RESPONDENTS offered rescission to the Alabama investors. RESPONDENTS have supplied proof to the Commission staff that the rescission offers were made and received by the Alabama investors, proof of the acceptance or decline of those offers by the investors, and proof that RESPONDENTS honored all offers that were accepted by the Alabama investors.

CONCLUSIONS OF LAW

15. Pursuant to Section 8-6-2(10), Code of Alabama, 1975, the definition of a security includes, in pertinent part, “ ... any certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such a title or lease ...”. The interest in OLD TOWN offered by the RESPONDENTS is a security under the Act.

16. Section 8-6-2(2), Code of Alabama, 1975, defines an agent as any individual who represents a dealer or issuer in effecting or attempting to effect sales of securities. KRASNER, by soliciting an investment, to wit: an interest in OLD TOWN from an Alabama resident, acted as an Agent of K-SAM and is an agent under the Act.

17. Pursuant to Section 8-6-3(a), Code of Alabama, 1975, it is unlawful for any person to transact business in this state as a Dealer or Agent for securities unless such person is registered with the Commission. As President and Managing Member of K-SAM, KRASNER offered an interest in OLD TOWN to an Alabama resident without the benefit of registration. KRASNER made said solicitation without being registered as an Agent with the State of Alabama, in violation of the Act.

18. Pursuant to Section 8-6-4, Code of Alabama, 1975, it is unlawful for any person to offer or sell any security in this state unless: (1) it is registered under the Act; (2) the security is exempt from registration under Section 8-6-10; or (3) the transaction is exempt under Section 8-6-11. The security offered, to wit: an interest in OLD TOWN was neither registered nor exempt from registration in Alabama in violation of the Act.

WHEREAS, RESPONDENTS voluntarily waived all rights to a hearing upon entry of this Order and have consented to the entry of this ORDER; and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act; and

WHEREAS, RESPONDENTS have fully cooperated with the Commission's investigation, have provided all information requested by the Commission, and the Commission and RESPONDENTS are desirous of settling this matter as hereafter set forth and agreed; and

WHEREAS, RESPONDENTS have represented to the Commission staff that, through their execution of, and solely for the purpose of settling this matter by this Consent Order, they acknowledge and do not contest the foregoing allegations of the Commission, including, without limitation, the Commission's jurisdiction to issue this Consent Order and its findings.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That RESPONDENTS shall, until such time as properly registered in the State of Alabama, refrain from effecting transactions into, within, or from the State of Alabama.

2. That this Consent Order does not constitute a bar from RESPONDENTS becoming properly registered as dealers in the State of Alabama, and from thereafter effecting securities transactions into, within or from the State of Alabama, provided that all aspects of such transactions are in complete compliance with the Act and any other applicable state laws; and provided any such registration, and corresponding application and additional information with respect thereto, shall be subject to review by Commission staff who shall not deny such registration based solely on RESPONDENTS' entering into this Consent Order; however, the Commission shall consider this Order as part of the overall disciplinary history in any application for registration.

3. This Consent Order is being entered into for the purpose of settling Administrative Order No. CO-2011-0014.

4. That in settlement of the issues raised by these facts, under the provisions of Code of Alabama, 1975, Section 8-6-19(j)(i), RESPONDENTS shall pay ONE THOUSAND DOLLARS (\$1,000.00) as an administrative assessment, said funds to be tendered in certified funds contemporaneously with the entry of this Order payable to the State of Alabama.

5. That in settlement of the issues raised by these facts, under the provisions of Code of Alabama, 1975, Section 8-6-19(k)(1), RESPONDENTS shall pay ONE THOUSAND DOLLARS (\$1,000.00) as the cost of the investigation of this matter, said funds to be tendered in certified funds contemporaneously with the entry of this Order payable to the Alabama Securities Commission.

6. This Consent Order hereby resolves the matter as it pertains to RESPONDENTS.

AGREED and **CONSENTED** to on dates indicated:

RESPONDENTS


MR. MICHAEL P. KRASNER, Individually

4/20/2012
Date

K-SAM OIL COMPANY, LLC

By: 
MR. MICHAEL P. KRASNER, Manager

4/20/2012
Date

OLD TOWN BAY DRILLING VENTURE

By: 
K-SAM OIL COMPANY, LLC
MANAGING JOINT VENTURER
By: **MR. MICHAEL P. KRASNER, Manager**

4/20/2012
Date

2012. APPROVED and ORDERED THIS 3rd day of May,



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By: JOSEPH P. BORG
DIRECTOR