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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
whether there has been a violation
of the Securities Act of Washington by:

Order Number S-06-101-07-TO02
Amending
S-06-101-06-SC01

MCube Petroleum, Inc.;
Laramie Petroleum, Inc.;
Diski Petroleum, LLC;
Basilam Petroleum, LLC;
Halmahera - Rembang, LLC;
George Atwater;
and Robert Miracle,

AMENDED STATEMENT OF CHARGES
AND SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINES AND CHARGE COSTS

Respondents.

10 THE STATE OF WASHINGTON TO:

MCube Petroleum, Inc.
Laramie Petroleum, Inc.
Diski Petroleum, LLC
Basilam Petroleum, LLC
Halmahera - Rembang, LLC
George Atwater
Robert Miracle

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INTRODUCTION

16 On December 12, 2006, the Securities Administrator of the State of Washington issued a Statement
17 of Charges and Notice of Intent to Issue an Order to Cease and Desist, Impose Fines, and Charge Costs S-
18 06-101-06-SC01, hereinafter referred to as the "Statement of Charges." The Respondents were personally
19 served on December 15, 2006. After the entry of S-06-101-06-SC01, certain information came to the
20 attention of the Securities Administrator that requires the amendment of S-06-101-06-SC01. Among other
21 things, the Securities Administrator learned that the scope of the securities offering was much greater, in
22 terms of number of investors and investment amounts, than had been disclosed to Securities Division staff

23 AMENDED STATEMENT OF CHARGES
24 AND SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINES AND CHARGE COSTS

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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1 and that the offering had continued after the Respondents had been advised that it appeared to be in violation
2 of the Securities Act of Washington. The Securities Administrator now proceeds to amend the Statement of
3 Charges: by making additional Findings of Fact as set forth in paragraphs 19-27 and paragraphs 35-37
4 below; by amending paragraph 8; by amending the notice of intention to impose fines; and by making a
5 finding that an emergency exists.

6 7 **AMENDED STATEMENT OF CHARGES**

8 Please take notice that the Securities Administrator of the State of Washington has reason to believe
9 that Respondents, MCube Petroleum, Inc.; Laramie Petroleum, Inc.; Diski Petroleum, LLC; Basilam
10 Petroleum, LLC; Halmahera - Rembang, LLC; George Atwater; and Robert Miracle each violated the
11 Securities Act of Washington. The Securities Administrator believes those violations justify the entry of
12 an order of the Securities Administrator against the Respondents to cease and desist from such violations
13 pursuant to RCW 21.20.390. The Securities Administrator believes these are grounds for imposing fines
14 pursuant to RCW 21.20.395 and charging costs pursuant to RCW 21.20.390(5). The Securities
15 Administrator finds that delay in ordering the Respondents, MCube Petroleum, Inc.; Laramie Petroleum,
16 Inc.; Diski Petroleum, LLC; Basilam Petroleum, LLC; Halmahera - Rembang, LLC; George Atwater;
17 and Robert Miracle, to cease and desist from such violations would be hazardous to investors and to the
18 public and that a Summary Order to Cease and Desist should be entered immediately.

19 The Securities Administrator finds as follows:

20 **TENTATIVE FINDINGS OF FACT**

21 Respondents

22 1. Laramie Petroleum, Inc. ("Laramie"), a Washington corporation, was incorporated on
23 August 16, 2004 and is currently conducting business at 601 Union Street Suite 4620 Seattle, WA

1 98101. Laramie is purportedly an oil and gas service provider who supplies technology to find,
2 develop, construct, produce and manage petroleum preserves.

3 2. MCube Petroleum, Inc. (“MCube”), a Washington corporation, was incorporated on May
4 5, 2005 and is currently conducting business at 601 Union Street Suite 4620 Seattle, WA 98101.
5 MCube Petroleum is a company whose stated business purpose is to develop and operate foreign oil
6 and gas blocks, specifically in Malaysia.

7 3. Diski Petroleum, LLC (“Diski”), a Washington limited liability company, was filed with
8 the Secretary of State on December 8, 2005 and is currently conducting business at 601 Union Street
9 Suite 4620 Seattle, WA 98101. Diski, LLC was established for operation of the Diski block, which is
10 located in Indonesia. MCube purportedly owns 46% of the 130 outstanding Diski LLC units.

11 4. Basilam Petroleum, LLC (“Basilam”), a Washington limited liability company, was filed
12 with the Secretary of State on March 8, 2006 and is currently conducting business at 601 Union Street
13 Suite 4620 Seattle, WA 98101. Basilam, LLC was established for operation of the Batumandi and
14 Basilam blocks, which are located in Indonesia. MCube purportedly owns 48% of the 160 outstanding
15 Basilam LLC units.

16 5. Halmahera – Rembang, LLC (“Halrem”), a Washington limited liability company, was
17 filed with the Secretary of State March 27, 2006 and is currently conducting business at 601 Union
18 Street Suite 4620 Seattle, WA 98101. Halrem was formed as an investment vehicle to participate in
19 the oil and gas revenues from two blocks in Indonesia, the Halmahera block and Rembang block.
20 MCube purportedly owns 112 of the 250 outstanding LLC units of Halrem.

21 6. George Atwater (“Atwater”) is a resident of Everett, Washington. Atwater is the
22 Secretary and Treasurer of Laramie Petroleum, Inc. and the Secretary of MCube Petroleum, Inc.

1 *Diski Petroleum, LLC*

2 11. Diski, through MCube, conducted an offering of 64 LLC units in Diski for a total
3 offering of \$3.2 million. In December 2005, investors were invited to a MCube shareholder meeting
4 where they were told by Miracle about a new offering in Diski. Investors had the option to “roll-over”
5 their MCube promissory notes and invest additional funds to purchase Diski LLC units. Units were
6 sold to investors for \$50,000. The Diski offering materials projected there would be a return of
7 \$572,320 on the \$50,000 Diski investment over the life of 3.2 million barrel reserves. The offering
8 documents also specified the offering period was from December 9, 2005 through December 15, 2006.
9 Diski raised approximately \$3.25 million with the offer and sale of LLC units.

10 12. The Diski block is purportedly located in Indonesia. The Indonesian government oil
11 agency, Pertamina, has a Technical Assistance Contract with an undisclosed Indonesian entity.
12 MCube represents that it has entered into a Joint Operating Agreement with the undisclosed
13 Indonesian entity whereby MCube manages business revenues and costs related to the fields.

14 *Basilam Petroleum, LLC*

15 13. Basilam, through MCube, conducted an offering of 80 LLC units in Basilam for a total
16 offering of \$4 million. Units were sold to investors for \$50,000. Investors had the option to “roll-
17 over” their previous investments to purchase Basilam LLC units. The Basilam offering materials
18 projected there would be a return \$324,456 on the \$50,000 Basilam investment by 2010 (within six
19 years). The offering materials did not include financial statements, a detailed use of proceeds, general
20 risks associated with the oil and gas production or specific risks related to foreign business transactions
21 and entities, foreign law, or foreign government stability. The offering documents specified the

1 offering period was from February 10, 2006 through February 28, 2006. Basilam raised approximately
2 \$4 million with the offer and sale of LLC units.

3 14. The Basilam operation purportedly includes two oil blocks in Indonesia, Batumandi and
4 Basilam. The operation of these blocks is controlled by two Indonesian entities. The Indonesian
5 government oil agency, Pertamina, has agreements with the Indonesian entities in the form of a
6 Technical Assistance Contract or a Production Sharing Agreement. MCube represents that it has
7 entered into a Joint Operating and Cost Sharing Agreement with the two Indonesian entities whereby
8 MCube manages business revenues and costs related to the fields.

9 *Halmahera - Rembang Petroleum, LLC*

10 15. Halrem, through MCube, conducted an offering of 600 LLC units in Halrem for a total
11 offering of \$60 million. Units were sold to investors for \$100,000. Investors were solicited to attend
12 presentations at the MCube offices in Seattle regarding the Halrem offering. The units were offered
13 and sold from March 2006 through September 2006. MCube has purportedly sold 138 of these units
14 for a total investment of approximately \$13.8 million.

15 16. The Indonesian government oil agency, BP Migas, is said to have awarded the operation
16 and control of the Halmahera block to Halmahera Petroleum, Ltd, a British Virgin Islands entity,
17 wholly owned by MCube. MCube purportedly manages the business revenues and costs related to the
18 fields.

19 17. At the MCube presentations in May 2006, Miracle spoke and offered the attendees an
20 investment opportunity in Halrem. While at the meetings potential investors were given a three ring
21 binder containing offering documents and a subscription agreement. Some of the binders contained
22 offering documents describing the investment as LLC units of Halrem and other binders contained

1 offering documents describing the investment as convertible promissory notes. Also included in the
2 three ring binders was a spreadsheet entitled “Rebang Halmahera Eighteen Year Forecast.” The
3 document included year-by-year cash flow forecasts based on a \$100,000 investment in Halrem for a
4 period of eighteen years. The yearly forecasts ranged from \$5,128 in “year one” to \$444,673 in “year
5 six”. The total return per \$100,000 share over 18 years was \$5,090,760.

6 18. In addition, in the summer of 2006, previous MCube investors who did not attend the
7 presentations were approached by MCube with the Halrem LLC unit offering. Investors did not
8 review or receive a prospectus or other offering materials related to Halrem but spoke to Miracle and
9 several MCube company representatives about the offering. Some of these investors “split” these
10 \$100,000 LLC units with other unknown investors because they could not afford to purchase an entire
11 unit.

12 *Continued Offer and Sale of Securities*

13 19. On May 24, 2006 MCube was served with a subpoena and a warning letter indicating
14 that the Division had information that the company was violating the Securities Act of Washington.

15 20. In August of 2006 the Division received information that MCube was continuing to
16 offer investment opportunities in Halrem to individuals who had not previously invested. Potential
17 investors were approached by friends about the offering. Carrie Lau (“Lau”) of MCube emailed one
18 potential investor the following: a Halrem Investment Memorandum, a Halrem Subscription
19 Agreement, a Halrem LLC Agreement, and Halrem Bank Information. Another investor spoke to
20 Miracle prior to investing. Miracle told the investor that he was aware of the Division’s investigation
21 but was still offering and selling Halrem LLC units.

1 21. On October 12, 2006 Division staff met with Miracle, Atwater, Lau and MCube's
2 attorney at the Division's office. At the meeting Miracle, Atwater and Lau were again informed that
3 the offer and sale of unregistered securities might be in violation of the Securities Act of Washington.
4 After the meeting the Respondents continued to offer and sell securities.

5 22. On December 12, 2006 the Division entered a Statement of Charges and Notice of Intent
6 to Cease and Desist against the Respondents. After the Statement of Charges was entered the
7 Respondents continued to offer current investors new investment opportunities and to encourage the
8 current investors to solicit friends to invest.

9 23. Sometime around December 21, 2006 a potential investor was approached by some
10 friends about an investment opportunity with MCube. He had received paperwork from MCube and
11 was in the process of filling it out when he was notified that MCube was working with the Division to
12 "redraft the offering". He was not notified of the Statement of Charges issued against the entities and
13 individuals.

14 24. Sometime after the Statement of Charges was issued, another investor was approached
15 by some friends who had invested in MCube. The investor did not receive any offering materials from
16 the company but he did call and speak to a company representative who told him about MCube. The
17 investor was told that the president of the company was Indonesian and there were three oil wells
18 producing and paying in Indonesian. The investor knew that MCube could not offer or sell securities
19 because they were not registered. However, he was given the opportunity to invest with Robert
20 Miracle in the form of a promissory note with a six month term which was guaranteed to pay at least
21 1% a month. The investor invested \$50,000 via cashiers check.

1 25. Sometime prior to January 15, 2007 another potential investor was approached by an
2 acquaintance about an investment opportunity with MCube. The acquaintance had already invested in
3 MCube. The potential investor did some research prior to investing and saw a statement on the
4 MCube website (www.mcubepetroleum.com) dated December 18, 2006 regarding the Division’s
5 investigation which stated: “REALLY BIG NEWS: The State of Washington, Department of
6 Financial Institutions has finished their investigation begun in May. They have determined that the
7 company committed procedural errors in the sale and/or original gifting of shares. The company has
8 received a small fine and directions to make sure to follow all state and federal securities laws in any
9 future offerings. This is a very good result for the company—as good as could be expected
10 considering the fact that document and regulatory filings were done incorrectly when the company was
11 younger.” At least one MCube investor received an email from the company with the same statement
12 regarding the Division’s investigation.

13 26. In January 2007 an investor received a monthly dividend check from MCube. He
14 deposited the check into his bank account. Shortly after depositing the check he received a phone call
15 from someone at MCube indicating the check was going to bounce and that he should come to the
16 office to pick up a replacement check. While at the MCube office, the investor was offered another
17 investment opportunity. The form of the investment was called a “loan” with an interest rate of 2% a
18 month without a specified maturity date. The investor was told that the reason MCube needed the
19 money was because the Indonesian government had frozen the company’s assets in a routine audit.
20 MCube wanted to continue to work on the oil fields and pay contractors but needed funds in order to
21 continue the work. The MCube representative told him that the fields looked very promising and they
22 did not want to lose any time.

1 detailed information regarding the oil blocks including the production, reserves, location, development
2 and nature of the interest; and specific risk factors related to foreign business transactions and entities,
3 foreign law, and foreign government stability.

4 31. Halrem failed to provide material information regarding the company including, but not
5 limited to: financial statements; use of proceeds; general risk factors related to oil and gas production;
6 detailed information regarding the oil block including the production, reserves, location, development
7 and nature of the interest; and specific risk factors related to foreign business transactions and entities,
8 foreign law, and foreign government stability.

9 32. MCube and Diski failed to provide a reasonable basis for its projections there would be a
10 return of \$572,320 on a \$50,000 Diski investment over the life of 3.2 million barrel reserves and failed
11 to disclose limitations on the projections.

12 33. MCube and Basilam failed to provide a reasonable basis for its projections there would
13 be a return of \$324,456 on a \$50,000 Basilam investment by 2010 (within six years) and failed to
14 disclose limitations on the projections.

15 34. MCube and Halrem failed to provide a reasonable basis for its projections there would be
16 a return \$5,090,760 on a \$100,000 Halrem investment within eighteen years and failed to disclose
17 limitations on the projections.

18 35. Respondents disclosed the existence of the Division's investigation by publishing
19 statements on the MCube website and sending an email to at least one investor. Respondents, while
20 disclosing the investigation, failed to disclose at the time the statements were made that the
21 investigation was still ongoing.

1 Atwater; and Robert Miracle, and their agents and employees, shall each cease and desist from violations
2 of RCW 21.20.010.

3 IT IS FURTHER SUMMARILY ORDERED that Respondents, MCube Petroleum, Inc.; George
4 Atwater; and Robert Miracle, and their agents and employees, shall each cease and desist from violations
5 of RCW 21.20.040.

6
7 **NOTICE OF INTENT TO IMPOSE FINES**

8 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
9 Law, the Securities Administrator intends to order that:

- 10 a. Respondents, MCube Petroleum, Inc.; Laramie Petroleum, Inc.; Diski Petroleum, LLC;
11 Basilam Petroleum, LLC; and Halmahera - Rembang, LLC, shall be jointly and
12 severally liable for and pay a fine of a least \$72,000;
- 13 b. Respondent Robert Miracle shall be liable for and pay a fine of at least \$10,000;
- 14 c. Respondent George Atwater shall be liable for and pay a fine of at least \$10,000.

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16 **NOTICE OF INTENT TO CHARGE COSTS**

17 Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and Conclusions of
18 Law, the Securities Administrator intends to order that the Respondents, MCube Petroleum, Inc.; Laramie
19 Petroleum, Inc.; Diski Petroleum, LLC; Basilam Petroleum, LLC; Halmahera - Rembang, LLC; George
20 Atwater; and Robert Miracle, shall be liable for and pay the Securities Division the costs, fees and other
21 expenses incurred in the conduct of the administrative investigation and hearing of this matter.

1 **AUTHORITY AND PROCEDURE**

2 This STATEMENT OF CHARGES, SUMMARY ORDER TO CEASE AND DESIST, NOTICE
3 OF INTENT TO IMPOSE FINES, AND CHARGE COSTS is entered pursuant to the provisions of RCW
4 21.20.390 and RCW 21.20.395 and is subject to the provisions of Chapter 34.05 RCW. Each Respondent
5 may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
6 AND OPPORTUNITY FOR HEARING accompanying this Order.

7 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
8 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order against that
9 Respondent to cease and desist from violations of the Securities Act, and enter an order imposing the fine
10 and charging costs, as described above.

11 DATED AND ENTERED this day 21st of February, 2007.

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14 MICHAEL E. STEVENSON
15 Securities Administrator

16 Approved by:

17 

18 Suzanne Sarason
19 Chief of Compliance & Examinations

Presented by:

20 

21 Angela R. Vogel
22 Enforcement Attorney