

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:

Trinidad Exploration, Inc.; West Coast  
Resources, Inc.; Kenneth Elgin;  
Respondents.

Order Number S-05-129-05-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER ORDER TO CEASE  
AND DESIST AND TO IMPOSE FINES  
AND COSTS

THE STATE OF WASHINGTON TO:

Trinidad Exploration, Inc.; West Coast  
Resources, Inc.; Kenneth Elgin

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Trinidad Exploration, Inc; West Coast Resources, Inc; and Kenneth Elgin have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

*Parties*

1. Trinidad Exploration, Inc. ("Trinidad") is a Texas business entity with its principal place of business in Tyler, Texas. Trinidad purports to be an oil and gas drilling company. The Washington Secretary of State has no record that Trinidad has applied for a certificate of authority to do business in Washington.

STATEMENT OF CHARGES AND NOTICE OF  
INTENT TO ENTER ORDER TO CEASE AND DESIST  
AND TO IMPOSE FINES AND COSTS

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760



1           7. Investors received a “Drilling Venture Agreement” (“Drilling Agreement”) that  
2 outlined the project and an “Authorization for Expenditure” that described the estimated  
3 expenditures for the project. The Drilling Agreement stated that Elgin, through West Coast,  
4 owned certain oil and gas leases on which drilling prospects have been established. Further, the  
5 Drilling Agreement identified the site to be drilled as the West Coast Resources/Massey #2 well  
6 on the Marathon/Trinidad Lease located in Shelby County, Texas. Investors were told that West  
7 Coast would commence drilling the well in Shelby County, Texas within a short period of time.

8           8. Based on these representations, in April and May 2004 investors signed the Drilling  
9 Agreement and transferred money to Elgin in exchange for a working interest in with West  
10 Coast. Elgin had investors transfer their money into an account held in the name of Trinidad  
11 until an account was set up for West Coast. Even though investors transferred their money into  
12 the Trinidad account they were receiving an interest in West Coast. Once the West Coast  
13 account was set up Elgin asked the investors to transfer their money into the West Coast account.

14           9. Investors each signed a Drilling Agreement and submitted it to Elgin for his  
15 signature. Elgin never returned signed paperwork to the investors.

16           10. Upon receiving investor funds, Elgin immediately transferred large sums of investor  
17 money to his personal bank account. In addition, Elgin spent at least \$228,000 of investors’  
18 money in Las Vegas and Lake Tahoe.

19           11. In September 2004, Elgin met with investors in Washington State to propose  
20 changing the location of the well. Elgin told investors that there had been problems with the  
21 initial site and new location looked more promising. The investors agreed to change the well  
22 drilling location to a site in Smith County, Texas.

1           12. In December 2004, Elgin told Brandt that the well had been drilled and that Brandt  
2 and the other investors could expect to receive production revenue in March 2005. Brandt  
3 relayed this information to the other investors.

4           13. Brandt flew from King County, Washington to Texas to view the drilled well.  
5 Elgin took Brandt to view a recently drilled well. Elgin represented to Brandt that the well was  
6 the site of their project. Brandt videotaped his visit to the site to show the other investors.

7           14. At the same time, Elgin solicited the investors for an investment in another project.  
8 The investors decided that they would wait to invest in the new project until after they had  
9 received a return from their initial investment.

10          15. Elgin provided Brandt with a copy of an Operating Agreement dated January 25,  
11 2005 (“Operating Agreement”). Elgin represented that the Operating Agreement was for the  
12 investors’ project in Smith County, Texas.

13          16. The Operating Agreement identified CG Operating as the project operator and the  
14 well as the Kerr #1-H well in Smith County, Texas. The Operating Agreement lists a permit  
15 number of 551627 and a lease number of API 42-419-30963 for the project.

16          17. In early March 2005, Elgin prepared two production revenue disbursement reports  
17 and gave them to Brandt. Elgin represented to Brandt that he had sent money to Brandt to be  
18 distributed to the investors. Brandt never received any money from Elgin.

19          18. In late March 2005, Elgin admitted to Brandt that Elgin and his companies were in  
20 receivership and that Elgin never sent any money to Brandt. The investors have not been able to  
21 contact Elgin since this time.

1 19. Brandt and the other investors investigated and discovered that Elgin had never  
2 drilled a well in Smith County, Texas. The well that Elgin showed Brandt in December was  
3 owned by someone else.

4 20. Further, the investors discovered that lease API 42-419-30963, which is referenced  
5 in the Operating Agreement, for the Kerr #1-H well is held by CG Operating, not Elgin. CG  
6 Operating has no business relationship with Elgin, West Coast, or Trinidad.

7 21. The actual well site for lease API 42-419-30963 is located in Shelby County, Texas  
8 not in Smith County, Texas as the Operating Agreement states. A permit has been issued for the  
9 Kerr #1-H well to CG Operating but CG Operating has not drilled the well because of delays due  
10 to the site being located in a national forest.

11  
12 **MISREPRESENTATIONS AND OMISSIONS**

13 22. Respondents' representations to investors that Respondents owned certain oil and  
14 gas leases, namely lease API 42-419-30963, on which drilling prospects have been established  
15 were misleading because Respondents had no ownership or business interest in the lease.

16 23. Respondents' representations that the success of a producing oil well was  
17 guaranteed were misleading. Respondents failed to provide investors with information to  
18 evaluate this claim including financial statements, information about Respondents' financial  
19 condition, information about the financial condition of the other wells Respondents had drilled,  
20 information about Respondents' oil drilling track record, information about the other wells  
21 Respondents had an interest in, or information about the risks of an oil drilling operation.

22 24. Respondents' representations that a well had been drilled were misleading because  
23 no well was ever drilled using the investors' funds and, according to the Railroad Commission of

1 Texas, no permits to drill wells in Texas have been issued to West Coast. Further, no permits  
2 have been issued to Elgin or Trinidad for the location of the investors' well.

3 25. Respondents' representation regarding the Operating Agreement was misleading  
4 because there is no business relationship between CG Operating and West Coast, the lease  
5 number in the Operating Agreement, API 42-419-30963, is assigned to CG Operating not West  
6 Coast, and the Kerr #1-H well site listed is located in Shelby County not Smith County as stated.

7  
8 **REGISTRATION STATUS**

9 1. The working interests are not registered as securities in the State of Washington and  
10 have not previously been so registered.

11 2. Respondent, Trinidad Exploration, Inc., is not registered to sell securities in the State  
12 of Washington as a broker-dealer and have not previously been so registered.

13 3. Respondent, Kenneth Elgin, is not licensed as securities salespersons or broker-dealer  
14 in the State of Washington and has not previously been so registered.

15  
16 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

17 **CONCLUSIONS OF LAW**

18 1. The offer or sale of working interests described above constitutes the offer or sale of  
19 a security as defined in RCW 21.20.005(10) and (12).

20 2. Respondents, Trinidad Exploration, Inc.; West Coast Resources, Inc.; and Kenneth  
21 Elgin, have violated RCW 21.20.140 by offering and/or selling an unregistered security.

22 3. Respondents, Trinidad Exploration Inc. and Kenneth Elgin, acted as a securities  
23 salesperson or broker-dealer as defined in RCW 21.20.005(2).

1           4. Respondents, Trinidad Exploration, Inc. and Kenneth Elgin, have violated RCW  
2 21.20.040 by offering and/or selling said securities while not registered as a securities  
3 salesperson or broker-dealers in the State of Washington.

4           5. The offer and/or sale of said securities was made in violation of RCW 21.20.010  
5 because, as set forth above, Respondents, Trinidad Exploration, Inc.; West Coast Resources,  
6 Inc.; and Kenneth Elgin, in connection with the offer and sale of a security, made untrue  
7 statements of material fact or omitted to state material facts necessary in order to make the  
8 statements made, in light of the circumstances under which they were made, not misleading.

9  
10           **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

11           Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities  
12 Administrator intends to order that Trinidad Exploration, Inc; West Coast Resources, Inc; and  
13 Kenneth Elgin; their agents and employees each cease and desist from violations of RCW  
14 21.20.010, RCW 21.20.040, and RCW 21.20.140.

15  
16           **NOTICE OF INTENT TO IMPOSE FINES AND COSTS**

17           Pursuant to RCW 21.20.390 and RCW 21.20.395, and based upon the Tentative Findings  
18 of Fact and Conclusions of Law, the Securities Administrator intends to order that Trinidad  
19 Exploration, Inc; West Coast Resources, Inc; and Kenneth Elgin shall be jointly and severally  
20 liable for and pay to the Securities Division (1) a fine of \$70,000 and (2) the costs, fees, and  
21 other expenses incurred in the conduct of investigating this matter, in any amount not less than  
22 \$2,000.

1 **AUTHORITY AND PROCEDURE**

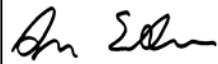
2 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the  
3 provisions of RCW 34.05. The respondents, Trinidad Exploration, Inc; West Coast Resources,  
4 Inc; and Kenneth Elgin; may each make a written request for a hearing as set forth in the  
5 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING  
6 accompanying this order.

7 If a respondent does not request a hearing, the Securities Administrator intends to adopt  
8 the above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order to  
9 cease and desist as to that respondent, and impose the fines and the costs sought in this Statement  
10 of Charges.

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12 Dated and Entered this 25th day of October, 2005

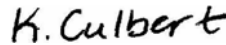
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14   
15 MICHAEL E. STEVENSON  
16 Securities Administrator

17 Approved by:



18 Suzanne Sarason  
19 Chief of Compliance

Presented by:



20 Kristen Culbert  
21 Financial Legal Examiner