



## NEWS RELEASE

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Contact: Fred J. Joseph, Securities Commissioner or Gerald Rome,  
Deputy Securities Commissioner at (303) 894-2320

### **COLORADO SPRINGS OIL AND GAS PROMOTERS CHARGED WITH SECURITIES LAW VIOLATIONS**

**Denver, Colorado** --- Colorado Securities Commissioner Fred Joseph announced today that he has filed a complaint in Denver District Court against four businesses, their lawyer, and eight individuals alleging that they have violated the anti-fraud, registration, and licensing provisions of the Colorado Securities Act in connection with their marketing and promotion of investments in oil and gas well drilling operations.

Named in the complaint are **HEI Resources, Inc.**, a Texas corporation which previously did business as **Heartland Energy, Inc.**, **Heartland Energy Development Corp.**, a Delaware corporation, **Bedrock Energy Development, Inc.**, a Delaware corporation, **Gulf Coast Western**, a Texas corporation. The individuals named are **Charles Reed Cagle**, **Joseph D. Kinlaw**, both of Colorado Springs, **Brandon Davis** of Castle Rock, and **Matthew Fleeger** of Dallas, Texas. Also named in the complaint as "Sales Defendants" are **John Schiffner** of Parker, **Nicholas Troyer** of Colorado Springs, **Steve Ziemke** of Monument, **Dale Phillips** of Colorado Springs, and **James Pollak** of Denver. **Joel Held**, a Dallas, Texas attorney, and his firm, **Baker & McKenzie**, also of Dallas, are named in the lawsuit. None of these Defendants are licensed in any capacity with the Securities Commissioner.

In the complaint, the Commissioner has alleged that the Defendants perpetrated a long running scheme to defraud investors by engaging in the fraudulent offer and sale of unregistered securities, in the form of interests in oil and gas drilling operations, through the use of unlicensed sales representatives, to investors nationwide. It is alleged that Reed Cagle, HEI's founder and CEO, with the assistance of Joe Kinlaw, orchestrated the scheme. It is also alleged that HEI Resources and Gulf Coast Western operate "boiler rooms" in Colorado Springs, and Heartland Energy Development Corporation and Bedrock Energy Development operate "boiler rooms" in Englewood and Greenwood Village, Colorado, respectively. Boiler rooms typically feature numerous salesmen, each making hundreds of cold-calls per day to unsuspecting individuals, using scripted sales pitches and high pressure tactics to push investment opportunities. The Commissioner alleges that sales agents for these Defendants have engaged, and continue to engage, in this practice of cold-calling unsophisticated investors nationwide to push investment opportunities in oil and gas well drilling.



The complaint also alleges that as HEI's founder and CEO Reed Cagle, and Joseph Kinlaw guided their sales agents to make numerous misleading and unsubstantiated statements to investors regarding the prospects for successful investment returns and the previous track records for previous oil and gas drilling, all the while minimizing or dismissing the risk associated with drilling each well. The Defendants failed to disclose to investors the actual financial track records associated with the prior wells. The total amount of losses suffered by investors is under review.

"Boiler room tactics undercut the level of honesty and fair play that investors are entitled to under the Colorado Securities Act," said Commissioner Joseph. "It appears that this firm and the sales agents went to great lengths to repeatedly misrepresent the true nature and risk of these investments, pressuring investors into investing in oil and gas wells they knew little about without any realistic hope of achieving the promised returns."

A copy of the Complaint can be found at:

<http://www.dora.state.co.us/securities/enforcement.htm#Injunctions>

*DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.*

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