

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025622602**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: James Charles Allen, Respondent
Direct Participation Program Representative and Principal
CRD No. 2666395

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

James Charles Allen ("Allen") entered the securities industry in September 1995, when he was employed by a FINRA member firm and was later registered as a direct participation program representative in October 1995. Furthermore, Allen was registered as a direct participation program principal in October 1998. Allen was employed by several FINRA member firms from September 1995 through November 2002. In October 2002, Allen was employed by The Patriot Group Securities ("PGS") and remained with PGS until June 2011. Allen is not currently registered with a FINRA member firm but remains subject to FINRA's jurisdiction. Allen does not have a relevant disciplinary history.

OVERVIEW

Allen negligently permitted the distribution of private placement memorandums ("PPMs") that contained material misrepresentations and omissions with respect to oil and gas offerings that were sold through PGS, in violation of NASD Conduct Rule 2110 and FINRA Rule 2010.

Allen further failed to appear and testify as requested by FINRA during the course of FINRA's examination, in violation of FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Misrepresentations and Omissions of Material Facts in Connection with the Escondido Oil and Gas Offerings Sold by PGS

During the period of October 1, 2008 to February 11, 2011, and while acting as President of PGS,

Allen permitted the sale and distribution of PPMs for four oil and gas offerings:

- Escondido 2008-C (a 5 well program);
- Escondido 2009-A (a 3 well program);
- Escondido 2009-B (a 2 well program); and
- Escondido 2010-A – Calvin Harris #1 well program (a re-entry well program).

The PPMs for the first three offerings listed above each contained a representation that Escondido was employing a “revolutionary and proprietary” new drilling technique and predicted that it would increase production of the wells by a factor of five to ten times over what the field had produced. However, the PPMs failed to contain a balanced discussion of the drilling technique including potential risks associated with the process. By at least January 2010, Escondido and Allen knew that there were problems with obtaining commercial production from the 2008-C wells that had used this technique.

Additionally, as noted above, the four offerings and resultant drilling programs occurred over the period of October 1, 2008 to February 11, 2011. The PPM for the Escondido 2009-B program, dated November 2, 2009, indicated that the Escondido 2008-C program was in the completion stage. The PPM for the Escondido 2010-A program, dated March 5, 2010, indicated that the Escondido 2008-C program was producing. In fact, not all of the five wells in the Escondido 2008-C were completed and the wells were not producing commercial quantities of oil, when these offerings were commenced.

Each of the foregoing misrepresented or omitted facts would have been material to a reasonable investor in connection with his or her investment decision. Allen negligently failed to ensure that the PPMs provided to investors in connection with the four Escondido offerings sold by PGS did not contain material misrepresentations or omitted material facts as discussed above.

Such acts, practices and conduct, constitute separate and distinct violations of NASD Conduct Rule 2110 and FINRA Rule 2010 (for conduct commencing on December 15, 2008), by Respondent Allen.

2. Allen Failed to Appear and Testify

Based on the concerns identified by FINRA with respect to the Escondido offerings sold by PGS, FINRA determined to request that Allen appear and testify regarding, among other things, the respective offerings.

On May 13, 2011, FINRA sent Allen a letter via first class and certified mail addressed to his legal counsel requesting that Allen appear and testify on June 14, 2011 at FINRA’s Dallas District Office. On Friday, June 10, 2011, Allen’s legal counsel forwarded FINRA an e-mail indicating that Allen would not be appearing on June 14, 2011 as requested. Allen failed to appear and testify as requested by FINRA on June 14, 2011.

Such acts, practices and conduct, constitute separate and distinct violations of FINRA Rules 8210 and 2010.

B. I also consent to the imposition of the following sanctions:

- A bar from association with any FINRA member firm in all capacities.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA’s By-

Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

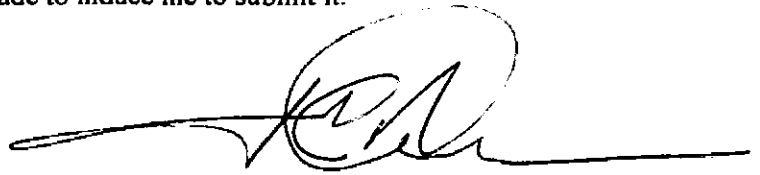
I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. This AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;

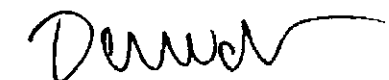
2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

10/20/12
Date


James Charles Allen, Respondent

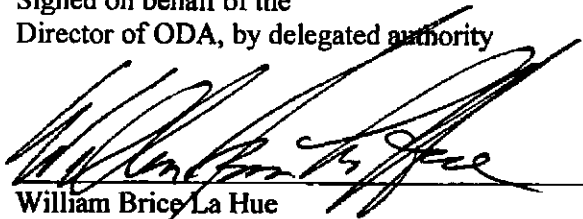
Reviewed by:


Dan R. Waller, Esq.
Counsel for Respondent
Secore & Waller, LLP
~~Four Forest~~, 12222 Merit Drive, Suite 1350
Dallas, Texas 75251
Phone: (972) 776-0200

Accepted by FINRA:

11/5/12
Date

Signed on behalf of the
Director of ODA, by delegated authority



William Brice La Hue
Senior Regional Counsel
FINRA, Department of Enforcement
One Securities Centre, Suite 500
3490 Piedmont Road, N.E.
Atlanta, Georgia 30305
(404) 239-6111; Fax: (404) 264-1586
E-Mail: brice.lahue@finra.org
teresa.reich@finra.org (senior paralegal)