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SECURITIES COMMISSIONER

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## Texas State Securities Board

208 E. 10th Street, 5th Floor  
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IN THE MATTER OF  
FIRST AMERICAN OPERATING COMPANY  
AKA FIRST AMERICAN OPERATING  
AKA FIRST AMERICAN; DAVID JAKOBOT  
AND BILL DURKEE

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Order No. ENF-04-CDO-1553

TO: First American Operating Company aka First American  
Operating aka First American  
1906 W. Walker Street  
Breckenridge, Texas 76424  
and  
P.O. Box 1513  
Breckenridge, Texas 76424

David Jakobot  
1906 W. Walker Street  
Breckenridge, Texas 76424  
and  
P.O. Box 1513  
Breckenridge, Texas 76424

Bill Durkee  
14277 Preston Road, #523  
Dallas, Texas 75254

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2004) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

## FINDINGS OF FACT

1. First American Operating Company aka First American Operating aka First American ("Respondent First American") is an entity with last known addresses of 1906 W. Walker Street, Breckenridge, Texas 76424 and P.O. Box 1513, Breckenridge, Texas 76424
2. David Jakobot ("Respondent Jakobot") is an individual with the same last known addresses as Respondent First American and the purported President of Respondent First American.
3. Bill Durkee ("Respondent Durkee"), is an individual with a last known address of 14277 Preston Road, #523, Dallas, Texas 75254.
4. Respondents First American, Jakobot and Durkee (collectively "Respondents") have offered for sale working interests in the First American Callicott No. 7-A oil and gas lease in Stephens County, Texas, for a turnkey purchase price of \$14,850.00 per four percent (4%) working interest.
5. The working interests in the First American Callicott No. 7-A lease have not been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
6. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
7. In connection with the offer for sale of the above-described working interests, Respondents have intentionally failed to disclose information necessary for the investor to independently verify Respondents' representations that Respondent First American has drilled over ninety wells with a ninety percent (90%) success rate, said information being a material fact.
8. In connection with the offer for sale of the above-described working interests, Respondents First American and Jakobot have intentionally failed to disclose the following material facts:
  - a. On or about January 23, 2003, Respondent Jakobot was ordered to pay \$20,000.00, non-inclusive of interest, fees and costs, in a Final Judgment in Tarrant County, Texas for breach of contract relating to the acquisition of certain oil and gas properties located in Stephens and Shackelford Counties, Texas;
  - b. In or about April 2002, Respondent First American entered into an agreed order with the Railroad Commission of Texas ("RRC") in which Respondent First American agreed to pay an administrative fine in the amount of

\$2,500.00 (Twenty-Five Hundred Dollars) and that Respondent First American has failed to pay this fine in full; and

- c. Since approximately October, 2002, Respondent First American has not been in good standing as an operator with the RRC, and based upon this fact, Respondent First American is not able to obtain permits to drill new wells in Texas.
9. In connection with the offer for sale of the above-described working interests, Respondents represented that the investment involved low risk, which is materially misleading in light of the following risks inherent in oil and gas investments:
- a. That investors could lose all of their invested funds;
  - b. That investors, as working interest owners or joint venturers, may be subjected to liability in amounts greater than, and in addition to, their initial investment; and
  - c. That inadequate financial capital of the operator could jeopardize completion of the project or require additional funds to be paid by investors in the event of cost overruns.
10. In connection with the offer for sale of the above-described working interests, Respondents First American and Jakobot represented that the Callicott Brothers No. 7, the well to be offset and replaced by the First American Callicott No. 7-A well, is presently flowing 50 mcf of gas per day, which is materially misleading in light of the following facts:
- a. The Callicott Brothers No. 7 had not produced more than 25 mcf of gas in any one month period during the 2003 production year; and
  - b. Since in or about October 2002, Respondent First American could not legally produce the Callicott Brothers No. 7 well.

#### CONCLUSIONS OF LAW

1. The above-described working interests are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents violated Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities were not registered with the Securities Commissioner.
3. Respondents violated the Texas Securities Act by offering securities for sale in Texas without being registered as dealers or agents pursuant to the provisions of Section 12 of the Texas Securities Act.

4. Respondents engaged in fraud in connection with the offer for sale of securities.
5. Respondents have made an offer containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

#### ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any securities in Texas until the securities are registered with the Securities Commissioner or are offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

#### NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 30<sup>th</sup> day of January, 2004.

*Denise Voigt Crawford*

DENISE VOIGT CRAWFORD  
Securities Commissioner