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## Texas State Securities Board

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Phone: (512) 305-8300  
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208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.texas.gov

MELISSA TYROCH  
MEMBER

IN THE MATTER OF §  
SOURCEROCK ENERGY PHOENIX §  
PROSPECT, LP; SOURCEROCK §  
ENERGY GP, LLC; SOURCEROCK §  
ENERGY PARTNERS, LP; AND J.A. §  
GILBERT AKA JASON A. GILBERT §

Order No. ENF-20-CDO-1789

TO: SourceRock Energy Phoenix Prospect, LP  
40 Worth Street, Suite 1050, New York, New York 10013

Source Rock Energy GP, LLC  
40 Worth Street, Suite 1050, New York, New York 10013

SourceRock Energy Partners, LP  
40 Worth Street, Suite 1050, New York, New York 10013

J.A. Gilbert aka Jason A. Gilbert  
40 Worth Street, Suite 1050, New York, New York 10013

### AGREED CEASE AND DESIST ORDER

Be it remembered that SourceRock Energy Phoenix Prospect, LP; Source Rock Energy GP, LLC; and SourceRock Energy Partners, LP, by and through their controlling person J.A. Gilbert, and J.A. Gilbert aka Jason A. Gilbert, individually (collectively "**Respondents**"), by and through counsel Reagan D. Pratt and John R. Fahy, appeared before the Securities Commissioner of the State of Texas ("**Securities Commissioner**") and consented to the entry of this Order, the Findings of Fact, and Conclusions of Law contained herein.

### FINDINGS OF FACT

1. Respondents have waived (a) their rights to notice and hearing in this matter, (b) their rights to appear and present evidence in this matter, (c) their rights to appeal this order, and (d) all other procedural rights granted by the Securities Act, Tex. Rev. Civ. Stat. Ann. Arts. 581-1 to 581-45 (West, Westlaw through 2019 R. Sess.) and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West, Westlaw through 2019 R. Sess.). As described in more detail herein, after waiver of such rights, the Securities Commissioner sets aside

Emergency Cease and Desist Order No. ENF-18-CDO-1758 (the "Emergency Order") with respect to the Respondents.

### THE PARTIES

2. SourceRock Energy Phoenix Prospect, LP ("**Respondent SourceRock Energy Phoenix Prospect**") is a Delaware limited partnership and its address is 40 Worth Street, Suite #1050, New York, New York 10013.
3. SourceRock Energy GP, LLC ("**Respondent SourceRock Energy**") is a Delaware limited liability company and the managing general partner of Respondent SourceRock Energy Phoenix Prospect. Its address is 40 Worth Street, Suite #1050, New York, New York 10013.
4. SourceRock Energy Partners, LP ("**Respondent SourceRock Energy Partners**") is a Delaware limited partnership and an affiliate of Respondent SourceRock Energy. Its address is 40 Worth Street, Suite #1050, New York, New York 10013.
5. J.A. Gilbert aka Jason A. Gilbert ("**Respondent Gilbert**") is the Chief Executive Officer and Founder of Respondent SourceRock Energy, Respondent SourceRock Energy Phoenix Prospect, and Respondent SourceRock Energy Partners. Respondent Gilbert's address is 40 Worth Street, Suite #1050, New York, New York 10013.
6. Respondents are represented in this matter by Reagan D. Pratt, an attorney at Pratt & Flack LLP, 4306 Yoakum Boulevard, Suite 500, Houston, Texas 77006, and John R. Fahy, an attorney at Whitaker Chalk Swindle Schwartz PLLC, 301 Commerce Street, Suite 3500, Fort Worth, Texas 76102.

### PROCEDURAL HISTORY

7. On February 9, 2018, the Securities Commissioner entered the Emergency Order against Respondents as well as Parker Hallam.
8. Pursuant to Section 23-2 of the Securities Act, the parties were afforded the opportunity to request a hearing to modify or set aside the Emergency Order. The statute required that the parties file their request before the 31st day after the date they were served with the Emergency Order.
9. On or about March 9, 2018, Respondents timely requested a hearing to modify or set aside the Emergency Order. The request was filed with the Securities Commissioner and satisfied the requirements of Section 23-2 of the Securities Act.
10. Respondents agreed to waive the requirement that the hearing be held no later than the 10th day after the date the Securities Commissioner received the request for a hearing to challenge the Emergency Order.
11. The Enforcement Division filed a Notice of Hearing with the State Office of Administrative Hearings ("**SOAH**"). The contested case was captioned In the

Matter of SourceRock Energy Phoenix Prospect, LP; SourceRock Energy GP, LLC; SourceRock Energy Partners, LP, and J.A. Gilbert aka Jason A. Gilbert, and assigned SOAH Docket No. 312-18-5190.

12. The Enforcement Division and Respondents have agreed to settle this contested case without a hearing through the entry of this agreed order.

#### DISMISSAL OF THE CONTESTED CASE

13. Respondents agree they will withdraw their request for a hearing to modify or set aside the Emergency Order. The withdrawal of their request is contingent upon the entry of this agreed order and shall be effective as of the date of this agreed order.
14. Respondents agree they will not oppose the Enforcement Division's filing of a motion to dismiss the contested case from SOAH's docket because the parties to the contested case have settled all matters in controversy.

#### BACKGROUND

15. Respondents SourceRock Energy Phoenix Prospect, SourceRock Energy GP, and Gilbert offered for sale in Texas investments in an oil and gas drilling program referred to as the Phoenix Prospect in Sumner County, Kansas. Respondents represented that the investment constitutes the purchase of partnership units in Respondent SourceRock Energy Phoenix Prospect (the "**Units**").
16. Respondent SourceRock Energy Phoenix Prospect was to acquire its interest in the Phoenix Prospect from Respondent SourceRock Energy Partners.
17. Parker Hallam ("**Hallam**") owned a small beneficial interest in Respondent SourceRock Energy Partners.
18. Hallam owned no interest in Respondent SourceRock Energy Phoenix Prospect or SourceRock Energy GP.
19. Respondent SourceRock Energy GP is the managing general partner of Respondents SourceRock Energy Phoenix Prospect and SourceRock Energy Partners.
20. On April 18, 2017, Hallam became subject to a Court order in Securities and Exchange Commission v. Christopher A. Faulkner, et. al., No. 3:16-cv-01735 (N.D. Tex.). The order enjoined Hallam from committing violations of Section 5 and Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934.
21. On April 27, 2017, Respondent SourceRock Energy Phoenix Prospect, LP, filed a SEC Form D with the US Securities and Exchange Commission that claimed an exemption from the securities registration requirements of SEC Rule 506(b) for sales of the Units.

22. The Units were not registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
23. Hallam offered for sale and sold the Units.
24. Hallam received compensation for such solicitations.
25. Respondents have executed an undertaking in which they state they offered rescission to purchasers of the Units in the Phoenix Prospect and agree to permanently cease offering and selling any securities in Texas.
26. The undertaking will be filed with the Securities Commissioner upon the entry of this agreed order by the Securities Commissioner.

### **CONCLUSIONS OF LAW**

1. The Units 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 a Texas at a time when the securities were not registered with the Securities Commissioner and did not qualify for an exemption.
3. The forgoing violation serves as a basis for the entry of this order pursuant to Section 23.A of the Securities Act.

### **ORDER**

1. It is therefore ORDERED that the Emergency Cease and Desist Order is set aside by this order solely and exclusively as to Respondents.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering for sale or selling any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.

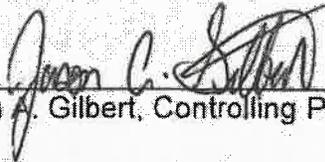
SIGNED AND ENTERED by the Securities Commissioner this 19<sup>th</sup> day of

September 2019.

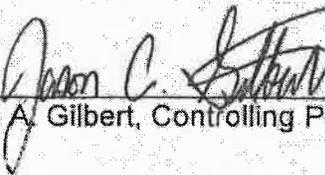
  
\_\_\_\_\_  
TRAVIS J. ILES  
Securities Commissioner

Respondents:

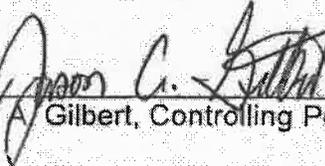
**SourceRock Energy Phoenix Prospect, LP**

By:   
Jason A. Gilbert, Controlling Person

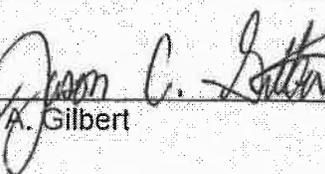
**Source Rock Energy GP, LLC**

By:   
Jason A. Gilbert, Controlling Person

**SourceRock Energy Partners, LP**

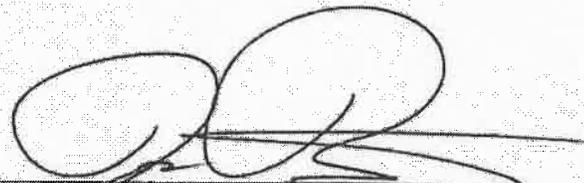
By:   
Jason A. Gilbert, Controlling Person

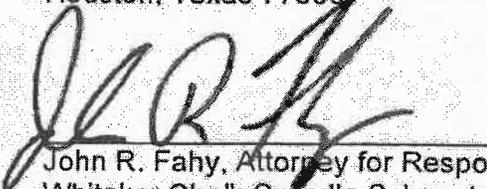
**J.A. Gilbert aka Jason A. Gilbert**

By:   
Jason A. Gilbert

Approved as to Form:

  
Joe Rotunda  
Director  
Enforcement Division

  
Reagar D. Pratt, Attorney for Respondents  
Pratt & Flack, LLP  
4306 Yoakum Boulevard, Suite 500  
Houston, Texas 77006

  
John R. Fahy, Attorney for Respondents  
Whitaker Chalk Swindle Schwartz PLLC  
301 Commerce Street, Suite 3500  
Fort Worth, Texas 76102

## ACKNOWLEDGMENT

On the 18<sup>th</sup> day of September, 2019, SourceRock Energy Phoenix Prospect, LP, by and through its Controlling Person, Jason A. Gilbert, personally appeared before me, executed the foregoing Order and acknowledged that:

1. Jason A. Gilbert is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Jason A. Gilbert has read the foregoing Order;
3. Respondent SourceRock Energy Phoenix Prospect, LP has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent SourceRock Energy Phoenix Prospect, LP knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent SourceRock Energy Phoenix Prospect, LP, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

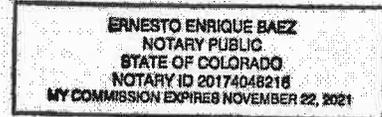
ERNESTO ENRIQUE BAEZ  
NOTARY PUBLIC  
STATE OF COLORADO  
NOTARY ID 20174048216  
MY COMMISSION EXPIRES NOVEMBER 22, 2021

  
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Notary Public  
State of Colorado  
My commission expires on: 11-22-2021

**ACKNOWLEDGMENT**

On the 18 day of September, 2019, SourceRock Energy GP, LLC, by and through its Controlling Person, Jason A. Gilbert, personally appeared before me, executed the foregoing Order and acknowledged that:

1. Jason A. Gilbert is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Jason A. Gilbert has read the foregoing Order;
3. Respondent SourceRock Energy GP, LLC has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent SourceRock Energy GP, LLC knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent SourceRock Energy GP, LLC, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



  
\_\_\_\_\_  
Notary Public  
State of Colorado  
My commission expires on: 11-22-2021

## ACKNOWLEDGMENT

On the 18 day of September, 2019, SourceRock Energy Partners, LP, by and through its Controlling Person, Jason A. Gilbert, personally appeared before me, executed the foregoing Order and acknowledged that:

1. Jason A. Gilbert is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Jason A. Gilbert has read the foregoing Order;
3. Respondent SourceRock Energy Partners, LP has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent SourceRock Energy Partners, LP knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent SourceRock Energy Partners, LP, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

ERNESTO ENRIQUE BAEZ  
NOTARY PUBLIC  
STATE OF COLORADO  
NOTARY ID 20174048218  
MY COMMISSION EXPIRES NOVEMBER 22, 2021

  
\_\_\_\_\_  
Notary Public

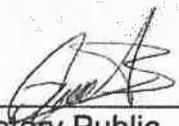
State of Colorado

My commission expires on: 11-22-2021

## ACKNOWLEDGMENT

On the 18 day of September, 2019, Jason A. Gilbert, personally appeared before me, executed the foregoing Order and acknowledged that:

1. Respondent Jason A. Gilbert has read the foregoing Order;
2. Respondent Jason A. Gilbert has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Jason A. Gilbert knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
4. Respondent Jason A. Gilbert, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.

  
\_\_\_\_\_  
Notary Public  
State of Colorado  
My commission expires on: 11-22-2021

ERNESTO ENRIQUE BAEZ NOTARY PUBLIC STATE OF COLORADO NOTARY ID 20174048216 MY COMMISSION EXPIRES NOVEMBER 22, 2021
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