

TRAVIS J. ILES
SECURITIES COMMISSIONER



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CLINTON EDGAR
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Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Texas State Securities Board

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MEMBER

ROBERT BELT
MEMBER

Phone: (512) 305-8300
Facsimile: (512) 305-8310

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.texas.gov

MELISSA TYROCH
MEMBER

SOAH DOCKET NO. 312-19-7020

IN THE MATTER OF	§	IN THE STATE OFFICE
WOODLAND RESOURCES, LLC; WOODLAND	§	OF
OPERATING, LLC AKA WY WOODLAND	§	
OPERATING, LLC; AND MICHAEL E. PATMAN	§	ADMINISTRATIVE HEARINGS

WOODLAND RESOURCES, LLC

Service by certified mail, return receipt requested, to (1) 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001; (2) 1300 Summit Avenue, Suite 650, Fort Worth, Texas 76102; (3) Calle 134a #55a-46, Suite 302, Bogota, Columbia; (4) PO Box 10, Rio Vista, Texas 76093; (5) 318 FM 2488, Covington, Texas 76636; (6) 1001 Cross Timbers Road, Flower Mound, Texas 75028; (7) Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 1712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; (8) Incorp Services, Inc., its registered agent for service of process in Texas, at 815 Brazos, Suite 500, Austin, Texas 78701; and (9) Dan Waller, Glast, Phillips & Murray, P.C., its counsel, at 14801 Quorum Drive, Suite 500, Dallas, Texas 75254.

WOODLAND OPERATING, LLC AKA WY WOODLAND OPERATING, LLC

Service by certified mail, return receipt requested, to (1) 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001; (2) 318 FM 2488, Covington, Texas 76636; (3) PO Box 10, Rio Vista, Texas 76093; (4) 2710 Thomes Avenue, Cheyenne, Wyoming 82001; (5) Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 11712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; (6) Whitaker Chisam, its registered agent for service of process in Texas, at 1300 Summit Avenue No. 650, Fort Worth, Texas 76102; and (7) Dan Waller, Glast, Phillips & Murray, P.C., its counsel, at 14801 Quorum Drive, Suite 500, Dallas, Texas 75254.

MICHAEL E. PATMAN

Service by certified mail, return receipt requested, to his attention at the addresses for Woodland Resources, LLC, and Woodland Operating, LLC, aka WY Woodland Operating, LLC; to the registered agents for Woodland Resources, LLC, and Woodland Operating, LLC, aka WY Woodland Operating, LLC; and to Dan Waller, Glast, Phillips & Murray, P.C., his counsel, at 14801 Quorum Drive, Suite 500, Dallas, Texas 75254.

NOTICE OF HEARING

This is your OFFICIAL NOTICE that a hearing will be held at the State Office of Administrative Hearing at 300 W. 15th Street, Austin, Texas 78701, before an Administrative Law

Judge beginning on January 22, 2020, at 9:00 AM. The hearing is being held for the purpose of determining (1) whether to affirm, modify or set aside Emergency Cease and Desist Order No. ENF-19-CDO-1783 (the "Emergency Order") solely as that order relates to Woodland Resources, LLC ("Woodland Resources"); Woodland Operating, LLC AKA WY Woodland Operating, LLC ("Woodland Operating"); and Michael E. Patman ("Respondent Patman").

This hearing will be held pursuant to The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45 (West 2019) (the "Securities Act"), the Rules and Regulations of the State Securities Board, 7 Tex. Admin. Code §§ 101.1 to 139.27 (West, Westlaw through 44 Tex.Reg. No. 6450, dated October 25, 2019) (Tex. State Sec. Bd.) (the "Board Rules"), the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 (West 2019) (the "Administrative Procedure Act") and the Rules of Practice and Procedure of the State Office of Administrative Hearings, 1 Tex. Admin. Code Chapter 155 (West, Westlaw through 44 Tex.Reg. No. 6450, dated October 25, 2019) (State Ofc. Of Admin. Hearings) (the "SOAH Rules").

THE EMERGENCY ORDER

1. The Enforcement Division of the Securities Board (the "Enforcement Division") is bringing this action and praying for a proposal for a decision that affirms the Emergency Order as the Emergency Order relates to Respondent Woodland Resources, Respondent Woodland Operating and Respondent Patman (collectively the "Respondents").¹

2. The Securities Commissioner entered the Emergency Order on July 10, 2019, pursuant to Section 23-2 of the Securities Act. The Emergency Order is attached hereto as Exhibit 1, and it is fully incorporated herein as if set forth fully herein.

3. The Emergency Order was entered after the Enforcement Division presented evidence sufficient for the Securities Commissioner to find that Respondents were offering working interests in direct drilling offsets of an oil well that constituted securities, Respondents were violating Section 7 of the Securities Act by offering securities for sale in Texas at a time when the securities were not registered with the Securities Commissioner and Respondents were violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act. The evidence was also sufficient to find that Respondents were engaging in fraud in connection with the offer for sale of securities, and Respondents were making an offer containing statements that were materially misleading or otherwise likely to deceive the public.

4. The Emergency Order was also entered after the Enforcement Division presented evidence sufficient for the Securities Commissioner to find Respondents threatened immediate and irreparable harm to the public.

5. The Emergency Order orders Respondents to immediately cease and desist from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration and to 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. The

¹ The Emergency Order also named Jeremy Bryan Yowell aka JB Yowell ("Yowell") and Brett Kroh ("Kroh"). Yowell and Kroh are not parties to this contested case. This contested case involves only Respondent Woodland Resources, Respondent Woodland Operating and Respondent Patman

Emergency Order also orders Respondents to immediately cease and desist from engaging in any fraud in connection with the offer for sale of any security in Texas and to 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.

6. On or about July 30, 2019, Respondents, through counsel, requested a hearing to challenge the Emergency Order. A copy of the request for a hearing is attached hereto as Exhibit 2 and incorporated herein as if set forth fully herein.

7. Respondents and the Enforcement Division agreed to waive the requirement that hearing be held within ten days. The agreement is documented in the request for a hearing attached as Exhibit 2.

THE HEARING

8. A hearing to contest the Emergency Order will be held at the Austin Office of the State Office of Administrative Hearings at 300 W. 15th Street, Austin, Texas 78701. It will commence at 9:00 AM on January 22, 2020.

9. At the hearing, the Enforcement Division will present in-person and/or telephonic testimony and other admissible evidence relating to the Emergency Order. Respondents will be afforded the right to present testimony and other admissible evidence relating to the Emergency Order.

10. The Enforcement Division will pray the Honorable Administrative Law Judge enter a proposal for decision that affirms the entirety of the Emergency Order. Respondents will be afforded the opportunity to pray the Honorable Administrative Law Judge enter a proposal for decision that modifies or sets aside the Emergency Order.

LEGAL NOTIFICATIONS

11. Legal authority and jurisdiction for this matter exist under 23-2 of the Securities Act, Section 2003.021(b) of the Texas Government Code and Rule 155.51 of the SOAH Rules.

12. IF YOU DO NOT FILE A WRITTEN ANSWER OR OTHER WRITTEN RESPONSIVE PLEADING TO THIS NOTICE OF HEARING ON OR BEFORE THE 20TH DAY AFTER THE DATE ON WHICH THIS NOTICE WAS MAILED TO YOU OR PERSONALLY SERVED ON YOU, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE. THE RESPONSE MUST BE FILED IN AUSTIN, TEXAS WITH THE SECURITIES COMMISSIONER AND THE STATE OFFICE OF ADMINISTRATIVE HEARINGS, AND ALSO SERVED ON THE STAFF OF THE STATE SECURITIES BOARD. IF YOU FAIL TO ATTEND THE HEARING, EVEN IF A WRITTEN ANSWER OR OTHER RESPONSIVE PLEADING HAS BEEN FILED AND SERVED, THE FACTUAL ALLEGATIONS IN THIS NOTICE COULD BE DEEMED ADMITTED, AND THE SECURITIES COMMISSIONER MAY DISPOSE OF THIS CASE WITHOUT A HEARING AND MAY GRANT THE RELIEF SOUGHT IN THIS NOTICE.

13. PARTIES THAT ARE NOT REPRESENTED BY AN ATTORNEY MAY OBTAIN INFORMATION REGARDING CONTESTED CASE HEARINGS ON THE PUBLIC WEBSITE OF

THE STATE OFFICE OF ADMINISTRATIVE HEARINGS AT WWW.SOAH.TEXAS.GOV, OR IN PRINTED FORMAT UPON REQUEST TO SOAH.

14. The Respondents may access the Securities Act and the Board Rules through the website of the State Securities Board at www.ssb.texas.gov. They may also access the SOAH Rules through the website of the State Office of Administrative Hearings at www.soah.texas.gov and the Administrative Procedure Act through Texas Legislature Online at statutes.capitol.texas.gov.

15. Pursuant to Board Rule 105.13, the Enforcement Division is now respectfully requesting and will continue to respectfully request the State Office of Administrative Hearings order that all costs charged to the Securities Board by any court reporting service be assessed against Respondents.

CONTACT AND FILING INFORMATION

16. The Enforcement Division is represented by Joe Rotunda, Division Director, Enforcement Division. His State Bar Card Number is 24029808, his work address is 208 E. 10th Street, Austin, Texas 78701, his telephone number is 512-305-8392, his facsimile number is 512-355-0404 and his email address is jrotunda@ssb.texas.gov.

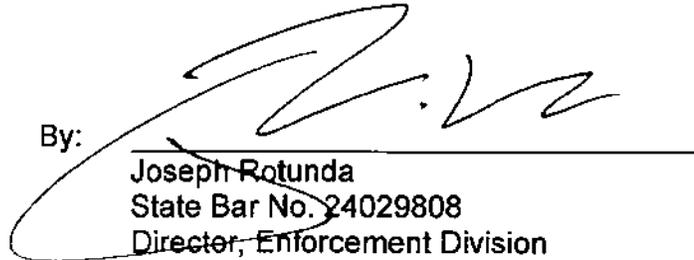
17. Justin Stoll, Attorney, Enforcement Division, and Jeramy Heintz, Attorney, Enforcement Division, will also be representing the Enforcement Division. Mr. Stoll's State Bar Card Number is 24088475, his work address is 208 E. 10th Street, Austin, Texas 78701, his telephone number is 512-305-8392, his facsimile number is 512-355-0404 and his email address is jstoll@ssb.texas.gov. Mr. Heintz's State Bar Card Number is 24074390, his work address is 208 E. 10th Street, Austin, Texas 78701, his telephone number is 512-305-8392, his facsimile number is 512-355-0404 and his email address is jheintz@ssb.texas.gov.

18. The Docketing Office of the State Office of Administrative Hearings is located at 300 W. 15th Street, Austin, Texas 78701, and it may be contacted by telephone at 512-745-3445 and by facsimile at 512-475-4994.

19. Pursuant to Board Rule 105.8, all documents filed by any party, other than business records and transcripts, must be contemporaneously served upon Marlene Sparkman, General Counsel and Securities Commissioner's Representative. Ms. Sparkman's address is 208 E. 10th Street, 5th Floor Austin, Texas 78701, her telephone number is 512-305-8300, her facsimile number is 512-305- 8336, and her email address is msparkman@ssb.texas.gov.

Signed on this, the 2ND day of December 2019.

By:



Joseph Rotunda
State Bar No. 24029808
Director, Enforcement Division
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701
T: 512-305-8392
F: 512-355-0404
E: jrotunda@ssb.texas.gov

CERTIFICATE OF SERVICE

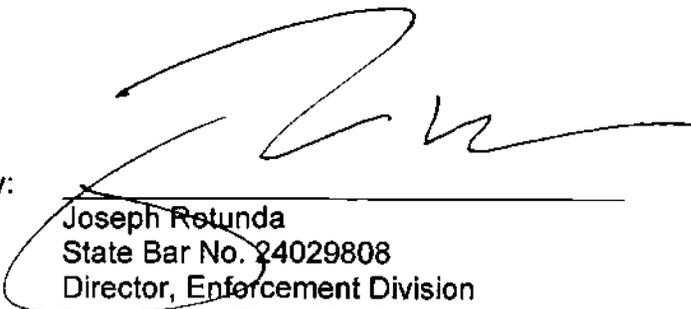
I hereby certify that on this, the 2nd day of December 2019, true and correct copies of this Notice of Hearing, as well as the exhibits referenced herein, are being served on the following parties through the means set forth below:

MARLENE SPARKMAN, General Counsel for the State Securities Board and the Securities Commissioner's Representative, is being served by hand delivery at 208 E. 10th Street, 5th Floor, Austin, Texas 78701, and

WOODLAND RESOURCES, LLC, is being served by certified mail, return receipt requested, to (1) 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001; (2) 1300 Summit Avenue, Suite 650, Fort Worth, Texas 76102; (3) Calle 134a #55a-46, Suite 302, Bogota, Columbia; (4) PO Box 10, Rio Vista, Texas 76093; (5) 318 FM 2488, Covington, Texas 76636; (6) 1001 Cross Timbers Road, Flower Mound, Texas 75028; (7) Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 1712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; (8) Incorp Services, Inc., its registered agent for service of process in Texas, at 815 Brazos, Suite 500, Austin, Texas 78701; and (9) Dan Waller, Glast, Phillips & Murray, P.C., its counsel, at 14801 Quorum Drive, Suite 500, Dallas, Texas 75254.

WOODLAND OPERATING, LLC AKA WY WOODLAND OPERATING, LLC, is being served by certified mail, return receipt requested, to (1) 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001; (2) 318 FM 2488, Covington, Texas 76636; (3) PO Box 10, Rio Vista, Texas 76093; (4) 2710 Thomes Avenue, Cheyenne, Wyoming 82001; (5) Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 11712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; (6) Whitaker Chisam, its registered agent for service of process in Texas, at 1300 Summit Avenue No. 650, Fort Worth, Texas 76102; and (7) Dan Waller, Glast, Phillips & Murray, P.C., its counsel, at 14801 Quorum Drive, Suite 500, Dallas, Texas 75254.

MICHAEL E. PATMAN is being served by certified mail, return receipt requested, to his attention at the addresses for Woodland Resources, LLC, and Woodland Operating, LLC, aka WY Woodland Operating, LLC; to the registered agents for Woodland Resources, LLC, and Woodland Operating, LLC, aka WY Woodland Operating, LLC; and to Dan Waller, Glast, Phillips & Murray, P.C. his counsel, at 14801 Quorum Drive, Suite 500, Dallas, Texas 75254.

By: 

Joseph Rotunda
State Bar No. 24029808
Director, Enforcement Division
Texas State Securities Board
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TRAVIS J. ILES
SECURITIES COMMISSIONER



CLINTON EDGAR
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BETH ANN BLACKWOOD
CHAIR

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Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
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Phone: (512) 305-8300
Facsimile: (512) 305-8310

IN THE MATTER OF §
WOODLAND RESOURCES, LLC; WOODLAND §
OPERATING, LLC, AKA WY WOODLAND §
OPERATING, LLC; MICHAEL E. PATMAN; §
JEREMY BRYAN YOWELL AKA JB YOWELL; §
AND BRETT KROH §

Order No. ENF-19-CDO-1783

Woodland Resources, LLC

Service by certified mail, return receipt requested, to (1) 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001; (2) 1300 Summit Avenue, Suite 650, Fort Worth, Texas 76102; (3) Calle 134a #55a-46, Suite 302, Bogota, Colombia; (4) PO Box 10, Rio Vista, Texas 76093; (5) 318 FM 2488, Covington, Texas 76636; (6) 1001 Cross Timbers Road, Flower Mound, Texas 75028; (7) Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 1712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; and (8) Incorp Services, Inc., its registered agent for service of process in Texas, at 815 Brazos, Suite 500, Austin, Texas 78701.

Woodland Operating, LLC, aka WY Woodland Operating, LLC

Service by certified mail, return receipt requested, to (1) 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001; (2) 318 FM 2488, Covington, Texas 76636; (3) PO Box 10, Rio Vista, Texas 76093; (4) 2710 Thomes Avenue, Cheyenne, Wyoming 82001; (5) Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 11712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; and (6) Whitaker Chisam, its registered agent for service of process in Texas, at 1300 Summit Avenue No. 650, Fort Worth, Texas 76102.

Michael E. Patman

Service by certified mail, return receipt requested, to his attention at the addresses for Woodland Resources, LLC, and Woodland Operating, LLC, aka WY Woodland Operating, LLC; and to the registered agents for Woodland Resources, LLC, and Woodland Operating, LLC, aka WY Woodland Operating, LLC.

Jeremy Bryant Yowell aka JB Yowell

Service by certified mail, return receipt requested, to his attention at the addresses for Woodland Resources, LLC; and to the registered agents for Woodland Resources, LLC.

Brett Kroh

Service by certified mail, return receipt requested, to his attention at the addresses for Woodland Resources, LLC; and to the registered agents for Woodland Resources, LLC.

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (the "**Securities Commissioner**") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-45 (West 2010 & Supp. 2018) (the "**Securities Act**").

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

FINDINGS OF FACT

1. Michael E. Patman claims to be an expert in the oil and gas industry, and he claims to have successfully managed companies that explore oil and gas prospects.
2. Mr. Patman has, however, failed to successfully manage at least two oil and gas companies. He led a drilling company that filed for bankruptcy after incurring more than \$10 million in debt, and the bankruptcy court found that he either lacked competency to manage or was mismanaging the company's affairs. Creditors placed another company in bankruptcy and the case was discharged with around \$44 million in unpaid claims.
3. Mr. Patman is also a recidivist. He and others were found liable for operating a fraudulent oil and gas investment scheme, and they were ordered to pay actual and punitive damages of nearly \$13 million to investors. Various state securities regulators have accused him of illegally offering investments tied to oil and gas programs, and he was ordered to cease and desist from violating the Securities Act.
4. Mr. Patman now serves as a principal of Woodland Resources, LLC, an oil and gas business that is operating as a foreign limited liability company in Texas.
5. Woodland Resources, LLC, is offering working interests in direct drilling offsets of the Oddfellows A-1, a well in the Booch Formation in Seminole County, Oklahoma. The company appears to be offering these working interests to Texans in reliance on Regulation D, Rule 506(c), a federal law that serves as a basis for preempting the Texas State Securities Board from administering a state law that protects Texans by requiring the registration of securities.
6. Woodland Resources, LLC, and Mr. Patman are claiming Texans will receive lucrative profits if the direct drilling offsets duplicate the productivity of the Oddfellows A-1. They are also representing the Oddfellows A-1 produces between 38 and 40 barrels of oil per day as of October 2018.
7. Production records reflect the Oddfellows A-1 is not producing between 38 and 40 barrels of oil per day. Instead, these records show its average recent production is only 15.43 barrels of oil per day.

8. As described herein, Woodland Resources, LLC, Mr. Patman and others are engaging in illegal, deceptive and fraudulent practices in connection with the offer of working interests in direct drilling offsets to Texas residents.
9. The Securities Commissioner is entering this Emergency Cease and Desist Order to protect Texans from immediate and irreparable harm.

THE RESPONDENTS

10. Woodland Resources, LLC ("**Respondent Woodland Resources**"), is a foreign limited liability company operating in Texas. It can be served with process as follows:
 - A. Respondent Woodland Resources can be served with process at its principal office at 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001;
 - B. Respondent Woodland Resources can be served with process at its North American office at 1300 Summit Avenue, Suite 650, Fort Worth, Texas 76102, or at its office in Colombia at Calle 134a #55a-46, Suite 302, Bogota, Colombia;
 - C. Respondent Woodland Resources can be served with process at its mailing address at PO Box 10, Rio Vista, Texas 76093;
 - D. Respondent Woodland Resources can be served with process at its physical address at 318 FM 2488, Covington, Texas 76636;
 - E. Respondent Woodland Resources can be served with process at 1001 Cross Timbers Road, Flower Mound, Texas 75028, the address for the company reflected in the records of the Texas Secretary of State;
 - F. Respondent Woodland Resources can be served with process through Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 1712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; and
 - G. Respondent Woodland Resources can be served with process through InCorp Services, Inc., its registered agent for service of process in Texas, at 815 Brazos, Suite 500, Austin, Texas 78701.
11. Woodland Operating, LLC, also known as WY Woodland Operating, LLC ("**Respondent Woodland Operating**"), is a foreign limited liability company operating in Texas. It can be served with process as follows:
 - A. Respondent Woodland Operating can be served with process at its principal office at 1712 Pioneer Avenue, Suite 197, Cheyenne, Wyoming 82001;
 - B. Respondent Woodland Operating can be served with process at its place of business at 318 FM 2488, Covington, Texas 76636;

- C. Respondent Woodland Operating can be served with process at its mailing address at PO Box 10, Rio Vista, Texas 76093;
 - D. Respondent Woodland Operating can be served with process at 2710 Thomes Avenue, Cheyenne, Wyoming 82001, the address reflected in the records of the Texas Secretary of State;
 - E. Respondent Woodland Operating can be served with process through Wyoming Corporate Services, Inc., its registered agent for service of process in Wyoming, at 11712 Pioneer Avenue, Suite 101, Cheyenne, Wyoming 82001; and
 - F. Respondent Woodland Operating can be served with process through Whitaker Chisam, its registered agent for service of process in Texas, at 1300 Summit Avenue No. 650, Fort Worth, Texas 76102.
12. Michael E. Patman ("**Respondent Patman**") is the Director of Operations and governing person of Respondent Woodland Resources and the Director of Operations of Respondent Woodland Operating. He can be served with process at the addresses for Respondents Woodland Resources and Woodland Operating and through the registered agents for Respondents Woodland Resources and Woodland Operating.
13. Jeremy Bryant Yowell aka JB Yowell ("**Respondent Yowell**") claims to be a partner of Respondent Woodland Resources. He can be served with process at the addresses for Respondent Woodland Resources and through the registered agents for Respondent Woodland Resources.
14. Brett Kroh ("**Respondent Kroh**") claims to be the Director of Business Development of Respondent Woodland Resources. He can be served with process at the addresses for Respondent Woodland Resources and through the registered agents for Respondent Woodland Resources.

**RESPONDENTS WOODLAND RESOURCES AND YOWELL SENT
UNSOLICITED ADVERTISEMENTS FOR INVESTMENTS IN OIL WELLS**

15. Respondents Woodland Resources and Yowell have been sending unsolicited electronic mail messages to Texas residents.
16. The electronic mail messages represent potential investors can earn an annualized rate of return of between 50 percent and 70 percent paid on a monthly basis by investing in successful oil wells through Respondent Woodland Resources.
17. The electronic mail messages direct potential investors to access a website published by Respondent Woodland Resources, review a video featuring Respondent Patman and request additional information from Respondent Yowell.

**RESPONDENT WOODLAND RESOURCES, RESPONDENT
PATMAN AND THEIR EXPERIENCE IN THE OIL AND GAS INDUSTRY**

18. Respondents are telling potential investors that Respondent Woodland Resources is positioned to become a major independent company in the domestic and international oil and gas industry, and that it seeks investment opportunities that produce above-average returns.
19. Respondents are telling potential investors that Respondent Patman serves as the Director of Operations of Respondent Woodland Resources. They are touting his business repute and qualifications, and they are providing potential investors with detailed information about his experience in the oil and gas industry over the preceding three decades.
20. Respondents are citing Respondent Patman's experience as Chief Executive Officer of Patman Drilling International, Inc. ("**Patman Drilling**"), and as Chairman of the Board, Chief Executive Officer and President of Sundance Resources, Inc. ("**Sundance**").
21. Respondents are promoting the achievements of Patman Drilling and Sundance, and they are representing as follows:
 - A. Respondents are touting Patman Drilling's success in building and deploying oil rigs; and
 - B. Respondents are claiming Respondent Patman led Sundance from 1981, when its initial capitalization was \$1,000.00, to 2006, when it recognized gross revenues of over \$100 million and \$14 million in profits.

**RESPONDENTS ARE OFFERING AND SELLING WORKING INTERESTS IN
DIRECT DRILLING OFFSETS OF A WELL IN SEMINOLE COUNTY, OKLAHOMA**

22. Respondents have been sending the unsolicited electronic mail messages and have been touting the business repute and qualifications of Respondents Woodland Resources and Patman as part of a scheme to sell working interests in oil wells that are direct drilling offsets of the Oddfellows A-1.
23. The Oddfellows A-1 is a well in the Booch Formation in Seminole County, Oklahoma. Respondent Woodland Resources completed the Oddfellows A-1 in December 2017.
24. The JK #1 is the first direct drilling offset of the Oddfellows A-1. Respondents have already sold 100 percent of its working interests, representing 70 percent of the net revenue interests, for an aggregate turnkey price of \$765,000.00.
25. The JK #2 is the second direct drilling offset of the Oddfellows A-1. Respondents have been offering 100 percent of its working interests, representing 70 percent of the net revenue interests, for an aggregate turnkey price of \$765,000.00. As of July 8, 2019, they have sold approximately 90 percent of these working interests.

26. Respondents are about to offer working interests in other direct drilling offsets of the Oddfellows A-1.
27. Respondents are claiming that investors will receive lucrative profits if the direct drilling offsets duplicate the productivity of the Oddfellows A-1, and they are representing the Oddfellows A-1 produces between 38 and 40 barrels of oil per day as of October 2018.
28. Respondents are explaining that, if the direct drilling offsets also produce 40 barrels of oil per day, investors will profit as follows:
 - A. Respondents are explaining that a principal investment of \$76,500.00 in the direct drilling offsets may return \$5,630.00 per month or \$67,560.00 per year if the price of oil is \$70.00 per barrel; and
 - B. Respondents are explaining that the same principal investment in the direct drilling offsets may return \$8,150.00 per month or \$97,800.00 per year if the price of oil increases to \$100.00 per barrel.

**PRODUCTION RECORDS SHOW THE ODDFELLOWS A-1 IS
NOT CURRENTLY PRODUCING BETWEEN 38 AND 40 BARRELS OF OIL PER DAY**

29. As described herein, Respondents are telling potential investors that they will receive lucrative profits if the direct drilling offsets duplicate the productivity of the Oddfellows A-1, and they are also telling potential investors that the Oddfellows A-1 produces between 38 and 40 barrels of oil per day as of October 2018.
30. Although Respondents are claiming the Oddfellows A-1 produces between 38 and 40 barrels of oil per day as of October 2018, production records reflect the following information:
 - A. Production records reflect that, from April 2018 through April 2019, the Oddfellows A-1 produced an average of only 19.72 barrels of oil per day; and
 - B. Production records also reflect that, from February 2019 through April 2019, the Oddfellows A-1 produced an average of only 15.43 barrels of oil per day.

THE PRIOR FRAUDULENT OIL AND GAS INVESTMENT SCHEME

31. Although Respondents are touting the business repute and qualifications of Respondent Patman and the success of Sundance, they are not telling potential investors that Respondent Patman and Sundance were previously found liable for a fraudulent oil and gas investment scheme and ordered to pay actual and punitive damages of nearly \$13 million.
32. The case began when, on or about September 17, 2007, plaintiffs filed a civil action in Biliouris v. Sundance Resources, Inc., in the United States District Court for the Northern District of Texas, Dallas Division, Civil Action No. 3:07-CV-1591-N.

33. The plaintiffs, largely consisting of retirees, alleged Sundance, Respondent Patman and another principal induced them to loan money for the purchase of rigs in a fraudulent oil and gas investment scheme. They described the scheme as follows:
- A. Plaintiffs collectively loaned Sundance over \$14 million for the purchase of five rigs, and Sundance guaranteed full repayment of the principal. Sundance also agreed that plaintiffs would carry working interests in any well that was drilled using the rigs.
 - B. Sundance fell behind and eventually stopped making payments to plaintiffs because its executives systematically transferred its assets to company insiders and their affiliated companies and Sundance accumulated large amounts of debt. The company's executives, including Respondent Patman, continued to transfer Sundance's assets, including \$4 million in cash, to its insiders after Sundance became insolvent.
34. The plaintiffs alleged that Sundance, Respondent Patman and another executive were liable for breach of contract, common law fraud, statutory fraud, fraudulent transfer, civil conspiracy, joint enterprise, alter ego, and violation of Section 33 of the Securities Act.
35. On or about May 26, 2009, the case came before the Court for a jury trial that lasted almost two weeks. At the conclusion of the parties' cases, the Court found there was no genuine issue of material fact with respect to Sundance's breach of contract for failure to pay the plaintiffs the minimum principal repayments.
36. The matter was thereafter presented to the jury, and the jury found substantially in favor of the plaintiffs. On or about March 12, 2010, the Court entered judgment in accordance with the jury.¹
37. On or about August 11, 2010, the Court entered an Amended Final Judgment that ordered, adjudged and decreed the following:
- A. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$7,171,568.91 in damages for fraud, jointly and severally, against Sundance, Respondent Patman and another defendant;
 - B. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$1,283,750.00 in punitive damages for fraud against Sundance;
 - C. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$641,875.00 in punitive damages for fraud against Respondent Patman;
 - D. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$548,070.21 in damages for statutory fraud, partially jointly and severally, against Sundance, Respondent Patman and another defendant;

¹ The Court entered judgement in accordance with the jury with two minor exceptions, relating to judgment as a matter of law in favor of plaintiffs in regard to one investment program and finding that two plaintiffs who elected not to testify at trial could not recover on their fraud claims.

- E. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$243,750.00 in punitive damages for statutory fraud against Sundance;
- F. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$121,875.00 in punitive damages for statutory fraud against Respondent Patman;
- G. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$2,426,967.29 in damages for breach of contract for failure to repay principal loan amounts against Sundance;
- H. The Court ordered, adjudged and decreed that plaintiffs were entitled to \$843,302.84 for breach of contract for failure to pay carried working interests against Sundance; and
- I. The Court ordered, adjudged and decreed that plaintiffs recover pre-judgment interest from September 17, 2007, through March 12, 2010, at a rate of five percent per year and post-judgement interest at a rate of 0.34% per year.

**THE FIRST BANKRUPTCY
OF AN OIL AND GAS BUSINESS CONTROLLED BY RESPONDENT PATMAN**

- 38. As described herein, Respondents are touting the business repute and qualifications of Respondent Patman.
- 39. Respondents are also telling potential investors that, from 2005 through 2007, Respondent Patman served as the Chief Executive Officer of Patman Drilling, and they are recognizing the company's success in building and deploying oil rigs.
- 40. Respondents have not been telling potential investors that, on or about September 25, 2007, Respondent Patman filed a Voluntary Petition for the Chapter 11 Bankruptcy of Patman Drilling in In re Patman Drilling International, Inc., Case No.07-34622-sgj11, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.
- 41. At the time of the filing, Patman Drilling had more than \$10 million in debt and more than 50 parties were parties of interest in the case. The case was designated as a complex bankruptcy proceeding and, on or about March 14, 2008, the Court appointed a Trustee after finding the following:
 - A. The Court found that Respondent Patman either lacked competence to manage, or was mismanaging, the affairs of Patman Drilling; and
 - B. The Court found that Patman was either less than forthcoming in his testimony, or that Respondent Patman was not as knowledgeable about Patman Drilling "as a person drawing a \$385,000 annual salary should be."

42. The court later discharged the Trustee and appointed a Liquidating Officer to liquidate the assets of Patman Drilling. On or about April 5, 2012, after the Liquidating Officer fully administered the estate, the Court closed the bankruptcy case.

**THE SECOND BANKRUPTCY
OF AN OIL AND GAS BUSINESS CONTROLLED BY RESPONDENT PATMAN**

43. As described herein, Respondents are touting the business repute and qualifications of Respondent Patman, the success of Sundance, and their accomplishments over the preceding three decades.
44. Respondents are not telling potential investors that, on or about January 10, 2011, petitioning creditors filed an Involuntary Petition for Chapter 7 Bankruptcy against Sundance in In re Sundance Resources Inc., Case No. 11-30304-sgj7, in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.
45. The petitioning creditors alleged Sundance had in excess of \$7 million of judgments and other unpaid trade debt, including judgments for fraud, breach of contract and punitive damages. They also alleged that Respondent Patman made transfers of cash and other assets from Sundance to related companies and himself.
46. On February 18, 2011, the Court granted the Involuntary Petition for Chapter 7 Bankruptcy, as amended, and placed Sundance in bankruptcy.
47. Nearly seven years into the administration of the bankruptcy estate, on or about October 2, 2017, the bankruptcy trustee reported that he dispersed only around \$46,000.00 to creditors but discharged more than \$44 million in claims without payment.
48. The next day, the Court discharged the bankruptcy trustee and closed the bankruptcy case.

**STATE ENFORCEMENT ACTIONS
AGAINST RESPONDENT PATMAN FOR ILLEGALLY DEALING IN SECURITIES**

49. As described herein, Respondents are touting the business repute and qualifications of Respondent Patman, the success of Sundance, and their accomplishments over the preceding three decades.
50. Respondents are not telling potential investors that at least three state securities regulators brought enforcement actions against Respondent Patman and Sundance for illegally dealing in securities. These enforcement actions were resolved as follows:
 - A. On or about July 9, 1998, Respondent Patman and Sundance consented the entry of a judgment in State of Idaho v. Sundance Resources, Inc., et al., Civil No. CV-97-740, in the District Court for the Seventh Judicial District of the State of Idaho, in and for the County of Bingham. The Court found that Respondent Patman and Sundance violated the Idaho Securities Act. It

ordered Sundance to offer rescission to investors and it ordered Respondent Patman and Sundance, together with another defendant, to pay a fine of \$10,000.00.

- B. On or about January 5, 2004, the Secretary for the Pennsylvania Securities Commission entered Findings of Fact, Conclusions of Law, and Order in In the Matter of Sundance Resources, Inc., et al., Administrative Proceeding Docket No. 0103-06. It reflects, among other things, that Respondent Patman and Sundance were ordered to permanently cease and desist from violating the Pennsylvania Securities Act of 1972, barred for one year from offering or selling securities in Pennsylvania unless they satisfied conditions relating to the retention of counsel, and ordered to jointly and severally pay an assessment and the investigative and legal costs incurred by the state.
- C. On or about December 22, 2006, the Texas State Securities Board entered In the Matter of Sundance Resources, Inc., et al., Order No. ENF-06-CDO-1623. It reflects, among other things, as follows:
- i. Respondent Patman and Sundance violated Section 7 of the Securities Act by offering unregistered securities in Texas and Section 12 of the Securities Act by offering securities without being registered pursuant to the provisions of Section 12 of the Securities Act;
 - ii. Respondent Patman and Sundance were ordered to immediately cease and desist from offering securities in Texas unless the securities are registered with the Securities Commissioner or are offered pursuant to an exemption from registration; and
 - iii. Respondent Patman and Sundance were ordered to immediately cease and desist from acting as securities dealers or agents in Texas until registered with the Securities Commissioner or acting pursuant to an exemption from registration.

**PRIOR STATE ENFORCEMENT ACTION
AGAINST RESPONDENT YOWELL FOR ILLEGALLY DEALING IN SECURITIES**

51. As described herein, Respondent Yowell is claiming to be a partner of Respondent Woodland Resources.
52. Respondents Woodland Resources and Kroh are touting Respondent Yowell's experience in the oil and gas industry, citing his work as an owner of an oil and gas business.
53. Respondents are not disclosing that, on or about October 31, 2016, the Corporations, Securities and Commercial Licensing Bureau for the Michigan Department of Licensing and Regulatory Affairs entered a Notice and Order to Cease and Desist in In the Matter of Jeremy Yowell, Complaint No. 329219.

54. The Notice and Order to Cease and Desist reflects, among other things, that Respondent Yowell was ordered to immediately cease and desist from acting as an unregistered securities agent and that the agency's administrator intended to impose a civil fine of \$10,000.00.

REGISTRATION VIOLATIONS

55. Respondents have not been registered as dealers or agents in Texas at any time material hereto.
56. The working interests in direct drilling offsets of the Oddfellows A-1 have not been registered by notification, coordination or qualification and no permit has been issued for their sale in Texas:
57. Respondent Woodland Resources claims to be limiting sales of working interests in the direct drilling offsets of the Oddfellows A-1 to accredited investors, but Respondent Woodland Resources is not taking reasonable steps to verify that all investors are, in fact, accredited investors. It therefore does not satisfy Regulation D, Rule 506(c), a federal law that would otherwise serve as a basis for preempting the Texas State Securities Board from administering the protections afforded by state registration laws.

FRAUD AND THE CONCEALMENT OF SUNDANCE'S PRIOR FRAUDULENT OIL AND GAS INVESTMENT PROGRAM

58. In connection with the offer of working interests in direct drilling offsets of the Oddfellows A-1, Respondents Woodland Resources, Woodland Operating and Patman are intentionally failing to disclose the information set forth herein relating to Biliouris v. Sundance Resources, Inc., Civil Action No. 3:07-CV-1591-N, and this information constitutes a material fact.

FRAUD AND THE CONCEALMENT OF BANKRUPTCIES OF COMPANIES MANAGED BY RESPONDENT PATMAN

59. In connection with the offer of working interests in direct drilling offsets of the Oddfellows A-1, Respondents Woodland Resources, Woodland Operating and Patman are intentionally failing to disclose the information set forth herein relating to In re Patman Drilling International, Inc., Case No.07-34622-sgj11, and this information constitutes a material fact.
60. In connection with the offer of working interests in direct drilling offsets of the Oddfellows A-1, Respondents Woodland Resources, Woodland Operating and Patman are intentionally failing to disclose the information set forth herein relating to In re Sundance Resources Inc., Case No. 11-30304-sgj7, and this information constitutes a material fact.

**FRAUD AND THE CONCEALMENT OF STATE ENFORCEMENT ACTIONS
AGAINST RESPONDENT PATMAN FOR ILLEGALLY DEALING IN SECURITIES**

61. In connection with the offer of working interests in direct drilling offsets of the Oddfellows A-1, Respondents Woodland Resources, Woodland Operating and Patman are intentionally failing to disclose the information set forth herein relating to the entry of a judgment in State of Idaho v. Sundance Resources, Inc., et al., Civil No. CV-97-740, and this information constitutes a material fact.
62. In connection with the offer of working interests in direct drilling offsets of the Oddfellows A-1, Respondents Woodland Resources, Woodland Operating and Patman are intentionally failing to disclose the information set forth herein relating to the Secretary for the Pennsylvania Securities Commission and its entry of Findings of Fact, Conclusions of Law, and Order in In the Matter of Sundance Resources, Inc., et al., Administrative Proceeding Docket No. 0103-06, and this information constitutes a material fact.
63. In connection with the offer of working interests in direct drilling offsets of the Oddfellows A-1, Respondents Woodland Resources, Woodland Operating and Patman are intentionally failing to disclose the information set forth herein about the Texas State Securities Board and its entry of In the Matter of Sundance Resources, Inc., et al., Order No. ENF-06-CDO-1623, and this information constitutes a material fact.

**DECEPTIVE PRACTICES AND THE BUSINESS REPUTE, QUALIFICATIONS
AND SUCCESS OF RESPONDENT PATMAN, PATMAN DRILLING AND SUNDANCE**

64. As described herein, Respondents are touting the business repute and qualifications of Respondent Patman and his success in managing Patman Drilling and Sundance.
65. These statements are materially misleading or otherwise likely to deceive the public because Respondents are not providing investors with the following information:
 - A. Respondents are not providing the information set forth herein relating to Biliouris v. Sundance Resources, Inc., Civil Action No. 3:07-CV-1591-N;
 - B. Respondents are not providing the information set forth herein relating to In re Patman Drilling International, Inc., Case No.07-34622-sgj11;
 - C. Respondents are not providing the information set forth herein relating to In re Sundance Resources Inc., Case No. 11-30304-sgj7;
 - D. Respondents are not providing the information set forth herein relating to the entry of a judgment in State of Idaho v. Sundance Resources, Inc., et al., Civil No. CV-97-740;
 - E. Respondents are not providing the information set forth herein relating to the Secretary for the Pennsylvania Securities Commission and its entry of

Findings of Fact, Conclusions of Law, and Order in In the Matter of Sundance Resources, Inc., et al., Administrative Proceeding Docket No. 0103-06; and

- F. Respondents are not providing the information set forth herein about the Texas State Securities Board and its entry of In the Matter of Sundance Resources, Inc., et al., Order No. ENF-06-CDO-1623.

DECEPTIVE PRACTICES AND THE PRIOR STATE ENFORCEMENT ACTION AGAINST RESPONDENT YOWELL FOR ILLEGALLY DEALING IN A SECURITY

66. As described herein, Respondent Yowell is claiming to be a partner of Respondent Woodland Resources. As also described herein, Respondents Woodland Resources and Kroh are touting Respondent Yowell's experience in the oil and gas industry.
67. These statements are materially misleading or otherwise likely to deceive the public because potential investors are not being provided with the information set forth herein relating to the Corporations, Securities and Commercial Licensing Bureau for the Michigan Department of Licensing and Regulatory Affairs and its entry of a Notice and Order to Cease and Desist in In the Matter of Jeremy Yowell, Complaint No. 329219.

DECEPTIVE PRACTICES AND REPRESENTATIONS ABOUT THE PRODUCTIVITY OF THE ODDFELLOWS A-1

68. As described herein, Respondents are telling potential investors the wells will be a direct drilling offsets of the Oddfellows A-1 and that the Oddfellows A-1 produces 38 to 40 barrels of oil per day as of October 2018.
69. These statements are materially misleading or otherwise likely to deceive the public because production records reflect that, from April 2018 through April 2019, the Oddfellows A-1 produced an average of 19.72 barrels of oil per day, and that, from February 2019 through April 2019, the Oddfellows A-1 produced an average of 15.43 barrels of oil per day.

CONCLUSIONS OF LAW

1. The working interests in the direct drilling offsets of the Oddfellows A-1 are securities as the term is defined by Section 4.A of the Securities Act.
2. Respondents are violating Section 7 of the Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
4. Respondents Woodland Resources, Woodland Operating and Patman are engaging 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 Conclusions of Law constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Securities Act.

ORDER

1. It is therefore ORDERED Respondents immediately CEASE AND DESIST from offering for sale 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 Securities Act.
2. It is further ORDERED 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 Securities Act.
3. It is further ORDERED Respondents Woodland Resources, Woodland Operating and Patman, 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 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 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, and state 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 Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Securities Act is a criminal offense punishable by a fine of not more than \$10,000, or imprisonment in the penitentiary for two to ten years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 10th day of

July, 2019.



TRAVIS G. ILES
Securities Commissioner

GLAST, PHILLIPS & MURRAY

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July 30, 2019

Via Email (c/o jheintz@ssb.texas.gov)

Travis J. Iles
Securities Commissioner
Texas State Securities Board
208 E. 10th Street, 5th Floor
Austin, Texas 78701

Re: In the Matter of Woodland Resources, LLC et al, Order No. ENF 19-CDO-1783
entered on July 10, 2019

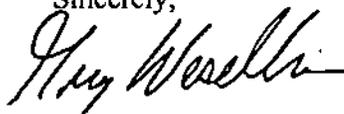
Dear Commissioner Iles:

I am writing on behalf of Woodland Resources, LLC; Woodland Operating, LLC; and Michael Patman in the above-referenced matter. Pursuant to the Notice on page 14 of the Order referenced above and pursuant to Section 23-2 of the Texas Securities Act, I am requesting a hearing in the above-referenced matter on behalf Woodland Resources, LLC; Woodland Operating, LLC; and Michael Patman. Pursuant to Section 23-2C(2) of the Texas Securities Act, Woodland Resources, LLC; Woodland Operating, LLC; and Michael Patman requests a hearing to set aside the order because they generally deny the allegations set forth in the Order.

Pursuant to Section 23-2(D) of the Texas Securities Act, the parties have agreed to waive the requirement that "the hearing must be held not later than the 10th day after the date the Commissioner receives the request for a hearing" because the parties have agreed to a later as yet undermined date for the hearing. Counsel for Woodland Resources, LLC; Woodland Operating, LLC; and Michael Patman and counsel for the Enforcement Staff for the Texas State Securities Board have currently scheduled a conference call for August 14, 2019 at 11am to discuss this matter further.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Greg Weselka

Mr. Iles
July 30, 2019
Page 2

cc:
Dan Waller (email)
Jeremy Heintz (email)
Justin Stoll (email)