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## Texas State Securities Board

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MIGUEL ROMANO, JR.  
MEMBER

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

Order No. ENF-18-CDO-1758

TO: SourceRock Energy Phoenix Prospect, LP  
2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and  
40 Worth Street, Suite #1050, New York, New York 10013

SourceRock Energy GP, LLC  
2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and  
40 Worth Street, Suite #1050, New York, New York 10013

SourceRock Energy Partners, LP  
2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and  
40 Worth Street, Suite #1050, New York, New York 10013

J.A. Gilbert aka Jason A. Gilbert  
2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and  
40 Worth Street, Suite #1050, New York, New York 10013

Parker Hallam  
2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and  
40 Worth Street, Suite #1050, New York, New York 10013

### 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. arts. 581-1 to 581-45 (West 2010 & Supp. 2017) (the “**Texas Securities Act**”).

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

#### FINDINGS OF FACT

1. SourceRock Energy Phoenix Prospect, LP ("**Respondent SourceRock Energy Phoenix Prospect**") is a Delaware limited partnership and maintains last known addresses at 2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and 40 Worth Street, Suite #1050, New York, New York 10013.
2. SourceRock Energy GP, LLC ("**Respondent SourceRock Energy**") is a Delaware limited liability company and the managing general partner of Respondent SourceRock Energy Phoenix Prospect. It maintains last known addresses at 2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and 40 Worth Street, Suite #1050, New York, New York 10013.
3. SourceRock Energy Partners, LP ("**Respondent SourceRock Energy Partners**") is a Delaware limited partnership and an affiliate of Respondent SourceRock Energy. It maintains last known addresses at 2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and 40 Worth Street, Suite #1050, New York, New York 10013.
4. 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 maintains last known addresses at 2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and 40 Worth Street, Suite #1050, New York, New York 10013.
5. Parker Hallam ("**Respondent Hallam**") is acting as a manager for Respondent SourceRock Energy Phoenix Prospect, Respondent SourceRock Energy, and Respondent SourceRock Energy Partners. Respondent Hallam maintains last known addresses at 2711 North Haskell Avenue, Suite 2460, Dallas, Texas 75204 and 40 Worth Street, Suite #1050, New York, New York 10013.
6. Although Respondents represent they maintain an office in New York, New York, they are actually operating from Dallas, Texas. Respondents also maintain a publicly-accessible website at [www.sourcerockoil.com](http://www.sourcerockoil.com). Potential investors can access the website, which describes investments in oil and gas projects and the "flagship lease, the Phoenix Prospect."
7. Respondents are offering for sale and selling in Texas investments in an oil and gas drilling program referred to as the Phoenix Prospect in Sumner County, Kansas. Respondents are representing the investment constitutes the purchase of partnership units in Respondent SourceRock Energy Phoenix Prospect.

8. Respondents describe the investment as follows:
  - A. The Phoenix Prospect is an oil and gas project in Sumner County, Kansas consisting of a single well rework.
  - B. A maximum of 74 units of partnership interests in Respondent SourceRock Energy Phoenix Prospect are to be sold. Investors in the project are given the option to purchase units consisting of either General Partner Interests or Limited Partner Interests.
  - C. The purchase price of the investment is \$60,000.00 per unit for a total estimated capital to be raised of \$4,440,000.00.
  - D. Each unit is the equivalent of a 1% working interest and a .7% net revenue interest in the well.
  - E. Investors have no meaningful duty to manage the investment. Respondent SourceRock Energy will have exclusive responsibility for and control over the management and operations of the Phoenix Prospect.
  - F. Respondent SourceRock Energy will receive a management fee of \$1,036,000.00. Respondent SourceRock Energy Partners will receive \$3,404,000.00 to purchase the lease and as compensation for obligations under the Turnkey Operating Agreement with the operator of the Phoenix Prospect.
9. In connection with the offer for sale of the investments in the Phoenix Prospect, Respondents are intentionally failing to disclose one or more material facts, including, but not limited to, the following:
  - A. That the total estimated drilling costs for the Phoenix Prospect are \$750,000.00.
  - B. On or around June 24, 2016, Respondent Hallam was named as a defendant in *Securities and Exchange Commission v. Christopher A. Faulkner et al.*, Case No.:3:16-CV-1735-D (“the SEC lawsuit”), in the United States District Court for the Northern District of Texas, Dallas Division. The SEC lawsuit alleges that Respondent Hallam violated Sections 5 and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934.
10. In connection with the offer for sale of investments in the Phoenix Prospect, Respondents are representing that \$3,404,000.00 of investor funds will be used to purchase the lease and as compensation for obligations under the Turnkey Operating Agreement, which is a misrepresentation of a relevant fact as the total amount for lease payments and other turnkey costs is \$750,000.00.

11. In connection with the offer for sale of investments in the Phoenix Prospect, Respondents SourceRock Energy Phoenix Prospect, SourceRock Energy, SourceRock Energy Partners, and Hallam are intentionally failing to disclose one or more material facts, including, but not limited to, the following:
  - A. On or around September 8, 2016, Respondent Hallam was named as a defendant in *Feature Homes Profit Sharing Plan et al. v. Christopher Faulkner et al.*, No. DC-16-11410, in the 101st District Court in Dallas County, Texas. The civil action was brought by investors with Crude Energy, LLC, a company for which Hallam serves as President and managing member. The causes of action include conspiracy, breach of contract, common law fraud, statutory fraud, and violations of the Texas Deceptive Trade Practices Act. On or around November 16, 2017, an Agreed Order Granting Stay was entered, as the SEC lawsuit ordered a stay of litigation for all civil proceedings involving receivership defendants.
  - B. On or around November 4, 2016, Respondent Hallam was named as a defendant in *Braun/Meyer LLC et al. v. Crude Royalties, LLC et al.*, No. DC-16-14412, in the 193rd District Court in Dallas County, Texas. The civil action was brought by investors with Crude Energy, LLC, a company for which Hallam serves as President and managing member. The causes of action include fraud, fraudulent inducement, breach of contract, money had and received, unjust enrichment, and conspiracy. On October 2, 2017, an Agreed Order Granting Stay was entered, as the SEC lawsuit ordered a stay of litigation for all civil proceedings involving receivership defendants.
  - C. On or around April 18, 2017, Respondent Hallam consented to an entry of Judgment in the SEC lawsuit without admitting or denying the allegations contained therein. As a part of this Judgment, Respondent Hallam agreed to pay disgorgement of ill-gotten gains, the amount of which to be determined by motion of the Securities and Exchange Commission.
12. Respondents are making an offer containing statements that are materially misleading or otherwise likely to deceive the public by claiming they are “[y]our [p]remier [s]ource for smaller scale low risk/high yield oil and gas investments,” Respondent SourceRock Energy’s management team has “decades of experience in private equity and oil and gas exploration,” that “Respondent SourceRock Energy provides all the information one needs to determine if investing in oil and gas is right for you,” and “current and potential clients have all the tools needed to do their own due diligence.” These statements are materially misleading or otherwise likely to deceive the public, because Respondents are failing to disclose the following:
  - A. On or around May 5, 2009, the Internal Revenue Service filed a lien, No. 2009R0324042, in Miami-Dade County, Florida, against Respondent Gilbert. The notice of federal tax lien indicates the kind of tax is 1040 and

the total unpaid balance is \$1,657.53 for the tax period ending 1999, and the tax lien has been in force and effect at all times material hereto.

- B. On or around January 22, 2010, the Internal Revenue Service filed a lien, No. 2010R0043513, in Miami-Dade County, Florida, against Respondent Gilbert. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$87,155.70 for the tax periods ending 2004 and 2006, and the tax lien has been in force and effect at all times material hereto.
- C. On or around March 10, 2010, the Internal Revenue Service filed a lien, No. 2010R0159044, in Miami-Dade County, Florida, against Respondent Gilbert. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$102,851.51 for the tax periods ending 2000, 2007, and 2008, and the tax lien has been in force and effect at all times material hereto.
- D. On or around May 12, 2010, the Internal Revenue Service filed a lien, No. 2010R0318244, in Miami-Dade County, Florida, against Respondent Gilbert. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$68,834.80 for the tax period ending 2005, and the tax lien has been in force and effect at all times material hereto.
- E. On or around May 20, 2011, the Internal Revenue Service filed a lien, No. 2011R0332670, in Miami-Dade County, Florida, against Respondent Gilbert. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$21,579.11 for the tax period ending 2009, and the tax lien has been in force and effect at all times material hereto.
- F. On or around November 23, 2011, the Internal Revenue Service filed a lien, No. 2011000409512, in Manhattan Borough, New York, against Respondent Gilbert. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$265,963.08, and the tax lien has been in force and effect at all times material hereto.
- G. On or around November 21, 2016, the Internal Revenue Service filed a lien, No. 201600325843, in Dallas County, Texas, against Respondent Hallam. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$89,026.71 for the tax periods ending 2005 and 2014, and the tax lien has been in force and effect at all times material hereto.
- H. On or around July 18, 2017, the Internal Revenue Service filed a lien, No. 201700199155, in Dallas County, Texas, against Respondent Hallam. The notice of federal tax lien indicates the kind of tax is 1040 and the total unpaid balance is \$53,645.64 for the tax period ending 2015, and the tax lien has been in force and effect at all times material hereto.

### CONCLUSIONS OF LAW

1. The above-described investments are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are engaging in fraud in connection with the offer for sale and sale of securities.
3. Respondents are making an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
4. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
5. 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 Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale and/or sale of any security in Texas.
2. 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 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, 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 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 such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 9<sup>th</sup> day of February, 2018.

  
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TRAVIS J. ILES  
Securities Commissioner