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

## Texas State Securities Board

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

IN THE MATTER OF  
WOODLAND RESOURCES, LLC, AND  
WOODLAND OPERATING, LLC AKA WY  
WOODLAND OPERATING, LLC

§  
§  
§  
§

Order No. ENF-CDO-20-1797

WOODLAND RESOURCES, LLC  
Service through its attorney Chris Davis, Gray Reed, 1601 Elm St., Suite 4600, Dallas, TX 75201, cdavis@grayreed.com.

WOODLAND OPERATING, LLC AKA WY WOODLAND OPERATING, LLC  
Service through its attorney Chris Davis, Gray Reed, 1601 Elm St., Suite 4600, Dallas, TX 75201, cdavis@grayreed.com.

### AGREED ORDER

Be it remembered that Woodland Resources, LLC ("Respondent Woodland Resources"), and Woodland Operating, LLC aka WY Woodland Operating, LLC ("Respondent Woodland Operating"), appeared before the Securities Commissioner of the State of Texas and consented to the entry of this Agreed Order and the Findings of Fact and Order contained herein.

### FINDINGS OF FACT

1. Respondent Woodland Resources and Respondent Woodland Operating (collectively the "Respondents") have waived (a) their right to notice and hearing in this matter, (b) their right to appear and present evidence in this matter, (c) their right to appeal this order and (d) all other procedural rights granted by the Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1-581-45 (the "Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§2001.001-2001.902.

### SERVICE OF RESPONDENTS

2. Respondent Woodland Resources can be served through its attorney Chris Davis, Gray Reed, 1601 Elm St., Suite 4600, Dallas, TX 75201, cdavis@grayreed.com.

3. Respondent Woodland Operating can be served through its attorney Chris Davis, Gray Reed, 1601 Elm St., Suite 4600, Dallas, TX 75201, cdavis@grayreed.com.
4. Respondents are represented by Chris Davis, Partner, Gray Reed, 1601 Elm Street, Suite 4600, Dallas, Texas 75201, and counsel has agreed to accept service of this Agreed Order on behalf of his clients.

#### BACKGROUND

5. On July 10, 2019, the Securities Commissioner entered Emergency Cease and Desist Order No. ENF-19-CDO-1783 (the "Emergency Order") against Respondents and others allegedly involved in the sale of working interests in direct drilling offset wells of the Oddfellows A-1, referred to as the JK #1 and JK #2.
6. Pursuant to Section 23-2.C of the Securities Act, Respondents requested a hearing to challenge the Emergency Order.
7. Respondents now agree to waive their right to a hearing to modify or set aside the Emergency Order and consent to dismissal of the contested case from the docket of the State Office of Administrative Hearings Docket No. 312-19-7020.

#### THE REFUND AND COMPLIANCE PROGRAMS

8. Respondents are filing an undertaking with the Securities Commissioner contemporaneously with the entry of this Agreed Order, and the undertaking is incorporated herein as if set forth fully herein.
9. The undertaking, in part, requires Respondent Woodland Resources to offer refunds to purchasers of working interests in the JK #1 and JK #2, Respondents agree to cease associations with bad actors as that term is used in Regulation D, Rule 506(d), and Respondents agree to establish a compliance system to screen for such bad actors in the future.

#### DISQUALIFICATION

10. The Emergency Order shall not disqualify Respondents from any business they otherwise are qualified, licensed, or permitted to perform under applicable securities laws or regulations of Texas, and any disqualifications from relying upon Rule 506 that arise from the Emergency Order are hereby waived solely as the disqualifications relate to Respondents.

#### REGISTRATION

11. Respondents were not registered with the Securities Commissioner as dealers at any time material hereto.
12. The working interests in the JK #1 and JK #2 were not registered by qualification, notification or coordination at any time material hereto, and no permit was granted for their sale in Texas at any time material hereto.

### CONCLUSIONS OF LAW

1. The working interests in the JK #1 and JK #2 are securities as the term is defined by Section 4.A of the Securities Act.
2. Respondents violated Section 7 of the Securities Act by offering securities for sale and selling securities in Texas at a time when the securities were not registered with the Securities Commissioner.
3. Respondents violated Section 12 of the Securities Act by offering securities for sale and selling securities in Texas without being registered pursuant to the provisions of Section 12 of the Securities Act.
4. The foregoing Findings of Fact and Conclusions of Law constitute bases for setting aside the Emergency Order solely as it relates to Respondents pursuant to Section 23-2 of the Securities Act and bases for replacing the Emergency Order solely as it relates to Respondents with the issuance of this Agreed Order pursuant to Section 23 of the Securities Act. They also constitute bases for assessing an administrative fine against Respondent Woodland Resources pursuant to Section 23-1 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 the Emergency Order is set aside solely as the Emergency Order relates to Respondents.
4. It is further ORDERED Respondent Woodland Resources shall pay an ADMINISTRATIVE FINE in the amount of Twenty Thousand Dollars (\$20,000.00). Payment shall be made by delivery of a cashier's check to the Securities

Commissioner in the amount of Twenty Thousand Dollars (\$20,000.00) payable to the State of Texas contemporaneously with the delivery of this Order.

SIGNED AND ENTERED by the Securities Commissioner this 19<sup>th</sup> day of February, 2020.



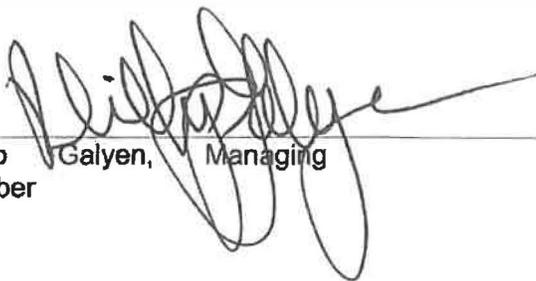
\_\_\_\_\_  
TRAVIS J. ILES  
Securities Commissioner

**Respondents:**

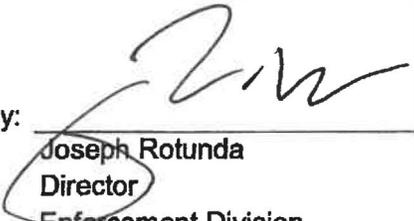
**Woodland Resources, LLC**

By:   
Phillip Galyen, Managing  
Member

**Woodland Operating, LLC aka WY Woodland Operating, LLC**

By:   
Phillip Galyen, Managing  
Member

**Approved as to Form:**

By:   
\_\_\_\_\_  
Joseph Rotunda  
Director  
Enforcement Division

By:  2/18/20  
\_\_\_\_\_  
Chris Davis  
Attorney for Respondents  
Gray Reed  
1601 Elm Street, Suite 4600  
Dallas, Texas 75201

By:   
\_\_\_\_\_  
Jeremy Heintz  
Attorney  
Enforcement Division

By:   
\_\_\_\_\_  
Justin Stoll  
Attorney  
Enforcement Division

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WOODLAND OPERATING, LLC AKA WY WOODLAND OPERATING, LLC  
Service through its attorney Chris Davis, Gray Reed, 1601 Elm St., Suite 4600, Dallas, TX 75201, cdavis@grayreed.com.

### UNDERTAKING

Woodland Resources, LLC ("Respondent Woodland Resources"), and Respondent Woodland Operating, LLC aka WY Woodland Operating, LLC ("Respondent Woodland Operating"), by and through their principal, Phillip Galyen, file this Undertaking with the Securities Commissioner of the State of Texas (the "Securities Commissioner") and represent as follows:

### BACKGROUND

1. Respondent Woodland Resources and Respondent Woodland Operating (collectively the "Respondents") are executing and filing this document and agreeing that, on July 10, 2019, the Securities Commissioner entered Emergency Cease and Desist Order No. ENF-19-CDO-1783 (the "Emergency Order") pursuant to Section 23-2 of the Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1-581-45 (the "Securities Act"). Respondents recognize the Emergency Order named Respondents, Michael Patman ("Patman") and others involved in the sale of working interests in the JK #1 and JK #2, direct drilling offsets of the Oddfellows A-1.
2. Respondents are executing and filing this document with the Securities Commissioner in connection with the entry of an Agreed Order setting aside and replacing the Emergency Order solely as the Emergency Order relates to Respondents.

3. Respondents are executing and filing this document and representing herein that, upon entry of the Agreed Order, their request for a hearing to challenge the Emergency Order shall be deemed withdrawn, and they will not oppose a motion to dismiss the contested case the State Office of Administrative Hearings Docket No. 312-19-7020.
4. Respondents are executing and filing this document with the Securities Commissioner with the understanding that knowingly making or causing to be made, in any document filed with the Securities Commissioner, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect, may subject Respondents to criminal prosecution pursuant to Section 29.E of the Securities Act, as well as other offenses codified in the Texas Penal Code.

#### COOPERATION

5. Respondents undertake and agree to produce relevant documents and/or testimony to the Enforcement Division in connection with its intervention or involvement in any bankruptcy or receivership proceeding or case related to Emergency Order No. ENF-19-CDO-1783.

#### DISASSOCIATIONS

7. Respondents represent that they are no longer associated with Patman in a capacity that would disqualify them from an exemption pursuant to 17 CFR Section 230.506(d).<sup>1</sup>

#### REFUNDS TO ELIGIBLE INVESTORS IN THE JK #1 AND JK #2

8. Respondent Woodland Resources understands that 27 investors purchased working interests in wells referred to as the JK #1 and JK #2 in the Emergency Order, and it understands they invested a total of \$ \$741,608 in the JK #1 and \$ \$755,911 in the JK #2.
9. Respondent Woodland Resources undertakes and agrees to offer refunds to eligible purchasers of working interests in the JK #1 and JK #2, and it undertakes and agrees that it shall offer refunds in accordance with the provisions of this undertaking.

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<sup>1</sup> This regulation provides, in relevant part, that [n]o exemption under this section shall be available for a sale of securities if... any director [or] executive officer participating in the offering, managing member of the issuer... any promoter connected with the issuer in any capacity at the time of such sale... any person that has been paid or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities... [i]s subject to a final order of a state securities commission... that... constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten years before such sale..

10. Respondent Woodland Resources undertakes and agrees that purchasers will be eligible for refunds if the purchaser is a natural person or entity that purchased working interests or other securities in the JK #1 and JK #2.
11. Respondent Woodland Resources undertakes and agrees to take reasonable steps to identify the physical and electronic mail addresses of all eligible purchasers, and that it will, at a minimum, attempt to identify these physical and electronic mail addresses by conducting a thorough review of information set forth in internal notes, databases, payment records and other internal files, as well as contracts, agreements, powers of attorneys and correspondence sent or received by regular mail or electronic mail.
12. Respondent Woodland Resources agrees to notify eligible purchasers of the opportunity to elect to receive a refund by sending a letter, separate from any unrelated files or documents, by certified mail addressed to all known physical addresses that are not post office boxes, regular mail to all known physical addresses that are post office boxes and by electronic mail addressed to all known electronic mail addresses.
13. Respondent Woodland Resources agrees that it will send the letter within 30 calendar days of the date of the filing of this undertaking and that it will send a second letter 30 calendar days after the first letter is sent.
14. Respondent Woodland Resources agrees that the letter will provide the following information:
  - A. The letter shall identify the date the eligible purchaser purchased working interests or other securities in the JK #1 and/or JK #2.
  - B. The letter shall identify the dollar amount of the purchase of working interests or other securities in the JK #1 and/or JK #2, as well as the dollar amount of any returns paid to the eligible purchaser.
  - C. The letter shall offer the eligible purchaser the opportunity to receive a refund.
  - D. The letter shall identify the dollar amount of the refund, calculated as the difference between the dollar amount of the purchase price of working interests or other securities in the JK #1 and/or JK #2 less any returns paid to the eligible purchaser
  - E. The letter shall explain the eligible purchaser must elect to receive a refund within a reasonable period of time that is no less than 45 calendar days after the day the eligible purchaser receives the initial letter.

- F. The letter, and any communications relating to the letter, shall not misrepresent any relevant facts, where the term "relevant fact" is defined as a "material fact" using the analysis set forth in Bridwell v. State, 804 S.W.2d 900 (Tex. Crim. App. 1991).
19. Respondent Woodland Resources undertakes and agrees to permit eligible investors to elect to receive a refund by responding to the letter in writing addressed to a designated physical or electronic mail address for Respondent Woodland Resources or counsel for Respondent Woodland Resources.
20. Respondent Woodland Resources undertakes and agrees to pay refunds, as calculated herein, to eligible purchasers within 90 calendar days after the date Respondent Woodland Resources receives their elections to receive refunds.
21. Respondent Woodland Resources undertakes and agrees to provide information relating to the offer and payment refunds to the Enforcement Division upon the request of the Enforcement Division, including the following information:
- A. The names and physical and electronic mail addresses of all eligible purchasers.
  - B. Copies of all letters sent to eligible purchasers, as well as information that reflects the date the letters were sent to eligible purchasers and the methods used to send the letters to the eligible purchasers.
  - C. Copies of all elections to receive refunds sent by eligible purchasers to Respondent Woodland Resources.
  - D. Copies of all communications, whether sent through electronic mail or otherwise, by and between Respondent Woodland Resources and eligible purchasers that relate to the election to receive refunds or the payment of refunds.
  - E. Records reflecting the payment of refunds to eligible purchasers.

#### **COMPLIANCE PROGRAM**

22. Respondent Woodland Resources undertakes and agrees that, within 60 calendar days from the date of this undertaking, it shall adopt a compliance program.
23. Respondent Woodland Resources undertakes and agrees the compliance program shall be reasonably designed to ensure compliance with the Securities Act and the Rules and Regulations of the State Securities Board, 7 Tex. Admin. Code §§101.1-139.27 (2019) (Tex. State Sec. Bd.) (the "Board Rules").

Respondent Woodland Resources undertakes and agrees the compliance program shall be reasonably designed to screen for bad actors ("Bad Actors") as that term is used in Rule 506(d) of Regulation D, 17 CFR § 230.506(d) ("Regulation D").

24. Respondent Woodland Resources undertakes and agrees to engage a certified public accountant, a registered dealer or registered or notice-filed investment adviser or other recognized professional compliance service to review and test the compliance program at least once every twelve months for a period of twenty-four months following the date of the entry of this undertaking.
25. Respondent Woodland Resources undertakes and agrees that, for a period of twenty-four months following the date of the entry of this undertaking, it will take the following acts:
  - A. Respondent Woodland Resources will promptly report any violations by the Respondents of the Securities Act or the Board Rules to the Enforcement Division.
  - B. Respondent Woodland Resources will promptly report any dealings by the Respondents with Bad Actors that result in disqualification from reliance on Rule 506(b) and Rule 506(c) of Regulation D.

Respondent Woodland Resources

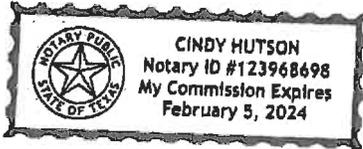
By:   
Phillip Galyen, Managing Member

Respondent Woodland Operating

By:   
Phillip Galyen, Managing Member

**ACKNOWLEDGMENT OF RESPONDENT WOODLAND RESOURCES**

Before me, the undersigned authority, on this 18<sup>th</sup> day of February, 2020, appeared Phillip Galyen, who personally appeared before me, represented he is authorized to execute this undertaking on behalf of Woodland Resources, LLC, and voluntarily executed the foregoing Undertaking.



[affix notary seal here]

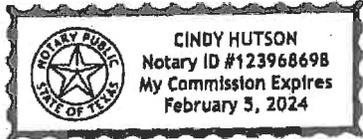
A handwritten signature in cursive script, appearing to read "Cindy Hutson".

Notary Public in and for  
the State of Texas

My commission expires: February 5, 2024

**ACKNOWLEDGMENT OF RESPONDENT WOODLAND OPERATING**

Before me, the undersigned authority, on this 18<sup>th</sup> day of February, 2020, appeared Phillip Galyen, who personally appeared before me, represented he is authorized to execute this undertaking on behalf of Woodland Operating, LLC aka WY Woodland Operating, and voluntarily executed the foregoing Undertaking.



[affix notary seal here]

*Cindy Hutson*  
Notary Public in and for  
the State of Texas

My commission expires: February 5, 2024