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MEMBER

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MEMBER

IN THE MATTER OF §
ASPEN EXPLORATION, INC, §
WILLIAM N. RAND, GREGORY K. §
RAND, MARK A. RAND, §
AND JOEL W. PETERSON §

Order No. **ENF-09-CDO-1669**

TO: Aspen Exploration, Inc
2901 Dallas Parkway, Suite 380
Plano, Texas 75093

Gregory K. Rand
2901 Dallas Parkway, Suite 380
Plano, Texas 75093

William N. Rand
2901 Dallas Parkway, Suite 380
Plano, Texas 75093

Mark A. Rand
2901 Dallas Parkway, Suite 380
Plano, Texas 75093

Joel W. Peterson
2901 Dallas Parkway, Suite 380
Plano, Texas 75093

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Deputy Securities Commissioner of the State of Texas ("Deputy Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. Art 581-1 et seq. (Vernon 1964 & Supp. 2008) ("Texas Securities Act").

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

FINDINGS OF FACT

1. Aspen Exploration, Inc., aka ASPEN Exploration, Inc., ("Respondent Aspen") is a Texas Corporation that maintains a last known business address at 2901 Dallas Parkway, Suite 380, Plano, Texas 75093.
2. Gregory K. Rand ("Respondent Greg Rand") is the Chief Executive Officer and Secretary/Treasurer of Respondent Aspen. Respondent Greg Rand maintains a

last known business address at 2901 Dallas Parkway, Suite 380, Plano, Texas 75093.

3. William N. Rand ("Respondent Bill Rand") is the President of Respondent Aspen. Respondent Bill Rand maintains a last known business address at 2901 Dallas Parkway, Suite 380, Plano, Texas 75093.
4. Mark A. Rand ("Respondent Mark Rand") is Chairman of the Board for Respondent Aspen. Respondent Mark Rand maintains a last known business address at 2901 Dallas Parkway, Suite 380, Plano, Texas 75093.
5. Joel W. Peterson ("Respondent Peterson") is Vice President of Operations of Respondent Aspen. Respondent Peterson maintains a last known business address at 2901 Dallas Parkway, Suite 380, Plano, Texas 75093.
6. Respondents are currently offering investments in oil and gas drilling programs in Texas. Potential investors are being told that they will receive a percentage of working and net revenue interests in prospect wells.
7. In connection with the offer for sale of investments in oil and gas drilling programs, Respondent Aspen is intentionally failing to disclose the following material facts:
 - A. During or about July 2006 through March 2007, Respondent Aspen raised in excess of \$16 million from the sale of an oil and gas drilling program, specifically referred to as Rancho Blanco State #7 Joint Venture. Respondent Aspen used investor funds for purposes unrelated to the oil and gas drilling program, including the use of approximately \$1 million of investor funds for the purchase of a residential property for Respondent Bill Rand. As of February 20, 2009, the well for the above-mentioned oil and gas drilling program has not been drilled.
 - B. Respondent Aspen has been a named party to numerous lawsuits involving investments in oil and gas programs and/or payment of debts including, but not limited to, the following:
 - i. 10/04/05 – Bramell v. Aspen Exploration, Inc., et al., Case No. 4:05-cv-384, in the U.S. District Court, Eastern District of Texas, Sherman Division;
 - ii. 02/03/06 – Teal Supply Company vs. Aspen Exploration, Inc., Cause No. 0660361-4, in the Nueces County Court at Law Number 4;

- iii. 04/17/06 – Newpark Drilling Fluids, LLC v. Aspen Exploration, Inc., Cause No. CC-06-45, in the 229th Judicial District Court of Jim Hogg County, Texas;
- iv. 04/18/06 – Multi-Shot, LLC vs. Aspen Exploration, Inc., et al., Cause No. CC-06-46, in the 229th Judicial District Court of Jim Hogg County, Texas;
- v. 06/28/06 – Kitchell v. Aspen Exploration, Inc., et. al., Case No. 4:06-cv-273, in the U.S. District Court, Eastern District of Texas, Sherman Division;
- vi. 08/22/06 – Energy Fishing & Rental Services, Inc vs. Aspen Exploration, Inc., Case No. 2006-52617, in the 234th District Court of Harris County, Texas;
- vii. 10/05/06 – Patman Brothers Drilling, LP vs. Aspen Exploration, Inc., Cause No. CC-06-116, in the 229th Judicial District Court of Jim Hogg County, Texas;
- viii. 06/13/07 – Rig Tools, Inc. vs. Aspen Exploration, Inc., Case No. 2007-36093, in the 189th Judicial District Court of Harris County, Texas;
- ix. 06/14/07 – Mangum Oilfield Services v. Aspen Exploration, Inc., Cause No. CC-07-91, in the 229th Judicial District Court of Jim Hogg County, Texas;
- x. 06/19/07 – Parker Drilling Offshore USA, LLC vs. Aspen Exploration, Inc., Cause No. CC-07-92, in the 229th Judicial District of Jim Hogg County, Texas;
- xi. 08/02/07 – Northport Production Company vs. Aspen Exploration, Inc., et al., Cause No. CC-07-108, in the 229th Judicial District Court of Jim Hogg County, Texas;
- xii. 11/09/07 – K-3 Resources, L.P. vs. Aspen Exploration, Inc., Cause No. CC-07-155, in the 229th Judicial District Court of Jim Hogg County, Texas;
- xiii. 01/08/08 – M-I, LLC v. Aspen Exploration, Inc., Cause No. CC-08-04, in the 229th Judicial District Court of Jim Hogg County, Texas;
- xiv. 03/05/08 – Aspen Exploration, Inc. vs. AEIC, An Unincorporated Association, et al., Case No. CC-08-01948-A, in the County Court at Law Number 1, Dallas County, Texas;

- xv. 07/31/08 – Warrell, et al. v. Aspen Exploration, Inc., et al., Case No. 4:08-cv-00284, in the U.S. District Court, Eastern District of Texas, Sherman Division;
- xvi. 11/25/08 – Sheldon ISD vs. Aspen Exploration, Inc., Case No. 2008-70283, in the 125th Judicial District Court of Harris County, Texas; and
- xvii. 01/16/09 – Wave Partners, Inc. vs. Aspen Exploration, Inc., Case No. 2009-03063, in the 281st Judicial District Court of Harris County, Texas.

C. Creditors of Respondent Aspen have filed numerous liens against Respondent Aspen for services performed and for materials and equipment furnished under contract in connection with operations conducted by Respondent Aspen on oil or gas wells, and Respondent Aspen is and/or has been a party to litigation whereby its creditors filed lawsuits against Respondent Aspen to enforce said liens. These lawsuits and liens include, but are not limited to, the following:

- i. On or about February 22, 2008, the 229th Judicial District Court of Jim Hogg County, Texas, entered a Final Judgment in favor of Parker Drilling Offshore USA, LLC (“Parker”) and against Respondent Aspen in the amount of \$13,457,534.06 with post judgment interest accruing at the rate of 12% per annum. The judgment further ordered that Parker is entitled to and shall have foreclosure of its lien on any and all of the right, title, and interest of Respondent Aspen in the Rancho Blanco Corporation/State Lease, and specifically Rancho Blanco Well No. 6 located in Jim Hogg County, Texas;
- ii. On or about June 25, 2007, an Abstract of Judgment was entered for Preheat, Inc., related to Preheat, Inc. vs. Aspen Exploration, 164th District Court of Harris County, Texas, Cause No. 2006-66147 in the amount of \$11,899.96 (\$6,530.43 in damages, \$569.53 in prejudgment interest, and \$4,800 in attorney fees), interest at the rate of 8.25% per annum, and \$255.00 in court costs;
- iii. On or about June 14, 2007, Michael R. Mangum, President of Mangum’s Oilfield Services, claimed a lien in the amount of \$28,885.38, for services performed and for materials and equipment furnished under contract with Aspen Exploration, Inc. from December 5, 2006 through February 14, 2007, in connection with operations conducted by Aspen Exploration on oil or gas wells identified as the Rancho Blanco Well No. 4. The claimant asserted a lien against the interest of Aspen, the mineral owner, in and to

said Peal Well in and to the oil and gas lease or leases that cover the land and leases premises on which the said Well is located in and to all machinery and material located on the land on which the said Well is located, in and to all machinery and material located on the land covered by the lease and any and all other wells, on the lease premises in addition to the said Well, and all pipelines used in operations related to oil, gas and minerals located on the lands covered by the lease;

- iv. On or about June 14, 2007, Michael R. Mangum, President of Mangum's Oilfield Services, claimed a lien in the amount of \$101,013.78, for services performed and for materials and equipment furnished under contract with Aspen Exploration, Inc. from January 29, 2007 through March 6, 2007, in connection with operations conducted by Aspen Exploration on oil or gas wells identified as the Rancho Blanco Well No. 6. The claimant asserted a lien against the interest of Aspen, the mineral owner, in and to said Well in and to the oil and gas lease or leases that cover the land and leases premises on which the said Well is located in and to all machinery and material located on the land on which the said Well is located, in and to all machinery and material located on the land covered by the lease and any and all other wells, on the lease premises in addition to the said Well, and all pipelines used in operations related to oil, gas and minerals located on the lands covered by the lease;
- v. On or about February 14, 2007, an Abstract of Judgment was entered for PathFinder Energy Services, Inc., related to PathFinder Energy Services, Inc. vs. Aspen Exploration in the 229th Judicial District Court of Jim Hogg County, No. CC-06-44, in the amount of \$84,749.09 (\$78,479.09 judgment and \$6,270.00 attorney fees), interest at the rate of 10% per annum, and \$290.00 in court costs;
- vi. On or about October 5, 2006, Gene Durkee, Vice-President of Patman Brothers Drilling, LP, claimed a lien in the amount of \$519,601.33, for services performed and for materials and equipment furnished under contract with Aspen Exploration, Inc., in connection with operations conducted by Aspen Exploration on oil or gas wells identified as Rancho Blanco Corporation/State No. 6. The claimant asserted a lien against the property identified above including all oil and/or gas wells located thereon and all buildings, appurtenances, materials, machinery and supplies located thereon in use in the operations thereof, including tanks, pipes, pipelines and pumping equipment; and

- vii. On or about August 17, 2006, an Abstract of Judgment was entered for William Scheerer, II, related to Scheerer v. Gregory Rand and Aspen Exploration, Inc., in the 68th Judicial District of Dallas County, Texas, No. DC-05-00852-C, in the amount of \$615,421.60 (\$603,921.60 judgment and \$11,500.00 attorney fees), interest at the rate of 8% per annum, and \$175.00 in court costs.
8. In connection with the offer for sale of investments in oil and gas drilling programs, Respondents Aspen and Greg Rand are intentionally failing to disclose that on or about May 5, 2008, the Attorney General of the United States filed a complaint against Respondent Greg Rand in the United States District Court for the Northern District of Texas, Dallas Division, styled United States of America v. Gregory Keith Rand, et al., Civil No. CV-795-B. According to the complaint, Respondent Greg Rand owes the United States over \$7 million in unpaid taxes, interest, and penalties, and the United States seeks to recover this amount by judgment and by foreclosing on and selling any real properties in which Respondent Greg Rand has an interest in.
9. In connection with the offer for sale of investments in oil and gas drilling programs, Respondents are intentionally failing to disclose that on or about November 17, 2008, an involuntary bankruptcy petition was filed under Chapter 7 of the Bankruptcy Code against Respondent Aspen and an involuntary bankruptcy proceeding is currently set in the United States Bankruptcy Court for the Southern District of Texas, Laredo Division, styled In The Matter of Aspen Exploration, Inc., Debtor, Case Number 08-50325.
10. Respondents represent that Respondent Aspen has, from time to time, been involved in litigation as both a plaintiff and defendant and that a vast majority of these suits have been dismissed or resolved. This is materially misleading or otherwise likely to deceive the public in light of the above-described undisclosed facts and because there is a substantial likelihood that these undisclosed facts would have assumed actual significance in the deliberations of a reasonable investor, in that these undisclosed facts would have been viewed by the reasonable investor as significantly altering the total mix of available information used in deciding whether to invest.
11. Respondents represent that investors are provided extensive and significant management powers, and investors are and will be expected to exercise such powers, which is materially misleading or otherwise likely to deceive the public in light of the following facts:
 - A. Offering materials state that investors are not entitled to the disclosure of the identities, addresses, and information of other and that Respondent Aspen may remove such information from the books and records prior to any reasonable inspection and examination, and

- B. Respondent Aspen has previously denied investors' requests to obtain and inspect status reports, to obtain the identities of other investors in order to exercise said managing powers and voting rights, and to receive accountings pertaining to the use of funds.

CONCLUSIONS OF LAW

1. The investments in oil and gas drilling programs 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 of securities.
3. Respondents have made 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 that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, 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 Deputy Securities Commissioner this 23rd day of March, 2009.


JOHN R. MORGAN
Deputy Securities Commissioner