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Texas State Securities Board

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IN THE MATTER OF §
JAMES DEAN FRENCH §
AND MORNING TOWER, LTD. §

Order No. ENF-14-CDO-1732

TO: James Dean French
913 Bell Oak Drive, Kennedale, TX 76060, and
900 Walnut Creek Drive, Suite 100, PMB 402, Mansfield, Texas 76063

Morning Tower, Ltd. d/b/a Morning Tower, LP and Morning Tower, LLC
913 Bell Oak Drive, Kennedale, TX 76060, and
900 Walnut Creek Drive, Suite 100, PMB 402, Mansfield, Texas 76063

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 581-43 (West 2010 & Supp. 2013) ("Texas Securities Act").

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

FINDINGS OF FACT

1. James Dean French ("Respondent French") maintains last known addresses at 913 Bell Oak Drive, Kennedale, TX 76060 and 900 Walnut Creek Drive, Suite 100, PMB 402, Mansfield, Texas 76063.
2. Morning Tower, Ltd. d/b/a Morning Tower, LP and Morning Tower, LLC ("Respondent Morning Tower") maintains last known addresses at 913 Bell Oak Drive, Kennedale, TX 76060 and 900 Walnut Creek Drive, Suite 100, PMB 402, Mansfield, Texas 76063.

3. Respondents are offering for sale in Texas fractionalized units of undivided working interest in an oil and gas project entitled the Swede Church Development Project ("Swede Church Project"). Each unit is purportedly the equivalent of a 2.85% working interest and a 2.14% net revenue interest.
4. Respondents are touting the investment as follows:
 - a. Depending on which of the two versions of the Private Placement Memorandum an investor receives, investors are told they may purchase one unit of working interest for \$185,682.17 or \$142,825.03.
 - b. The Swede Church Project consists of four wells in Jones County. Two wells, Swede Church #1 and T&P #1 are currently producing and would be stimulated with hydraulic fracturing. The other two wells, Swede Church #2 and #3, would be drilled and stimulated.
 - c. The Swede Church #1 has an excess of 100,000 barrels of oil in reserve and is producing, without stimulation, at seven barrels of oil per day. Swede Church #2 and #3 are expected to encounter pays in the same intervals as Swede Church #1.
 - d. The Private Placement Memoranda reflect that investors have no meaningful duty to manage the investment.
5. Respondents describe Crooked Oak Energy, LLC, ("CO Energy") as the operator for the Swede Church Project and Cord Johnson ("Johnson") as the founder of CO Energy.
6. Respondents claim that they are not parties to any pending material legal proceedings that might have an adverse effect on the project. This is a misrepresentation of a relevant fact. Respondent French was a defendant in Cause No. 2013-57275, *Demetres Velendzas, Bruce Munch, Jonathan Cheng, John Januska, and Bruce Rowley v. First Payzone Exploration, LLC, James French, and Houston Energy Resources, LLC*, at the time Respondents were offering working interests in Swede Church Project.
7. Respondents are making offers containing statements that are materially misleading or otherwise likely to deceive the public, to wit:
 - a. Respondents are representing that Respondent Morning Tower is "held in stewardship by an experienced executive cadre" that "maintain the highest levels of integrity and professionalism" and that Respondent French has "thirteen years of sales, marketing, and executive level management experience," statements that are materially misleading or otherwise likely to deceive the public in light of the following:

- i. On June 25, 2010, the Internal Revenue Service filed a lien, Instrument #D210153780, in Tarrant County, Texas, against Respondent French. The notice of federal tax lien indicates that the kind of tax is 1040 and the total unpaid balance is \$655,827.59. It has not been released as of April 21, 2014.
 - ii. On June 13, 2007, Respondent French was charged with theft of services between \$20 and \$500, in *The State of Texas v. James Dean French*, No. 119330, in the Taylor County Court of Law #1, and Respondent French paid restitution to the victim.
 - iii. On September 6, 2007, Respondent French was charged with theft between \$1,500 and \$20,000 in *The State of Texas v. James Dean French*, No. 23112A, in the 42nd District Court of Taylor County, Texas, and Respondent French paid restitution to the victim.
 - iv. On September 23, 2013, Respondent French was named as a defendant in *Demetres Velendzas, Bruce Munch, Jonathan Cheng, John Januska, and Bruce Rowley v. First Payzone Exploration, LLC, James French, and Houston Energy Resources, LLC*, No. 2013-57275, in the 164th Judicial District Court in Harris County, Texas. The civil action was brought by investors in First Payzone, LLC.
- b. Respondents are touting CO Energy and Johnson as the project's operator while not disclosing the background, operating history, and experience of CO Energy and Johnson, including but not limited to the following:
- i. A Final Order, No. 7C-025027, was issued by the Texas Railroad Commission on February 12, 2008, against Colo Exploration Company, Inc. ("Colo"), a company for which Johnson acted as president, for failure to plug a well located on the Lassiter Lease in Coke County, Texas.
 - ii. A Final Order, No. 20-0284982, was issued by the Texas Railroad Commission on November 12, 2013, against CO Energy for failing to meet the inactive well requirements contained in Statewide Rule 15. In the Final Order, the Texas Railroad Commission denied CO Energy's P-5 Organization report, cancelled all P-4 Certificates of Compliance issued to CO Energy as operator, and severed all pipeline or carrier connections used by CO Energy.
 - iii. The following civil proceedings involving Johnson:
 1. *Armadillo Exploration, LLC, Esperanza Energy Corp., Practical Applied Computer Technology, Inc., and ARP*

Investment, Inc. v. Crooked Oak Energy, LLC, d/b/a CO Energy and Cord D. Johnson, No. 141-265338-13, a civil proceeding filed on April 11, 2013 in the 141st Judicial District Court in Tarrant County, Texas. The causes of action include violations of the Texas Securities Act, statutory fraud, fraudulent inducement, negligent misrepresentation, negligence, breach of fiduciary duty, conversion, and money had and received. On February 12, 2014, the parties entered into a settlement agreement, whereby Plaintiffs released all claims against CO Energy and Johnson in return for a transfer of property leases and CO Energy's resignation as project operator.

2. *Dry Trails Midstream Energy, LLC v. Crooked Oak, LLC, Cord Johnson, and Lloyd Johnson*, No. 201401803, a civil proceeding filed on January 15, 2014, in the 151st Judicial District Court in Harris County, Texas. The causes of action include breach of contract, fraud, fraudulent inducement, and negligent misrepresentation.

CONCLUSIONS OF LAW

1. The above-described fractional units of undivided working interests 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 Securities Commissioner this 28th day of April, 2014.



JOHN MORGAN
Securities Commissioner