

**ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER**

IN THE MATTER OF: *

North Texas Energy, Inc. * Docket No. 2020-0129

and *

Kevin Jones *

Respondents *

* * * * *

FINAL ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. and Supp. 2022) (the "Securities Act"), undertook an investigation into the securities-related activities of North Texas Energy, Inc. (“NTE” or “Respondent NTE”) and Kevin Jones (“Jones” or “Respondent Jones”) (collectively, “Respondents”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) determined that the Respondents engaged in acts or practices constituting violations of the registration and antifraud provisions of the Securities Act; and

WHEREAS, on February 7, 2023, the Commissioner issued a Summary Order to Cease and Desist and Order to Show Cause (the “Orders”), which is incorporated by reference, ordering each Respondent and that Respondent’s officers, directors, employees, agents and anyone else involved in the offer or sale of securities in or through them, to immediately cease and desist from soliciting investment in, or offering or selling, securities in or from Maryland, and ordering each Respondent to show cause why that Respondent should not be permanently barred from soliciting,

or offering or selling securities in or from Maryland, and why a statutory penalty of up to \$5,000 per violation should not be entered against each Respondent; and

WHEREAS, the Orders provided that the failure to file an answer, including a request for a hearing, within fifteen (15) days of service of the Orders would result in the entry of a Final Order ordering each Respondent to permanently cease and desist from engaging in violations of the Securities Act and imposing on each Respondent the sanctions sought in the Orders; and

WHEREAS, the Orders were served on each Respondent by email on February 8, 2023 and by certified mail on February 11, 2023, but each Respondent failed to file an answer or a request for a hearing within fifteen (15) days of service of the Orders; and

WHEREAS, the Commissioner has determined that it is in the public interest and appropriate for the protection of investors to issue this Final Order;

NOW THEREFORE, pursuant to sections 11-301(2) and (3), 11-501, 11-701.1 and 11-801 of the Securities Act, the Commissioner finds and orders:

JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to sections 11-701.1 and 11-801 of the Securities Act.

II. RESPONDENTS

2. North Texas Energy, Inc., a Nevada corporation, is a public oil and gas company that, at all times relevant to this matter, has maintained a place of business in Texas. NTE issued equity shares to investors, including Maryland investors.

3. At all times relevant to this matter, Kevin Jones has maintained a place of residence and/or business in Texas. Jones is the chief executive officer for NTE.

III. FINDINGS OF FACT

Sale of Securities in Maryland under Abandoned Registration Filing

4. On or about December 1, 2011, NTE filed with the Securities and Exchange Commission (“SEC”) a Form S-1 registration statement to register its equity securities offering with the SEC.

5. After several iterations with the SEC to cure deficiencies in its registration application, NTE’s application was made effective with the SEC on or about March 29, 2013.

6. On or about August 21, 2013, the Division received from NTE an application to register its securities by coordination in the State of Maryland.

7. In a letter dated August 23, 2013, the Division notified NTE that the Division would not be able to review NTE’s registration application until certain preliminary items were provided by NTE including, but not limited to, the submission of an undertaking:

Because the SEC granted effectiveness of this offering, please provide an undertaking, signed by an executive officer of the issuer that: (1) states whether the issuer or its predecessor have sold any securities in Maryland to date and (2) confirms that the issuer will not offer or sell its securities in Maryland until the Division has granted effectiveness of this offering in Maryland. Please note that the issuer must submit this undertaking with an original signature.

8. The letter notified NTE that until the deficiencies set forth in the letter were resolved, the application remained incomplete and unfiled. The letter further stated that any sale of NTE’s securities in Maryland would constitute a violation of the Securities Act.

9. NTE failed to respond to the Division’s letter.

10. In a letter dated October 11, 2013, the Division reminded NTE of its failure to respond to the deficiencies set forth in the Division’s August 23rd letter, and requested that NTE provide the Division with the information requested in the August 23rd letter within fifteen (15) days of the October 11th letter.

11. The October 11th letter again notified NTE that its registration application remained incomplete until the deficiencies were resolved, and that any sale of NTE's securities in or from Maryland would constitute a violation of the Securities Act.

12. NTE failed to submit the requested information, including the undertaking, prompting the Division, in a letter dated November 13, 2013, to request that NTE immediately file the undertaking with the Division. As with the previous letters, the Division informed NTE that any sale of NTE's securities in or from Maryland would constitute a violation of the Securities Act.

13. When the Division did not receive the requested information, on or about April 18, 2014, the Division again wrote NTE requesting that NTE submit the requested information within fifteen (15) days of the letter.

14. Having received no response to its November 2013 or April 2014 letters, in a letter dated November 6, 2014, the Division requested that NTE submit the required undertaking by no later than November 14, 2014, and again reminded NTE that any sales of its securities in Maryland prior to the effectiveness of its registration would be a violation of the Securities Act.

15. In a letter dated March 10, 2015, the Division notified NTE that, due to NTE's failure to complete its registration application, the application was deemed abandoned under section 11-508(c) of the Securities Act. Because NTE's registration application was never made effective in Maryland, the letter further informed NTE that any sale in Maryland would violate the Securities Act.

16. Despite the numerous Division letters requesting NTE to submit information necessary to complete its registration application and advising NTE that any sales in Maryland

prior to the effectiveness of its application would violate the Securities Act, the Division later learned that NTE had offered and sold securities in Maryland.

17. Between April 5, 2013 and September 14, 2016, NTE and Jones offered and sold approximately 629,700 NTE equity shares totaling about \$1.257 million to approximately 90 Maryland investors in approximately one hundred sixteen separate sales transactions.

18. About 187,000 shares totaling approximately \$370,000 were sold to Maryland investors in thirty-nine separate sales transactions even before NTE and Jones submitted the registration by coordination application to the Division. The transactions took place between April 5, 2013 and August 20, 2013.

Failure to File Form D Filings for Two Securities Offerings in Maryland

19. On or about November 18, 2016, NTE and Jones filed with the SEC a Form D indicating that NTE intended to sell \$1,000,000 in equity under Rule 506.

20. NTE and Jones began offering and selling securities to investors under this offering, including to investors located in Maryland.

21. Between January 21, 2016, and May 31, 2018, NTE and Jones offered and sold approximately 131,370 in restricted equity shares totaling \$262,740 to approximately fifteen Maryland investors in eighteen separate sales transactions. With the exception of one or two investors, the investors to whom the securities were sold were new investors.

22. Although required by COMAR 02.02.09.09 to file a Form D with the State of Maryland within fifteen days of the first sale in Maryland, NTE never filed a Form D with the State of Maryland.

23. On or about May 7, 2019, NTE filed with the SEC a Form D indicating that NTE intended to sell \$2,000,000 in equity shares under Rule 506.

24. NTE and Jones began offering and selling securities to investors under this offering, including to investors located in Maryland.

25. NTE and Jones offered and sold approximately 145,500 equity shares to approximately thirteen Maryland investors for a dollar value of approximately \$289,000.

26. NTE, however, never filed a Form D with the State of Maryland.

27. More recently, on or about March 16, 2022, NTE filed with the SEC a Form D indicating that NTE intended to sell \$2,000,000 in equity shares under Rule 506.

28. NTE has not filed a Form D with the State of Maryland for this offering.

Omissions in Connection with the Offer and Sale of Securities

29. NTE and Jones offered and sold securities to Maryland investors without disclosing to those investors that the securities were not registered in Maryland, were not offered or sold pursuant to an exemption from registration in Maryland or were not properly notice filed in Maryland.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

30. Respondents violated section 11-501 of the Securities Act by offering and selling in the State of Maryland securities issued by NTE that were not registered with the Division, that did not qualify for an exemption from registration, and for which a notice was not filed with the Division. Respondents offered and sold equity shares in NTE to more than 100 Maryland investors in approximately 145 separate transactions for a total amount of approximately \$1.8 million.

31. Respondents, in connection with the offer, sale or purchase of securities issued by NTE, made untrue statements of material fact or omitted to state material facts and engaged in a course of business that operated or would operate as a fraud or deceit on a person, in violation of

section 11-301(2) and (3) of the Securities Act, by offering and selling securities in Maryland without disclosing to investors that the securities were not registered in Maryland, were not offered or sold pursuant to an exemption from registration in Maryland, and were not properly notice filed in Maryland.

V. SANCTIONS

32. NOW, THEREFORE, IT IS HEREBY ORDERED that:

a. Respondents shall permanently cease and desist from violating sections 11-301(2) and (3), and 11-501 of the Securities Act.

b. Respondents are permanently barred from soliciting, or offering or selling securities in or from Maryland.

c. Respondents are assessed, jointly and severally, a civil monetary penalty pursuant to section 11-702 of the Securities Act in the amount of \$1,850,000 for the violations set forth in this Final Order. Payment of the civil monetary penalty shall be by certified check payable to the "Office of the Attorney General." However, if, within sixty (60) days of the date of this Final Order, Respondents enter into an agreement with the Commissioner to offer rescission to Maryland investors who invested with or through Respondents ("Maryland Investors"), this penalty shall be reduced dollar for dollar by the amount of payments made by Respondents to the Maryland Investors in accordance with the agreement. If no agreement is entered into with the Commissioner within sixty (60) days of the date of this Final Order, the civil monetary penalty imposed under this Final Order shall be immediately due and payable. If the Division has to forward this matter to Central Collections of Maryland, the 17% collection fee assessed by Central Collections shall be in addition to, and not offset, the balance of the civil monetary penalty owed to the Division. Any monies collected by Central Collections and turned over to the Office of the

Attorney General shall be distributed by the Office of the Attorney General to Maryland Investors in a manner within its discretion.

VI. JURISDICTION RETAINED

33. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Final Order.

VII. APPEAL RIGHTS

34. Each Respondent may appeal this Final Order to the appropriate Circuit Court of the State of Maryland within 30 days from the date this Final Order is mailed by the Securities Division.

SO ORDERED:

**Commissioner's Signature on File
w/Original Documents**

March 14, 2023

Melanie Senter Lubin
Maryland Securities Commissioner