

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)	
)	
HEARTLAND ENERGY DEVELOPMENT CORP)	ADMINISTRATIVE ORDER
JOHN SCHIFFNER)	NO. CD-2007-0036
BRANDON DAVIS)	
CHARLES REED CAGLE)	
)	
<u>RESPONDENTS</u>)	

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. HEARTLAND ENERGY DEVELOPMENT CORPORATION ("HEDC") is a Delaware Corporation in good standing with the Colorado Secretary of State Corporation Division, having a commercial address of 9780 Mount Pyramid Court, Suite 200, Englewood, Colorado 80112.
2. JOHN SCHIFFNER ("SCHIFFNER"), at all times relevant, acted as the Senior Vice President of HEDC, with a business address of 9780 Mount Pyramid Court, Suite 200, Englewood, Colorado 80112.
3. BRANDON DAVIS ("DAVIS"), at all times relevant, acted as Chief Executive Officer of HEDC, with a business address of 9780 Mount Pyramid Court, Suite 200, Englewood, Colorado 80112.
4. CHARLES REED CAGLE ("CAGLE"), at all times relevant, acted as the Owner of HEDC, with a business address of 9780 Mount Pyramid Court, Suite 200, Englewood, Colorado 80112.

STATEMENT OF FACTS

5. The Commission is in receipt of information that on or about October 23, 2007, a representative of HEDC engaged in the offer of and/or sale of unregistered securities, to wit: Units of interest in the STARR COUNTY KENNARD JOINT VENTURE, to an Alabama resident.

6. Information made available to the Commission indicates that SCHIFFNER made a general solicitation ("cold call") to an Alabama resident. The following day offering documents were mailed by representatives of HEDC to the same Alabama resident. The materials represented DAVIS as the CEO of HEDC.

7. The Offering Memorandum describes the investment offered to the Alabama resident as the participation in units of interest in a joint venture to be formed under Texas partnership law to engage primarily in the business of exploration, production from, and operation of an oil and gas well (the "prospect well") in Starr County, Texas. The investment objectives are stated to be to (1) acquire the Prospect Wellbore acreage and to conduct Operations thereon to drill, test and, if appropriate, Complete the Prospect Well; (2) provide cash distributions from Operations; and (3) in its initial year(s) of operation, provide current tax benefits to Venturers to offset income from any source.

8. A review of the files of the Commission conducted on November 20, 2007, disclosed that RESPONDENTS were neither registered nor exempt from registration to offer and/or sell securities in Alabama and that no security was registered as being offered by RESPONDENTS or STARR COUNTY KENNARD JOINT VENTURE.

CONCLUSIONS OF LAW

9. The units of interest in the Starr County Kennard Joint Venture offered and/or sold by RESPONDENTS constitute certificates of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such title or lease. Alabama's statutory definition of *security* found at Section 8-6-2(10), Code of

Alabama 1975 includes any *certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such title or lease*. The investment offered and/or sold by RESPONDENTS designated by RESPONDENTS as "units of joint venture interest" in the "Starr County Kennard Joint Venture" is a security under Alabama law.

10. Section 8-6-2 (10), Code of Alabama 1975, includes any *investment contract* in the definition of a security. The investment offered and/or sold by RESPONDENTS designated as "units of joint venture interest" in the "Starr County Kennard Joint Venture" is an investment contract and constitutes a security under Alabama law.

11. Section 8-6-2 (10), Code of Alabama 1975, includes any *certificate of interest in any profit-sharing agreement* in the definition of security. The investment offered and/or sold by RESPONDENTS designated by RESPONDENTS as "units of joint venture interest" in the "Starr County Kennard Joint Venture" is a certificate of interest in a profit-sharing agreement and constitutes a security under Alabama law.

12. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. *Dealer* is defined in Section 8-6-2(3) as any person engaged in the business of effecting transactions in securities. HEDC, DAVIS and CAGLE transacted business in Alabama as a dealer for securities in violation of Section 8-6-3(a).

13. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. The definition of agent in Section 8-6-2(2), Code of Alabama 1975, includes any individual who represents a dealer or an issuer in effecting or attempting to effect sales of securities. SCHIFFNER acted as agent of HEDC under this definition and transacted business in Alabama without benefit of registration in violation of Section 8-6-3(a).

14. Pursuant to Section 8-6-3(a), it is unlawful for any dealer or issuer to employ an agent unless the agent is registered. HEDC employed SCHIFFNER as an agent who was not registered in violation of Section 8-6-3(a), Code.

15. Section 8-6-4, Code of Alabama 1975 states: "It is unlawful for any person to offer or sell any security in this state unless it is registered under this article; the security is exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11." The securities offered and/or sold by **RESPONDENTS** were neither registered nor exempt from registration in Alabama in violation of Section 8-6-11, Code.

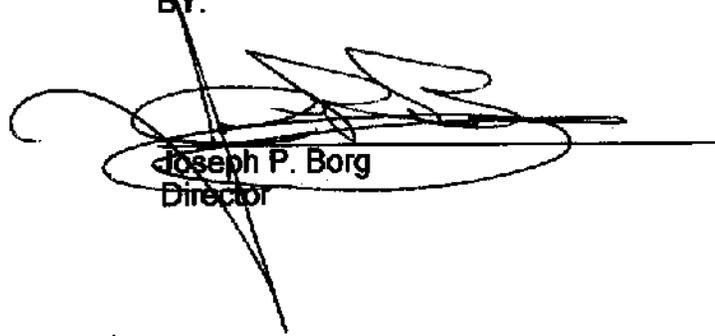
This Order does not prevent the Alabama Securities Commission from seeking such other administrative, civil or criminal remedies that are available to it under the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

ACCORDINGLY, IT IS HEREBY ORDERED that the **RESPONDENTS** immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 17th day of December, 2007.

ALABAMA SECURITIES COMMISSION
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(334) 242-2984
BY:


Joseph P. Borg
Director