

3. In January or early February 2008, an employee of HNR, "cold called" an Alabama Resident offering an investment opportunity in an oil and gas venture. After the initial phone call, the Alabama Resident spoke with HART numerous times about different

investment opportunities and received HNR investment offering material described as a Confidential Information Memorandum (CIM) for the offerings.

4. The first HNR offering entitled HNR Abercrombie-Becker B Joint Venture (ABERCROMBIE) described the securities as "6 units of a joint venture (JV) interest" in a Texas JV. Each unit was offered at a price of \$96,000 per unit with a minimum purchase of \$6,000 for (1/16 Unit). On or about March 10, 2008, the Alabama Resident invested \$48,000 for ½ unit of JV Interest and an additional \$16,000 for completion cost for ABERCROMBIE. On October 1, 2008, the Alabama Resident invested another \$16,000 for additional completions costs for ABERCROMBIE, bringing his total investment in this offering to \$80,000. From December 2008 through February 2011, the Alabama Resident received occasional HNR royalty payments totaling \$3,863 for his investments in ABERCROMBIE.

5. Hart also contacted the Alabama Resident and solicited him to invest in another oil and gas offering entitled HNR Sweetwater 1 JV (SWEETWATER). The securities offered were described as "7 units of JV interest" in a Texas JV. The Alabama Resident received a SWEETWATER CIM for review.

6. In March 2008, the Alabama Resident traveled to McKinney, TX and met with HART at his HNR office to discuss the SWEETWATER investment opportunity. On March 13, 2008, the Alabama Resident invested \$28,750 for ¼ of a unit of SWEETWATER JV interest. On May 29, 2009, the Alabama Resident invested an additional \$10,000 in SWEETWATER for completion cost.

7. In January 2010, the Alabama Resident was again contacted by HART and solicited to invest in an oil and gas offering entitled HNR Cochran No. 1 JV (COCHRAN). The Alabama Resident received investment offering material described as the COCHRAN CIM for review. The securities were described as "2.5 units of JV interest" in a Texas Joint Venture. On January 7, 2010, the Alabama Resident invested \$17,200 with HNR for 1/10 of a unit of COCHRAN JV interest. Additionally, on August 31, 2010, the Alabama Resident invested \$11,200 for completion costs for COCHRAN.



8. In August 2011, the Alabama Resident received a telephone call from HART soliciting an investment for HNR Eagle Creek 1 JV (EAGLE CREEK) for "4 units of JV interest." HART stated that "another investor suddenly defaulted" and asked the Alabama Resident to invest. In August 2011, HART e-mailed the Alabama Resident a CIM, offering four units of interest in EAGLE CREEK for \$297,500 per unit with a minimum purchase of \$59,500 for 1/5 unit. The Alabama Resident decided not to invest at this time.

9. Subsequently, HART called the Alabama Resident and offered to sell 2% ownership of the EAGLE CREEK oil well for \$60,000, rather than the partial unit of interest explained in the CIM. On or about September 8, 2011, and after several discussions with HART, the Alabama Resident wire transferred \$20,000 to a bank account provided by HART for the purpose of investing. Based on conversations with HART, the Alabama Resident believed that his \$20,000 was to purchase of 0.67% ownership of the EAGLE CREEK oil well. The Alabama Resident was not provided with any written purchase agreement or other documentation of his investment, even after several requests for such documentation was made by the Alabama resident.

10. On July 22, 2013, the Alabama Resident traveled to McKinney, TX and met with HART to discuss his HNR investments including EAGLE CREEK. The purpose for meeting was to acquire documentation for his \$20,000 investment, which represented 0.67% ownership of the EAGLE CREEK oil well. The Alabama resident also requested a personal visit to the EAGLE CREEK drilling site which was not granted by HART. During the visit to HNR, HART assured the Alabama Resident that all was well with his investments, however HART failed to provide any documentation for the investor's \$20,000 purchase of 0.67% interest in the EAGLE CREEK oil well.

11. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on October 06, 2017, and disclosed no record of registration, nor any perfected exemption from registration for the securities offered, or caused to be offered, by HART or HNR.

12. A review of the files of the Registration Division of the Alabama Securities Commission was conducted on October 06, 2017, and disclosed no record of registration

for HART or HNR as a broker-dealer, broker-dealer agent, investment advisor, or investment advisor representative in the state of Alabama.

### **CONCLUSIONS OF LAW**

13. The units of interest in the various joint ventures described herein and being offered and/or sold by RESPONDENTS are 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 investments offered and/or sold by RESPONDENTS and designated by RESPONDENTS as "units of joint venture interest" are securities under the Act.

14. 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" are investment contracts and are securities under the Act.

15. Pursuant to Section 8-6-2(3), Code of Alabama 1975, the definition of "Issuer" is every person who proposes to issue, has issued, or shall hereafter issue any security. HNR issued securities in Alabama and is an issuer as defined under the Act.

16. Pursuant to Section 8-6-2(2), Code of Alabama 1975, the definition of "Agent" includes any individual who represents a dealer or an issuer in effecting or attempting to effect sales of securities. HART effected sales of securities on behalf of HNR with an Alabama resident and is an agent of HNR as defined under the Act.

17. 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 the Act. By offering and selling securities issued by HNR, HART acted as an agent in the state of Alabama without the benefit of registration in violation of the Act.



18. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any dealer or issuer to employ an agent unless the agent is registered. HNR employed an unregistered agent, namely HART, in violation of the Act.

19. 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 the Act; 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 subject to a perfected exemption from registration in Alabama and were offered/sold in violation of the Act.

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

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

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

Entered at Montgomery, AL this 11th day of January, 2018.

ALABAMA SECURITIES COMMISSION  
401 Adams Ave, Suite 280  
Montgomery, AL 36104  
(334) 242-2984

BY:

  
JOSEPH P. BORG

Director

