STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING Whether there has been a violation of the Securities Act of Washington by: Gulftex Operating, Inc., Frenchtown Acres, LLC, Timothy P. Burroughs, Tim Neeley, Respondents.	Order No. S-13-1274-14-SC01 STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST, TO IMPOSE FINES, AND TO CHARGE COSTS

THE STATE OF WASHINGTON TO:

Gulftex Operating, Inc.
Frenchtown Acres, LLC
Timothy P. Burroughs
Tim Neeley

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents Gulftex Operating, Inc.; Frenchtown Acres, LLC; Timothy P. Burroughs; and Tim Neeley have each violated the Securities Act of Washington. These violations justify the entry of an order of the Securities Administrator against each respondent to cease and desist from such violations under RCW 21.20.390, to impose fines under RCW 21.20.395, and to charge costs under RCW 21.20.390. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Gulftex Operating, Inc. ("Gulftex") is a Texas company incorporated in 1996. At all times relevant to this matter, its principal place of business was in Dallas, Texas. Gulftex is in the business of exploring and developing oil and gas properties.

2. Frenchtown Acres, LLC ("Frenchtown Acres") is a Texas limited liability company formed in March 2008. At all times relevant to this matter, its principal place of business was in Dallas, Texas. Frenchtown Acres was formed to act as managing venturer for at least three oil and gas joint ventures.

3. Timothy P. Burroughs ("Burroughs") is a resident of Texas. Burroughs is President and co-owner of Gulftex and managing member of Frenchtown Acres.

4. Tim Neeley ("Neeley") is believed to be a resident of Texas and was, at all times relevant to this matter, a representative of Gulftex.

Related Entity

5. TBX Resources, Inc. ("TBX") is a publicly traded company that was incorporated in Texas in 1995. TBX's principal place of business is in Dallas, Texas. In December 2011, TBX's name was changed to Frontier Oilfield Services, Inc. TBX's business is related to the acquisition, development, and servicing of oil and gas properties. Burroughs is the founder, President, and CEO of TBX.

Nature of the Offering

6. Between early 2008 and early 2010, Gulftex, Frenchtown Acres, Burroughs, and Neeley offered and sold interests in oil and gas joint ventures to Washington residents. Prospective investors were contacted by phone, and at least six Washington residents invested in three joint ventures for a total of $540,000. Five of the Washington investors were senior citizens, and at least four of the Washington investors did not have a pre-existing relationship with any of the respondents before investing.

Frenchtown Joint Ventures

7. Frenchtown Acres formed Frenchtown #1-H Joint Venture, Frenchtown #1A-H Joint Venture, and Frenchtown #2-H Joint Venture to acquire working interests in two natural gas wells in the Barnett Shale of Texas. As managing venturer, Frenchtown Acres managed the day-to-day operations of each of the joint ventures. Because Frenchtown Acres did not have its own personnel or assets, it relied on the personnel and other resources of Gulftex to administer the business of the joint ventures. As operator, Gulftex was responsible for the management and supervision of both wells associated with the joint ventures.

8. Investors had little or no input or control over the administration or management of the joint ventures, or over the decisions made by Frenchtown Acres or Gulftex. As managing venturer, Frenchtown Acres had complete discretion to determine, among other things, which investors were invited to join the joint venture; whether to enter into agreements related to the business of the joint venture; when the target depth of the well had been reached; whether to plug and abandon or attempt to complete the well; and whether the well was commercially productive. While the joint venture agreement stated that Frenchtown Acres could be replaced by a vote of 51% of the joint venture interests, in reality, investors had little control over the management of the joint ventures as they resided in multiple states, were not given information about one another, were not provided with detailed information regarding how much money had been raised

or how many investors there were, and were not required to have any experience in oil and gas joint ventures or their management. Washington investors did not participate in any meetings, conference calls, or votes related to the joint venture. Frenchtown #2-H Joint Venture investors were required to sign a Power of Attorney with their subscription documents.

Offerings Documents

9. To offer the joint venture investments, Gulftex representatives contacted offerees by phone and then sent prospective investors a glossy booklet called a Presentation Summary, which described the proposed well and the joint venture investment. The offering material included a letter from Burroughs, and the booklet was organized into different sections labelled, among other things, Project Data, Why Gulftex?, Maps, and "Economics and Tax Benefits." The risks of the investment were included in a folder at the back of the booklet. A Private Placement Memorandum and Joint Venture Agreement were included in a folder on the back page of the booklet.

10. In the booklet, Frenchtown Acres described the popularity of the Barnett Shale and the increased production of natural gas due to new technology. Gulftex provided maps and diagrams that included the amount of gas produced by wells located near the proposed well. Under the "Why Gulftex?" tab, Gulftex highlighted its experience in managing oil and gas projects, and in offering oil and gas investments. Gulftex did not provide information regarding the performance of oil and gas projects it had previously managed or investments it had previously offered.

11. Under the "Economics and Tax Benefits" tab, Gulftex presented a chart of "if/then scenarios" for the monthly income and approximate returns on investment that investors might receive. For example, with a $128,000 investment, if gas sold at $6 per MCF (thousand cubic feet) and the well produced 1,000 MCF per day, then the investor could receive a monthly income of $2,109.38 and an approximate return on investment of 19.78%. Gulftex's chart did not take into account, or give an estimate of, expenses associated with the wells. While Gulftex generally disclosed the risk that natural gas prices could fall, it did not provide detailed disclosure regarding how a drop in gas prices could make the well economically non-productive.

Investor A

12. In approximately March 2008, Neeley contacted a Washington resident, Investor A, by telephone. Neither Neeley nor any of the respondents had any prior relationship with Investor A. Investor A had little or no prior investment experience, and no experience in oil and gas investments.

13. Neeley told Investor A that there were some great investment opportunities in the oil and gas fields of Texas. Neeley explained that Gulftex was using diagonal drilling to capture natural gas from the Barnett

Shale, and Neeley offered Investor A the chance to invest in Gulftex. Neeley told Investor A that she would get a monthly income from the investment, and Neeley told Investor A that she would receive her investment back in five or six years.

14. Neeley called Investor A several times, telling Investor A the benefits of investing in natural gas and of investing with Gulftex. Investor A also spoke to Burroughs before investing with Gulftex. Burroughs told Investor A that the Barnett Shale was going to be the main producer of natural gas in the country, and that Gulftex was an established company with ties to big oil companies. Burroughs also told Investor A that her investment would result in a monthly income for many years.

15. In July 2008, Investor A invested $64,000 in the Frenchtown #1-H Joint Venture. In August 2008, Investor A invested an additional $64,000 in the joint venture after Neeley called and solicited Investor A to purchase an additional one-half unit. Neeley continued to call Investor A and solicited her to invest in the Frenchtown #1A-H Joint Venture and then later the Frenchtown #2-H Joint Venture. Based on representations by Burroughs and Neeley, Investor A expected a monthly income of $2,000 to $3,000 from her investments.

16. In July 2009, Investor A began receiving revenue payments. The payments were well below the monthly income that Investor A was expecting, so Investor A called Gulftex. A Gulftex representative told Investor A the payments were lower because of operating costs, and because the price of natural gas had dropped. Not long after that, the costs of operating the wells began exceeding their revenue. Gulftex sent Investor A monthly invoices, which required Investor A to pay money to the joint venture each month instead of receiving an income.

Investor B

17. In or around the summer of 2008, Neeley called another Washington resident, Investor B. Neeley identified himself as representing Gulftex, and Neeley offered Investor B an investment in the company. Neither Neeley nor any of the respondents had a prior relationship with Investor B. Investor B was not an experienced investor, and had no experience in oil and gas investments.

18. Neeley called Investor B several times, telling Investor B the benefits of investing with Gulftex. Neeley told Investor B that the Frenchtown #1-H well was expected to last 40 years, and that new technology meant the well could last even longer. While Neeley told Investor B that there was a risk of a dry hole, and that Investor B could lose his entire investment, Neeley stated that Gulftex was drilling the biggest well it had ever drilled and compared the well to other wells in the area that were producing gas. In

September 2008, Investor B invested $8,000 in the Frenchtown #1-H Joint Venture. Based on Neeley's representations, Investor B expected to make a monthly income of $200 from his investment.

19. Investor B initially received small revenue checks from the well that were far less than what Investor B expected. Beginning in the fall of 2010, the revenue checks ceased. Gulftex informed Investor B that the expenses of the well exceeded its revenue. Gulftex began sending monthly invoices requiring Investor B to contribute additional funds to the joint venture each month. When Investor B contacted Gulftex regarding the well, Burroughs told Investor B it was a great well and the invoices were due to low gas prices. About a month later, Investor B received a letter from Gulftex stating that the well may be shut down due to low gas prices.

Regulatory Actions

20. On November 20, 1991, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist against Burroughs. The Pennsylvania Securities Commission alleged that Burroughs had violated the securities salesperson registration provision of the Securities Act of Pennsylvania. On February 10, 1992, the Pennsylvania Securities Commission issued an Order settling the matter and ordering Burroughs to comply with the Act and pay investigative costs.

21. On November 25, 1997, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist against Burroughs and TBX. The Pennsylvania Securities Commission alleged that Burroughs and TBX had violated the securities registration and securities salesperson registration provisions of the Securities Act of Pennsylvania. On August 24, 1999, the Pennsylvania Securities Commission issued an Order settling the matter and ordering TBX and Burroughs to, among other things, cease and desist from violating the Act, comply with the Act, and pay investigative costs.

22. On May 17, 2000, the Texas State Securities Board issued an Order of Suspension of Exemption against Burroughs and TBX. The Texas State Securities Board found that the continued sale of TBX securities would work a fraud or deceit upon any purchasers because TBX and Burroughs had made statements that were materially misleading or failed to disclose material facts in connection with the offer or sale of TBX securities. On July 27, 2000, the Texas State Securities Board issued an Order Lifting Section 5.0 Suspension on the condition that TBX and Burroughs comply with the terms of an Undertaking that TBX and Burroughs had filed.

23. On February 4, 2005, the Wisconsin Division of Securities issued an Order of Prohibition and Revocation against Gulftex and Burroughs. The Wisconsin Division of Securities alleged that Burroughs and Gulftex had violated the securities registration, securities salesperson registration, and anti-fraud

provisions of the Securities Act of Wisconsin. On July 28, 2005, the Wisconsin Division of Securities issued an Order Revoking the Order of Prohibition and Revocation with the understanding that Gulftex and Burroughs would, among other things, abide by the requirements of the Securities Act of Wisconsin.

24. On March 6, 2006, the Alabama Securities Commission issued a Cease and Desist Order against Gulftex and Burroughs. The Alabama Securities Commission alleged that Gulftex and Burroughs had violated the securities registration and securities salesperson registration provisions of the Securities Act of Alabama. On April 2, 2007, the Alabama Securities Commission issued a Consent Order settling the matter and ordering Burroughs and Gulftex to, among other things, pay fines and investigative costs.

25. In December 2008, Frenchtown #1-H Joint Venture and Gulftex were the subjects of a Summary Order to Cease and Desist issued by the Pennsylvania Securities Commission. The Pennsylvania Securities Commission alleged that Frenchtown #1-H Joint Venture and Gulftex had violated the securities registration and securities salesperson registration provisions of the Securities Act of Pennsylvania. Frenchtown #1-H Joint Venture and Gulftex were ordered to cease and desist from offering and selling securities in violation of the Securities Act of Pennsylvania.

Misrepresentations and Omissions

26. Respondents failed to disclose material information related to some of the prior enforcement actions that had been brought by state securities regulators against Gulftex and Burroughs. While the Respondents disclosed the 2006 Cease and Desist Order by the Alabama Securities Commission against Gulftex and Burroughs, the Respondents did not disclose that Gulftex and Burroughs had been subjects of several other enforcement actions, including actions taken by the Texas State Securities Board in 2000 and the Wisconsin Division of Securities in 2005 for fraudulent misrepresentations or omissions in the offer and sale of securities.

27. Respondents failed to disclose material information related to the monthly income and return on investment projections that were provided during telephone solicitations and in the Presentation Summary. Respondents did not provide detailed disclosure regarding the estimated costs associated with operating a well, or detailed information regarding how the price of natural gas would affect the investment. Respondents also did not disclose the assumptions upon which the monthly income and return on investment projections were made.

28. Respondents failed to disclose material information related to the experience of Gulftex and Burroughs in offering and managing oil and gas investments. Respondents did not disclose information regarding the performance of other joint ventures for which Gulftex or its affiliates acted as managing

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia WA 98507-9033
360-902-8760

venturer, and Respondents did not disclose the performance of other joint ventures for which Gulftex or its affiliates acted as operator.

Registration Status

29. Respondent Gulftex Operating, Inc. is not currently registered to offer or sell securities in the state of Washington, and it has not previously been so registered.

30. Respondent Frenchtown Acres, LLC is not currently registered to offer or sell securities in the state of Washington, and it has not previously been so registered.

31. Respondent Timothy P. Burroughs is not currently registered as a securities salesperson or broker-dealer in the state of Washington, and he has not previously been so registered.

32. Respondent Tim Neeley is not currently registered as a securities salesperson or broker-dealer in the state of Washington, and he has not previously been so registered.

Failure to Comply With Regulation D, Rule 506

33. On July 7, 2008, Frenchtown Acres, LLC filed with the Securities Division a claim of exemption from registration on behalf of Frenchtown #1-H Joint Venture for its offering under Regulation D, Rule 506.

34. On February 18, 2009, Frenchtown Acres, LLC filed with the Securities Division a claim of exemption from registration on behalf of Frenchtown #1A-H Joint Venture for its offering under Regulation D, Rule 506.

35. On April 22, 2009, Frenchtown Acres, LLC filed with the Securities Division a claim of exemption from registration on behalf of Frenchtown #2-H Joint Venture for its offering under Regulation D, Rule 506.

36. At the time of the Frenchtown offerings, Regulation D, Rule 506 prohibited an issuer or any person acting on behalf of an issuer from offering or selling securities by any form of general solicitation. Frenchtown Acres, Gulftex, and their agents offered and sold investments in the Frenchtown joint ventures by cold-calling prospective investors, which violated the general solicitation provisions of Regulation D, Rule 506.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

1. The offer or sale of joint venture interests as described above constitutes the offer or sale of a security as defined by RCW 21.20.005(14) and RCW 21.20.005(17).

2. The offer or sale of said securities is in violation of RCW 21.20.140 because no registration for such an offer or sale is on file with the Securities Administrator, state of Washington, and no valid claim of exemption under WAC 460-44A-506 exists.

3. The offer or sale of said securities is in violation of RCW 21.20.040 because Timothy P. Burroughs and Tim Neeley are not registered salespersons or broker-dealers in the state of Washington.

4. The offer or sale of said securities was in violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, the Respondents made untrue statements of material fact or omitted to state materials facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Gulftex Operating, Inc.; Frenchtown Acres, LLC; Timothy P. Burroughs; and Tim Neeley each shall cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE A FINE

Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

a. Respondents Frenchtown Acres, LLC and Gulftex Operating, Inc. shall be jointly and severally liable for and shall pay a fine of $15,000;
b. Respondent Timothy P. Burroughs shall be liable for and shall pay a fine of $5,000; and
c. Respondent Tim Neeley shall be liable for and shall pay a fine of $5,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that:

a. Respondents Frenchtown Acres, LLC and Gulftex Operating, Inc. shall be jointly and severally liable for and shall pay investigative costs of at least $2,000;
b. Respondent Timothy P. Burroughs shall be liable for and shall pay investigative costs of at least $1,500; and

c. Respondent Tim Neeley shall be liable for and shall pay investigative costs of at least $500.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The respondents, Gulftex Operating, Inc.; Frenchtown Acres, LLC; Timothy P. Burroughs; and Tim Neeley, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this _21st____ day of ____February____________________2014.

William M. Beatty
Securities Administrator

Approved by:

Suzanne Sarason
Chief of Enforcement

Presented by:

Holly Mack-Kretzler
Financial Legal Examiner

Reviewed by:

Robert Kondrat
Financial Legal Examiner Supervisor

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia WA 98507-9033
360-902-8760