

**BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS**

In the matter of:

Stephen G. Hillmer,
Trey Hawkins,
Richard Brown,

Docket No. 10 E007
KSC# 2005-5053

Respondents.

_____ /
A proceeding pursuant to K. S. A. 17-1266a and K.S.A. 17-12a604(a).

CEASE AND DESIST ORDER

COMES NOW the above-entitled matter for consideration by the Securities Commissioner of Kansas.

Pursuant to K.S.A. 17-12a602, staff for the Office of the Securities Commissioner has conducted an investigation to determine whether Respondents have violated the Kansas Securities Act, K.S.A. 17-1252, *et seq.* The Commissioner finds that sufficient evidence exists to provide cause under K.S.A. 17-1266a and 17-12a604 to take administrative action against Respondents.

Having been apprised of the facts revealed in that investigation, the Commissioner finds as follows:

Findings of Fact

1. Respondent Stephen G. Hillmer (“Hillmer”) is the former Co-CEO of Hawkhill Operating Company LLC (“Hawkhill”) whose last known address is [REDACTED]. [REDACTED]. CRD number 4333255.
2. Respondent Trey Hawkins (“Hawkins”) is the former Co-CEO of Hawkhill whose last known address is [REDACTED].
3. Respondent Richard Brown (“Brown”) is vice-president of sales for Hawkhill whose last known address is [REDACTED].

4. Hawkhill is a Texas corporation whose last known address is 1442 Kingwood Dr #113, Kingwood, TX 77339. CRD 75071
5. On or about July 11, 2003, a representative of Hawkhill solicited a known Kansas resident to invest in an oil and gas well project titled the Travis #1 which was located in Shackelford County, Texas in the J. McCoy Survey, A-233. The Kansas resident was forwarded a minimal prospectus on the well project. The prospectus consisted of a one page executive summary, a one page investment summary, a three page geological summary, three pages of maps showing the location of the well project and two pages of seismic three-dimensional sections. Also included was a three page fax to the Kansas resident from respondent Brown dated July 11, 2003. The document was a copy of the Monthly Net Production Income Potential for another Hawkhill project called the Chase #1. The second page gave an estimate of possible revenues that could be expected from the Chase #1 project.
6. The Executive Summary stated that Hawkhill had successfully completed two projects called the Chase #1 and Chase #2 that were producing commercially viable quantities of oil and gas. The summary also stated that Hawkhill was close to finishing two additional well projects called the Clayton #1 and the Clayton #2.
7. In the Investment Summary, Hawkhill outlines the Travis #1 project. Hawkhill is offering to investors a 75% working interest in the well. Hawkhill retains 25% working interest. The project calls for 15 units for investment at \$33,500.00 per unit for a total project cost of \$502,500.00. There is no breakdown regarding how those funds will be distributed.
8. On or about July 16, 2003, the Kansas resident issued a personal check to Hawkhill for \$33,500.00 which was to purchase a 5% working interest in the Travis #1 well project for

one unit. This was to equate to a 4% revenue interest on production for the Kansas investor. The investor was provided a Letter Agreement that outlined the details of the investment. Respondents Hawkins and Hillmer signed the agreement as Co-CEO's. The agreement also contains two exhibits. Exhibit A is a copy of the lease for the land where the well is to be drilled. Exhibit B is a copy of the A.A.P.I. Form 610-1989 Model Form Operating Agreement. Respondent Hawkins signed the form as Co-CEO and dated 8-5-03. It also bears the signature of the Kansas resident and is dated 7-16-03.

9. The Kansas resident stated that in the months following the investment of July 16, 2003, he made numerous inquiries as to the status of the well. At all times he was told that the well was progressing forward. In early 2004, the Kansas resident spoke with Respondent Hillmer who advised the Kansas resident that the Travis #1 was not a commercially viable project and that he would be moved into another well project to offset the investment in Travis #1.
10. On or about February 23, 2004, the Kansas resident received a letter from Hawkhill advising that another well project was being added to the Letter Agreement of July 16, 2003 signed by the Kansas resident. The letter states that the Respondents were going to rework the Travis #1 project by including an existing well to the project. This well was designated as Travis #1A. The letter informed the Kansas resident that there would be no additional costs for this project. The letter also stated that the Travis #1A was already in production at the rate of 8-10 barrels of oil per day. On or about March 2, 2004, the Kansas resident signed the Amendment to the Letter Agreement agreeing to this change.
11. On or about May 2005, the Kansas resident received correspondence from counsel for Hawkhill advising that respondent Hawkhill had filed for Chapter 11 bankruptcy. The Kansas resident received updated correspondence from Hawkhill counsel as to the on-

going proceedings of the bankruptcy. Included with the information was a list of all the creditors involved with Hawkhill. The list included an additional twenty (20) investors who are listed as Kansas residents.

12. On or about September 20, 2007, Hawkhill was discharged from Chapter 11 bankruptcy. Hawkhill's reorganization plan cancelled the membership interests of Respondents Hawkins and Hillmer and appointed Patrick W. Merritt as Manager and CEO of Hawkhill.
13. Staff sent correspondence to all the listed Kansas investors. Interviews with several Kansas investors indicated that they had invested in several of the well projects offered by Hawkhill. The investors indicated that they had received a request for additional funds from Hawkhill for cost overruns associated with the various projects. The investors all had purchased the investments as turn key operations and refused to provide the additional funds requested. It was the belief of the Kansas investors that this was the reason for the filing of bankruptcy by Hawkhill.
14. Staff also found information that Hawkhill had been served with a Cease and Desist Order by the Pennsylvania Securities Commission on or about September 12, 2003. The Order alleges that Hawkhill failed to properly register the offering in the state of Pennsylvania and that the respondents had failed to properly register as an issuer of the securities and failed to register as an agent of the issuer all in violation of the Pennsylvania securities laws.
15. During the interviews with the Kansas residents, Staff found that Respondents failed to inform the Kansas investors of the order issued against them by the Pennsylvania Securities Commission.

16. Respondents sold interests in seven different projects to Kansas residents. The seven projects are Chandler #1, Chase #1, Chase #2, Clayton #1 & #2, Rocker B 84-1, Travis #1 and Travis #1A.
17. Chase #2, Clayton #1 & #2, Rocker B 84-1 and Travis #1 were sold to more than five different Kansas residents.
18. The investments offered by Respondents to Kansas residents have never been registered as a security with the Office of the Kansas Securities Commissioner.
19. Respondents are not registered as a broker-dealer or agents for the sale of securities in Kansas.

Conclusions of Law

20. The Office of the Kansas Securities Commissioner has jurisdiction over this matter pursuant to the Kansas Securities Act. The Kansas Securities Act was repealed effective July 1, 2005; however, pursuant to K.S.A. 17-12a703(a), the Kansas Securities Act exclusively governs all actions or proceedings that may be instituted on the basis of conduct occurring before July 1, 2005.
21. The investment offered by Respondents to the Kansas residents is a security as defined in K.S.A. 17-1252(j)
22. Respondents transacted business in the State of Kansas as a broker-dealer or agent at a time when they were not registered under the Kansas Securities Act, in violation of K.S.A. 17-1254.
23. Respondents offered securities in Chase #2, Clayton #1 & #2, Rocker B 84-1 and Travis #1 for sale in the State of Kansas at a time when the securities were not registered under the Kansas Securities Act, in violation of K.S.A. 17-1255.

24. Respondents omitted to state a material fact necessary in order to make a statement made, in light of the circumstances under which it is made, not misleading, in violation of K.S.A. 17-1253.

Cease and Desist Order

IT IS, THEREFORE, ORDERED by the Commissioner that the Respondents and their officers, agents, servants, employees, and any person in concert or participation with them who receives actual notice of this Order, shall immediately CEASE AND DESIST in the State of Kansas from soliciting offers to buy or making offers to sell, or effecting or transacting sales of securities, or the securities of any other person or issuer, or directly or indirectly aiding and assisting in the same or attempting to do the same, unless and until (1) such securities have been registered for offer and sale pursuant to the provisions of the Kansas Uniform Securities Act, or unless and until such securities are specifically exempt from the registration requirements of the Kansas Uniform Securities Act; (2) the Respondent and all other affiliates, employees or contractors of the Respondent who are to be engaged in such solicitations, offers and sales first become registered as broker-dealers or agents pursuant to the provisions of the Kansas Uniform Securities Act, or unless and until such persons are specifically exempt from such registration requirements of the Kansas Uniform Securities Act; and (3) the Respondent refrain from all acts and practices which constitute violations or are about to constitute violations of the Kansas Uniform Securities Act.

Opportunity for Hearing

If the Respondents wish to contest the issuance of this order, then the Respondents must file a request for hearing. The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-5, and it must be filed with the Office of the Securities Commissioner, 618 S.

Kansas Avenue, Topeka, Kansas 66603-3804. The request for hearing must be verified under oath by the Respondents, and if the Respondents dispute any of the Findings of Fact or Conclusions of Law set forth above, the Respondents shall specifically deny them or they will be deemed admitted. In addition, the Respondents may offer evidence and argument to mitigate the allegations. If the allegations are properly disputed, the matter will be set for a hearing which shall be conducted in accordance with the provisions of the Kansas Administrative Procedures Act. If no request for hearing is filed within 33 days after the date of mailing shown on the Certificate of Service for this order, the order will become final without further proceedings.

The Office of the Securities Commissioner shall be represented in this matter by Wiley Kannarr, Associate General Counsel, 618 S. Kansas Ave., Topeka, Kansas, 66603, (785) 296-5215.

IT IS SO ORDERED BY THE COMMISSIONER this 1st day of October, 2009.

/s/ Chris Biggs
CHRIS BIGGS
Securities Commissioner

NOTICE:

- (1) Pursuant to K.S.A. 17-12a508(a), any intentional violation of an order issued under the Kansas Uniform Securities Act is a felony criminal offense.**
- (2) This decision may constitute final agency action that is subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Kansas Securities Commissioner is Chris Biggs, Securities Commissioner, at 618 South Kansas Avenue, Topeka, Kansas, 66603.**

Certificate of Service

I hereby certify that on this 2nd day of October, 2009, a copy of the Cease and Desist Order against Respondents Stephen G. Hillmer, Trey Hawkins, and Richard Brown, was mailed by certified mail, return receipt requested, addressed to the following:

Stephen G. Hillmer

[REDACTED]

Stephen G. Hillmer

[REDACTED]

Trey Hawkins

[REDACTED]

Trey Hawkins

[REDACTED]

Richard Brown

[REDACTED]

/s/ Michelle Lancaster _____
Michelle Lancaster
Legal Assistant