

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)

GULFTEX OPERATING, INC.)
TIM BURROUGHS)
DEKE WELLING)

ADMINISTRATIVE ORDER
NO. CO-2006-0007

RESPONDENTS)

CONSENT ORDER

The Alabama Securities Commission ("Commission"), having the 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. GULFTEX OPERATING, INC. ("GULFTEX") is a Texas corporation with a business address of 3030 LBJ Freeway, Suite 1320, Dallas, Texas 75234..
2. TIM BURROUGHS ("BURROUGHS"), at all times relevant, was President of GULFTEX with a business address 13030 LBJ Freeway, Suite 1320, Dallas, Texas 75234.
3. DEKE WELLING ("WELLING"), at all times relevant, was the Vice President of GULFTEX, with a business address of 13030 LBJ Freeway, Suite 1320, Dallas, Texas 75234.

STATEMENT OF FACTS

4. On August 16, 2004, RESPONDENTS offered and sold a certificate of interest or participation in an oil and gas title or lease or payments out of production in a gas and oil well entitled a Subscription Agreement, for a project named the Mohon #1-H Joint Venture, to an Alabama resident for \$77,100.00.

5. A review of the files of the Commission disclosed no record of registration for RESPONDENTS as a broker dealer or broker dealer agent in the state of Alabama.

6. A review of the files of the Commission disclosed no record of registration or exemption from registration in the state of Alabama for the Subscription Agreement in the Mohon #1 H Joint Venture offered and sold by RESPONDENTS.

7. On March 6, 2006, Cease and Desist Order CD 2006-0070 was issued to RESPONDENTS. The Order alleged that RESPONDENTS violated Section 8-6-4, Code of Alabama 1975, when they effected a sale of a security in the state of Alabama that was neither registered nor exempt from registration.

8. On November 13, 2006 RESPONDENTS tendered an offer of rescission which was rejected by the Alabama investor. RESPONDENTS subsequently furnished the Commission with a copy of the investor's rejection of the rescission offer. The Commission made an independent determination that the rescission offer was received and rejected by the Alabama investor.

9. On November 21, 2006, Respondents filed notice of exemption from registration and consent to service of process in the state of Alabama for the Mohon #1 Joint Venture, thereby complying with state notice filing requirements regarding Regulation D, Rule 506 exempt private placement offerings.

CONCLUSIONS OF LAW

10. Section 8-6-2 (10), Code of Alabama 1975, defines a certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease, or any right to subscribe to any of the foregoing, as a security. The Subscription Agreement offered and sold by RESPONDENTS to the Alabama resident is a security.

11. Under Section 8-6-3, 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. RESPONDENTS are not registered as a broker dealer or broker dealer agent in the state of Alabama. RESPONDENTS offered and sold the security to an Alabama resident in violation of the Act.

12. Under Section 8-6-4, Code of Alabama 1975, 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, the transaction is exempt under Section 8-6-11, or the security is a covered security as defined in the Securities Act of 1933 and timely notice is filed with the Commission. The security offered and sold by RESPONDENTS is a covered security; however RESPONDENTS did not file timely notice with the Commission and the security offered and sold was not registered or subject to any perfected exemption in violation of the Act.

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

WHEREAS, RESPONDENTS admit that a sale of securities was effected in the state of Alabama without benefit of registration, and admit that the information and assertions presented to the Commission during its investigation of this matter are true and correct; that RESPONDENTS understand the Commission relied upon such information and assertions in its determination to accept this Order and that should such

information or assertions prove to be incorrect or misrepresented, the Commission may seek such other administrative, civil or criminal remedies that may be available to it under the provisions of the Act.

WHEREAS, RESPONDENTS have voluntarily agreed to waive all rights to a hearing upon entry of this Order and has consented to the entry of this Order, and

WHEREAS, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act, and

WHEREAS, the Commission and RESPONDENTS are desirous of settling this matter as hereafter set forth and agree to the entry of this Order,

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That RESPONDENTS shall enact procedures that will insure compliance with the Act before making any offering into, within or from the state of Alabama.

2. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, RESPONDENTS shall jointly pay to the **state of Alabama** an administrative assessment of Five Thousand Dollars (\$5,000), said funds to be tendered in certified funds contemporaneously with the entry of this Order.


3. That in accordance with Section 8-6-19(k)(1),. Code of Alabama 1975, RESPONDENTS shall jointly pay to the **Alabama Securities Commission**, as partial reimbursement for the Commission's cost for investigating this matter, the sum of Twenty Five Hundred Dollars (\$2,500), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

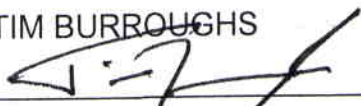
4. That the entry of this Order resolves the Cease and Desist Order, Administrative Order No. CD-2006-0007, issued March 6, 2006.

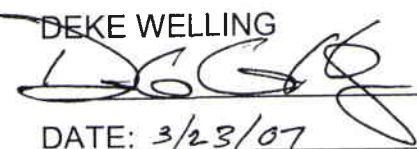
AGREED AND CONSENTED to on date indicated:

RESPONDENTS

GULFTEX OPERATING, INC.

BY: 
TITLE: President
DATE: 3-29-07

TIM BURROUGHS

DATE: 3-29-07

DEKE WELLING

DATE: 3/23/07

APPROVED AND AGREED this 2nd day of April, 2007

ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
Montgomery, AL 36130-4700
(334) 242-2984
BY:


JOSEPH P. BORG (Capacity Director)
Director

