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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

TO: James T. Nealy aka J.T. Nealy  
North Texas Oil Corporation  
NTOC Three Well Development Joint Venture  
5215 N. O'Connor Blvd., Suite 200  
Irving, TX 75039-3732

**DESIST AND REFRAIN ORDER**  
**(For violations of sections 25110 and 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. James T. Nealy, aka J.T. Nealy (“Nealy”), is an individual doing business at 5215 N. O’Connor Blvd., Ste. 200, Irving TX 75039-3732. He is an officer of North Texas Oil Corporation, a Delaware corporation.

2. North Texas Oil Corporation (“NTOC”) is a Delaware corporation doing business at 5215 N. O’Connor Blvd., Ste. 200, Irving TX 75039-3732. NTOC acts as “Managing Venturer” in “Joint Ventures”, ostensibly to raise money to fund development of oil and/or gas wells in various states. Nealy and NTOC and NTOC Three Well Development Joint Venture have offered and sold securities in California in the form of “Units” in the “Joint Ventures”, including but not limited to “Units” in “NTOC Three Well Development Joint Venture.”

3. These securities have been offered and sold in California in issuer transactions. The Department of Corporations has not issued a permit or other form of qualification authorizing any person to offer and sell these securities in this state.

4. Nealy and NTOC and NTOC Three Well Development Joint Venture have offered and sold the aforementioned securities in California by means of general solicitation to the public, specifically contacting prospective investors by means of cold calling.

1           5. Nealy and NTOC and NTOC Three Well Development Joint Venture failed to disclose to  
2 prospective investors and purchasers of the aforementioned securities that in 2001 Nealy was a  
3 subject of a Summary Order to Cease and Desist issued by the Pennsylvania Securities Commission  
4 for cold calling investors and for selling securities to unaccredited investors in an oil and gas drilling  
5 project.

6           6. Nealy and NTOC and NTOC Three Well Development Joint Venture failed to disclose to  
7 prospective investors and purchasers of the aforementioned securities that Nealy was sued in 2006 in  
8 Dallas County District Court, Texas, in a case entitled Kenneth W. Hemphill, et al, v. John A. Apple,  
9 et al, No. 06-08046. Nealy was named therein as the President of Precision Oil Corporation. The  
10 petition in that case alleges fraud and misrepresentation to investors in a number of oil and gas  
11 offerings controlled by John A. Apple.

12           7. NTOC initially established a website at www.ntexoil.com. Although that site initially  
13 contained a cover page only, it is now defunct. NTOC and Nealy have failed to communicate with  
14 investors, and have not returned any profits or payments to investors.

15           Based upon the foregoing findings, the California Corporations Commissioner is of the  
16 opinion that the units in joint ventures sold by Nealy and North Texas Oil Corporation and NTOC  
17 Three Well Development Joint Venture are securities in the form of investment contracts and are  
18 subject to qualification under the California Corporate Securities Law of 1968, and that these  
19 securities have been offered and sold without being qualified in violation of Corporations Code  
20 section 25110 and are not exempt. Pursuant to section 25532 of the Corporate Securities Law of  
21 1968, James T. Nealy aka J.T. Nealy and North Texas Oil Corporation and NTOC Three Well  
22 Development Joint Venture are hereby ordered to desist and refrain from the further offer or sale in  
23 the State of California of securities, including but not limited to investment contracts in the form of  
24 units in joint ventures, unless and until qualification has been made under the law or unless exempt.

25           Further, the California Corporations Commissioner is of the opinion that the securities that are  
26 being or have been offered or sold by James T. Nealy aka J.T. Nealy and North Texas Oil  
27 Corporation and NTOC Three Well Development Joint Venture have been offered or sold in this state  
28 by means of written or oral communications which included an untrue statement of a material fact or

1 omitted to state a material fact necessary in order to make the statements made, in the light of the  
2 circumstances under which they were made, not misleading, in violation of section 25401 of the  
3 Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law of  
4 1968, James T. Nealy aka J.T. Nealy and North Texas Oil Corporation and NTOC Three Well  
5 Development Joint Venture are hereby ordered to desist and refrain from offering or selling or buying  
6 or offering to buy any security in the State of California, including but not limited to promissory  
7 notes, by means of any written or oral communication which includes an untrue statement of a  
8 material fact or omits to state a material fact necessary in order to make the statements made, in the  
9 light of the circumstances under which they were made, not misleading.

10 This Order is necessary, in the public interest, for the protection of investors and consistent  
11 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

12 Dated: December 26, 2007  
13 Los Angeles, California

14 PRESTON DuFAUCHARD  
15 California Corporations Commissioner

16 By \_\_\_\_\_  
17 ALAN S. WEINGER  
18 Lead Corporations Attorney  
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