

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: HEI RESOURCES, INC., THEIR OFFICERS
AND DIRECTORS, AGENTS, EMPLOYEES, AFFILIATES,
SUCCESSORS AND ASSIGNS; AND CHARLES REED CAGLE,
AND JOHN SCHIFFNER, INDIVIDUALLY

)
)
) FILE NO. 0800618
)
)

NOTICE OF HEARING

TO RESPONDENTS:

HEI Resources, Inc
2864 S. Circle Dr, Suite 310
Colorado Springs, Colorado 80906

Charles Reed Cagle
2864 S. Circle Dr, Suite 310
Colorado Springs, Colorado 80906

John Schiffner
2864 S. Circle Dr, Suite 310
Colorado Springs, Colorado 80906

c/o Steven R. Block
Block & Garden, LLP
Sterling Plaza
5949 Sherry Lane, Suite 900
Dallas, Texas 75225

c/o Bill Mateja
Fish & Richardson, P.C.
1717 Main Street, Suite 5000
Dallas, Texas 75201

You are hereby notified that pursuant to Section 11.F of The Illinois Securities Law of 1953, as amended, Ch. 815 ILCS 5/1, et seq (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 3rd day of June, 2009, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before James L. Kopecky, or another duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Notice of Hearing

-2-

Said hearing will be held to determine whether a permanent Order of Prohibition should be entered against HEI Resources, Inc., their officers agents, employees, sales representatives, and affiliates, successors and assigns, and Charles Reed Cagle, and John Schiffner individually, collectively (the "Respondents"), and/or granting such other relief as may be authorized under the Act including, but not limited to, censure and the imposition of a monetary fine in the maximum amount of \$10,000 per violation, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That HEI Resources, Inc., a Texas Corporation (hereinafter "HEI"), formerly known as Heartland Energy, Inc., a Texas Corporation (hereinafter "Heartland") a foreign entity authorized to transact business in Colorado maintains its principal address at 2864 S Circle Dr, Suite 310, Colorado Springs, Colorado 80906.
2. That Charles Reed Cagle, (hereinafter "Cagle") president and CEO of HEI and Heartland maintains a business address at 2864 S. Circle Dr, Suite 310, Colorado Springs, Colorado 80906.
3. That John Schiffner, (hereinafter "Schiffner" collectively with HEI, Heartland, and Cagle "Respondents") vice-president of HEI and Heartland maintains a business address at 2864 S. Circle Dr, Suite 310, Colorado Springs, Colorado 80906.
4. That during June 2005, or thereabouts, Respondents through John Schiffner cold-called one or more Illinois residents offering to sell participation interests in a joint venture called Heartland Energy, Inc., Los Ojuelos #1 Joint Venture to be formed under Texas partnership law to engage in exploration, production from, and operation of an oil and gas well in Webb County, Texas.
5. That subsequent to the foregoing telephone solicitation, Respondent caused to be sent to one or more Illinois residents a "Confidential Information Memorandum", a copy of the Joint Venture Agreement, an Execution Page and Limited Power of Attorney Joint Venture Agreement, a Purchaser Questionnaire, a Representative Questionnaire, and an Application Agreement for the Offering (the "Offering Documents")
6. That the Offering Documents require a minimum investment of one (1) participation interest unit in the Joint Venture at a cost of ten thousand (98,000 00) dollars.
7. That the Respondents sold participation interests in Los Ojuelos #1 Joint Venture to at least one Illinois resident (Investor)
8. That during June 2005 through December 2005, or thereabouts, Respondents through John Schiffner on several occasions called the Investor offering to sell

Notice of Hearing

-3-

and thereafter delivering Offering Documents for participation interests in the following joint ventures:

- a. Heartland Energy, Inc., Los Ojeuclos #2 Joint Venture to be formed under Texas partnership law to engage in exploration, production from, and operation of an oil and gas well in Webb County, Texas at ninety-eight thousand (\$ 98,000.00) dollars per unit.
 - b. Heartland Energy, Inc., Los Ojeuclos #3 Joint Venture to be formed under Texas partnership law to engage in exploration, production from, and operation of an oil and gas well in Webb County, Texas at one hundred twenty-five thousand (\$125,000.00) dollars per unit
 - c. Heartland Energy, Inc., Los Ojeuclos #4 Joint Venture to be formed under Texas partnership law to engage in exploration, production from, and operation of an oil and gas well in Webb County, Texas at one hundred twenty-five thousand (\$125,000.00) dollars per unit
 - d. Heartland Energy, Inc., Los Ojeuclos #5 Joint Venture to be formed under Texas partnership law to engage in exploration, production from, and operation of an oil and gas well in Webb County, Texas at forty-one thousand and six hundred (\$41,600.00) dollars per unit.
 - e. Heartland Energy, Inc., North Garcia #1 Joint Venture to be formed under Texas partnership law to engage in exploration, production from, and operation of an oil and gas well in Webb County, Texas at eighty-five thousand (\$85,000.00) dollars per unit.
9. That following the solicitations referred to in paragraphs 8.a. through 8.c. above Respondents sold Investor one participation unit in each of the Joint Ventures referred to in paragraphs 8.a through 8.e.
 10. That the activities described in paragraphs 4 through 9 above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act")
 11. That Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 shall be registered either by coordination or by qualification prior to their offer or sale in the State of Illinois.
 12. That Respondents failed to file with the Secretary of State an application for registration of the securities described above as required by the Act and that as a result the security was not registered pursuant to Section 5 of the Act prior to its offer and sale in the State of Illinois.

Notice of Hearing

-4-

13. That Section 12.A of the Act provides, inter alia, that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act
14. That Section 12.D of the Act provides, inter alia, that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act
15. That by virtue of the foregoing, Respondents have violated Sections 12.A and 12.D of the Act.
16. That Section 11 E(4) provides, inter alia, that in addition to any other sanction or remedy contained in subsection E, the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order against the violator not to exceed \$10,000, and may issue an order of public censure against the violator.
17. That by virtue of the foregoing, Respondents HEI Resources, Inc., their officers agents, employees, sales representatives, and affiliates, successors and assigns, and Charles Reed Cagle, and John Schiffner individually are subject to an order of public censure and a fine not to exceed \$10,000 for each violation.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

You are also notified, pursuant to the Regulations under the Act of 1953 as amended, Subpart K, Procedures for administrative Hearings; which includes in part: "That by requesting a hearing the respondent agrees to a tolling of the time limitation on the effectiveness of the Temporary Order or Prohibition or Suspension for 60 days from the date the request is received by the Department."

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance

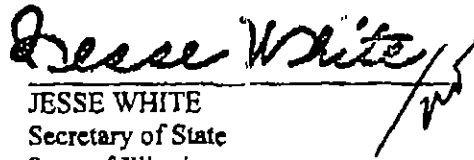
Notice of Hearing

-5-

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 30th day of March 2009.


JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

Samuel F. Freiman
Illinois Securities Department
69 West Washington Avenue
Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-3988