

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
CANO ENERGY CORPORATION,
STEVEN JEFFREY JOHNSON a/k/a
S. JEFF JOHNSON a/k/a JEFF JOHNSON,
and WILLIAM PAUL HUDSON,

PETITION FOR ORDER

Respondents.

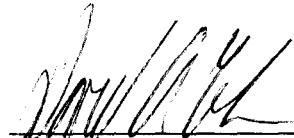
File No. S-03268(EX)

The staff of the State of Wisconsin Department of Financial Institutions, Division of Securities, Bureau of Registration & Enforcement has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. Cano Energy Corporation ("Cano") is a foreign business entity with a last known business address of 309 W. 7th St., Ste. 1600, Ft. Worth, TX 76102.
2. Steven Jeffrey Johnson a/k/a S. Jeff Johnson a/k/a Jeff Johnson (DOB 12/26/64; CRD #1900419) ("Johnson") is an individual who at all times material hereto has been President of Cano, with a last known business address at that of Cano.
3. William Paul Hudson (DOB 3/18/68; CRD #4597939) ("Hudson") is an individual who at all times material hereto has been an agent of Cano and Johnson, with a last known business address at that of Cano.
4. During the period of December, 2003, Hudson, on behalf of Cano and Johnson, offered to at least one person in Wisconsin the opportunity to invest in an oil and gas well drilling venture of Cano.
5. The person in Wisconsin referred to above had no preexisting relationship with any of the Respondents.
6. Upon information and belief, investors can play a passive role in the company with no duties and responsibilities.
7. Upon information and belief, each investor will not be involved in the day-to-day management of the oil and gas well drilling ventures of Cano, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.
8. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the investments offered by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.

9. The Cano investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
10. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.
11. In connection with the offers of the securities described above, Hudson transacted business in Wisconsin as an "agent" for Cano and Johnson, as that term is defined by sec. 551.02(2), Wis. Stats.
12. At no time has Hudson been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.
13. Hudson has violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license.
14. Cano has violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in Wisconsin.
15. On September 2, 2003, the State of Texas issued an administrative order against Hudson, based on allegations of securities law violations.
16. In connection with the offer of the securities described in Paragraph 4, the Respondents omitted to disclose the issuance of the order referred to in Paragraph 15.
17. Hudson has violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

 9/6/05

David A. Cohen Date
Supervising Attorney
Bureau of Registration & Enforcement

**BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES**

In the Matter of
CANO ENERGY CORPORATION,

WAIVER AND CONSENT
TO ORDER

Respondent.

File No. S-03268(EX)

The undersigned Respondent, having decided not to contest the issuance of the attached Order, hereby waives its right to a hearing with respect to this matter and hereby consents, solely for the purpose of this proceeding only, to the issuance of the Order without admitting or denying the factual findings contained in the Petition; and

The undersigned Respondent understands that the Order is effective when signed by the Administrator of the Division of Securities and that a willful violation of an Order signed by the Administrator is a criminal offense.

EXECUTED this 26 day of August, 2005.

CANO ENERGY CORPORATION

By:

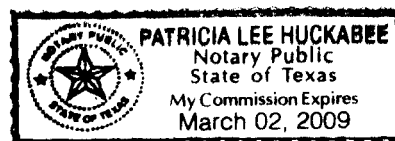
Peter Partain
PRESIDENT, PETER PARTAIN
(Type Name and Title)

State of Texas)
County of Tarrant)

Subscribed before me this 26th day of August, 2005.

Patricia Lee Huckabee
Notary Public

My commission expires 03/02/09.



**BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES**

In the Matter of
CANO ENERGY CORPORATION,

ORDER OF PROHIBITION
(CONSENT)

Respondent.

File No. S-03268(EX)

Based upon the attached Petition for Order and Waiver and Consent to Order, I find that this action is necessary and appropriate in the public interest and for the protection of investors; Therefore, pursuant to sec. 551.63, Wis. Stats.:

IT IS ORDERED THAT:

- a. Cano Energy Corporation, its successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on its behalf, are prohibited from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551, Wis. Stats., or successor statute, or are excepted from the registration requirements.
- b. Cano Energy Corporation, its successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on its behalf, are prohibited from employing an agent to represent them in Wisconsin unless the agent is licensed under Ch. 551, Wis. Stats., or successor statute, or excepted from the licensing requirement.

EXECUTED at Madison, Wisconsin, this 6th day of September, 2005.

(SEAL)



Patricia D. Struck
Administrator
Division of Securities

NOTICE

You are advised that any willful violation of an Order issued by the Administrator of the Division of Securities of the Department of Financial Institutions of the State of Wisconsin under Ch. 551, Wis. Stats., is a criminal offense punishable under the provisions of sec. 551.58, Wis. Stats.

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
WILLIAM PAUL HUDSON

ORDER OF PROHIBITION
AND REVOCATION
(SUMMARY)

Respondent.

File No. S-03268(EX)

Based upon the attached Petition for Order I have reason to believe that a security has been offered or sold in Wisconsin by an unlicensed person in violation of Ch. 551, Wis. Stats., and that any further offer or sale of unregistered securities by or on behalf of the Respondent would be fraudulent to purchasers and I find that this action is necessary and appropriate in the public interest and for the protection of investors;

Therefore, pursuant to secs. 551.24(2), 551.60(2)(a) and (b) and 551.63, Wis. Stats.,

IT IS ORDERED THAT:

- a. William Paul Hudson, his agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on his behalf, are prohibited from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities are registered under Ch. 551, Wis. Stats., or successor statute.
- b. All exemptions from registration set forth at Ch. 551, Wis. Stats., or successor statute, that might otherwise apply to any offer or sale of any security of or by William Paul Hudson, his agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on his behalf, are hereby revoked.
- c. William Paul Hudson, his agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on his behalf, are prohibited from violating sec. 551.41, Wis. Stats., or successor statute.
- d. William Paul Hudson is prohibited from transacting business in Wisconsin as a securities agent unless licensed under Ch. 551, Wis. Stats., or successor statute, or excepted from the licensing requirement.
- e. William Paul Hudson shall resolve his civil liability under sec. 551.59, Wis. Stats., resulting from the unlawful sales of securities described in the Petition for Order prior to filing an application for a securities agent license in Wisconsin.

EXECUTED at Madison, Wisconsin, this 6th day of April, 2005.

(SEAL)



Patricia D. Struck
Administrator
Division of Securities

NOTICE:

Under sec. 551.61(2), Wis. Stats., within thirty (30) days after any Order has become effective without a hearing, any interested party may file a written request with the Administrator of the Division of Securities for a hearing in respect to any matters determined by the Order. A request for hearing shall be in the form of a petition for hearing and shall, under section SEC 8.01, Wis. Adm. Code, plainly admit or deny each specific allegation, finding, or conclusion in the Order and incorporated papers (unless the petitioner lacks sufficient knowledge or information to permit an admission or denial, in which case the petition shall so state, and such statement shall have the effect of a denial), and shall state all affirmative defenses.

You are advised that any wilful violation of an Order issued by the Administrator of the Division of Securities of the State of Wisconsin Department of Financial Institutions under Ch. 551, Wis. Stats., is a criminal offense punishable under the provisions of sec. 551.58, Wis. Stats.

**BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES**

In the Matter of
STEVEN JEFFREY JOHNSON a/k/a
S. JEFF JOHNSON a/k/a JEFF JOHNSON,

WAIVER AND CONSENT
TO ORDER

Respondent.

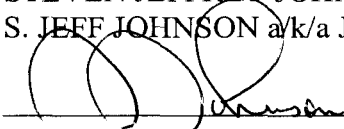
File No. S-03268(EX)

The undersigned Respondent, having decided not to contest the issuance of the attached Order, hereby waives its right to a hearing with respect to this matter and hereby consents, solely for the purpose of this proceeding only, to the issuance of the Order without admitting or denying the factual findings contained in the Petition; and

The undersigned Respondent understands that the Order is effective when signed by the Administrator of the Division of Securities and that a willful violation of an Order signed by the Administrator is a criminal offense.

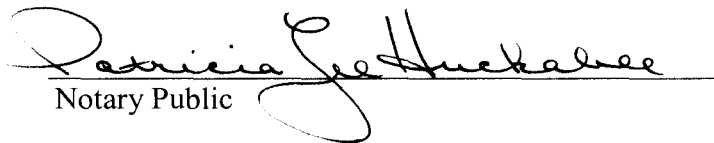
EXECUTED this 26 day of August, 2005.

STEVEN JEFFREY JOHNSON a/k/a
S. JEFF JOHNSON a/k/a JEFF JOHNSON

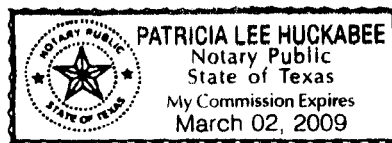


State of Texas)
County of Tarrant)

Subscribed before me this 26th day of August, 2005.


Notary Public

My commission expires 3/02/09.



**BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES**

In the Matter of
STEVEN JEFFREY JOHNSON a/k/a
S. JEFF JOHNSON a/k/a JEFF JOHNSON,

ORDER OF PROHIBITION
(CONSENT)

Respondent.

File No. S-03268(EX)

Based upon the attached Petition for Order and Waiver and Consent to Order, I find that this action is necessary and appropriate in the public interest and for the protection of investors;

Therefore, pursuant to Secs. 55 1.24(2) and 551.63, Wis. Stats.:

IT IS ORDERED THAT:

- a. Steven Jeffrey Johnson a/k/a S. Jeff Johnson a/k/a Jeff Johnson, his agents, servants, employees, and every entity and person directly or indirectly controlled or organized by or on his behalf, are prohibited from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551, Wis. Stats., or successor statute, or are excepted from the registration requirements.
- b. Steven Jeffrey Johnson a/k/a S. Jeff Johnson a/k/a Jeff Johnson, his agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on his behalf, are prohibited from employing an agent to represent them in Wisconsin unless the agent is licensed under Ch. 551, Wis. Stats., or successor statute, or excepted from the licensing requirement.

EXECUTED at Madison, Wisconsin this 6th day of September, 2005.

(SEAL)



Patricia D. Struck
Administrator
Division of Securities

NOTICE:

You are advised that any willful violation of an Order issued by the Administrator of the Division of Securities of the State of Wisconsin Department of Financial Institutions under Ch. 551, Wis. Stats., is a criminal offense punishable under the provisions of sec. 551.58, Wis. Stats.