

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE AGENCY ACTION NO. 2012-AH-0031**



DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

AGREED ORDER

US ENERGY PARTNERS, INC. and
CLAY SHELTON

RESPONDENTS

STATEMENT OF FACTS

1. The Department of Financial Institutions (“DFI”) is responsible for administering the provisions of Kentucky Revised Statutes (KRS) Chapter 292, the Securities Act of Kentucky (“the Act”), as well as any applicable rules, regulations and orders entered pursuant to the Act.

2. US Energy Partners, Inc. (US Energy) is a Kentucky corporation whose principal office is located at 6244 Nashville Rd., Suite A, Bowling Green, KY 42101.

3. Clay Shelton is the President and sole shareholder of US Energy and therefore, Shelton is the control person for US Energy.

4. In 2006 and 2007, US Energy and Shelton (hereinafter, “the Respondents”) offered and sold securities in the form of limited partnership interests in three oil and gas projects: Overton 2006 LP, Warren II, LP, and Overton 2007 LP “collectively “the oil and gas projects”).

5. On July 24, 2008, the DFI received a complaint from Investor #1 regarding his purchase of securities in Overton 2006, LP and Warren II, LP.

6. In June 2010, the DFI received complaints from two other investors regarding their purchase of securities in Overton 2006, LP and Warren II, LP.

7. The DFI investigated the complaints of the three investors and determined that US Energy employees through general solicitations in the form of telephone cold calls offered and sold securities in the form of limited partnership interests in the oil and gas projects.

8. The Respondents provided potential investors in the oil and gas projects with private placement memorandums for each project. The private placement memorandums stated that the securities were being offered pursuant to Rule 506 of Regulation D of the Securities Act of 1933. The private placement memorandums also contained other information about each project and US Energy.

9. The Respondents did not file a registration statement with the DFI regarding the sale of the securities in the oil and gas projects.

DFI's CONCLUSIONS OF LAW

10. Because they used general solicitation in the form of telephone cold calls to offer and sell securities in the oil and gas projects, the Respondents could not rely on the exemption from registration in Rule 506 of Regulation D of the Securities Act of 1933. As a result, the Respondents violated KRS 292.340 by offering to sell and selling securities in the oil and gas projects even though the securities were not registered, exempt from registration, or covered securities.

11. The Respondents violated KRS 292.320 because the private placement memorandums provided to potential investors in the oil and gas projects contained material misrepresentations and omissions of material facts.

The DFI possesses a range of administrative authority in addressing violations of the Act, including the imposition of fines. See KRS 292.470 and KRS 292.500.

AGREEMENT AND ORDER

12. The Respondents neither admit nor deny the statement of facts and conclusions of law set forth herein.

13. In the interest of economically and efficiently resolving this matter, the DFI and the Respondents agree as follows.

a. The Respondents agrees to a fine assessment in the amount of fifteen thousand dollars (\$15,000);

b. The Respondents agrees to and shall pay the fine assessed herein prior to the entry of this Order, which shall be in the form of a certified check or money order made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Attn: Simon Berry, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601;

c. The Respondents are permanently enjoined from future violations of the Act.

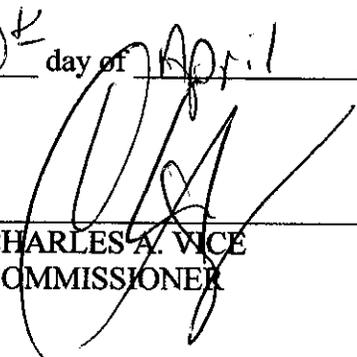
14. The Respondents waives their right to demand a hearing at which they would be entitled to legal representation, to confront and cross examine witnesses, and to present evidence on their own behalf, or to otherwise appeal or set aside this Order.

15. The Respondents consent to and acknowledge the jurisdiction of the DFI over this matter and that this Order is a matter of public record and may be disseminated as such.

16. In consideration of execution of this Agreed Order, the Respondents, for themselves, and for their successors and assigns, hereby release and forever discharge the Commonwealth of Kentucky, the DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that the Respondents ever had, now have, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

17. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

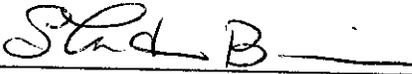
IT IS SO ORDERED on this the 20th day of April, 2012.



CHARLES A. VICE
COMMISSIONER

Consented to:

This 17 day of April, 2012. This 11 day of April, 2012.



Shonita Bossier, Director
Division of Securities
Department of Financial Institutions



US Energy Partners, Inc.
By its President, Clay Shelton

This 11th day of April, 2012

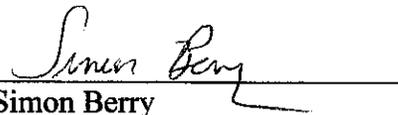


Clay Shelton individually

Certificate of Service

I, Simon Berry, hereby certify that a copy of the foregoing **Agreed Order** was sent on this the 23 day of April, 2012, by certified mail, return receipt requested, to the following:

Michael de León Hawthorne
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Louisville, Kentucky 40202-3197
Respondents' attorney


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