

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2009-AH- 009

In the Matter of:

Energy Exploration, Inc.
137 Park Avenue
Glasgow, Kentucky 42141

Jack Lee Markwell, President
Energy Exploration, Inc.

Respondents

STOP ORDER SUSPENDING THE
SALE OF SECURITIES

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1. The Department of Financial Institutions (DFI), is the agency of Kentucky state government charged with administering the provisions of the Securities Act of Kentucky (Act), KRS Chapter 292, and the rules, regulations and orders enacted pursuant to the Act.

2. The Respondent, Energy Exploration, Inc. (EEI) is a Kentucky corporation with its principal place of business located at 137 Park Avenue, Glasgow, Kentucky 42141. The Kentucky Secretary of State lists the agent for service of process for EEI as Jack Markwell.

FACTUAL ALLEGATIONS

3. On January 29, 2009, the Division of Securities of the DFI received a Form D filing for an offering of securities by EEI known as the "Washom Lease Project." The filing also included a Private Placement Memorandum (PPM) for the offering. The Form indicates that the EEI is relying on the exemption provided under Rule 506 of Federal Regulation D for the offering.

4. Item 7 of the Form D indicates that the date of the first sale in this offering was December 15, 2009. This appears to be an error and the date of first sale is presumed to be

December 15, 2008 since the Form also indicates at Item 13 that \$78,000 has already been sold. The total offering amount is \$300,000.

5. Item 12 of the Form D indicates sales compensation has or will be paid to Jack Markwell, William Markwell, Scott Peacock, and Steve Moore, Jr. However, Item 15 indicates no sales commissions or finders' fees are paid.

6. The PPM indicates EEI is the managing venturer and also the operator for the joint venture. The operating agreement attached to the PPM as exhibit A, provides that the entire offering amount of \$300,000 will be paid to EEI as the operator on a turnkey basis. Neither the PPM nor the operating agreement contains a breakdown of how EEI will spend these funds.

7. The PPM states that EEI is the operator but the operating agreement provides in one place that Federated Energy Corporation is "designated herein as Operator." The operating agreement also states, "Energy Exploration, Inc., The land owner, and Federated Energy together own 75.00% NRI." A "Program Summary" for the offering indicates Federated is a managing partner of the venture along with EEI and states Federated is a Tennessee corporation. Neither the PPM nor the operating agreement provides any further information about Federated.

8. The PPM does not disclose the existence of a Summary Order to Cease and Desist entered on December 2, 2008, against Energy Exploration, Inc. and Jack Markwell by the Pennsylvania Securities Commission. The order directs the respondents to cease and desist from offering and selling securities in Pennsylvania. According to the Pennsylvania Commission, Mr. Markwell contacted the Commission about its order and, therefore, he is aware of its existence.

9. The PPM does not disclose the amounts to be paid as salaries to Jack and William Markwell or amounts to be paid as administrative and management costs from the proceeds of the offering. Item 16 of the Form D indicates that \$10,000 (estimate) of the offering amount has

been or is proposed to be paid as salaries to Jack Markwell and William Markwell as executive officers of EEI.

10. The PPM does not disclose the production history or production revenue of wells operated by EEI including four wells in the project that it states are already in production.

11. Other than stating that, "EEI's ability to manage Venture affairs is predominately dependent upon EEI's President, Jack Markwell.", the PPM does not disclose any background information related to the officers or management of EEI.

12. The PPM indicates in one place that the joint venture is to be organized under Kentucky partnership law but later indicates, "The Venture shall have the status of a general partnership under the laws of the State of Texas." Then, the "Program Summary" indicates the joint venture is to be organized under the laws of the State of Oklahoma.

13. On December 1, 2008, the Division received a Form U-4 application to register Jack Markwell as an agent of EEI. The application was approved by the Division effective January 1, 2009. The application has not been amended to disclose the Pennsylvania order. Under the provisions of the application form, Markwell agreed to update the form on a timely basis whenever changes occur to answers previously reported.

14. On December 22, 2008, the Division received a Form U-4 application to register Steve Moore, Jr. as an agent of EEI. The U-4 discloses that Moore was charged in Barren County, Kentucky with a misdemeanor and two felonies. The felony charges were amended down to misdemeanors and, on or about June 12, 1995, Moore pled guilty to the two misdemeanor charges. An FBI background check indicates Moore was also charged and found guilty of a felony burglary charge in Bridgeview, Illinois on or about October 7, 1987. The felony burglary conviction is not disclosed on Moore's Form U-4 as required by Item 14A(1).

CONCLUSIONS

15. As set forth in paragraphs three and four, the Form D filing for the EEI's offering of securities was not filed within 15 days after the first sale as required by KRS 292.327(2).

16. As set forth in paragraphs eight through fourteen, the information Respondents provide to investors in connection with the offer and sale of the securities omits to state material information or contains misleading information in violation of KRS 292.320(1)(b).

17. As set forth in paragraph fifteen, the registration filing of Jack Markwell is currently incorrect because it has not been amended to disclose the Pennsylvania order entered against him.

18. As set forth in paragraph sixteen, the application of Steve Moore, Jr., for registration as an agent of EEI is incomplete, false or misleading in violation of KRS 292.330(13)(a)1 because it does not disclose the felony burglary conviction.

19. As set forth in paragraph five, the response to Item 15 on the Form D indicating no commissions are paid is presumed to be false since Scott Peacock and Steve Moore, Jr. are registered as agents of EEI or have applied for registration as an agent and receive or will receive compensation for selling the securities. This constitutes a violation of KRS 292.440 prohibiting the filing of false or misleading documents.

20. An order suspending the offer and sale of the securities of EEI is in the public interest and is necessary to protect investors who may be induced to invest based on the false or misleading information provided by EEI. Further, the ability of the DFI to administer the Act is impaired when applicants submit applications that contain false, incomplete, or misleading information or when the information in applications is not kept current. The DFI must be able

to rely on the information contained in the application to adequately perform its obligations under the Act.

STOP ORDER


Based on the factual allegations and conclusions set forth above, the Commissioner of the Department of Financial Institutions finds that the Respondents have failed to comply with the conditions of KRS 292.327(2) and it is in the public interest to stop the sale of additional securities by the Respondents.

Therefore, pursuant to KRS 292.327(4), the Commissioner ORDERS the Respondents to cease the offer and sale of joint venture interests in the Washom 8 Well Re-Completion Project.

NOTICE OF RIGHT TO A HEARING

The Respondents are notified that they have the right to hearing in this matter. To request a hearing, the Respondents must make written request to the Director within fifteen (15) days of the date of this Order. If no hearing is requested, the Order will remain in effect until it is modified or vacated.

ENTERED THIS 16th DAY OF FEBRUARY, 2009.



Charles A. Vice
Commissioner
Department of Financial Institutions
1025 Capital Center Dr., Suite 200
Frankfort, KY 40601
(502) 573-3390
Facsimile (502) 573-2182

Certificate

I, Paula Call, certify that on this 16th day of February, 2009, a copy of this Stop Order was mailed by certified mail, return receipt requested, to:

Jack Lee Markwell, President
Energy Exploration, Inc.
137 Park Avenue
Glasgow, Kentucky 42141

Paula Call