

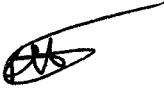
ERNIE FLETCHER
GOVERNOR


ENVIRONMENTAL AND PUBLIC PROTECTION CABINET


OFFICE OF FINANCIAL INSTITUTIONS
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LAJUANA S. WILCHER
SECRETARY

MEMORANDUM

TO: Keith H. Talley, Sr. 
Executive Director

THROUGH: Greg Jennings 
General Counsel

FROM: William E. Doyle 
Legal Counsel

RE: **Stan Napper** Agreed Order—Office of Financial Institutions vs. Stan Napper (Individually), Clear Creek Oil and Gas, Inc. (a Tennessee Corporation), Clear Creek Oil & Gas, Inc. (a Nevada Corporation), W. Scott Thompson (Individually), and W. A. Silvey, Jr. (Individually), Complaint No. 05-AH-009.

DATE: June 9, 2005

This Agreed Order was signed by Respondent, Stan Napper, alone. All of the other Respondents are contesting the matter. The attached Order is being forwarded herewith for your signature. Note that the matter against Napper has been settled by agreement to an Administrative Cease and Desist Order. That order (attached hereto) is now ready to be entered.

Enclosure

cc Colleen Keefe

COMMONWEALTH OF KENTUCKY
OFFICE OF FINANCIAL INSTITUTIONS

Office Of Financial Institutions Of The Commonwealth Of
Kentucky, ex rel the Executive Director

PETITIONER

v.

AGREED ORDER

Stan Napper (Individually)
Director
3556 Oaklane Drive
Philpot, Kentucky 42366

RESPONDENT

Upon agreement of the Petitioner and Respondent, the Executive Director of the Office of Financial Institutions (“Office”) approving, and the Executive Director being duly and sufficiently advised, the Executive Director finds and orders as follows:

1. Pursuant to KRS 292.500(1) and 292.500(3), the Commissioner (“Commissioner”) of the Department (“Department”) of Financial Institutions, and the Deputy Commissioner (“Deputy”) of the Department, in his or her absence, is charged with the administration and enforcement of KRS Chapter 292, the Securities Act of Kentucky, (“Act”).

2. Pursuant to the authority of Executive Order 2004-031, entered January 6, 2004, by Governor, Ernie Fletcher, the powers and responsibilities of the Department to carry out and enforce the Act are now vested in the Office of Financial Institutions of the Commonwealth of Kentucky (“Office”) and the powers and responsibilities of the Commissioner and the Deputy are now vested in the Executive Director of the Office.

3. Consequently, the Executive Director may act in the place of the Commissioner and Deputy in this action, and does, and this action is now brought by the Office of Financial Institutions rather than the Department of Financial Institutions under

the direction and approval of the Executive Director rather than the Commissioner or the Deputy.

Factual Background and Circumstances

4. Clear Creek Oil And Gas, Inc., a Tennessee Corporation and Clear Creek Oil And Gas, Inc., a Nevada Corporation are or were engaged in the business of the exploration and drilling for oil and/or natural gas. They capitalize or capitalized their operations through the use of investor money raised from the public. W. Scott Thompson, is President and Director of the Nevada corporation. The principal offices are now located at 6371 Richmond Ave., Suite 200, Houston, Texas 77024. The Tennessee Corporation became the Nevada Corporation of the same name through reorganization.

5. Respondent, Stan Napper, named Individually is a Director of one or both corporations.

6. Pursuant to the authority provided by KRS 292.460 the Kentucky Office of Financial Institutions, Division of Securities (the "Division"), opened an investigation into the affairs of the Respondent. One or more subpoenas were issued during the course of the investigation to obtain copies of relevant documents.

7. The investigation revealed that the Respondent did in fact sell securities to residents of Kentucky (present in Kentucky at the time). The records of the Office were searched and no registration, notice (of covered securities) filing, or filing for a claim of exemption from registration for these securities was found to exist. This resulted in a violation of KRS 292.340. In addition, no registration pursuant to KRS 292.330 (registration of broker-dealers, investment advisers, agents, and investment adviser

representatives) was found for any agents working for the Respondent and selling these securities.

8. Respondent, Stan Napper, failed to gather and retain any suitability information for the investors. The failure to obtain suitability information is a violation of 808 KAR 10:030, Section 1(1) & (2). The respondent, Stan Napper, has a duty to ensure that an investment is suitable for a given investor. Suitability must be documented, including the investor's investment objective, for all current and future investors. In addition, subscription agreements need to be executed by all investors.

9. No Private Placement Memorandum was found to be in use. Such failure is a per se violation of KRS 292.320(1). Specifically, omission of material facts in offering materials is a violation of KRS 292.320(1)(b).

10. Respondent has indicated that he is willing to enter into a settlement to bring himself into compliance with the Act.

11. The Division is willing to accept a settlement under certain terms if Mr. Napper is willing to bring himself into compliance with the Act and if he is willing to remain in compliance in the future. Respondent has expressed a willingness to do so.

12. In light of the willingness and eagerness on the part of Respondent to correct his error, it is not in the public interest to bring a formal action against him provided he is willing to enter into an agreed order to do those things he has undertaken to do and provided he in fact honors his agreements herein.

Accordingly, **IT IS AGREED** as follows:

1. Respondent agrees to never violate the Securities Act of Kentucky in the future. In addition, Respondent agrees to never violate the regulations promulgated under the Securities Act of Kentucky or Orders of the Executive Director.

2. Respondent agrees that any offer or sale of an undivided interest in an oil and gas lease is by definition the offer or sale of a security.

3. Respondent agrees that any offer or sale of the common stock, other equity holdings, or securities of an entity that drills for oil and gas or is engaged in other aspect of the oil and gas business is by definition the offer or sale of a security.

4. Respondent agrees and understands that he must register the securities, make a notice filing, or file a claim of exemption from registration, as required.

5. Respondent agrees and understands that any offer or sale of securities, if made under Federal Regulation 506 will require a notice filing, Form D, and Uniform Consent to Service of Process along with an established fee within Fifteen (15) days of the sale. Respondent further agrees and understands that the offer or sale of securities, if made under Federal Regulation D, Rules 504 or 505, require a filing of a claim of exemption with the Office.

6. Respondent agrees and understands that any person who offers securities for sale must be registered as an agent pursuant to KRS 292.330 and that a security cannot be offered or sold by anyone until they first obtain either an exemption or a registration under 292.330.

7. Partners, Officers, and Directors of an issuer need not be registered as agents pursuant to KRS 292.330 if they make no offers or sales of securities. However, if any partners, officers, and directors should engage in the activity of making offers or sales

of securities, they must register pursuant to KRS 292.330, notwithstanding their status as partners, officers, and directors, unless such activity is inconsequential in relation to their duties as partners, officers, and directors in terms of time and effort. Furthermore, if the issuer derives most of its income from the sale of securities, rather than some other business activity unrelated to the sale of securities, the partners, officers, and directors must register pursuant to KRS 292.330, notwithstanding their status as partners, officers, and directors.

8. Respondent does further agree and state that for any future offerings that might occur by the respondent, the respondent is to obtain suitable information on any and all investors, including income, net worth, prior investment experience and investment objectives in order to maintain sufficient information to determine the suitability of such investment for said investor.

9. Respondent agrees and understands that to offer or sell securities at any time in the future, he must disclose to the investor or potential investor (usually done with a prospectus or an offering circular) all material facts in connection with the investment. Respondent agrees and understands that a prospectus, offering circular, and a Private Placement Memorandum are three different versions of the same thing, namely the disclosure document in a securities offering.

10. Respondent will maintain prospectus logs to document the date a Private Placement Memorandum and Subscription Agreement are sent to and returned from a potential investor.

11. Respondent will maintain a Check Received Log to document the name of the investor, amount invested, and date the investment check was received.

12. Nothing in these settlement terms shall prevent the respondent from transacting business with the industry, investors, or others in a joint venture for the drilling of oil or gas so long as they are in compliance with any applicable rules, laws, and regulations, and so long as they are in compliance with their obligations and undertakings herein.

13. Stan Napper shall not offer or sell any options on common stock or other securities unless such offer or sale is made through a registered agent of a registered broker-dealer, provided further that such registration shall be with the Office in Kentucky.

AGREED TO this the ____ day of April, 2005.

Stan Napper 5/19/5
Stan Napper Date

ACKNOWLEDGEMENT

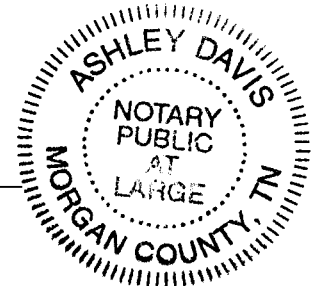
County of: Morgan

State of Tennessee

On this 19th day of ~~April~~^{May}, 2005, Stan Napper personally appeared before me and executed this document and stated that he freely signed this document on behalf of himself in his personal capacity.

Ashley Davis
Notary Public

My Commission Expires: 2-18-08



HAVE SEEN AND AGREED TO:

Attorney for Respondents (if applicable) Date

Accordingly, **IT IS ORDERED** that

1. Respondent shall never violate the Securities Act of Kentucky in the future. In addition, Respondent shall never violate the regulations promulgated under the Securities Act of Kentucky or Orders of the Executive Director.

2. Any offer or sale of an undivided interest in an oil and gas lease is by Respondent is by definition a security.

3. Respondent shall register the securities, make a notice filing, or file a claim of exemption from registration, as required, anytime he offers or sells securities.

4. When Respondent makes an offer or sale of securities under Federal Regulation 506, he shall also make a notice filing, file a Form D, and file a Uniform Consent to Service of Process along with an established fee within Fifteen (15) days of the sale.

5. When Respondent makes an offer or sale of securities under Federal Regulation D rules 504 or 505, he shall also make the required claim of exemption filing and fulfill any other requirements promulgated by the Office's Division of Securities.

6. Respondent shall cause to be registered pursuant to KRS 292.330 any person who offers securities for sale for or on behalf of Respondent.

7. Partners, Officers, and Directors of an issuer need not be registered as agents pursuant to KRS 292.330 if they make no offers or sales of securities. However, if any partners, officers, and directors should engage in the activity of making offers or sales of securities, they must register pursuant to KRS 292.330, notwithstanding their status as

partners, officers, and directors, unless such activity is inconsequential in relation to their duties as partners, officers, and directors in terms of time and effort. Furthermore, if the issuer derives most of its income from the sale of securities, rather than some other business activity unrelated to the sale of securities, the partners, officers, and directors must register pursuant to KRS 292.330, notwithstanding their status as partners, officers, and directors.

8. Respondent shall not permit a security to be offered or sold by anyone until they first obtain either an exemption or a registration under 292.330.

9. Respondent, for any future offerings that might occur by him, shall obtain suitable information on any and all investors, including income, net worth, prior investment experience and investment objectives in order to maintain sufficient information to determine the suitability of such investment for said investor.

10. Respondent shall disclose to the investor or potential investor (usually done with a prospectus or an offering circular) all material facts in connection with the investment. Respondents shall be charged with the knowledge that a prospectus, offering circular, and a Private Placement Memorandum are three different versions of the same thing, namely the disclosure document in a securities offering.

11. Respondent shall maintain prospectus logs to document the date a Private Placement Memorandum and Subscription Agreement are sent to and returned from a potential investor.

12. Respondent shall maintain a Check Received Log to document the name of the investor, amount invested, and date the investment check was received.

13. Nothing in these settlement terms shall prevent the respondent from transacting business with the industry, investors, or others in a joint venture for the drilling of oil or gas so long as he is in compliance with any applicable rules, laws, and regulations, and so long as he is in compliance with their obligations and undertakings herein.

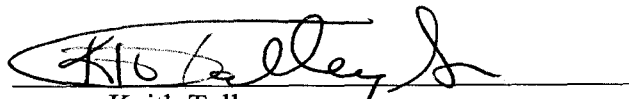
14. Respondent, Stan Napper, shall no longer engage in any aspect of the business of offering or selling options on securities at any time for any reason, except through a registered agent of a registered broker-dealer.

IT IS HEREBY FURTHER ORDERED that:

15. Stan Napper shall never violate the Securities Act of Kentucky in the future. In addition, Stan Napper shall never violate the regulations enacted under the Securities Act of Kentucky or the Orders of the Executive Directors of the Office or the Commissioners of the Department of Financial Institutions that remain in force.

This is a final and appealable order.

ENTERED this the 14th day of ^{June}~~April~~, 2005.



Keith Talley
Deputy Executive Director
Office of Financial Institutions
1025 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601
(502) 573-3390