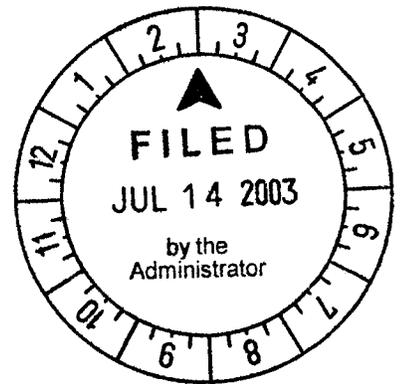


STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Cherokee Energy Company, L.L.C.,  
Appalachian Energy Partners 2001-D, L.L.P.,  
Martin R. Twist and  
Forrest Hammond,

Respondents.

ODS File No. 03-045

**NOTICE OF SERVICE ON THE ADMINISTRATOR**  
**AND**  
**AFFIDAVIT OF COMPLIANCE**

STATE OF OKLAHOMA    )  
                                  )  
COUNTY OF OKLAHOMA)       SS.

The undersigned affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. That he is the Administrator of the Oklahoma Department of Securities (Department).

2. That a copy of the Notice of Opportunity for Hearing (Notice) with Enforcement Division Recommendation (Recommendation) attached was delivered to Affiant in the office of the Administrator of the Department (Administrator) pursuant to Section 413(g) of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2002).

3. That this Affidavit of Compliance shall serve as notice to Cherokee Energy Company, L.L.C., Appalachian Energy Partners 2001-D, L.L.P., Martin R. Twist and Forrest Hammond (collectively, the "Respondents"), that the Administrator has received service of process on behalf of Respondents, pursuant to Section 413(g) of the Act.

4. That a copy of the Notice, with the Recommendation attached, and a copy of this Affidavit of Compliance are being sent this 14th day of July, 2003, by certified mail, return receipt requested, delivery restricted to addressee, to the last known addresses of Respondents, in compliance with Section 413(g) of the Act.

5. That this Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 413(g) of the Act.

FURTHER AFFIANT SAYETH NOT.

Dated this 14th day of July, 2003.

(SEAL)

  
\_\_\_\_\_  
Irving L. Faught, Administrator

Subscribed and sworn to before me this 14th day of July, 2003.

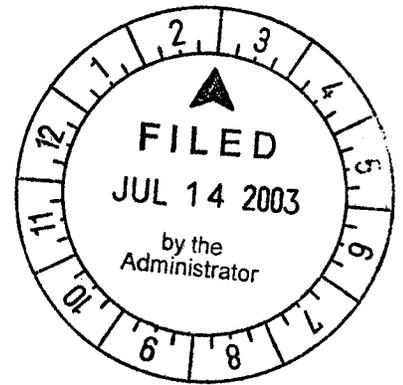
(NOTARY SEAL) Brenda London Smith

Notary Public

My Commission Expires: August 26, 2005

My Commission Number: 01013792

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Cherokee Energy Company, L.L.C.,  
Appalachian Energy Partners 2001-D, L.L.P.,  
Martin R. Twist and  
Forrest Hammond,

Respondents.

ODS File No. 03-045

**NOTICE OF OPPORTUNITY FOR HEARING**

1. Pursuant to his authority under Section 405 of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2002), the Administrator of the Oklahoma Department of Securities (Department) authorized an investigation into the activities of Cherokee Energy Company, L.L.C., Appalachian Energy Partners 2001-D, L.L.P., Martin R. Twist and Forrest Hammond, (collectively, the "Respondents"), in connection with the offer and/or sale of securities in and/or from the state of Oklahoma.

2. On the 9th day of July, 2003, the attached Enforcement Division Recommendation (Recommendation) was left in the office of the Administrator of the Department (Administrator).

3. Pursuant to Section 406(b) of the Act, the Administrator hereby gives notice to Respondents of their right to request a hearing to show why an order based on the Recommendation should not be issued.

4. The request for a hearing on the Recommendation must be received by the Administrator within fifteen (15) days after service of this Notice. Pursuant to Section 406(b) of the Act, failure to request a hearing as provided for herein shall result in the issuance of an order to cease and desist against Respondents.

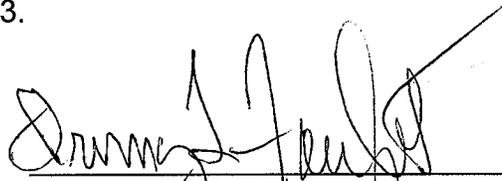
5. The request for hearing shall be in writing and Respondents shall specifically admit or deny each allegation in said request as required by 660:2-9-1(c) of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules).

6. Upon receipt of a written request, pursuant to 660:2-9-2 of the Rules, a hearing on this Notice shall be set within sixty (60) days or a written order denying hearing shall be issued.

7. Notice of the date, time and location of the hearing shall be given to Respondents not less than ten (10) days in advance thereof pursuant to 660:2-9-3(a) of the Rules. Additionally, the notice may contain matters to supplement this Notice and the Recommendation attached hereto.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 14th day of July, 2003.

(SEAL)

  
\_\_\_\_\_  
IRVING L. FAUGHT, ADMINISTRATOR OF THE  
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 14th day of July, 2003, a true and correct copy of the above and foregoing Notice of Opportunity for Hearing and attached Enforcement Division Recommendation was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon addressed to:

Cherokee Energy Company, L.L.C.  
700 Missouri Avenue  
Jeffersonville, IN 47130

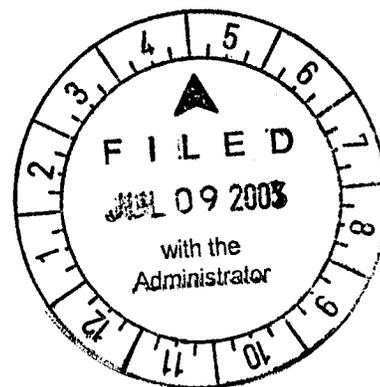
Appalachian Energy Partners 2001-D, L.L.P.  
700 Missouri Avenue  
Jeffersonville, IN 47130

Martin R. Twist  
700 Missouri Avenue  
Jeffersonville, IN 47130

Forrest Hammond  
700 Missouri Avenue  
Jeffersonville, IN 47130

  
\_\_\_\_\_  
Shaun M. Mullins

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER  
120 N. ROBINSON, SUITE 860  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Cherokee Energy Company, L.L.C.,  
Appalachian Energy Partners 2001-D, L.L.P.,  
Martin R. Twist and  
Forrest Hammond,

Respondents.

ODS File No. 03-045

**ENFORCEMENT DIVISION RECOMMENDATION**

Pursuant to Section 405 of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 and Supp. 2002), an investigation was conducted by the Oklahoma Department of Securities (Department) into the activities of Cherokee Energy Company, L.L.C. (Cherokee), Appalachian Energy Partners 2001-D, L.L.P. (Appalachian), Martin R. Twist (Twist) and Forrest Hammond (Hammond) (collectively, the "Respondents"), in connection with the offer and/or sale of certain limited liability partnership interests in the state of Oklahoma.

Based thereon, the following Findings of Fact, Authorities, and Conclusions of Law are submitted to the Administrator of the Department (Administrator), or his designee, in support of the issuance of an order to cease and desist.

Findings of Fact

1. At all times material hereto, Cherokee was represented to be an Indiana limited liability company engaged in the business of exploring for and producing oil and gas.

2. At all times material hereto, Appalachian was represented to be an Indiana limited liability partnership engaged in the business of exploring for and producing oil and gas.

3. At all times material hereto, Cherokee was represented to be the managing general partner of Appalachian.

4. At all times material hereto, Twist was the President and CEO of Cherokee.

5. At all times material hereto, Hammond was an Assistant Vice President of Cherokee.

6. In or about October, 2002, Respondents Cherokee, Twist and Hammond began to offer, in the state of Oklahoma, limited liability partnership interests in Appalachian (the "L.L.P. Interests").

7. The L.L.P. Interests were initially offered in the state of Oklahoma by telephone contact to persons with no substantive pre-existing business relationship with any of the Respondents.

8. In connection with the offer of the L.L.P. Interests, Hammond represented, to at least one resident of the state of Oklahoma, that there were no risks associated with the wells to be drilled by Appalachian.

9. In connection with the offer of the L.L.P. Interests, Twist represented, to at least one resident of the state of Oklahoma, that Cherokee was registered with the United States Securities and Exchange Commission (S.E.C.) under "506D" and that the principal amount of an investment of Forty Thousand Dollars (\$40,000.00) would be returned to the investor in three to six months.

10. In connection with the offer of the L.L.P. Interests, at least one resident of the state of Oklahoma received a package of documents containing copies of newspaper articles, a subscription agreement, a document entitled "Program Highlights" and geographic maps of various regions of the state of West Virginia (collectively referred to as the "Sales Literature").

11. Respondents made untrue statements of material fact in connection with the offer of the L.L.P. Interests by stating that the investment involved "no risk" and that Cherokee was registered with the S.E.C.

12. Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading including, but not limited to, the following:

- a. any general or specific risk factors associated with the exploration of, drilling for, or production of oil and gas or with the specified area of exploration including, but not limited to, potential liability and tax implications associated with an investment in the L.L.P. Interests;

- b. any disclosure regarding the basis for calculation of returns on investment described by Twist or contained in the Sales Literature;
- c. any adequate disclosure regarding possible conflicts of interest between Cherokee and the purchasers of the L.L.P. Interests; and
- d. any adequate disclosure regarding of the illiquid nature of the investment.

13. At all times material hereto, the L.L.P. Interests were not registered under the Act.

14. At all times material hereto, Twist and Hammond were not registered as agents under the Act.

15. It is in the public interest to issue an order to cease and desist against Respondents

#### Authorities

1. Section 2 of the Act provides in pertinent part:

(v) "*Security*" means any:

\* \* \*

(11) investment contract; or

\* \* \*

(17) interest in oil, gas, or mineral leases, except that transactions involving leases or interest therein, between parties, each of whom is engaged in the business of exploring for or producing oil and gas or other valuable minerals as an ongoing business, and the execution of oil and gas leases by land, mineral, and royalty owners in favor of a party or parties engaged in the business of exploring for or producing oil and gas or other valuable minerals shall be deemed not to involve a security.

2. Section 101 of the Act provides:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:

- (1) to employ any device, scheme, or artifice to defraud,
- (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading,
- (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

3. Section 201 of the Act provides in part:

(a)(1) it is unlawful for any person to transact business in this state as a broker-dealer or agent unless the person is so registered under this act or unless the person is exempt from registration as provided in paragraph (2) or (3) of this subsection.

\* \* \*

(b) It is unlawful for any broker-dealer or issuer to employ an agent unless the agent is registered or is exempt from registration.

4. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in this state unless:

(1) it is registered under this act or the security or transaction is exempted under Section 401 of this title; or

(2) it is a federal covered security.

5. Section 405 of the Act provides in part:

(a) The Administrator in his discretion:

(1) may make such public or private investigations within or outside of this state as he deems necessary to determine whether any person has violated or is about to violate any provision of this act or any rule or order hereunder, or to aid in the enforcement of this act or in the prescribing of rules and forms hereunder[.]

6. Section 406 of the Act provides in pertinent part:

(a) If the Administrator reasonably believes, whether or not based upon an investigation conducted under Section 405 of this title, that a person has violated the Oklahoma Securities Act, except under the provisions of Section 202.1 or 305.2 of this title, or a rule or order of the Administrator under the Oklahoma Securities Act or has engaged in dishonest or unethical practices in the securities business, the Administrator, in addition to any specific power granted by any other section of the Oklahoma Securities Act, may impose one or more of the following sanctions:

(1) issue an order against the person to cease and desist from engaging in such violation or dishonest or unethical practices or doing any act in furtherance thereof[.]

#### Conclusions of Law

1. The L.L.P. Interests are securities as defined by subsection (v) of Section 2 of the Act.

2. Respondents offered securities in the state of Oklahoma.

3. Respondents offered unregistered securities in the state of Oklahoma, in violation of Section 301 of the Act.

4. Respondents made untrue statements of material fact, in connection with the offer and/or sale of securities in the state of Oklahoma, in violation of subsection (2) of Section 101 of the Act.

5. Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, in connection with the offer and/or sale of securities in the state of Oklahoma, in violation of subsection (2) of Section 101 of the Act.

6. Respondent Twist and Hammond transacted business in the state of Oklahoma as agents without being registered under the Act, in violation of Section 201 of the Act.

7. Respondent Cherokee employed agents in the state of Oklahoma who were not registered under the Act, in violation of Section 201 of the Act.

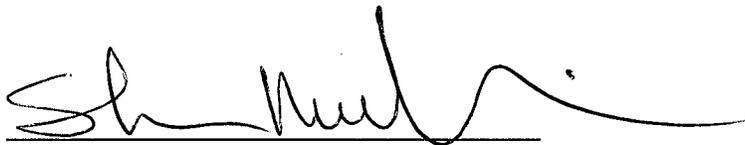
8. The Administrator has the authority pursuant to Section 406 of the Act to issue an order to cease and desist.

9. It is in the public interest to order Respondents to cease and desist from violations of Section 101 of the Act.

WHEREFORE, it is recommended that the Administrator issue an order directing Respondents to cease and desist from engaging in violations of Sections 101, 201 and 301 of the Act or doing any act in furtherance thereof.

Dated this 9 day of July, 2003.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shaun Mullins", written over a horizontal line.

Shaun Mullins  
Enforcement Attorney  
Oklahoma Department of Securities  
120 North Robinson, Suite 860  
Oklahoma City, OK 73102  
(405) 280-7700