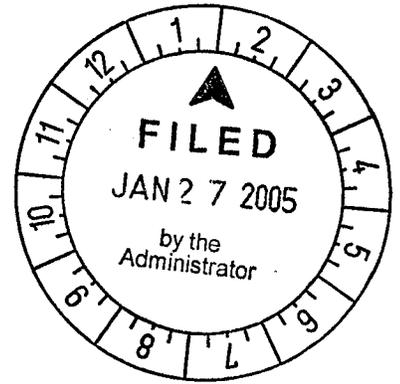


STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Rox Oil & Gas Company,
Russell L. Oxsen, and John E. McHughes
900 N.W. 36th Avenue, Suite 103
Norman, OK 73072

Respondents.

ODS File No. 04-072

**ORDER ACCEPTING UNDERTAKING AND
IMPOSING CIVIL PENALTY**

The Oklahoma Department of Securities ("Department") conducted an investigation into the activities of Rox Oil & Gas Company, an Oklahoma corporation ("Rox"), Russell L. Oxsen ("Oxsen"), and John E. McHughes ("McHughes") (hereafter collectively referred to as "Respondents"), pursuant to Section 405 of the Oklahoma Securities Act ("Act"), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 and Supp. 2003), as made applicable to this matter by Section 1-701 of the Oklahoma Uniform Securities Act of 2004 ("2004 Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), to determine whether certain violations of the Act may have occurred in connection with the offer and sale of securities.

In anticipation of the institution of administrative proceedings, Respondents submitted an offer of settlement, consent and undertaking ("Offer of Settlement and Undertaking") to the Administrator of the Department ("Administrator") for the purpose of resolving the issues raised as a result of the investigation. Solely for the purpose of this proceeding, and without admitting or denying the findings contained in this Order Accepting Undertaking and Imposing Civil Penalty ("Order"), Respondents consent to the entry of this Order and the imposition of a civil penalty as described herein, and voluntarily waive their right to notice and hearing as required by the Act, the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules"), and the Oklahoma Administrative Procedures Act, Okla. Stat. tit. 75, § 250 *et. seq.*

FINDINGS OF FACT

1. At all times material hereto, Rox was engaged in the business of exploring for and producing oil and gas and maintained its principal place of business at 900 N.W. 36th Avenue, Norman, Oklahoma.

2. At all times material hereto, Oxsen was the president of Rox.

3. At all times material hereto, McHughes was the vice president of Rox.

4. At all times material hereto, Rox operated under the dominion and control of Oxsen and McHughes.

5. In 2003, Respondent Rox began to offer and sell working interests ("Working Interests") in oil and gas leases located in Oklahoma from Rox's office in Norman, Oklahoma.

6. Respondent Rox, through an employee, used telephone solicitation to offer the Working Interests. The employee's compensation was based in part on the success of his solicitation efforts. Respondent Rox purchased the names and telephone numbers of those contacted from unaffiliated companies. The offerees lacked any substantive pre-existing business relationship with Rox, Oxsen, or McHughes.

7. As part of the offer of the Working Interests, Respondent Rox provided potential investors ("Investors") with documents containing the following:

- a. a brief description of Rox and its operations;
- b. a geologic and prospect summary; and
- c. an economic analysis calculating returns on investments.

8. In making the representations described above, Respondent Rox omitted the following:

- a. the 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;
- b. adequate disclosure regarding the basis for calculations of returns on investment;
- c. adequate disclosure of possible liability risks, either joint or several, associated with a working interest investment;
- d. adequate disclosure regarding conflicts of interest between Respondents and working interest purchasers;

- e. adequate disclosure regarding the illiquid nature of the investment;
and
- f. any adequate disclosure of tax effects or risks.

9. The Working Interests offered and sold by Respondent Rox were not registered under the Act.

10. The salesperson employed by Respondent Rox was not registered as an agent under the Act.

CONCLUSIONS OF LAW

1. The Working Interests offered and sold by Respondent Rox are securities as defined in Section 2(v)(17) of the Act.

2. Respondent Rox violated Section 301 of the Act by offering and selling unregistered securities.

3. Respondent Rox violated Section 201 of the Act by employing an unregistered agent.

4. In connection with the offer and sale of the Working Interests, Respondents omitted to state material facts that were necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of subsection (2) of Section 101 of the Act.

5. The Administrator has the statutory authority to impose a civil monetary penalty.

UNDERTAKINGS

As part of the Offer of Settlement and Undertaking, Respondents made the following undertakings:

1. Respondents will comply with all provisions of the 2004 Act, in connection with the offer and/or sale of securities in and/or from the state of Oklahoma;

2. Respondents will provide potential investors, at the time of the offer of any security relating to any interest in oil, gas, or mineral leases, an offering memorandum, prospectus or other form of offering document that contains, at a minimum and in addition to any other disclosure appropriate or required under the 2004 Act, the information and disclosures required in Items X.B.2(a)-(n) and X.C of the Statement of Policy Regarding Registration of Oil

and Gas Programs (*as amended October 24, 1991*) adopted by the North American Securities Administrators Association, Inc.;

3. For a period of five years after the date of issuance of this Order, Respondents will notify the Department of any intent to rely on an exemption from the registration provisions of the 2004 Act, in connection with the offer and/or sale of any security in and/or from the state of Oklahoma, at least thirty (30) days prior to the date of the first offer of any security. The notification shall include:

- a. the citation to any exemption under the 2004 Act to be relied upon;
- b. a detailed description of the basis for reliance upon the exemption, including the manner of solicitation;
- c. the name(s) of all person(s) to be offering or selling the securities and a detailed description of the basis for such person's compliance with Section 1-402 of the 2004 Act;
- d. a detailed description of the type of securities to be offered and/or sold pursuant to the exemption; and
- e. the amount of securities to be offered in reliance on the exemption;

4. For a period of five years after the date of issuance of the Order, Respondents will provide to the Department, upon its request, a copy of any and/or all offering documents or other materials used by, or on behalf of, Respondents in connection with the offer or sale of securities within five business days following receipt of the request;

5. Immediately upon receipt of notice of the entry of this Order by the Administrator, Rox will submit a check made payable to the Department in the amount of Two Thousand Five Hundred Dollars (\$2,500.00) in payment of a civil penalty; and

6. Respondents consent to the vacation of this Order and the initiation of administrative and/or civil proceedings based on the subject matter of this Order should Respondents fail to comply with any provision of their Offer of Settlement and Undertaking or this Order.

ORDER

The Administrator, after review of the foregoing and having found it in the public interest, does hereby accept Respondents' Offer of Settlement and Undertaking, and **ORDERS** that Rox pay a civil penalty in the amount of Two Thousand Five Hundred Dollars (\$2,500.00).

Payment shall be made: (i) at the times described in the Offer of Settlement and Undertaking and this Order; (ii) by certified check, bank cashier's check, or bank money order

made payable to the Oklahoma Department of Securities; and (iii) submitted under a cover letter identifying Rox, Oxsen, and McHughes as Respondents in this proceeding and the file number of the matter (ODS File No. 04-072), to the Oklahoma Department of Securities, First National Center, Suite 860, 120 North Robinson, Oklahoma City, Oklahoma 73102.

WITNESS MY HAND and the Official Seal of the Oklahoma Department of Securities this 27th day of January, 2005.

(SEAL)



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

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 27th day of January, 2005, a true and correct copy of the above and foregoing Order Accepting Undertaking and Imposing Civil Penalty was mailed by certified mail, return receipt requested, with postage prepaid thereon addressed to:

Clell I. Cunningham III
Dunn, Swan & Cunningham, P.C.
210 Park Avenue, Suite 2800
Oklahoma City, OK 73102
(Attorney for Respondents)



Brenda London Smith
Paralegal