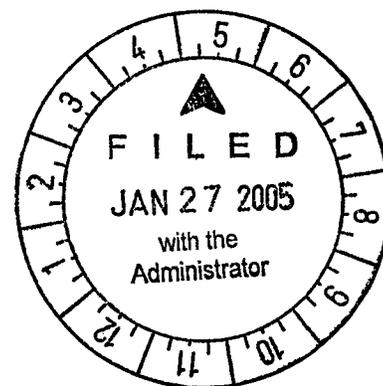


STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102



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

OFFER OF SETTLEMENT, CONSENT AND UNDERTAKING
OF ROX OIL & GAS COMPANY, RUSSELL L. OXSEN AND
JOHN E. McHUGHES

Respondents Rox Oil & Gas Company, an Oklahoma corporation ("Rox"), Russell L. Oxsen ("Oxsen"), and John E. McHughes ("McHughes") (hereafter collectively referred to as "Respondents") hereby submit this Offer of Settlement, Consent and Undertaking ("Offer of Settlement and Undertaking") to the Administrator of the Oklahoma Department of Securities ("Department") in anticipation of the institution of administrative proceedings against them pursuant to Section 406 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).

This Offer of Settlement and Undertaking is submitted solely for the purpose of this proceeding. Without admitting or denying the findings of fact and conclusions of law set forth in the attached Order Imposing Civil Penalty and Accepting Undertaking ("Order"), Respondents consent to the entry of the Order, 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.*, and make 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 the 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

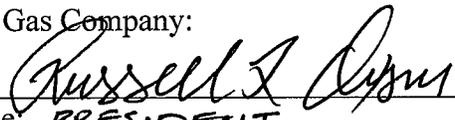
6. Respondents consent to the vacation of the Order and the initiation of administrative and/or civil proceedings based on the subject matter of the Order should Respondents fail to comply with any provision of this Offer of Settlement and Undertaking or the Order.

Respondents further understand that it would be inconsistent with the terms of the resolution of this matter, and agree not to take any action or to make, or permit to be made, any public statement: (1) denying, directly or indirectly, any finding of fact, conclusion of law or other statement contained in the Order; or (2) creating the impression that the Order is without factual basis. Respondents understand and agree that if this agreement is breached the Administrator may vacate the Order and initiate administrative and/or civil proceedings against Respondents based on the subject matter of the Order.

Respondents represent that they have read and understand this Offer of Settlement and Undertaking and that it is submitted voluntarily, and that no offer, promise, threat or inducement of any kind or nature has been made by the Administrator or the staff of the Department to induce Respondents to submit this Offer of Settlement and Undertaking, or to agree to the waivers and consents set forth herein.

Respectfully Submitted,

Rox Oil & Gas Company:

By: 
Title: PRESIDENT

Date: 1-19-05

Address: 900 N.W. 36th Avenue, Suite 103
Norman, OK 73072

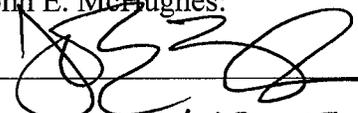
Russell L. Oxsen:



Date: _____

Address: 900 N.W. 36th Avenue, Suite 103
Norman, OK 73072

John E. McHughes:



Date: 1-19-05

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