

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



In the Matter of:

Target Oil and Gas Corporation,
Michael Dale Smith, and James Paul McElroy,

Respondents.

ODS File No. 04-082

ORDER TO CEASE AND DESIST

The Enforcement Division (Division) of the Oklahoma Department of Securities (Department) conducted an investigation into the activities of Target Oil and Gas Corporation and Michael Dale Smith (Respondents), in connection with the offer and/or sale of securities in and/or from Oklahoma. The Division submitted an Enforcement Division Recommendation (Recommendation) in support of the issuance of an order to cease and desist pursuant to Section 406 of the Oklahoma Securities Act (Predecessor Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2003), and Section 1-604 of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003).

For the purpose of resolving the issues raised in the Recommendation, Respondents executed an Agreement (Agreement) with the Administrator of the Department (Administrator), attached hereto as Exhibit "A," wherein Respondents consented to the entry of this Cease and Desist Order (Order), and voluntarily waived their right to 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.*

The Administrator hereby adopts the Findings of Fact, Authorities, and Conclusions of Law set forth in the Recommendation as follows:

Findings of Fact

1. At all times material hereto, Target Oil and Gas Corporation was a Kentucky corporation, purportedly engaged in oil and gas production and exploration.
2. At all times material hereto, Michael Dale Smith (Smith), an individual, was President of Target Oil and Gas.

3. Beginning in March, 2000, and continuing through April, 2001, Respondents offered and sold subscription agreements for oil and gas joint ventures (Subscription Agreements) to an Oklahoma investor (Investor). Respondents initiated contact with the Investor by mailing information to him in Oklahoma. Respondents offered and sold five separate Subscription Agreements to the Investor. The Investor signed the Subscription Agreements in Oklahoma and mailed the Subscription Agreements and checks to Respondents from Oklahoma.

4. Respondent Smith was not registered under the Predecessor Act to transact business as a broker-dealer or agent.

5. The Subscription Agreements offered and sold by Respondents were not registered pursuant to Section 301 of the Predecessor Act.

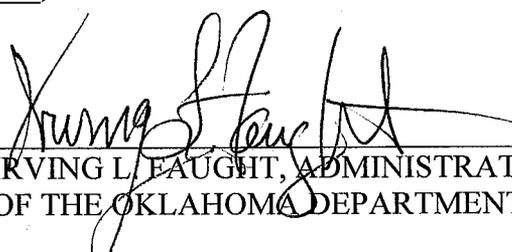
Conclusions of Law

1. The Subscription Agreements are securities pursuant to the Predecessor Act.
2. Respondents offered and sold unregistered securities in and/or from Oklahoma, in violation of Section 301 of the Predecessor Act.
3. Respondent Smith was not registered under the Predecessor Act to transact business as a broker-dealer or agent, in violation of Section 201 of the Predecessor Act.
4. The Administrator has the authority to order Respondents to cease and desist from offering and selling non-exempt, unregistered securities in and/or from Oklahoma, and from transacting business as broker-dealers or agents in the state of Oklahoma without the benefit of registration.
5. It is in the public interest to order Respondents to cease and desist from engaging in any act, practice, or course of business constituting a violation of the Act.

IT IS HEREBY ORDERED that Respondents cease and desist from the offer and sale of non-exempt unregistered securities in and/or from Oklahoma, and from transacting business as broker-dealers or agents in the state of Oklahoma without the benefit of registration.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 26th day of May, 2006.

(SEAL)



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

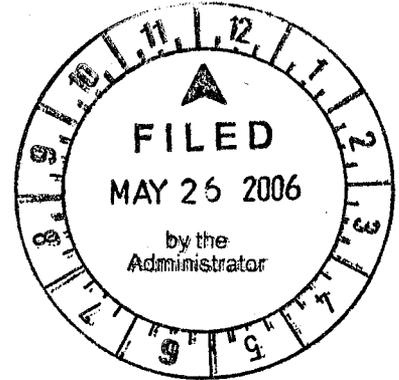
CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 26th day of May, 2006, a true and correct copy of the above and foregoing Order to Cease and Desist was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon addressed to:

Jeffrey W. Jones
1000 E. Lexington Avenue, #3
Danville, KY 40422

Brenda London

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In the Matter of:

Target Oil and Gas Corporation,
Michael Dale Smith, and James Paul McElroy,

Respondents.

ODS File No. 04-082

AGREEMENT

THIS AGREEMENT is entered into among Target Oil and Gas Corporation (Target), Michael Dale Smith (Smith) and the Administrator (Administrator) of the Oklahoma Department of Securities (Department) as of the effective date set forth below.

An investigation into the activities of Target and Smith was conducted by the Enforcement Division (Enforcement Division) of the Department, pursuant to Section 406 of the Oklahoma Securities Act (Predecessor Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2003), and Section 1-604 of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003).

As a result of the investigation, the Department filed an Enforcement Division Recommendation (Recommendation) with the Administrator. In its Recommendation, the Enforcement Division alleged that Target and Smith offered unregistered securities in and/or from Oklahoma to investors, in violation of Section 301 of the Predecessor Act. The Enforcement Division also alleged that Michael Dale Smith transacted business as a broker-dealer or agent in the state of Oklahoma, in violation of Section 201 of the Predecessor Act.

The Administrator may impose any sanction authorized by Section 406 of the Predecessor Act and Section 1-604 of the Act.

Target and Smith represent that they are not currently engaged in the offer and/or sale of securities in and/or from Oklahoma. Further, Target and Smith desire to settle this matter expeditiously and in a manner consistent with the purposes intended by the Act.

NOW THEREFORE, the undersigned parties hereto agree as follows:

1. **Order To Cease And Desist.** Target and Smith consent to the issuance of an order to cease and desist the offer and sale of non-exempt unregistered securities in and/or from Oklahoma, and from transacting business as broker-dealers or agents in the state of Oklahoma without the benefit of registration

2. **Consideration.** In consideration for the agreements set forth above, the Administrator agrees that no further action shall be taken by the Administrator or the Department against Target and/or Smith for violations of the Act through the effective date of this Agreement. However, should Target and/or Smith fail to comply with the terms of this Agreement in any material respect, or if Target and/or Smith have made any false or misleading statements to the Department in connection with this Agreement, the Enforcement Division will initiate action as authorized by the Act.

3. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give to any person other than the parties hereto any right, remedy or claim under or by reason of this Agreement.

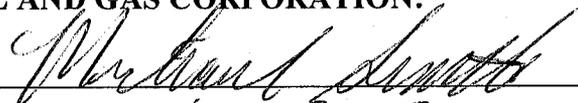
4. **Entire Agreement; Amendment.** This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by each of the parties hereto.

5. **Limitation on Agreement.** Nothing in this Agreement shall prohibit the Administrator from furnishing information to any other properly constituted agency or authority. This Agreement applies only to the activities of Target and Smith and to no others, prior to the effective date of this Agreement. It is further agreed that the execution of this Agreement does not mean that the Administrator has passed in any way upon the merits or qualifications of, or recommended or given approval to, the transactions to which it relates.

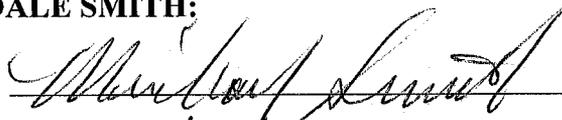
6. **Effective Date.** This Agreement shall be effective as of the date on which it is accepted by the Administrator as set forth below his signature hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year set forth below their signatures hereto.

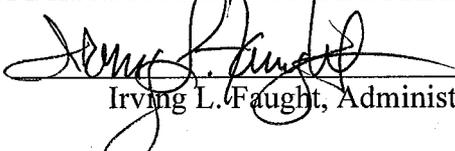
TARGET OIL AND GAS CORPORATION:

By: 
Print Name: Michael Smith
Title: PRESIDENT
Date: 5/22/06
Address: 1000 E. Lexington Ave #116
Danville Ky 40422

MICHAEL DALE SMITH:


Date: 5/22/06
Address: 1000 E. Lexington Ave #116
Danville Ky 40422

OKLAHOMA DEPARTMENT OF SECURITIES:

By: 
Irving L. Faught, Administrator
Date: May 26, 2006

Address: The First National Center, Suite 860
120 North Robinson
Oklahoma City, Oklahoma 73102