

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 1, 2004

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

WOLF CREEK EXPLORATION, LTD., and
GEORGE T. MCDONALD, II,

Defendants

CASE NO. SEC-2004-00032

SETTLEMENT ORDER

The Commission's Division of Securities and Retail Franchising ("Division") has instituted an investigation of Defendants, Wolf Creek Exploration, Ltd., and George T. McDonald, II ("McDonald") pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), §13.1-501 et seq. of the Code of Virginia.

As a result of its investigation, the Division alleges that the Defendants sold securities in the form of investment contracts comprised of joint venture oil and gas drilling programs between 1992 and 1998. In the sale of these securities:

1. Wolf Creek acted as an unregistered broker-dealer in violation of §13.1-504 A (i) of the Act.
2. McDonald acted as an unregistered agent in violation of §13.1-504 A of the Act.
3. Wolf Creek employed McDonald as an unregistered agent in violation of §13.1-504 B of the Act.

The Defendants neither admit nor deny these allegations, but admit to the Commission's jurisdiction and authority to enter this Settlement Order.

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CONTROL

As a proposal to settle all matters arising from these allegations, the Defendants have offered and agreed to comply with the following terms and undertakings:

1. The Defendants agree to be permanently enjoined from violating the provisions of the Act in the future.
2. McDonald will provide each investor a copy of this Order.
3. Pursuant to §13.1-521 of the Act, McDonald will pay to the Commonwealth a monetary penalty of forty-five thousand dollars (\$45,000). The Commission has agreed to waive this penalty if McDonald fully complies with the restitution provisions of paragraphs 4 and 5 below.
4. McDonald will make restitution of forty-five thousand dollars to investors on a pro-rata basis within 120 days from the date of this Order.
5. McDonald will, within 150 days from the date of this Order, submit to the Division an affidavit, executed by McDonald, containing the name and address of each investor and the amount and date of restitution to the investor.
6. It is recognized and understood that if the Defendants fail to comply with any of the foregoing terms and undertakings, then the Commission reserves the right to take whatever action it deems appropriate, including but not limited to, instituting a show cause proceeding under the Act or other applicable statutes based on such failure to comply, on the allegation contained herein and/or on such other allegations as are warranted and the Defendants will not contest the exercise of the right reserved.

The Division has recommended that Defendant's offer of settlement be accepted pursuant to authority granted to the Commission in § 12.1-15 of the Code of Virginia.

THEREFORE, IT IS ORDERED THAT:

1. Pursuant to the authority granted to the Commission in §12.1-15 of the Code of Virginia, the Defendants' offer of settlement is accepted;
2. The Defendants shall fully comply with the aforesaid terms and undertakings of the Settlement.
3. Pursuant to §13.1-519 of the Act, the Defendants are permanently enjoined from violating the provisions of the Act.
4. McDonald will provide each investor a copy of this Order.
5. Pursuant to §13.1-521 of the Act, McDonald will pay to the Commonwealth a monetary penalty of forty-five thousand dollars (\$45,000); however, it is understood and agreed that this penalty is waived if McDonald fully complies with the restitution provisions set out in paragraphs 6 and 7 below.
6. McDonald will make restitution of forty-five thousand dollars (\$45,000) to investors on a pro-rata basis within 120 days from the date of this Order.
7. McDonald will, within 150 days from the date of this Order, submit to the Division an affidavit, executed by McDonald, containing the name and address of each investor and the amount and date of restitution to the investor.
8. The Commission shall retain jurisdiction in this matter for all purposes, including the institution of a show cause proceeding as described above, or taking such other action it deems appropriate, on account of the Defendants' failure to comply with the terms and undertakings of the settlement.

AN ATTESTED copy hereof shall be sent by CERTIFIED MAIL, RETURN
RECEIPT REQUESTED, to Wolf Creek Exploration, Ltd., and George McDonald, II, c/o
JoAnne L. Nolte, The Conrad Firm, 1508 West Main Street, Richmond, Virginia 23220.

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Defendants


ADMISSION AND CONSENT

The Defendants, Wolf Creek Exploration, Ltd., and George T. McDonald, II admit the jurisdiction of the State Corporation Commission of Virginia as to the party and the subject matter hereof and, without admitting or denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order.

The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Settlement Order.

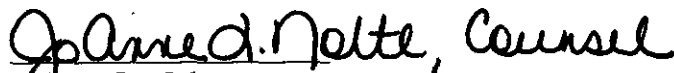
Dated: 10-21-04

Wolf Creek Exploration, Ltd.


George T. McDonald, II, President


George T. McDonald, II.

Seen and Approved by:


JoAnne L. Nolte
The Conrad Firm
1508 West Main Street
Richmond, VA 23220

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