

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

2008 JUL 28 P 1:38

AT RICHMOND, JULY 28, 2008

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COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

ENTERRA ENERGY, LLC,
PENNSYLVANIA 3 WELL DEVELOPMENT, LLP,
McKEAN COUNTY 3 WELL, LLP,
L-O-T DEVELOPMENT WELLS, LLP,
ENTERRA SEVEN, LLP,
KAT-5, LLP,
GREAT OKLAHOMA OIL DEAL, LLP,
KAT-5-2, LLP,
DAVID G. ROSE,
and
BRIAN ROSE,

CASE NO. SEC-2007-00010

CASE NO. SEC-2008-00015

CASE NO. SEC-2008-00016

CASE NO. SEC-2008-00017

CASE NO. SEC-2008-00018

CASE NO. SEC-2008-00019

CASE NO. SEC-2008-00020

CASE NO. SEC-2008-00021

CASE NO. SEC-2008-00022

CASE NO. SEC-2008-00023

Defendants

FINAL ORDER

On February 20, 2008, the State Corporation Commission ("Commission") issued Rules to Show Cause ("Rules") against the Defendants. The Rules alleged that the Defendants violated certain provisions of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia.

The Rules, among other things, ordered the Defendants to file responsive pleadings on or before April 1, 2008, in which the Defendants were required to expressly admit or deny the allegations in the Rules and present any affirmative defenses that they intended to assert. The Defendants were advised that they may be found in default if they failed to either timely file a responsive pleading or other appropriate pleading, or if they filed such pleading and failed to make an appearance at the hearing. If found in default, the Defendants were advised that they

would be deemed to have waived all objections to the admissibility of evidence and may have entered against them a judgment by default imposing some or all of the sanctions permitted by law.

On May 16, 2008, the Division of Securities and Retail Franchising ("Division") filed a Motion for Default. In support, the Division stated that the Defendants had not filed an answer or other responsive pleading. The Division provided legal authority for the Commission to enter a default judgment, and provided a sworn affidavit from William Ward, Senior Investigator with the Division, along with accompanying documentary proof to provide the facts necessary to prove the allegations set forth in the Rules.

A hearing on the Rules was convened as scheduled on May 21, 2008. The Division was represented by its counsel, Mary Beth Williams, who offered into the record the affidavit of William Ward and other attachments relating to proving proper service of the Rules. The Defendants, who were served by certified mail, failed to appear at the hearing. Counsel for the Division moved for a default judgment based on the Defendants' failure to file responsive pleadings and appear at the hearing. Additionally, the Division requested that the Commission enter a default judgment against each of the Defendants on the counts alleged in the Rules; impose the maximum penalty of five thousand dollars (\$5,000) per violation on Defendant enTerra Energy, LLC, for a total of \$255,000; impose the maximum penalty of \$5,000 per violation on Defendant Pennsylvania 3 Well Development, LLP, for a total of \$105,000; impose the maximum penalty of \$5,000 per violation on Defendant McKean County 3 Well, LLP, for a total of \$10,000; impose the maximum penalty of \$5,000 per violation on Defendant L-O-T Development Wells, LLP, for a total of \$20,000; impose the maximum penalty of \$5,000 per violation on Defendant enTerra Seven, LLP, for a total of \$20,000; impose the maximum penalty

of \$5,000 per violation on Defendant KAT-5, LLP, for a total of \$30,000; impose the maximum penalty of \$5,000 per violation on Defendant Great Oklahoma Oil Deal, LLP, for a total of \$50,000; impose the maximum penalty of \$5,000 per violation on Defendant KAT-5-2, LLP, for a total of \$20,000; impose the maximum penalty of \$5,000 per violation on Defendant David G. Rose, for a total of \$70,000; and impose the maximum penalty of \$5,000 per violation on Defendant Brian Rose, for a total of \$40,000.

On July 3, 2008, the Chief Hearing Examiner issued her report. In her Report, she found that based upon the evidence presented: (1) the Defendants were in violation of the Act as alleged in the Rules; (2) the Motion for Default Judgment should be granted; (3) the imposition of the maximum penalties as recommended by the Division is warranted; and (4) the Defendants should be permanently enjoined from any act which constitutes a violation of the Virginia Securities Act.

The Chief Hearing Examiner's Report allowed for the parties to file comments within twenty-one days of the entry of the Report. As of this date, the Defendants have not filed comments.

Accordingly, IT IS ORDERED THAT:

- (1) The findings and recommendations of the July 3, 2008, Chief Hearing Examiner's Report are hereby adopted;
- (2) In accordance with the Commission's regulatory duties and powers and pursuant to § 13.1-421 of the Act, judgment is entered for the Commonwealth against the Defendants; and
- (3) Pursuant to § 13.1-519 of the Act, the Defendants are hereby enjoined from any further violations of the Act.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

enTerra Energy, LLC, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; Pennsylvania 3 Well Development, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; McKean County 3 Well, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; L-O-T Development Wells, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; enTerra Seven, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; KAT-5, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; Great Oklahoma Oil Deal, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; KAT-5-2, LLP, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; David G. Rose, 1829 East Spring Street, New Albany, Indiana 47150; David G. Rose, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; Brian Rose, 427 Haywood, Louisville, Kentucky 40208; Brian Rose, One Memorial Place, 7633 East 63rd Place, Suite 300, Tulsa, Oklahoma 74133; and the Commission's Office of General Counsel and the Division of Securities and Retail Franchising.