

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
GULLY/RILEY PROJECT ) ADMINISTRATIVE ORDER  
ENERGY EXPLORATION INC ) NO. CD-2010-00<sup>47</sup>  
SCOTT PIKE PEACOCK )  
JACK LEE MARKWELL )  
RESPONDENTS )

**CEASE AND DESIST ORDER**

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("ACT"), upon due consideration of the subject matter hereof, having confirmed information of the offer for sale of securities, into, within or from the state of Alabama, has determined as follows:

**RESPONDENTS**

1. GULLY/RILEY PROJECT JOINT VENTURE (GULLY) is a "general partnership" organized under the laws of the State of Oklahoma with a principal business address of 104 Reynolds Road, Glasgow, Kentucky 42141.
2. ENERGY EXPLORATION, INC. (EEI) a Kentucky Corporation is listed as the "managing general partner" of GULLY, with a principal business address of 104 Reynolds Road, Glasgow, Kentucky 42141.
3. SCOTT PIKE PEACOCK (PEACOCK) during all times relevant was represented to be President of EEI and Executive Officer, Director and Promoter of GULLY with a principal business address of 104 Reynolds Road, Glasgow, Kentucky 42141.

4. JACK LEE MARKWELL (MARKWELL) during all times relevant was represented to be CFO of EEI with a principal business address of 104 Reynolds Road, Glasgow, Kentucky 42141.

### **STATEMENT OF FACTS**

5. The Commission is in receipt of information that on or about December 2009, an unidentified representative of EEI made a general solicitation ("cold call") to an Alabama resident, with whom RESPONDENTS had no previous business relationship, to offer an investment in a general partnership called GULLY/RILEY PROJECT. Offering materials were mailed by representatives of EEI to the Alabama resident. The materials represented PEACOCK as President and MARKWELL as CFO of EEI.

6. The material included a letter from MARKWELL, mission statement of EEI, Confidential Program Summary, subscription and customer agreement and purchaser suitability questionnaire. The letter from MARKWELL described GULLY as a "forty-six well re-work project located in Rogers County, Oklahoma." The last line of the letter before the signature line stated; "We are pleased to offer you the opportunity to participate with us in this development and look forward to a long and mutually profitable relationship." The letter closed "Very Truly Yours, Jack Markwell". MARKWELL's name was typed and not personally signed.

7. The Confidential Program Summary mailed by GULLY to the Alabama resident stated: "Investment in the general partnership involves a high degree of risk these are speculative securities." "These securities have not been registered with or approved by any state securities agency or the SEC and are being offered and sold under an exemption from registration."

8. The GULLY/RILEY PROJECT OVERVIEW mailed by GULLY to the Alabama resident stated: "We believe the wells that are planned in this project could prove very productive and yield a 100% return, cash on cash, in less than eighteen

months and provide many productive years thereafter." This acknowledges that GULLY will pay investors with payments out of production from an oil, gas or mining title lease based on production from the wells.

9. The offering materials describe the investment as the participation in units of partnership interest at a price of \$30,000 per unit which represents 1% net revenue interest. "The Partnership has been organized by EEI., as managing partner and sponsor, for the purpose of re-working, re-drilling and repair of forty-six wells in Rogers County, Oklahoma and is from a 75% working interest assignment by the owner of the lease rights as further described in the memorandum which pays 100% of the original costs to productions and 75% of the costs after production."

10. A review of the files of the Commission conducted on February 24, 2010, disclosed that RESPONDENTS were neither registered nor exempt from registration to offer and/or sell securities in Alabama and that no security was registered as being offered by RESPONDENTS.

11. On June 18, 2010, a search of the United States Securities and Exchange Commission's, EDGAR database website, disclosed two FORM D filings by GULLY for the joint venture interests. The filing made September 9, 2009, lists PEACOCK as Executive Officer, Director and Promoter of GULLY. On August 19, 2010, a review of the Commission's registration files disclosed no filing in the State of Alabama for GULLY.

#### CONCLUSIONS OF LAW

12. Pursuant to Section 8-6-2(10), Code of Alabama 1975, Alabama's statutory definition of a security includes any certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under such title or lease. The interests in GULLY offered by the RESPONDENTS constitute units of partnership interest or participation in an oil, gas or mining title lease or in payments out of production under such title or lease and are securities under the Act.

13. Pursuant to Section 8-6-2(2), Code of Alabama 1975, Agent is defined as any individual other than a dealer who represents a dealer or issuer in effecting or attempting to effect sales of securities. MARKWELL represented GULLY in **effecting** the sale of interest in GULLY and is an agent under the Act.

14. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any dealer or issuer to employ an agent unless the agent is registered. GULLY and PEACOCK in his capacity as President employed MARKWELL as an agent who was not registered in violation of Section 8-6-3(a) of the Act.

15. Section 8-6-4, Code of Alabama 1975 states: It is unlawful for any person to offer or sell any security in this state unless it is registered under the Act; the security is exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11. The securities offered, to wit; the interests in GULLY offered by RESPONDENTS were neither registered nor exempt from registration in Alabama and were offered in violation of the Act.

16. RESPONDENTS offered securities to an Alabama resident pursuant to a notice filing in Alabama which claimed an exemption from registration for limited offering of securities under Regulation D, Rule 506 of the Securities Act of 1933. A representative of EEI made a cold call to an Alabama resident in violation of United States Securities and Exchange Commission Regulation 230.502(c) regarding Limitation on Manner of Offering which prohibits any type of general solicitation in the offer of securities subject to the exemption. Based on RESPONDENTS violation of SEC Rule 230.502(c), neither the RESPONDENTS, nor the securities offered by them were registered or subject to any perfected exemption from registration.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Alabama Securities Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Alabama Securities Act.

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the RESPONDENTS to make a timely request for hearing, or default of the respondents, it is the intention of the Commission to impose sanctions upon the RESPONDENTS. Such sanctions may include, *inter alia*, an administrative assessment imposed on RESPONDENTS, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against RESPONDENTS, and a permanent order to bar RESPONDENTS from participation in any securities related industry in the state of Alabama.

**ACCORDINGLY, IT IS HEREBY ORDERED** that RESPONDENTS immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, AL, this 24th day of August, 2010.



ALABAMA SECURITIES COMMISSION  
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(334) 242-2984

BY:

JOSEPH P. BORG  
Director