

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
U.S. EMERALD GP, LLP) ADMINISTRATIVE ORDER
U.S. EMERALD ENERGY COMPANY, L.P.) NO. CD-2010-0056
OLD TOWN BAY JOINT VENTURE)
MICHAEL L. F. SLAVIN)
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, upon due consideration of the subject matter hereof, has determined as follows.

RESPONDENT

1. **U.S. EMERALD GP, LLP ("EMERALD")** is a Texas partnership with its principal place of business located at 616 FM 1960 West., Suite 600, Houston, Texas 77090.
2. **U.S. EMERALD ENERGY COMPANY, L.P. ("ENERGY")** is a Texas limited liability company with its principal place of business located at 616 FM 1960 Road W., Suite 600, Houston, Texas 77090.
3. **OLD TOWN BAY JOINT VENTURE ("OLD TOWN")** is a Texas joint venture with its principal place of business located at 616 FM 1960 Road W., Suite 600, Houston, Texas 77090.
4. **MICHAEL L. F. SLAVIN ("SLAVIN")** is the President of **EMERALD** and the Managing Member and controlling person of **ENERGY**, with his principal place of business located at 616 FM 1960 Road W., Suite 600, Houston, Texas 77090.

STATEMENT OF FACTS

5. Respondent **EMERALD** is the General Partner of Respondent **ENERGY**, and was formed for the principal purpose of reviewing drilling prospects, upon which partnerships and joint ventures are formed by the company.

6. Respondent **ENERGY** is the Managing Venturer of respondent **OLD TOWN**, and was formed for the principal purpose of engaging in exploration, development, and production activities.

7. The controlling person of Respondents **EMERALD** and **ENERGY** is Respondent **SLAVIN**, who is responsible for conducting and administering the business and affairs of the joint venture **OLD TOWN**.

8. The joint venture **OLD TOWN** was created to engage in the business of searching for and producing hydrocarbons from a single oil and/or gas well located in Calcasieu Parish, Louisiana.

9. The investment objectives of **OLD TOWN** were 1) to acquire an interest in the prospect well, 2) participate in the operations therein if appropriate, 3) provide cash distributions to the venturers, and 4) provide current tax benefits to the venturers.

10. In an attempt to raise capital for the **OLD TOWN** venture, respondents generated a "Confidential Information Memorandum" which details the structure and purpose of the venture. Through the Memorandum, the **OLD TOWN** venture attempted to raise \$500,000 through the sale of 20 units in the joint venture. Each unit was priced at \$25,000 and assigned the purchaser a 0.5% working interest (0.3575 Net Revenue interest) in the prospect well.

11. Information gathered in the investigation indicates that in May of 2010 respondents accomplished an unsolicited mail solicitation of an Alabama resident in an effort to sell the resident an investment interest involving the joint venture **OLD TOWN**. The respondent mailed the Alabama resident a copy of the "Old Town Bay Joint Venture – Confidential Information Memorandum" in an effort to solicit the resident to invest in the

OLD TOWN joint venture. The Alabama resident had no knowledge of, and no prior business or personal relationship with the respondents prior to the general solicitations conducted by the respondents.

12. On October 13, 2010, a review of the Commission's registration files disclosed no record of registration, nor any perfected exemption from registration for the **OLD TOWN** Units of Joint Venture Interests in the State of Alabama.

13. On October 13, 2010, a review of the Commission's registration files disclosed no record of registration for **RESPONDENTS** as a Dealer or Agent for securities in the state of Alabama.

CONCLUSIONS OF LAW

14. 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 Units of Joint Venture Interest in **OLD TOWN** offered by **RESPONDENTS** constitute certificates of interest or participation in an oil, gas or mining title lease or in payments out of production under such title or lease. The investments offered by **RESPONDENTS** as units of interest in **OLD TOWN** are securities under the Act.

15. Pursuant to Section 8-6-2(2), Code of Alabama 1975, the definition of "agent" includes any individual who represents a dealer or an issuer in effecting or attempting to effect sales of securities. **SLAVIN**, as a principal of **EMERALD**, and Managing Member of **ENERGY**, allowed and caused the solicitation of the sale of securities, to wit; the Units of Joint Venture Interest in **OLD TOWN**, to an Alabama resident and is an "Agent" as defined by the Act.

16. Pursuant to Section 8-6-3(a), it is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. It is unlawful for any dealer or issuer to employ an agent unless the agent is registered. **SLAVIN** was not registered as a dealer or agent in the state of Alabama.

17. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for a person to transact business in this state as a dealer or agent for securities unless such person is registered under the Act. Respondents **EMERALD**, **ENERGY** and **OLD TOWN** acted in the capacity of a broker dealer, and employed unregistered agents to solicit securities to Alabama residents. Respondents **EMERALD**, **ENERGY** and **OLD TOWN** were not registered as securities dealers, investment advisors, or investment advisor representatives in the state of Alabama.

18. 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 Units of Joint Venture Interest in **OLD TOWN** by the **RESPONDENTS** were neither registered nor exempt from registration in Alabama in violation of the Act.

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 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.

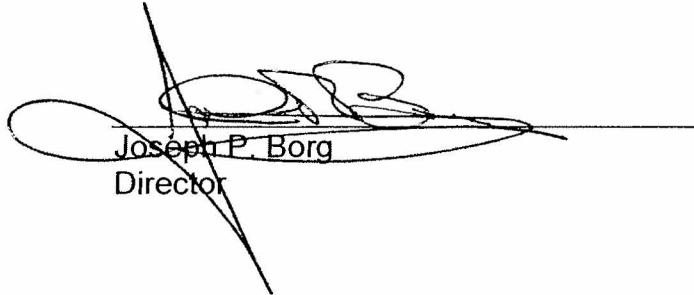
ACCORDINGLY, IT IS HEREBY ORDERED that **RESPONDENTS** immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, AL, this 22nd day of November, 2010.



ALABAMA SECURITIES COMMISSION
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BY:



Joseph P. Borg
Director