

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation
6 of the Securities Act of Washington by:

7 North American Resource Group, Inc.;
8 Southeastern Energy, Inc.;
9 Falling Waters Prospect;
10 Southeastern Buck Mountain Prospect;
11 Southeastern Caney Creek Prospect;
12 Huddleston Annex Prospect;
13 Stephens Prospect; Gilreath Mill Prospect;
14 G. Alan Murrell; Thomas Emberton, Jr.;
15 Doug Smith,

16 Respondents.

Order Number S-05-113-06-CO01

CONSENT ORDER AND ORDER
VACATING FINAL ORDER NO. S-05-113-
06-FO01

17 THE STATE OF WASHINGTON TO:

18 North American Resource Group, Inc.
19 Southeastern Energy, Inc.
20 Falling Waters Prospect
21 Southeastern Buck Mountain Prospect
22 Southeastern Caney Creek Prospect
23 Huddleston Annex Prospect
24 Stephens Prospect
Gilreath Mill Prospect
G. Alan Murrell
Thomas Emberton, Jr.
Doug Smith

25 **STATEMENT OF CHARGES**

26 On June 27, 2006, the Securities Administrator of the State of Washington issued a Final Order to
27 Cease and Desist and Impose Fines, number S-05-113-06-FO01, hereinafter referred to as the "Final
28 Order" against North American Resource Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect,
29 Southeastern Buck Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect,
30 Stephens Prospect, Gilreath Mill Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith.

31 CONSENT ORDER AND ORDER VACATING
32 FINAL ORDER NO. S-05-113-06-FO01

1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and
2 Respondents, North American Resource Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect,
3 Southeastern Buck Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect,
4 Stephens Prospect, Gilreath Mill Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith, do
5 hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents, North
6 American Resource Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck
7 Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect,
8 Gilreath Mill Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith, neither admit nor deny
9 the Findings of Fact and Conclusions of Law stated below.

10
11 **FINDINGS OF FACT**

12 Respondents

13 1. North American Resource Group, Inc. (“North American”), a Kentucky corporation, was
14 established on January 21, 2004 and is currently conducting business at 219 Reynolds Road, Glasgow,
15 Kentucky 42141 and was previously conducting business at 157 Reynolds Road, Glasgow, Kentucky
16 42141. North American is a development and management company that specializes in oil and gas
17 exploration in Tennessee.

18 2. Southeastern Energy, Inc. (“Southeastern Energy”), a Kentucky Corporation, was
19 established January 25, 1999 and is currently conducting business at 217 Reynolds Road, Glasgow,
20 Kentucky and was previously conducting business at 157 Reynolds Road, Glasgow, Kentucky 42141.
21 Southeastern is a development and management company that specializes in oil and gas exploration in
22 Tennessee.

1 3. Falling Waters Prospect (“Falling Waters”) is a partnership formed by North American
2 for the purpose of oil and gas development in Tennessee. North American Resource Group is the
3 managing general partner of Falling Waters.

4 4. Southeastern Buck Mountain Prospect (“Buck Mountain”) is a partnership formed by
5 Southeastern Energy for the purpose of oil and gas development in Tennessee. Southeastern Energy is
6 the managing general partner of Buck Mountain.

7 5. Southeastern Caney Creek Prospect (“Caney Creek”) is a partnership formed by
8 Southeastern Energy for the purpose of oil and gas development in Tennessee. Southeastern Energy is
9 the managing general partner of Caney Creek.

10 6. Huddleston Annex Prospect (“Huddleston Annex”) is a Kentucky general partnership
11 formed by North American for the purpose of oil and gas development in Tennessee. North American
12 Resource Group is the managing general partner of Huddleston Annex.

13 7. Stephens Prospect (“Stephens”) is a Kentucky general partnership created by North
14 American Resource Group for the purpose of oil and gas development in Tennessee. North American
15 Resource Group is the managing general partner of Stephens.

16 8. Gilreath Mill Prospect Partners (“Gilreath Mill”) is a Kentucky general partnership
17 created for the purpose of oil and gas development in Tennessee. North American Resource Group is
18 the managing general partner of Gilreath Mill.

19 9. G. Alan Murrell (“Murrell”) is the Director and President of North American and retains
20 a 50% interest of the company. Murrell is also the President, Secretary, Treasurer and Director of
21 Southeastern.

1 20. After receiving the materials the account representative contacted Resident C to assist
2 him with completing the investor questionnaire. The account representative instructed Resident C to
3 put an incorrect net worth on the questionnaire so that Resident C would qualify as an accredited
4 investor for the purpose of meeting Regulation D Rule 506 requirements.

5 21. Prior to investing, Resident C inquired about the location of the oil wells and the
6 contractors involved with the project. North American refused to disclose the location of the wells.

7 22. On June 30, 2004, Resident C sent the form, along with a personal check for \$31,000 via
8 U.S. mail to North American for the purchase of an interest in the Huddleston Annex.

9 23. The partnership interest in Huddleston Annex was limited to the sharing of profits and
10 losses and did not include participation in the day-to-day operations or decision making. Resident C
11 relied on North American's expertise in the oil and gas development business because did not have any
12 similar experience and was a retiree residing in Washington. Resident C was notified about the success
13 or failure of the oil prospects after they occurred and made or received payments based upon
14 representations by North American.

15 24. In September 2004, Resident C was contacted by the account representative with an
16 additional investment offering in three-well-prospect in Tennessee called Stephens. The only
17 documents Resident C received related to the Stephens offering were a five page geological report and
18 a purchase agreement.

19 25. On September 13, 2004, Resident C sent the purchase agreement and a check in the
20 amount of \$25,000 to North American via U.S. mail for the purchase of a three-and-one-half
21 partnership interests in Stephens.

1 4. South Eastern violated RCW 21.20.040 by offering or selling said securities while not
2 registered as a broker-dealer in the State of Washington.

3 5. The offer and/or sale of the Huddleston Annex Prospect, Stephens Prospect and Gilreath
4 Mill Prospect securities were made in violation of RCW 21.20.010 because, as set forth in the
5 Tentative Findings of Fact, Respondents made misstatements of material fact or omitted to state
6 material facts necessary in order to make the statements made, in light of circumstances under which
7 they were made, not misleading.

8
9 **CONSENT ORDER**

10 Based on the foregoing:

11 IT IS AGREED AND ORDERED that Respondents, North American Resource Group, Inc.,
12 Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect, Southeastern
13 Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill Prospect, G. Alan
14 Murrell, Thomas Emberton, Jr. and Doug Smith and their agents and employees, shall each permanently
15 cease and desist from violations of RCW 21.20.140, the section of the Securities Act of Washington
16 requiring registration.

17 IT IS FURTHER AGREED AND ORDERED that Respondents, North American Resource
18 Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect,
19 Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill
20 Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith and their agents and employees, shall
21 each permanently cease and desist from violations of RCW 21.20.040, the broker-dealer and securities
22 salesperson registration section of the Securities Act.

1 IT IS FURTHER AGREED AND ORDERED that Respondents, North American Resource
2 Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect,
3 Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill
4 Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith and their agents and employees, shall
5 each permanently cease and desist from violations of RCW 21.20.010, the anti-fraud section of the
6 Securities Act.

7 IT IS FURTHER AGREED AND ORDERED that Respondents, North American Resource
8 Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect,
9 Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill
10 Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith shall file an offering circular with the
11 Securities Administrator ten business days prior to making any offer to sell any security undertaken in
12 reliance upon the Securities Act of 1933, Regulation D, Rule 230.506 and WAC-44A-506.

13 IT IS FURTHER AGREED AND ORDERED that, based on a violation of RCW 21.20.010 and
14 non-compliance with the exemption claimed, the availability of the exemptions from registration
15 contained in RCW 21.20.320 (1), (9), (11), and (17) are hereby revoked as to North American Resource
16 Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect,
17 Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill
18 Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith as of the date of entry of this Consent
19 Order by the Securities Administrator.

20 IT IS FURTHER AGREED AND ORDERED that Respondents, North American Resource
21 Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect,
22 Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill

1 Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith and their agents and employees,
2 affiliates and successors, each shall disclose the existence of this Order in any prospectus or offering
3 circular to be used in conjunction with the offer or sale of any security in the State of Washington.

4 IT IS FURTHER AGREED AND ORDERED that North American Resource Group, Inc.,
5 Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect, Southeastern
6 Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect and Gilreath Mill Prospect shall be
7 liable for and pay a fine of \$30,000.

8 IT IS FURTHER AGREED AND ORDERED that G. Alan Murrell shall be liable for and pay a
9 fine of \$10,000 on or before the date of entry of this Consent Order.

10 IT IS FURTHER AGREED AND ORDERED Thomas Emberton, Jr. shall be liable for and pay a
11 fine of \$10,000 on or before the date of entry of this Consent Order.

12 IT IS FURTHER AGREED AND ORDERED Doug Smith shall be liable for and pay a fine of
13 \$10,000 on or before the date of entry of this Consent Order.

14 IT IS FURTHER AGREED AND ORDERED that Respondents, North American Resource
15 Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck Mountain Prospect,
16 Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill
17 Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith, shall be jointly and severally liable for
18 and pay investigative costs of \$8175 on or before the date of entry of this Consent Order.

19 IT IS FURTHER AGREED AND ORDERED that the Securities Division has jurisdiction to
20 enter this Consent Order.

21 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, North
22 American Resource Group, Inc., Southeastern Energy, Inc., Falling Waters Prospect, Southeastern Buck

1 Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect,
2 Gilreath Mill Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith waive their rights to a
3 hearing in this matter and judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05
4 RCW, and the Securities Division hereby vacates Final Order Order No. S-05-113-06-FO01, except to
5 the extent that the Findings of Fact and Conclusions of Law in that Final Order have been repeated
6 herein.

7 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

8 SIGNED this ___3rd__ day of _November____, 2006.

9 Approved for entry by:

10
11 _____/s/_____
12 Carol Houck
13 Attorney for Respondents

14 North American Resource Group, Inc.

15 _____/s/_____
16 G. Alan Murrell, President

17 Southeastern Energy, Inc.

18 _____/s/_____
19 G. Alan Murrell, President

20
21 Falling Waters Prospect

22 _____/s/_____
23

1 G. Alan Murrell, President of North American Resource Group, Inc., the
2 Managing Partner of Falling Waters Prospect

3
4 Southeastern Buck Mountain Prospect

5 _____/s/_____
6 G. Alan Murrell, President of Southeastern Energy, Inc., the
7 Managing Partner of Southeastern Buck Mountain Prospect

8
9 Southeastern Caney Creek Prospect

10 _____/s/_____
11 G. Alan Murrell, President of Southeastern Energy, Inc., the
12 Managing Partner of Southeastern Caney Creek Prospect

13
14 Huddleston Annex Prospect

15 _____/s/_____
16 G. Alan Murrell, President of North American Resource Group, Inc., the
17 Managing Partner of Huddleston Annex Prospect

18
19 Stephens Prospect

20 _____/s/_____
21 G. Alan Murrell, President of North American Resource Group, Inc., the
22 Managing Partner of Stephens Prospect

23
24 Gilreath Mill Prospect

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

_____/s/_____

G. Alan Murrell, President of North American Resource Group, Inc., the
Managing Partner of Gilreath Mill Prospect

G. Alan Murrell

_____/s/_____

G. Alan Murrell, individually

Thomas Emberton, Jr.

_____/s/_____

Thomas Emberton, Jr., individually

Doug Smith

_____/s/_____

Doug Smith, individually

DATED AND ENTERED this 13th day of November, 2006.

Michael E. Stevenson

MICHAEL E. STEVENSON
Securities Administrator

Approved by:

Ann Egan

Presented by:

Agua Ugo

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

Suzanne Sarason
Chief of Compliance and Examinations

Angela R. Vogel
Enforcement Attorney