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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Crest Energy, Inc., Edwin P. Horan III, their
employees and agents,

Respondents.

SDO - 56A - 99

SUMMARY ORDER TO CEASE AND DESIST

Case No. 99-08-0253

THE STATE OF WASHINGTON TO:

Crest Energy, Inc. and Edwin P. Horan III
765 Baywood Drive, Suite 227
Petaluma, CA 94954

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. RESPONDENTS

Crest Energy, Inc. ("Crest") is a California corporation that has a principal business address of 765 Baywood Drive, Suite 227, Petaluma, California. Edwin P. Horan III ("Horan") is Chief Operations Officer of Crest and has promoted the sale of undivided fractional working interests in oil and gas wells on behalf of Crest.

1 II. NATURE OF OFFERING

2 On at least August 13, 1999, representatives of Crest participated in a trade show named the Third
3 Annual Seattle Money Show ("Money Show") held in Seattle, Washington. The Money Show is a
4 commercial venture marketed to the general public through advertising placed on the Internet and through
5 area signage that provides a forum for interaction between the public and business and commercial
6 vendors. A Securities Division staff member attending the Money Show and posing as a prospective
7 investor visited Crest's booth and expressed interest in the company. Horan provided the staff member
8 with promotional materials which identified Horan as "Exploration Manager" and a certified geologist with
9 Crest, and which stated, among other representations, that "Crest is a California corporation owned and
10 operated by registered/certified petroleum geologist and engineers with 200 years of collective experience."
11 The staff member expressed an interest in receiving further information about current company programs,
12 and Horan provided the staff member with a "Confidential Private Placement Memorandum" dated January
13 28, 1999 and a "Working Interest Participation, Turnkey Drilling, and Subscription Agreement" form for
14 Crest's "1999 California Oil and Natural Gas Drilling Program." The "Private Placement Memorandum"
15 described Crest as "an established California corporation that has acquired rights to drill and produce under
16 oil and gas mineral leases, and has conducted a geological investigation, and intends to drill three wells
17 pursuant to the terms and conditions of the Turnkey Drilling Agreement to produce natural gas reserves
18 from two of the wells in the Cretaceous Forbes geological formation in the Sacramento Basin, Glenn
19 County California and natural gas from one well in the Hamilton geological formation in Lindsey Slough
20 field, Solano County, California." The "Private Placement Memorandum" further indicated that Crest's
21 "1999 California Oil and Natural Gas Drilling Program" offering consists of 30 units of undivided fractional
22 working interests offered at \$58,482 per unit. The "Working Interest Participation, Turnkey Drilling, and
23 Subscription Agreement" provided in part that "Crest will serve as operator for all purposes, including
24

1 conducting and bearing responsibility for the drilling and completion of test wells on a turnkey basis in
2 accordance with good oilfield practice and management of future operations and production."

3 III. REGISTRATION STATUS

4 Crest Energy, Inc. is not currently registered to offer or sell securities in the state of Washington,
5 has not previously been so registered, and no notification filing of claim of exemption for offers or sales is
6 on file with the Administrator of Securities. Neither Crest Energy, Inc. nor Edwin P. Horan III are
7 currently registered as securities broker-dealers or salespersons in the state of Washington and have not
8 previously been so registered.

9 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

10 CONCLUSIONS OF LAW

11 I.

12 The offer of the undivided fractional working interests as described in Tentative Findings of Fact I
13 and II constitutes the offer and/or sale of a security as defined in RCW 21.20.005(12), a definitional section
14 of the Securities Act of Washington.

15 II.

16 The offer and/or sale of said securities as described in Tentative Findings of Fact I through III was
17 made in violation of RCW 21.20.140, the securities registration requirement provision of the Securities Act
18 of Washington, because no registration or notification of claim of exemption for such offer and/or sale is on
19 file with the Securities Division of the state of Washington and it appears that Respondent Crest Energy,
20 Inc. does not otherwise qualify for an exemption from registration.

21 III.

22 The offer and/or sale of said securities by Crest Energy, Inc. and Edwin P. Horan III as described
23 in Tentative Findings of Fact I through III was made in violation of RCW 21.20.040, the broker-dealer or
24 salesperson registration requirement provision of the Securities Act of Washington.

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EMERGENCY

The Securities Administrator finds that an emergency exists because Respondents are currently offering said securities to residents of the state of Washington. The Securities Administrator finds that this action is necessary and appropriate in the public interest and for the protection of investors and that the public safety and welfare require emergency action.

SUMMARY ORDER

Based on the premises of the foregoing,

IT IS THEREFORE HEREBY SUMMARILY ORDERED That Respondents Crest Energy, Inc., Edwin P. Horan III, their employees and agents, each cease and desist from violations of RCW 21.20.140, the securities registration requirement provision of the Securities Act of Washington.

IT IS THEREFORE HEREBY SUMMARILY ORDERED That Respondents Crest Energy, Inc., Edwin P. Horan III, their employees and agents, each cease and desist from violations of RCW 21.20.040, the broker-dealer or salesperson registration requirement provision of the Securities Act of Washington.

AUTHORITY AND PROCEDURE

This Summary Order is entered pursuant to the provisions of RCW 21.20.390 and chapter 34.05 RCW. The Respondents may each make a written request for hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing accompanying this order. A request for a hearing should be in writing and sent to Deborah R. Bortner, Securities Administrator, Department of Financial Institutions, P.O. Box 9033, Olympia, Washington 98507-9033 to the attention of Brad Ferber. If a Respondent does not request a hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing, the Securities Administrator intends to adopt the Tentative Findings of Fact and Conclusions of Law as final and make this Summary Order to Cease and Desist permanent as to such Respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Dated this _____ day of _____, 1999.

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Deborah R. Bortner
Securities Administrator

Presented by: _____

Approved by: _____

Brad Ferber
Securities Examiner

Michael E. Stevenson
Chief of Compliance

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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

Crest Energy, Inc., Edwin P. Horan III, their
employees and agents,

Respondents.

SDO - 56B - 99

NOTICE OF OPPORTUNITY TO DEFEND
AND OPPORTUNITY FOR HEARING

Case No. 99-08-0253

THE STATE OF WASHINGTON TO:

Crest Energy, Inc. and Edwin P. Horan III
765 Baywood Drive, Suite 227
Petaluma, CA 94954

YOU ARE HEREBY NOTIFIED that a Summary Order To Cease And Desist has been filed by the
Department of Financial Institutions, a true and correct copy of which is attached and made a part hereof.

YOU ARE HEREBY NOTIFIED that you may file an application for an adjudicative hearing before
the Washington State Department of Financial Institutions on the Summary Order. Service of this notice is
deemed complete upon deposit in the United States mail. YOUR APPLICATION MUST BE RECEIVED
BY THE DEPARTMENT OF FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS FROM
THE DATE YOU RECEIVED THIS NOTICE. If you demand a hearing, you will be notified of the time and
place for the hearing at least seven (7) days in advance of the hearing date.

At the hearing, you may appear personally, and by counsel, if you desire. The hearing will be as
informal as is practical within the requirements of the Administrative Procedure Act (see chapter 34.05
RCW). The hearing will be recorded. The primary concern will be getting to the truth of the matter insofar as
the Summary Order is concerned. Technical rules of evidence will not be binding at the hearing except for the
rules of privilege recognized by law. You have the right to present evidence and witnesses in your own behalf,
and to cross-examine those witnesses presented in support of the Summary Order. You may require the

NOTICE OF OPPORTUNITY TO DEFEND AND 1
OPPORTUNITY FOR HEARING

Crest Energy, Inc.

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

1 attendance of witnesses by subpoena. If you are limited English- speaking or hearing impaired, you have the
2 right to have an interpreter appointed at no cost to you, as discussed below.

3 INTERPRETER AVAILABILITY. If you or a witness for you is a person who, because of non-
4 English-speaking cultural background, cannot readily speak or understand the English language, or if you or a
5 witness for you is a person who, because of a hearing impairment or speech defect, cannot readily understand
6 or communicate in spoken language, including persons who are deaf, deaf and blind, or hard of hearing, AND
7 YOU NEED AN INTERPRETER, then a qualified interpreter will be appointed at no cost to you or to the
8 witness. You may request the appointment of a qualified interpreter by indicating your request on the attached
9 Application for Adjudicative Hearing form.

10 YOU ARE FURTHER NOTIFIED that if the Department of Financial Institutions does not
11 RECEIVE the Application for Adjudicative Hearing form within twenty (20) days from the date you received
12 this notice, this will constitute a waiver of your right to a hearing and the director will find that you do not
13 contest the allegations of the Summary Order. Upon such a finding by the director a final order will be
14 immediately entered disposing of this matter and ordering you to cease and desist as described in the Summary
15 Order. If you desire a hearing in this matter, please return the attached Application for Adjudicative Hearing
16 to:

17 Washington State Department of Financial Institutions
18 Securities Division
19 Attn: Brad Ferber
20 Post Office Box 9033
21 Olympia, Washington 98507-9033

22 Dated this _____ day of _____, 1999.

23 _____
24 Deborah R. Bortner
Securities Administrator

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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Crest Energy, Inc., Edwin P. Horan III, their
employees and agents,

Respondents.

SDO - 56C(1) - 99

APPLICATION FOR ADJUDICATIVE
HEARING

Case No. 99-08-0253

THE STATE OF WASHINGTON TO:

Crest Energy, Inc.
765 Baywood Drive, Suite 227
Petaluma, CA 94954

If you wish to contest the Summary Order To Cease And Desist and have an adjudicative hearing, you must sign, date, and return this form within twenty (20) days of the date you received it, to:

Washington State Department of Financial Institutions
Securities Division
Attn: Brad Ferber
P. O. Box 9033
Olympia, Washington 98507-9033

FAILURE TO RETURN THIS FORM SO THAT IT IS RECEIVED BY THE DEPARTMENT OF FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS OF THE DATE YOU RECEIVED IT WILL CONSTITUTE A DEFAULT AND WILL RESULT IN THE LOSS OF YOUR RIGHT TO AN ADJUDICATIVE HEARING AND WILL RESULT IN THE INFORMAL DISPOSITION OF YOUR CASE AS AUTHORIZED BY RCW 34.05.440. In that case the Director may proceed to resolve this matter without further notice or hearing. In such a case, the Director will immediately enter an appropriate order in disposition of the Summary Order, to include prohibition against your engaging in certain business practices as described in the Summary Order.

APPLICATION FOR HEARING

1

DEPARTMENT OF FINANCIAL INSTITUTIONS

Crest Energy, Inc.

Securities Division
PO Box 9033
Olympia, WA 98507-9033
(360) 902-8760

1 INSTRUCTIONS: Circle your desired responses to items I, II, and III below.

2 I.

3 I [REQUEST] [DO NOT REQUEST] a formal hearing in this matter.

4 II.

5 I [WILL] [WILL NOT] be represented by an attorney. His/her name, address, and telephone
6 number are:

7 _____
8 _____

9 III.

10 I [REQUEST] [DO NOT REQUEST] that a qualified interpreter be appointed at no cost to me to
11 interpret for (myself) or (my witness(es)). My, or my witness's(es)', primary language is _
12 _____ (identify language). My, or my witness's(es)', hearing impaired
13 status is _____ (identify hearing impaired status). I understand that
14 a qualified interpreter will be appointed at no cost to me or to my witness(es).

15 IV.

16 You have the right: To demand a hearing; to be represented by an attorney at your own expense; to
17 subpoena witnesses to the hearing or subpoena the production of books or documents and to otherwise defend
18 against the Summary Order.

19
20 WARNING: FAILURE TO COMPLETE AND MAIL THIS DOCUMENT SO THAT IT IS
21 RECEIVED BY THE SECURITIES DIVISION WITHIN 20 DAYS AFTER YOU RECEIVED THE
22 SUMMARY ORDER TO CEASE AND DESIST WILL RESULT IN THE DISPOSITION OF THIS
23 CASE AS AUTHORIZED BY RCW 34.05.440.

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Dated this _____ day of _____, 1999.

Crest Energy, Inc., by:

Signature

Print Name and Title

Address (if facing page is incorrect):

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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
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Securities Act of Washington by:

Crest Energy, Inc., Edwin P. Horan III, their
employees and agents,

Respondents.

SDO - 56C(2) - 99

APPLICATION FOR ADJUDICATIVE
HEARING

Case No. 99-08-0253

THE STATE OF WASHINGTON TO:

Edwin P. Horan III
765 Baywood Drive, Suite 227
Petaluma, CA 94954

If you wish to contest the Summary Order To Cease And Desist and have an adjudicative hearing,
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Washington State Department of Financial Institutions
Securities Division
Attn: Brad Ferber
P. O. Box 9033
Olympia, Washington 98507-9033

FAILURE TO RETURN THIS FORM SO THAT IT IS RECEIVED BY THE DEPARTMENT OF
FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS OF THE DATE YOU RECEIVED IT
WILL CONSTITUTE A DEFAULT AND WILL RESULT IN THE LOSS OF YOUR RIGHT TO AN
ADJUDICATIVE HEARING AND WILL RESULT IN THE INFORMAL DISPOSITION OF YOUR
CASE AS AUTHORIZED BY RCW 34.05.440. In that case the Director may proceed to resolve this
matter without further notice or hearing. In such a case, the Director will immediately enter an appropriate
order in disposition of the Summary Order, to include prohibition against your engaging in certain business
practices as described in the Summary Order.

APPLICATION FOR HEARING

1

DEPARTMENT OF FINANCIAL INSTITUTIONS

Crest Energy, Inc.

Securities Division
PO Box 9033
Olympia, WA 98507-9033
(360) 902-8760

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12 _____ (identify language). My, or my witness's(es)', hearing impaired
13 status is _____ (identify hearing impaired status). I understand that
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20 WARNING: FAILURE TO COMPLETE AND MAIL THIS DOCUMENT SO THAT IT IS
21 RECEIVED BY THE SECURITIES DIVISION WITHIN 20 DAYS AFTER YOU RECEIVED THE
22 SUMMARY ORDER TO CEASE AND DESIST WILL RESULT IN THE DISPOSITION OF THIS
23 CASE AS AUTHORIZED BY RCW 34.05.440.

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Dated this _____ day of _____, 1999.

Edwin P. Horan III, as Chief Operations Officer and/or Exploration Manager of Crest Energy, Inc. and individually:

Signature

Address (if facing page is incorrect):

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