1	DEPARTMENT OF F	WASHINGTON INANCIAL INSTITUTIONS
2	SECURII	TIES DIVISION
3	IN THE MATTER OF DETERMINING whether there has been a violation	Order Number S-05-113-06-CO01
4	of the Securities Act of Washington by:	CONSENT ORDER AND ORDER VACATING FINAL ORDER NO. S-05-113-
5	North American Resource Group, Inc.; Southeastern Energy, Inc.;	06-FO01
6	Falling Waters Prospect; Southeastern Buck Mountain Prospect;	
7	Southeastern Caney Creek Prospect; Huddleston Annex Prospect;	
8	Stephens Prospect; Gilreath Mill Prospect; G. Alan Murrell; Thomas Emberton, Jr.;	
9	Doug Smith,	
10	Respondents.	
11		North American Resource Group, Inc.
12	F	outheastern Energy, Inc. Falling Waters Prospect Southeastern Buck Mountain Prospect
13	s	Southeastern Caney Creek Prospect Huddleston Annex Prospect
14	s	Stephens Prospect Silreath Mill Prospect
15	G	J. Alan Murrell homas Emberton, Jr.
16		Doug Smith
17	STATEMEN	T OF CHARGES
18	On June 27, 2006, the Securities Administr	rator of the State of Washington issued a Final Order to
19	Cease and Desist and Impose Fines, number S-0	05-113-06-FO01, hereinafter referred to as the "Final
20	Order" against North American Resource Group,	Inc., Southeastern Energy, Inc., Falling Waters Prospect,
21	Southeastern Buck Mountain Prospect, Southeast	ern Caney Creek Prospect, Huddleston Annex Prospect,
22	Stephens Prospect, Gilreath Mill Prospect, G. Alar	n Murrell, Thomas Emberton, Jr. and Doug Smith.
23 24	CONSENT ORDER AND ORDER VACATING FINAL ORDER NO. S-05-113-06-FO01	1 DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033
<u>~</u> -T		Olympia, WA 98507-9033

360-902-8760

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

FINDINGS OF FACT

Respondents

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

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

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

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

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

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

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

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

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

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

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10. Thomas Emberton, Jr. ("Emberton") was the Director and Executive Vice President of North American. Emberton was also the Executive Vice President of Southeastern Energy. Emberton resigned in June, 2005.

Doug Smith ("Smith") is the Director and Senior Partner of North American and retains a
50% interest of the company. Doug Smith is also the Vice President of Southeastern.

Nature of the Offering

12. There were approximately 116 Washington residents contacted by North American or Southeastern Energy via unsolicited telephone calls between January 2004 and July 2005 regarding partnership interest offerings in, but not limited to, Falling Waters, Buck Mountain, Caney Creek, Huddleston Annex, Stephens and/or Gilreath Mill. There were approximately eleven Washington investors who invested in one or more of these partnership interest offerings between February 2004 and June 2005 whose investments total approximately \$226,500.

Resident A

13. In February 2004, Washington Resident A¹, a 56-year-old man, contacted North American by telephone after seeing an investment offering on the North American website at www.nargusa.com. Resident A spoke to an account representative at North American, whom offered him a partnership interest in Falling Waters for \$28,000. After speaking to the account representative, and receiving offering materials from North American, Resident A decided to purchase one-half of a partnership interest in Falling Waters, a four-well-prospect.

14. Resident A sent a personal check in the amount of \$14,000 via Fed Ex to North American for the purchase of a one-half interest in Falling Waters on February 23, 2004.

15. Resident A did not participate in the day-to-day operations or decision making of Falling Waters, nor did Resident A have any experience with oil and gas development. Resident A lived in Washington and the operations took place in Kentucky and Tennessee.

Resident B

16. On or about March 8, 2004, a North American and Southeastern Energy representative offered an investment opportunity in an oil venture at a seminar in New Orleans, Louisiana. Washington Resident B, a 73-year-old retiree, attended the seminar. The representative sold Resident B partnership interests in Falling Waters, Caney Creek and Buck Mountain for approximately \$28,000 after Resident B received the offer at the seminar.

17. Resident B's role in the partnership interest was limited to the sharing of profits and losses and he did not participate in the day-to-day operations or decision making of the partnerships. Resident B did not have any experience with oil and gas development. Resident B relied on the experience of North American and Southeastern Energy to determine the outcome of the oil ventures.

Resident C

18. In May or June 2004 Washington Resident C contacted North American by telephone after learning about the investment offering from a friend. Resident C spoke to an account representative who offered him an interest in a five-well-prospect.

19. On or about June 30, 2004, the account representative, on behalf of North American mailed or caused to be mailed to Resident C offering materials related to an oil venture in Tennessee called the Huddleston Annex Prospect.

¹ The names of the investors have been omitted to protect their privacy. CONSENT ORDER AND ORDER VACATING FINAL ORDER NO. S-05-113-06-FO01 20. After receiving the materials the account representative contacted Resident C to assist him with completing the investor questionnaire. The account representative instructed Resident C to put an incorrect net worth on the questionnaire so that Resident C would qualify as an accredited investor for the purpose of meeting Regulation D Rule 506 requirements.

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

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

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

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

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

26. The partnership interest in Stephens was limited to the sharing of profits and losses and did not include participation in the day to day operations or decision making.

27. Resident C is not an accredited or sophisticated investor.

Resident D

28. On or about June 14, 2005, an account representative, on behalf of North American made an unsolicited telephone call to Washington Resident D to offer securities in an oil venture in Kentucky.

29. On June 14, 2005, the account representative, on behalf of North American, mailed or caused to be mailed to Resident D offering materials related to an oil venture in Tennessee, called the Gilreath Mill Prospect Partners.

30. According to the offering documents received by Resident D, North American was offering a partnership interest in Gilreath Mill. The offering documents state, "North American Resource Group, Inc. will act as the Managing General Partner and manager of the Program," and "The control and management of the business and activities of the Partnership is vested in the Managing General Partner with the Partners generally having no voice in, or right to participate in, the management of the Partnership."

31. On July 15, 2005, an account representative, on behalf of North American, made a telephone call to Resident D. He identified himself as the Senior Project Manager of North American. The account representative told Resident D that he was calling to follow-up with Resident D because the original account representative who contacted him did not have much experience with the project. He asked Resident D if he had any questions and then provided Resident D with his cell phone number.

32. Resident D was not an accredited investor.

Misrepresentations and Omissions

33. North American failed to provide material information regarding the company and the Stephens Prospect, including, but not limited to: a financial statement, use of proceeds, the company history, and the background of the officers and general and specific risks involved with oil prospects.

34. North American's Executive Statement projecting a possible 853% percent rate of return within twelve months of investing in Huddleston Annex was misleading. North American failed to provide a reasonable basis for its projections and failed to disclose the limitations on the projections.

35. North American's Executive Statement projecting a possible 1148% percent rate of return within twelve months of investing in Gilreath Mill was misleading. North American failed to provide a reasonable basis for its projections and failed to disclose the limitations on the projections.

36. North American's Program Highlights for Gilreath Mill projecting "Potential for large returns on investment with long-term income from production" and "Geological information indicates a potential for high-volume oil production" was misleading. North American failed to provide a reasonable basis for its projections and failed to disclose the limitations on the projections.

37. North American's video in the offering materials for Gilreath Mill which featured footage of oil wells pumping oil and Alan Murrell stating "oil is flowing 20-30 barrels an hour," was misleading. North American failed to provide a reasonable basis for the statement as it pertained to Gilreath Mill and failed to give a reasonable basis for the projected oil output of the prospect.

Registration Status

38. Falling Waters Prospect, Southeastern Buck Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect and Gilreath Mill Prospect are currently not registered to sell their securities in the State of Washington and have not previously been so registered.

39. North American is not currently registered as a broker-dealer in the State of Washington and has not previously been so registered.

40. Southeastern Energy is not currently registered as a broker-dealer in the State of Washington and has not previously been so registered.

Failure to Comply with Regulation D Rule 506

41. Southeastern claimed an exemption from registration of the Southeastern Buck Mountain offering under Regulation D Rule 506 with a notice filing submitted to the Securities Administrator on December 1, 2003.

42. Southeastern claimed an exemption from registration of the Southeastern Caney Creek offering under Regulation D Rule 506 with a notice filing submitted to the Securities Administrator on February 24, 2004.

43. North American claimed an exemption from registration of the Falling Waters offering under Regulation D Rule 506 with a notice filing submitted to the Securities Administrator on March 1, 2004.

44. North American claimed an exemption from registration of the Huddleston Annex offering under Regulation D Rule 506 with a notice filing submitted to the Securities Administrator on June 16, 2004.

45. North American claimed an exemption from registration of the Gilreath Mill offering under Regulation D Rule 506 with a notice filing submitted to the Securities Administrator on June 7, 2005.

46. Regulation D Rule 506 prohibits the issuer or any person acting on behalf of the issuer to offer or sell securities by any form of general solicitation. North American and its agents offered partnership interests in Falling Waters, Huddleston Annex and Gilreath Mill using general solicitations by making an offering on the North American website, making unsolicited telephone calls or making a general offering at a seminar. Southeastern and its agents offered partnership interests in Southeastern Buck Mountain using general solicitations by making a general offering at a seminar.

47. Regulation D Rule 506 limits sales to no more than 35 non-accredited investors who must have such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment. North American and its agents offered and/or sold partnership interests in Huddleston Annex and Gilreath Mill to non-accredited investors who did not meet the sophistication requirements of Rule 506.

Other Actions

48. On May 24, 2001, the State of Missouri, Office of Secretary of State, Securities Division, issued an Order to Cease and Desist, Order No.CD-01-17, against Southeastern Energy and G. Alan Murrell for offering and selling unregistered securities because of a failure to qualify for a Regulation Form D exemption based upon Southeastern Energy's general solicitations.

49. On November 6, 2002, the Commonwealth of Kentucky, Department of Financial Institutions, entered onto a settlement agreement with Southeastern Energy G. Alan Murrell and Doug Smith, Administrative Action No. 02-PPC-0756, after issuing a temporary Cease and Desist Order for failing to file reports with the Division on its Regulation D Section 506 offering.

50. In 2003, the State of Indiana issued a temporary cease and desist order against Southeastern Energy.

51. In May 2003, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist related to unregistered offers and sales of securities by Southeastern Energy, Southeastern Energy Red-Hill Prospect LP, G. Alan Murrell and Doug Smith.

52. In 1997, Pennsylvania issued a Summary Order to Cease and Desist order against Doug Smith, as an officer of Kentucky-Tennessee Oil and Gas, Inc., for failing to pre-file his offering materials and for failure to comply with other provisions of the Securities Act of Pennsylvania.

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

CONCLUSIONS OF LAW

1. The offer and/or sale of the Falling Waters Prospect, Southeastern Buck Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect and Gilreath Mill Prospect partnership interests described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12).

2. The offer and/or sale of said securities were in violation of RCW 21.20.140 because Falling Waters Prospect, Southeastern Buck Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect and Gilreath Mill Prospect were not registered in the State of Washington and Respondents did not qualify for an exemption filing.

3. North American violated RCW 21.20.040 by offering or selling said securities while not registered as a broker-dealer in the State of Washington.

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

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

CONSENT ORDER

Based on the foregoing:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Mountain Prospect, Southeastern Caney Creek Prospect, Huddleston Annex Prospect, Stephens Prospect, Gilreath Mill Prospect, G. Alan Murrell, Thomas Emberton, Jr. and Doug Smith waive their rights to a hearing in this matter and judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW, and the Securities Division hereby vacates Final Order Order No. S-05-113-06-FO01, except to the extent that the Findings of Fact and Conclusions of Law in that Final Order have been repeated herein. WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE. SIGNED this __3rd_day of _November___, 2006.

Approved for entry by:

____/s/____ Carol Houck Attorney for Respondents

North American Resource Group, Inc.

G. Alan Murrell, President

/s/

Southeastern Energy, Inc.

____/s/____ G. Alan Murrell, President

Falling Waters Prospect

/s/

1	G. Alan Murrell, President of North American Resource Group, Inc., the Managing Partner of Falling Waters Prospect
2	
3	Southeastern Buck Mountain Prospect
4	
5	/s/ G. Alan Murrell, President of Southeastern Energy, Inc., the
6	G. Alan Murrell, President of Southeastern Energy, Inc., the Managing Partner of Southeastern Buck Mountain Prospect
7	
8	Southeastern Caney Creek Prospect
9	/s/ G. Alan Murrell, President of Southeastern Energy, Inc., the
10	G. Alan Murrell, President of Southeastern Energy, Inc., the Managing Partner of Southeastern Caney Creek Prospect
11	
12	Huddleston Annex Prospect
13	
14	/s/ G. Alan Murrell, President of North American Resource Group, Inc., the
15	Managing Partner of Huddleston Annex Prospect
16	
17	Stephens Prospect
18	
19	G. Alan Murrell, President of North American Resource Group, Inc., the
20	Managing Partner of Stephens Prospect
21	
22	Gilreath Mill Prospect
23	
24	CONSENT ORDER AND ORDER VACATING FINAL ORDER NO. S-05-113-06-FO01 Department of FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760

1	/s/
2	G. Alan Murrell, President of North American Resource Group, Inc., the Managing Partner of Gilreath Mill Prospect
3	Wanaging Farther of Officatif Will Flospeet
4	G. Alan Murrell
5	
6	G. Alan Murrell, individually
7	
8	Thomas Emberton, Jr.
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10	/s/ Thomas Emberton, Jr., individually
11	
12	Doug Smith
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14	/s/ Doug Smith, individually
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17	DATED AND ENTERED this 13 th day of November, 2006.
18	michel E, Stevenson
19	MICHAEL E. STEVENSON
20	Securities Administrator
21	Approved by: Presented by:
22	In Som age Og
23	CONSENT ORDER AND ORDER VACATING 17 DEPARTM
24	FINAL ORDER NO. S-05-113-06-FO01

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

Suzanne Sarason	Angele D. Vegel	
Chief of Compliance and Examinations	Angela R. Vogel Enforcement Attorn	ey
CONSENT ORDER AND ORDER VACATING	18	DEPARTMENT OF FINANCIAL INSTITU Securities D
FINAL ORDER NO. S-05-113-06-FO01		PO Bo