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Attorneys for Utah Division of Securities

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **SEDONA OIL AND GAS CORPORATION;** **KENNETH CRUMBLEY JR.;** **BARRY SPRUIELL;** **RON MEYER;** **JOHN T. CRUMBLEY;** **Respondents.**	**STIPULATION AND CONSENT ORDER** **Docket No. 050033** **Docket No. 050034** **Docket No. 050035** **Docket No. 050036** **Docket No. 050037**

The Utah Division of Securities (Division), by and through its Director of Corporate Finance, Benjamin Johnson, and Sedona Oil and Gas Corporation, Kenneth Crumbley, Jr., Barry Spruiell, Ron Meyer, and John T. Crumbley (collectively "Respondents"), by and through their attorney Richard Hewitt, hereby stipulate and agree as follows:

1. On August 8, 2005, the Division initiated a formal adjudicative proceeding against Respondents by issuing an Order to Show Cause (OSC) and Notice of Agency Action (Notice).

2. On September 7, Respondents served their response to the Order to Show Cause.

3. Respondents have agreed to resolve the action against them by way of this Stipulation and Consent Order (Order).

4. Respondents admit the jurisdiction of the Division over them, and the subject matter of this action.

5. By entering into this Stipulation and Consent Order, Respondents waive any right to challenge the Division's investigation and present evidence on their behalf at a hearing.

6. Respondents waive any right to seek agency review or an appeal this matter, administrative or judicial.

7. Respondents have read this Order, understand its contents, and enter into this Order voluntarily. No promises or threats have been made by the Division, nor by any representative of the Division, to induce Respondents to enter into this Order other than as described herein.

8. Respondents are represented by attorney Richard M. Hewitt of the law firm of Richard M. Hewitt, P. C., Trophy Club, Texas, and are satisfied with the representation.

I. FINDINGS OF FACT

9. Sedona Oil & Gas Corporation (Sedona Oil) is a Texas corporation with a last known

business address of 5646 Milton Street, Suite 221, in Dallas, Texas. Sedona Oil sponsors oil and gas production and drilling programs.

10. Kenneth W. Crumbley, Jr. (Crumbley Jr.) is the president of Sedona Oil, with the same last known business address as Sedona Oil.

11. Barry Spruiell (Spruiell) is an officer or director of Sedona Oil, with the same last known business address as Sedona Oil.

12. Ron Meyer (Meyer) is an officer or director of Sedona Oil, with the same last known business address as Sedona Oil.

13. John T. Crumbley (Crumbley) is an officer or director of Sedona Oil, with the same last known business address as Sedona Oil.

GENERAL ALLEGATIONS

14. In or around June 2004, Utah resident Tom Tuckett (Tuckett) received a cold call from John T. Crumbley, who solicited an investment in Sedona Oil's Kansas Strike 3-D Project. Tuckett received a call from Crumbley every day thereafter for about six weeks regarding the investment.

15. Respondents provided Tuckett with offering materials including a private placement memorandum, a document titled "Economic Analysis & Tax Matter Kansas Strike 3-D Seismic Project", an operating agreement, and a subscription agreement.

16. The offering materials given to Tuckett state that Sedona Oil was offering fifteen fractionalized interests in oil and gas leases at $133,000 per interest, for an aggregate

offering amount of $1,995,000.

17. The fractionalized interests offered to Tuckett fall within the definition of a security under § 61-1-13 of the Act.

18. In connection with the offer and sale of the security to Tuckett, Respondents omitted the following material facts:

    a. In September 2000, the Pennsylvania Securities Commission issued a Cease and Desist Order against Sedona Oil, Crumbley Jr., Spruiell, and a Sedona Oil sales agent, based on allegations of selling unregistered securities, and sale by an unlicensed agent.

    b. In June 2001, the Wisconsin Division of Securities issued an Order of Prohibition against Sedona Oil, Crumbley Jr., Spruiell, Crumbley, and a Sedona Oil sales agent, based on allegations of selling unregistered securities, sale by an unlicensed agent, and employing an unlicensed agent.

19. On August 12, 2004, Tuckett invested $8,312.50 in Sedona Oil's Kansas Strike 3-D Seismic Project.

20. On September 30, 2004, the Division's Corporate Finance section received a letter from Sedona Oil's attorney, Richard M. Hewitt, enclosing a Regulation D, Rule 506 filing for Sedona Oil's Kansas Strike 3-D Seismic Project.

21. According to Rule 506 of the Securities Act of 1933, to qualify for an exemption, offers and sales of a security must satisfy all the terms and conditions of Rules 501 and 502. Rule

502(c) of the Securities Act states that "neither the issuer nor any person acting on its behalf shall offer or sell the securities by any form of general solicitation or general advertising."

22. Crumbley's cold-call to Tuckett was a form of general solicitation or general advertising, and therefore disqualified Sedona Oil from a registration exemption under Rule 506.

II. CONCLUSIONS OF LAW

23. The Division has jurisdiction over the subject matter of this action.

Securities Fraud under 61-1-1

24. The fractionalized interests the Respondents directly or indirectly offered to Tuckett fall within the definition of a security under § 61-1-13 of the Act.

25. Section 61-1-1 of the Act states:

> It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to . . . make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

26. In connection with the offer and sale of a security to Utah resident, Tom Tuckett, the Respondents failed to inform Tuckett of two administrative actions against Sedona Oil and its executive officers. The Respondents therefore violated § 61-1-1 of the Act.

Sale of Unregistered Securities under § 61-1-7.

27. Section 61-1-7 of the Act states:

> It is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under Section 61-1-14, or the security is a federal

covered security for which a notice filing has been made.

28. The securities offered by Respondent John T. Crumbley to Utah resident Tom Tuckett, are not registered for sale in Utah, not federal covered securities for which a notice filing has been made, and they do not appear to qualify for an exemption under the Act.

29. Respondent John T. Crumbley therefore offered and sold unregistered securities to Mr. Tuckett, in violation of § 61-1-7 of the Act.

30. Respondents Sedona Oil & Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell and Ron Meyer had direct or indirect control over the seller, John T. Crumbley, while he engaged in the offer and sale of unregistered securities, and are therefore in violation of § 61-1-7 as well.

Sale by Unlicensed Agent under § 61-1-3

31. Section 61-1-3 of the Act states:

> It is unlawful for any person to transact business in this state as a broker-dealer or agent unless that person is licensed under this chapter.

32. Records of the Utah Division of Securities and the National Association of Securities Dealers' Central Registration Depository reveal that Respondents Kenneth Crumbley Jr.,

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[1]Section 61-1-22 of the Act, which is the section regarding civil liability, provides guidance regarding liability of other controlling entities or individuals associated with the seller of a security. Section 61-1-22(4)(a) provides that "[e]very person who directly or indirectly controls a seller or buyer liable under [Section 61-1-7], every partner, officer, or director of such a seller or buyer, every person occupying a similar status or performing similar functions . . . who materially aids in the sale or purchase . . . are also liable jointly and severally with and to the same extent as the seller or purchaser."

Barry Spruiell, Ron Meyer and John T. Crumbley have never been licensed as a broker-dealer or agent in Utah. Crumbley Jr., Spruiell, Meyer and Crumbley therefore offered and sold securities to Utah resident, Tom Tuckett, in violation of § 61-1-3 of the Act.

Employing Unlicensed Agent under § 61-1-3.

33. Utah Code Ann. § 61-1-3(2)(a) of the Act states:

> It is unlawful for any broker-dealer or issuer to employ or engage an agent unless the agent is licensed.

34. Records of the Utah Division of Securities and the National Association of Securities Dealers' Central Registration Depository reveal that Respondent John T. Crumbley has never been licensed as a broker-dealer or agent in Utah.

35. Respondents Sedona Oil and Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell and Ron Meyer therefore violated § 61-1-3 of the Act by employing an agent and allowing him to make solicitations and sales in a state where he was not licensed.

III. AGREEMENT

36. Respondents neither admit nor deny the Division's investigative findings of fact or conclusions of law, but consents to entry of an order:

    a. Preventing Respondents from selling or offering for sale securities in violation of § 61-1-7 of the Utah Uniform Securities Act;

    b. Prohibiting Respondents selling while unlicensed or from employing unlicensed agents in violation of § 61-1-3 of the Utah Uniform Securities Act;

c. Prohibiting Respondents from selling unregistered securities in violation of § 61-1-7 of the Utah Uniform Securities Act;

d. Requiring Respondents that, while engaged in or in connection with the offer, sale or purchase of any security, they be prohibited from:

1. Employing any device, scheme, or artifice to defraud,

2. Making any untrue statement of material fact, or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading;

3. Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person;

4. Engaging in any form of general solicitation or general advertising contrary to the provisions of applicable law.

e. Prohibiting Respondents from failing to disclose the existence of this Stipulation when engaged in or in connection with the offer, sale or purchase of any security.

f. Preventing Respondents from aiding, abetting, counseling, inducing, or causing any other person to engage in any of the types of conduct described in the preceding paragraphs.

g. Requiring Respondents to pay a fine of $7,500 to the Division within thirty days of entry of this Order. Respondents are jointly and severally liable for payment of the fine.

IV. FINAL RESOLUTION

37. Respondents acknowledge that this Order, upon approval by the Division Director, will be the complete and final resolution of, and discharge of any basis for any basis for any civil or administrative proceeding by the Division against Respondents for violations arising as a result of or in connection with any actions or omissions by them described herein. This resolution and discharge, however, does not apply to facts not expressly enumerated herein or not otherwise provided by Respondents to the Division as of the date of this Consent Order. Respondents further acknowledges that if the Division Director does not accept the terms of the Order, it shall be deemed null and void and without any force or effect whatsoever.

38. This Stipulation constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Stipulation in any way.

39. Respondents acknowledge that the Order does not affect any civil or arbitration causes of action that third parties may have against it arising in whole or in part from its actions, and that the Order does not affect any criminal causes of action that a prosecutor might bring.

40. This Order constitutes the entire agreement between the parties herein, and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements that modify, interpret, construe, or

otherwise affect this Order in any way.

41. A willful, material violation of this Stipulation (if and as proven in a criminal proceeding) is a third degree felony pursuant to § 61-1-21(1) of the Act.

V. ORDER

Pursuant to the terms of the Stipulation and Consent Order above, the Director of the Utah Division of Securities hereby enters the following orders:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.

2. Respondents are hereby Ordered to cease and desist from:

   a. Selling or offering for sale securities in violation of § 61-1-7 of the Utah Uniform Securities Act;

   b. Prohibiting Respondents selling while unlicensed or from employing unlicensed agents in violation of § 61-1-3 of the Utah Uniform Securities Act;

   c. Prohibiting Respondents from selling unregistered securities in violation of § 61-1-7 of the Utah Uniform Securities Act;

   d. Requiring Respondents that, while engaged in or in connection with the offer, sale or purchase of any security, they be prohibited from:

      1. Employing any device, scheme, or artifice to defraud while engaged in or in connection with the offer, sale or purchase of any security;

      2. Making any untrue statement of material fact, or omitting to state a material

fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading;

3. Engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person;

4. Engaging in any form of general solicitation or general advertising contrary to the provisions of applicable law;

5. Failing to disclose the existence of this Stipulation when engaged in or in connection with the offer, sale or purchase of any security;

6. Aiding, abetting, counseling, inducing, or causing any other person to engage in any of the types of conduct described in the preceding paragraphs.

3. Respondents are also Ordered to pay a fine of $7,500 to the Division within thirty days of the entry of this Order. Respondents are jointly and severally liable for payment of the fine.

DATED this 13th day of June, 2007.

WAYNE KLEIN
Director, Utah Division of Securities

Utah Division of Securities

Date: 6-12-07

By: _____
Benjamin Johnson
Director of Corporate Finance

Barry Spruiell

Date:

By: _____
Barry Spruiell

Ron Meyer

Date:

By: _____
Ron Meyer

Approved:

_____
Jeffrey Buckner
Assistant Attorney General

Sedona Oil and Gas Corporation

Date: 6-7-07

By: _____
Kenneth Crumbley, Jr.
President, Sedona Oil and Gas Corporation

Kenneth Crumbley, Jr.

Date: 6-7-07

By: _____
Kenneth Crumbley

John T. Crumbley

Date: 6-7-07

By: _____
John T. Crumbley

Approved:

_____
Richard M. Hewitt
Attorney for Respondents

CERTIFICATE OF MAILING

I hereby certify that on the 13TH day of JUNE 2007, I mailed, regular mail postage prepaid, a copy of the foregoing **Stipulation and Consent Order** to:

Richard M. Hewitt
300 Trophy Club Drive, Suite 700
Trophy Club, TX 76262

PAMALA RADZINSKI
Executive Secretary