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WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

ORIGINAL 2/2/06



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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Jeff Hatch-Miller, Chairman
William A. Mundell
Marc Spitzer
Mike Gleason
Kristin K. Mayes

FROM: Matthew J. Neuberger *myj*
Director of Securities

DATE: January 18, 2006

RE: Proposed Order to Cease and Desist, Order to Disgorge Commissions, and Order for Administrative Penalties and Consent to Same against WSK Energy, LLC, an Arizona limited liability company (S-03572A-04-0000)

CC: Brian C. McNeil, Executive Director

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AZ CORP COMMISSION
DOCUMENT CONTROL

Attached is a proposed Consent Order for WSK Energy, LLC, an Arizona limited liability company ("WSK"). The Order requires WSK to cease and desist its activity and pay an administrative penalty in the amount of \$5,000.

Beginning in August, 2005, WSK offered securities in the form of investment contracts in an oil well located in Northeastern Arizona in which WSK had or would acquire a working interest ("Participation Interests"). WSK raised approximately \$172,500.00 from the sale of Participation Interests to at least four (4) Arizona investors. Following the service of the Temporary Cease and Desist Order, WSK informed the investors (a) that the Participation Interests were neither registered nor exempt from registration, (b) that WSK and its agents were neither registered as a dealer or a salesman nor exempt from registration, and (c) of the risks associated with their investment. WSK has afforded each investor the opportunity to have their investment redeemed.

The Order finds that WSK violated A.R.S. §44-1841 and §44-1842 by selling unregistered securities while being unlicensed.

The Division believes that this Consent Order is appropriate to protect the public welfare and in the best interest of the investors.

Originator: Julie Coleman

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 JEFF HATCH-MILLER, Chairman
4 WILLIAM A. MUNDELL
5 MARC SPITZER
6 MIKE GLEASON
7 KRISTIN K. MAYES

8 In the matter of)

9 WSK ENERGY, L.L.C.)
10 23444 North 21st Way)
11 Phoenix, Arizona 85024)

12 KEVIN H. and JANE DOE KRAUSE)
13 Husband and wife)
14 23444 North 21st Way)
15 Phoenix, Arizona 85024)

16 Respondents.)

DOCKET NO. S-03572A-04-0000

DECISION NO. _____

**ORDER TO CEASE AND DESIST AND
ORDER FOR ADMINISTRATIVE
PENALTIES AND CONSENT TO SAME
BY: WSK ENERGY, LLC**

17 Respondent WSK ENTERGY, L.L.C. elects to permanently waive any right to a hearing
18 and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*
19 (“Securities Act”) with respect to this Order To Cease And Desist and Order of Administrative
20 Penalties and Consent to Same (“Order”). Respondent admits the jurisdiction of the Arizona
21 Corporation Commission (“Commission”); neither admits nor denies the Findings of Fact and
22 Conclusions of Law contained in this Order; and consents to the entry of this Order by the
23 Commission.

24 **I.**

25 **FINDINGS OF FACT**

26 1. WSK Energy, L.L.C. (“WSK”) is an Arizona limited liability company, formed on
July 30, 2004, and currently located at 5941 E. Edgemont Avenue, Scottsdale, Arizona 85257.

2. From approximately August 5, 2003 through October, 2004, Respondent offered
securities in the form of investment contracts in an oil well located in Northern Arizona in which
WSK had or would acquire a working interest (“26-1 Well”).

1 check or money order on the date of this Order, payable to the "State of Arizona." If Respondent
2 does not comply with this order for administrative penalties, any outstanding balance may be
3 deemed in default and shall be immediately due and payable.

4 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
5 Commission may bring further legal proceedings against that Respondent, including application to
6 the superior court for an order of contempt.

7 IT IS FURTHER ORDERED that this Order shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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11 CHAIRMAN

COMMISSIONER

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13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
15 Executive Director of the Arizona Corporation
16 Commission, have hereunto set my hand and caused the
17 official seal of the Commission to be affixed at the
18 Capitol, in the City of Phoenix, this _____ day of
19 _____, _____.

20 _____
BRIAN C. McNEIL
Executive Director

21
22 _____
DISSENT

23 _____
DISSENT

24 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant
25 to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.

26 (JC)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent WSK ENERGY, L.L.C., an Arizona limited liability company,
3 (“Respondent”) admits the jurisdiction of the Commission over the subject matter of this
4 proceeding. Respondent acknowledges that it has been fully advised of its right to a hearing to
5 present evidence and call witnesses and Respondent knowingly and voluntarily waives any and all
6 rights to a hearing before the Commission and all other rights otherwise available under Article 11
7 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondent acknowledges
8 that this ORDER TO CEASE AND DESIST AND ORDER FOR ADMINISTRATIVE
9 PENALTIES AND CONSENT TO SAME (“Order”) constitutes a valid final order of the
10 Commission.

11 2. Respondent knowingly and voluntarily waives any right under Article 12 of the
12 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
13 resulting from the entry of this Order.

14 3. Respondent acknowledges and agrees that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. Respondent acknowledges that it has been represented by an attorney in this matter,
17 it has reviewed this Order with its attorney and understands all terms it contains.

18 5. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law
19 contained in this Order. Respondent agrees that it shall not contest their validity in any present or
20 future administrative proceeding before the Commission or any other state agency concerning the
21 denial or issuance of any license or registration required by the State to engage in the practice of
22 any business or profession.

23 6. By consenting to the entry of this Order, Respondent agrees not to take any action
24 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding
25 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without
26 factual basis.

1 7. Respondent will undertake steps necessary to assure that all of its agents and
2 employees understand and comply with this agreement.

3 8. While this Order settles this administrative matter between Respondent and the
4 Commission, Respondent understands that this Order does not preclude the Commission from
5 instituting other administrative proceedings based on violations that are not addressed by this
6 Order.

7 9. Respondent understands that this Order does not preclude the Commission from
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
9 that may be related to the matters addressed by this Order.

10 10. Respondent understands that this Order does not preclude any other agency or
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal
12 proceedings that may be related to matters addressed by this Order.

13 11. Respondent agrees that it will not apply to the state of Arizona for registration as a
14 securities dealer or salesman or for licensure as an investment adviser or investment adviser
15 representative until such time as all penalties under this Order are paid in full.

16 12. Respondent agrees that it will not exercise any control over any entity that offers or
17 sells securities or provides investment advisory services within or from Arizona until such time as
18 all penalties under this Order are paid in full.

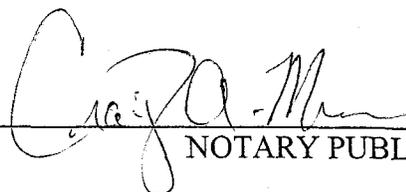
19 14. Respondent agrees that it will not sell any securities in or from Arizona without
20 being properly registered in Arizona as a dealer or salesman, or exempt from such registration; it
21 will not sell any securities in or from Arizona unless the securities are registered in Arizona or
22 exempt from registration; and it will not transact business in Arizona as an investment adviser or
23 an investment adviser representative unless properly licensed in Arizona or exempt from licensure.

24 15. Respondent acknowledges and understands that if it fails to comply with the
25 provisions of the order and this consent, the Commission may bring further legal proceedings
26 against it, including application to the superior court for an order of contempt.

Its: Managing Member

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SUBSCRIBED AND SWORN TO BEFORE me this 30th day of December, 2005.



NOTARY PUBLIC

My Commission Expires:

5-19-2009

