

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSIONAT RICHMOND, MAY 23, 2002
MAY 23 P 2:58COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2002-00014

BASIN OIL & GAS CORPORATION,
DefendantSETTLEMENT ORDER

The Commission's Division of Securities and Retail Franchising ("Division") has instituted an investigation of Defendant, Basin Oil & Gas Corporation ("Basin") pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 et seq. of the Code of Virginia.

As a result of its investigation, the Division alleges that (i) Basin employed unregistered agents in violation of § 13.1-504B of the Act and (ii) Basin offered for sale and sold unregistered securities, to wit: an investment contract in the form of a joint venture, in violation of § 13.1-507 of the Act.

The Defendant neither admits nor denies the allegations, but admits to the Commission's jurisdiction and authority to enter this order.

As a proposal to settle all matters arising from the allegations made against it, the Defendant has offered, and agreed to comply with, the following terms and undertakings:

(1) Pursuant to § 13.1-518 of the Act, Basin agrees to pay to the Commission the sum of five hundred dollars (\$500) to defray the costs of the investigation.

(2) Pursuant to § 13.1-521 of the Act, Basin agrees to pay a penalty of five thousand dollars (\$5,000).

(3) Basin will mail a copy of this Settlement Order to each Virginia investor .

(4) Basin will employ, for purposes of offering or selling securities in the Commonwealth, only agents who are registered under the Act or exempted therefrom.

(5) Basin will offer and sell in the Commonwealth, whether directly or indirectly, only securities that are either registered under the Act or exempted therefrom.

(6) Evidence of compliance with the provisions of paragraph (3) will be filed with the Division by the Defendant no later than 90 days from the date of this order. Such evidence will be in the form of an affidavit executed by Thomas R. Watkins containing a statement affirming that a copy of this order was sent to all Virginia investors.

(7) It is recognized and understood that if the Defendant's fail to comply with any of the foregoing terms and undertakings, then the Commission reserves the right to take whatever action it deems appropriate, including but not limited to instituting a show cause proceeding under the Act or other applicable statutes based on such failure to comply, on the allegations contained herein and/or on

such other allegations as are warranted, and the Defendants will not contest the exercise of the right reserved.

The Division has recommended that the Defendant's offer of settlement be accepted pursuant to the authority granted to the Commission in § 12.1-15 of the Code of Virginia. Accordingly,

IT IS ORDERED THAT:

(1) Pursuant to the authority granted to the Commission in § 12.1-15 of the Code of Virginia, the Defendant's offer of settlement is accepted;

(2) The Defendant shall fully comply with the aforesaid terms and undertakings of the settlement;

(3) Basin, pursuant to Section 13.1-521 of the Act, shall pay to the Commission the sum of five thousand dollars (\$5,000) as a penalty and, pursuant to § 13.1-518 of the Act, pay to the Commission the sum of five hundred dollars (\$500) to defray the costs of investigation, and that the Commission recover from Basin said amounts;

(4) The sum total of five thousand five hundred dollars (\$5,500) tendered by Basin contemporaneously with the entry of this Settlement Order is accepted; and

(5) The Commission shall retain jurisdiction in this matter for all purposes, including the institution of a show cause proceeding as described above, or taking such other action it deems appropriate, on account of the Defendant's failure to comply with the terms and undertakings of the settlement.

AN ATTESTED copy hereof shall be sent by CERTIFIED MAIL, RETURN RECEIPT REQUESTED, to Basin Oil & Gas Corporation, c/o Charles C. Mihalek, Esquire, Charles C. Mihalek PSC, First National Building, Suite 510, 167 West Main Street, Lexington, Kentucky 40507.

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STATE CORPORATION COMMISSIONCOMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

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BASIN OIL & GAS CORPORATION,
Defendant.ADMISSION AND CONSENT

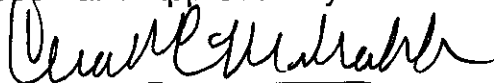
The Defendant, Basin Oil & Gas Corporation, admits the jurisdiction of the State Corporation Commission of Virginia as to the party and subject matter hereof and, without admitting or denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order.

The Defendant further states that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Settlement Order.

Basin Oil & Gas Corporation

DATE: 5-16-02By: Thomas R. Watkins
Thomas R. Watkins, President

Seen and Approved By:


Charles C. Mihalek, Esquire
Charles C. Mihalek PSC
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