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COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2011-AH-0155

DEPARTMENT OF FINANCIAL INSTITUTIONS — COMPLAINANT

v.

US ENERGY PARTNERS, INC., and
CLAY SHELTON — RESPONDENTS

AGREED ORDER

* * * * * * * * * * * * * *

STATEMENT OF AGREED FACTS

1. The Department of Financial Institutions ("DFI") is the public agency of the Commonwealth of Kentucky charged with the enforcement of KRS Chapter 292, the Kentucky Securities Act ("the Act").

2. US Energy Partners, Inc. ("Respondent US Energy") is an issuer of securities in the form of oil and gas ventures. Respondent US Energy is a Kentucky corporation that engages in such business through its principal office located at 6244 Nashville Road, Suite A, Bowling Green, Kentucky 42101.

3. Clay Shelton ("Respondent Shelton") is the President and Director of Respondent US Energy.

4. On August 24 and 25, 2011, the DFI's Division of Securities ("the Division") conducted an examination of Respondent US Energy at its principal office.

5. As a result of the August 2010 examination, the Division discovered that in connection with the solicitation and sale of an offering known as "Latpartners 2010, LP," Respondents distributed to investors a Balance Sheet that did not balance and which attempted to disclose productivity projections that do not relate directly to the

Balance Sheet itself. Accordingly, the Division concluded that Respondents have violated KRS 292.500(5), which requires that all financial statements shall be prepared in accordance with generally accepted accounting standards.

6. Also as a result of the August 2010 examination, the Division discovered that Respondents offered and sold interests in an unregistered offering known as "Warren Oil and Gas Development 2009, LP," which was neither an exempt nor covered security. Accordingly, the Division has concluded that Respondents violated KRS 292.340, which makes it unlawful for any person to offer or sell any security in Kentucky unless the security is registered under the Act.

7. Pursuant to KRS 292.500(14), the Commissioner may impose a fine of up to twenty thousand dollars ($20,000) for each violation of the Act, and an additional twenty thousand dollars ($20,000) if the violation is directed toward an individual sixty (60) years of age or older.

8. In this case, the DFI has imposed fines against Respondents in the total amount of fifteen thousand dollars ($15,000.00) for the violations discovered in the August 2010 examination as set forth herein.

AGREEMENT AND ORDER

The DFI and Respondents, in the interest of economically and efficiently resolving the violations and discrepancies described above, agree, and it is hereby ORDERED, as follows:

1. Respondents are, jointly and severally, assessed fines in the total sum of fifteen thousand dollars ($15,000.00) for the violations described herein.

2. Respondents shall pay this sum in a single installment of fifteen thousand dollars ($15,000.00), which shall be due by the date Respondents sign the Agreed Order

and return it to the DFI, but in any event no later than April 10, 2012. The payment shall be made payable to "Kentucky State Treasurer" and mailed to the Department of Financial Institutions, Attn: Michael T. Davis, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601.

3. Respondents shall devote the time and resources necessary to ensure continual and full compliance with all statutory requirements set forth in the Act and the regulations set forth in 808 KAR Chapter 10.

4. Any failure by Respondents to comply with any provision of this Agreed Order may result in further administrative action taken by the DFI.

5. Respondents waive their rights to demand a hearing at which Respondents would be entitled to legal representation, to confront and cross examine witnesses and to present evidence on their own behalves, and further waive its right to otherwise appeal or set aside this Order.

6. Respondents consent to and acknowledge the jurisdiction of the DFI over this matter and that this Agreed Order is a matter of public record and may be disseminated as such.

7. In consideration of execution of this Agreed Order, Respondents for themselves, and for their successors and assigns, hereby release and forever discharge the Commonwealth of Kentucky, the DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity, that Respondents ever had, now have, may have or claim to have against any or all of the persons or entities named in

this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

8. By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

9. This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 20th day of April, 2012.

CHARLES A. VICE
COMMISSIONER

Consented to:

This 16 day of April, 2012.

Shonita Bossier, Director
Division of Securities
Department of Financial Institutions

This 11 day of April, 2012.

Clay Shelton, individually and as President and authorized representative of
Respondent US Energy Partners, Inc.

ACKNOWLEDGEMENT

STATE/COMMONWEALTH OF Kentucky)
)
COUNTY OF Warren)

On this the 11 day of April, 2012, before me Jamie C Nunn Marvin, the undersigned, Clay Shelton, individually and as President and authorized representative of US Energy Partners, Inc., did personally appear and enter into and execute the foregoing instrument for the purposes therein contained.

In witness whereof I hereunto set my hand.

My Commission Expires: 02-14-2013

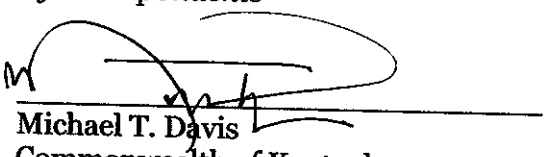
Notary Public

Certificate of Service

I, the undersigned, hereby certify that a copy of the foregoing Agreed Order was sent on this the 23rd day of April, 2012, by certified mail, to the following:

US Energy Partners, Inc.
Attn: Clay Shelton, President
6244 Nashville Road
Bowling Green, Kentucky 42101
Respondents

Michael de Leon Hawthorne
Bingham Greenebaum Doll LLP
3500 National City Tower
101 S. Fifth Street
Louisville, Kentucky 40202-3197
Counsel for Respondents



Michael T. Davis
Commonwealth of Kentucky
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