

1 resident. Enclosed along with the brochure was a cover letter addressed to the “prospective investor”
2 and a document titled “Joint Venture Subscription Agreement”.

3 7. The materials represented that Target Oil & Gas had “obtained numerous oil and gas leases in
4 Lincoln County, Kentucky” and was in the business of developing these ventures for profit.

5 8. The “Joint Venture Subscription Agreement,” which was hand dated April 22, 2008, required
6 a minimum cash purchase of \$21,700.00 for one (1) unit, which is equivalent to a 3.125% “working
7 interest” and 2.53% net interest in a project referred to as the “Lincoln County Well #’s 1A, 1B, 1C,
8 1D”.

9 9. The subscription agreement also required the purchaser, within 14 days of notification, to pay
10 “completion costs” of \$2,150.00 for each well “if completion is warranted in the opinion of the
11 Operator”.

12 10. The packet Smith mailed to the California resident did not include a prospectus or offering
13 circular containing material information about the investment offer.

14 11. The oil and gas interests that were offered by Smith and Target Oil & Gas are “securities” as
15 that term is defined by California law.

16 12. These securities were offered for sale or sold in this state in an issuer transaction.

17 13. The California Department of Corporations has not issued a permit or other form of
18 qualification authorizing any person to offer and sell these securities in this state.

19 14. In connection with the offers and/or sales of securities in Target Oil & Gas, Smith and Target
20 Oil & Gas made untrue statements of material fact or omitted to state material facts necessary in
21 order to make the statements made, in the light of the circumstances under which they were made, not
22 misleading. These misrepresentations and/or omissions included, but are not limited to, Smith’s
23 failure to disclose material facts relating to at least six prior enforcement actions taken against him
24 and Target Oil & Gas by securities regulators as follows:

25 a. An Order issued by the State of Missouri on August 27, 2007 prohibiting the offering
26 to sell or selling of unregistered securities and imposing civil penalties in connection therewith.

27 b. An Order issued by the State of Texas on March 22, 2007 to desist and refrain from
28 “engaging in fraud” in connection with the offer and sale of unregistered securities.

1 c. An Order issued by the State of Michigan on July 6, 2006 to cease and desist from
2 offering to sell or selling unregistered securities.

3 d. An Agreed Order with the State of Kentucky on February 18, 2003 whereby Smith
4 and Target Oil & Gas agreed to, among other things, not contact potential investors without first
5 obtaining written information from potential investors to verify their accredited status before making
6 any sales offers.

7 e. An Order of Prohibition and Revocation issued by the State of Wisconsin on
8 December 20, 2001 proscribing the offering for sale and selling of unregistered securities.

9 f. A Summary Order to Cease and Desist issued on December 27, 2000 by the State of
10 Pennsylvania to stop offering for sale and selling unregistered securities.

11 Based on the foregoing findings, the California Corporations Commissioner is of the opinion
12 that the joint venture interests or participation in an oil or gas title or lease or in payments out of
13 production under that title or lease being sold by Michael Smith, also known as Robert Smith, and
14 Target Oil & Gas Corporation are securities subject to qualification under the California Corporate
15 Securities Law of 1968 and are being or have been offered or sold without first being qualified.
16 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Michael Smith, also known as
17 Robert Smith, and Target Oil & Gas Corporation are hereby ordered to desist and refrain from the
18 further offer or sale of securities in the State of California, including but not limited to joint venture
19 interests or participation in an oil or gas title or lease or in payments out of production under that title
20 or lease, unless and until qualification has been made under said law or unless exempt.

21 Further, the California Corporations Commissioner is of the opinion that the securities of
22 Target Oil & Gas Corporation were offered or sold in this state by means of written or oral
23 communications which included an untrue statement of a material fact or omitted to state a material
24 fact necessary in order to make the statements made, in the light of the circumstances under which
25 they were made, not misleading, in violation of Section 25401 of the Corporate Securities Law of
26 1968. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Target Oil & Gas
27 Corporation and Michael Smith, also known as Robert Smith, are hereby ordered to desist and refrain
28 from offering or selling or buying or offering to buy any security in the State of California, including

1 but not limited to joint venture interests or participation in an oil or gas title or lease or in payments
2 out of production under that title or lease, by means of any written or oral communication which
3 includes an untrue statement of a material fact or omits to state a material fact necessary in order to
4 make the statements made, in the light of the circumstances under which they were made, not
5 misleading.

6 This Order is necessary, in the public interest, for the protection of investors and consistent
7 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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9 Dated: May 30, 2008
10 Los Angeles, California

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PRESTON DUFAUCHARD
California Corporations Commissioner

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By _____
ALAN S. WEINGER
Lead Corporations Counsel
Enforcement Division

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