

1 STATE OF CALIFORNIA
2 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
3 DEPARTMENT OF BUSINESS OVERSIGHT

4 TO: Blue Ridge Group, Inc.
5 Source Capital Group, Inc.
6 2011-C Two Well Drilling Program, L.P.
7 2010/2011 Year End Drilling Program, L.P.
8 2011 Year End Drilling Program, L.P.
9 2012 Belmont Drilling Program, L.P.
10 Galveston Bay Drilling Program, L.P.
11 Stephen C. Larkin
12 James Duhon

13 632 Adams Street, Suite 700
14 Bowling Green, KY, 42104

15 **DESIST AND REFRAIN ORDER**
16 **(For violations of sections 25110 and 25401 of the Corporations Code)**

17 The Commissioner of Business Oversight finds that:

18 1. At all relevant times, Blue Ridge Group, Inc. (“Blue Ridge”) is a Delaware
19 corporation with its principal place of business located at 632 Adams Street, Suite 700, Bowling
20 Green, KY, 42104, and doing business in California. Blue Ridge operates oil and gas wells and oil
21 and gas drilling operations on various properties located in the United States. Blue Ridge represents
22 to consumers that Blue Ridge is the “managing general partner” of 2011-C Two Well Drilling
23 Program, L.P., 2010/2011 Year End Drilling Program, L.P., 2011 Year End Drilling Program, L.P.,
24 2012 Belmont Drilling Program, L.P., and 2012 Galveston Bay Drilling Program, L.P., (collectively,
25 “Drilling Programs”). Drilling Programs are limited partnership drilling ventures established and
26 operated by, for and with Blue Ridge.

27 2. At all times relevant, Stephen C. Larkin (“Larkin”) is an individual with a principal
28 place of business also located at 632 Adams Street, Suite 700, Bowling Green, KY, 42104, and doing
business in California. Larkin represents to consumers that he is the president and chief executive
officer of Blue Ridge.

1 3. At all times relevant, Source Capital Group, Inc. (“Source Capital”) is a Delaware
2 corporation with a principal place of business located at 632 Adams Street, Suite 700, Bowling
3 Green, KY, 42104, 276 Post Road West, Westport, Connecticut, 06880, and doing business in
4 California. Source Capital is an investment firm, holding Financial Industry Regulatory Authority
5 (“FINRA”) Central Registration Depository (“CRD”) No. 36719. Source Capital represents to
6 consumers that it is the “Dealer Manager” for Blue Ridge and all Drilling Programs.

7 4. At all times relevant, James Duhon (“Duhon”) is an individual who, from March 2002
8 to December 2014, was a licensed broker or investment adviser with Source Capital, holding FINRA
9 CRD No. 2546448. Duhon’s principal place of business is with Source Capital at 632 Adams Street,
10 Suite 700, Bowling Green, KY, 42104. Blue Ridge, Drilling Programs, Source Capital, Larking and
11 Duhon are herein collectively referred to as “Respondents.” Whenever reference is made herein to
12 “Respondents” doing any act, the allegation shall mean the act of each respondent acting
13 individually, jointly and severally.

14 5. Beginning in September 2010, Blue Ridge, Drilling Programs, and Larkin, by and
15 through Duhon and Source Capital offered and/or sold securities in the form of investment contracts
16 in Blue Ridge and Drilling Programs to at least one (1) California consumer. The purpose of the
17 offering was to fund the maintenance and production of Blue Ridge and Drilling Programs.

18 6. From October 24, 2011 to at least November 26, 2012, a California resident, paid
19 Duhon and Source Capital, sixty seven thousand six hundred seventy five thousand dollars
20 (\$67,675.00) for the purpose of purchasing securities in the form of investment contracts in Blue
21 Ridge and Drilling Programs, in exchange for a profit on monies invested. Respondents represented
22 to the investor that he would receive profits of at least sixteen percent (16%) annually on his
23 investment amount. Respondents also represented to the investor that he would receive his entire
24 principal investment amount in return at any time he requested it.

25 7. Beginning in 2010, Blue Ridge, Larkin, and Drilling Programs, by and through Duhon
26 and Source Capital, offered and/or sold the above described securities in California in issuer
27 transactions. The Department of Business Oversight (“Department”) has not issued a permit or other
28

1 form of qualification authorizing any person to offer and sell these securities in the form of
2 investment agreements relating to oil and gas investments in California.

3 8. Beginning in September 2010, in connection with the offer and/or sale of these
4 securities, Respondents made, or caused to be made, misrepresentations of material fact or omitted to
5 state material facts necessary in order to make the statements made, in the light of the circumstances
6 under which they were made, not misleading. These misrepresentations and omissions were the
7 following: (a) Respondents represented to the investor that he would receive profits of at least
8 sixteen percent (16%) annually on his investment. (b) Respondents also represented to the investor
9 that he would receive his entire principal investment amount in return at any time he requested it.
10 Investor G.S. requested that Respondents return his investment amount on multiple occasions. To
11 date, the investor has not received his investment principal or a profitable return on his investment
12 principal.

13 Based on the foregoing findings, the Commissioner of Business Oversight finds that the
14 investment agreements sold by Blue Ridge Group, Inc., Source Capital Group, Inc., 2011-C Two
15 Well Drilling Program, L.P., 2010/2011 Year End Drilling Program, L.P., 2011 Year End Drilling
16 Program, L.P., 2012 Belmont Drilling Program, L.P., Galveston Bay Drilling Program, L.P., Stephen
17 C. Larkin, and James Duhon are securities subject to qualification under the Corporations Code.
18 These securities are or were offered and sold without being qualified or exempt, in violation of
19 Section 25110 of the Corporations Code.

20 Pursuant to section 25532 of the Corporations Code, Blue Ridge Group, Inc., Source Capital
21 Group, Inc., 2011-C Two Well Drilling Program, L.P., 2010/2011 Year End Drilling Program, L.P.,
22 2011 Year End Drilling Program, L.P., 2012 Belmont Drilling Program, L.P., Galveston Bay Drilling
23 Program, L.P., Stephen C. Larkin, and James Duhon are hereby ordered to desist and refrain from the
24 further offer or sale in the State of California of securities, including investment contracts in the form
25 of purchase agreements, unless and until qualification has been made under said law or unless
26 exempt.

27 Further, the Commissioner of Business Oversight is of the opinion that the securities in the
28 form of investment agreements were offered or sold in this State by means of a written or oral

1 communication which included an untrue statement of material fact or omitted to a state material fact
2 necessary to make the statement made, in the light of the circumstances under which they were made,
3 not misleading, in violation of section 25401 of the Corporate Securities Law of 1968 (“CSL”) (Corp.
4 Code, § 25000 *et seq.*).

5 Pursuant to section 25532 of the CSL, Blue Ridge Group, Inc., Source Capital Group, Inc.,
6 2011-C Two Well Drilling Program, L.P., 2010/2011 Year End Drilling Program, L.P., 2011 Year
7 End Drilling Program, L.P., 2012 Belmont Drilling Program, L.P., Galveston Bay Drilling Program,
8 L.P., Stephen C. Larkin, and James Duhon are hereby ordered to desist and refrain from offering or
9 selling or buying or offering to buy any security in the State of California, including but not limited to
10 investment contracts, by means of any written or oral communication which includes an untrue
11 statement of material fact or omits to state a material fact necessary in order to make the statements
12 made, in the light of circumstances under which they were made, not misleading.

13 This Order is necessary, in the public interest, for the protection of investors and consistent
14 with the purposes, policies, and provisions of the CSL.

15 Dated: October 10, 2016

16 JAN LYNN OWEN
17 Commissioner of Business Oversight

18
19
20 By _____
21 MARY ANN SMITH
22 Deputy Commissioner
23 Enforcement Division
24
25
26
27
28