

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
CHEROKEE ENERGY CO., LLC)
MARTIN RAY TWIST)
FORREST HAMMOND)
CHARLES WHITE)
PAUL MUELLER)
)
RESPONDENTS)

ADMINISTRATIVE ORDER
NO. CD- 2003-02

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sell of securities, to wit: Limited Liability Partnership interests into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. RESPONDENT CHEROKEE ENERGY CO., LLC ("CEC"), is a Indiana cooperation, with a business address of 700 Missouri Avenue, Jeffersonville, Indiana 47130. CEC and its entities are not registered as a securities dealer to sell securities in the State of Alabama.

2. RESPONDENT MARTIN RAY TWIST ("TWIST") of 700 Missouri Avenue, Jeffersonville, Indiana 47130, is the President and sole shareholder of Cherokee Energy Company LLC, and at all times relevant to violations set forth herein, acted as an agent of CEC and its entities.

3. RESPONDENT FORREST HAMMOND ("HAMMOND") of 700 Missouri Avenue, Jeffersonville, Indiana 47130, is the Assistant Vice President of CEC, and at all times relevant to violations set forth herein, acted as an agent of CEC and its entities.

4. RESPONDENT CHARLES WHITE ("WHITE") of 700 Missouri Avenue, Jeffersonville, Indiana 47130, is the Vice President of Sales for CEC, and at all times relevant to violations set forth herein, acted as an agent of CEC and its entities.

5. RESPONDENT PAUL R. MUELLER ("MUELLER") of 1614 Woodlawn Drive, Corpus Christi, Texas 78412, is the President of Mueller Exploration Inc., an associated entity of CEC and at all times relevant to violations set forth herein, acted as an agent of CEC and its entities.

STATEMENT OF FACTS

6. The Commission is in receipt of information that representatives of CEC, cold called Alabama residents and engaged in the offer and/or sale of unregistered securities, to wit: Units of Limited Partnership interests, of CEC. In July of 2002, representatives of CEC contacted Alabama residents by telephone in order to solicit participation in a private placement involving shares of common stock in CEC.

7. Offering Materials were also mailed to Alabama residents by representatives of CEC. The Materials indicated that TWIST was the Developer/Operator of oil and natural gas wells in Kentucky, Tennessee, West Virginia, and Texas.

8. Interviews with the Alabama residents clearly demonstrated that they were not sophisticated in the terms of the offered product, oil and gas well ventures. The interviews further confirmed that Alabama residents did not initiate these transactions and did not have a pre-existing relationship with CEC, TWIST, HAMMOND, WHITE, or MUELLER.

9. A review of the Registration files of the Alabama Securities Commission, disclosed no record of registration or exemption from registration, of the securities of CEC.

10. A review of the Registration files of the Alabama Securities Commission, disclosed no current registration of CEC, TWIST, HAMMOND, WHITE, or MUELLER as a securities agent/dealer in the state of Alabama.

11. Representatives of CEC; TWIST, HAMMOND, WHITE, and MUELLER, also failed to disclose to investors and regulatory agencies of a pre-existing Cease and Desist Order to wit: Pennsylvania Securities Commission issued Order number 2002-11-28 on December 26, 2002, for soliciting and/or selling unregistered securities. Failure to disclose any injunction or administrative order or conviction of a misdemeanor involving moral turpitude, a security or any aspect of the securities business, any conviction of a felony is a violation of § 8-6-3, Code of Alabama 1975.

CONCLUSIONS OF LAW

12. CEC is not registered as a securities dealer in the State of Alabama. Transacting business in the State of Alabama as a securities dealer while unregistered is a violation of § 8-6-3(a), Code of Alabama, 1975.

13. TWIST, HAMMOND, WHITE, and MUELLER are not registered as securities agents in the state of Alabama. Transacting business in the State of Alabama as a securities agent while unregistered is a violation of § 8-6-3(a), Code of Alabama, 1975.

14. The securities of CEC, being solicited for sale by TWIST, HAMMOND, WHITE, and MUELLER, as set forth in paragraph 6, above, are not registered, or exempt from registration in the state of Alabama. The sale or attempted sale of unregistered, non-exempt securities into, within, or from the state of Alabama is a violation of § 8-6-4, Code of Alabama, 1975.

15. Regulation D, Rule 502(c) *Limitation on manner of offering*, except as provided in 230.504(b)(1), neither the issuer nor any person acting on its behalf shall offer or sell the securities by any form of general solicitation. Alabama residents were contacted as part of a telephone marketing program involving cold calling. Cold calling is considered a general solicitation when directed to nonaccredited and unsophisticated investors.

16. Respondents failed to comply with the provisions relating to Rule 506 effectively voiding the federal exemption and in turn the “covered securities” status as afforded by NSMIA. Therefore, is subject to all provisions of the Alabama Securities Act and the Registration/Exemption provisions contained therein.

17. Pursuant to Code of Alabama 1975, § 8-6-4, it is unlawful for any person to offer or sell any security in this state unless: (1) It is registered under this article; (2) The security is exempt from registration under § 8-6-10; or (3) The transaction is exempt under § 8-6-11.

18. The Code of Alabama 1975, § 8-6-17, prohibits any person, in connection with the offer, sale or purchase of a security, directly or indirectly to: (1) employ any device, scheme or artifice to defraud; (2) Make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or (3) Engage in any act, practice or course of business which operates as a fraud or deceit upon any person. The failure of Respondents to provide the Alabama residents, deemed unsophisticated investors, with the disclosure documents required by Rule 502(b) constitutes an omission of material facts and such practice or course of business operated to defraud and deceive Alabama residents.

19. Failure to disclose an order, adjudication or determination entered within the past 10 years as set forth in paragraph 11 is a violation of § 8-6-3 (3)(6), Code of Alabama, 1975.

This Order does not prevent the Alabama Securities Commission from seeking such other civil or criminal remedies that are available to it under the Alabama Securities Act.

This Order is appropriate in the public interest for the protection of investors and consistent with the purpose of the Alabama Securities Act.

ACCORDINGLY, IT IS HEREBY ORDERED that, RESPONDENTS; CHEROKEE ENERGY CO., LLC, TWIST, HAMMOND, WHITE, and MUELLER, immediately CEASE AND DESIST from further offers or sales of any security into, within, or from the State of Alabama.

Entered at Montgomery, Alabama, this 4th day of February, 2003.



NDW/ndw

ALABAMA SECURITIES COMMISSION
770 Washington Street, Suite 570
Montgomery, Alabama 36130-4700
BY:

A handwritten signature in black ink, appearing to read "Joseph P. Borg", is written over a horizontal line. The signature is stylized and somewhat cursive.

JOSEPH P. BORG
Director