

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:

Homer Graham

and

Victory Petroleum Resources Holdings, LLC,

Respondents.

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ORDER TO CEASE AND DESIST

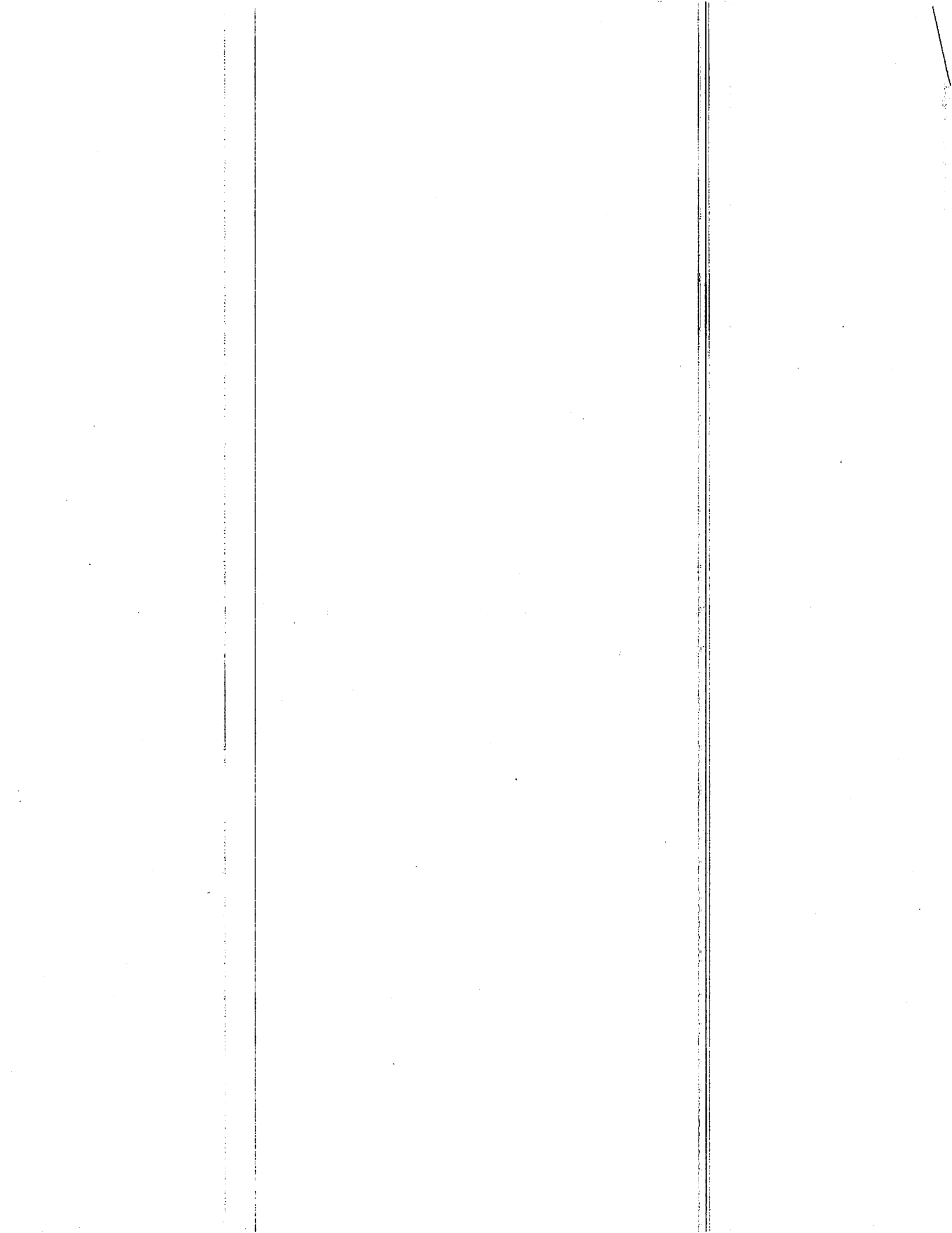
File No. 07024

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101 to 35-1-703 (Supp. 2006) (the "Act"), on or about June 11, 2007, received information regarding alleged activities of Homer Graham ("Graham") and Victory Petroleum Resources Holdings, LLC ("Victory Petroleum") which could constitute violations of South Carolina law;

WHEREAS, the Act became effective on January 1, 2006;

WHEREAS, the Uniform Securities Act, S.C. Code Ann. § 35-1-10 to 35-1-1590 (Supp. 2004) (the "Prior Act"), governs all actions or proceedings initiated based on conduct occurring before January 1, 2006;

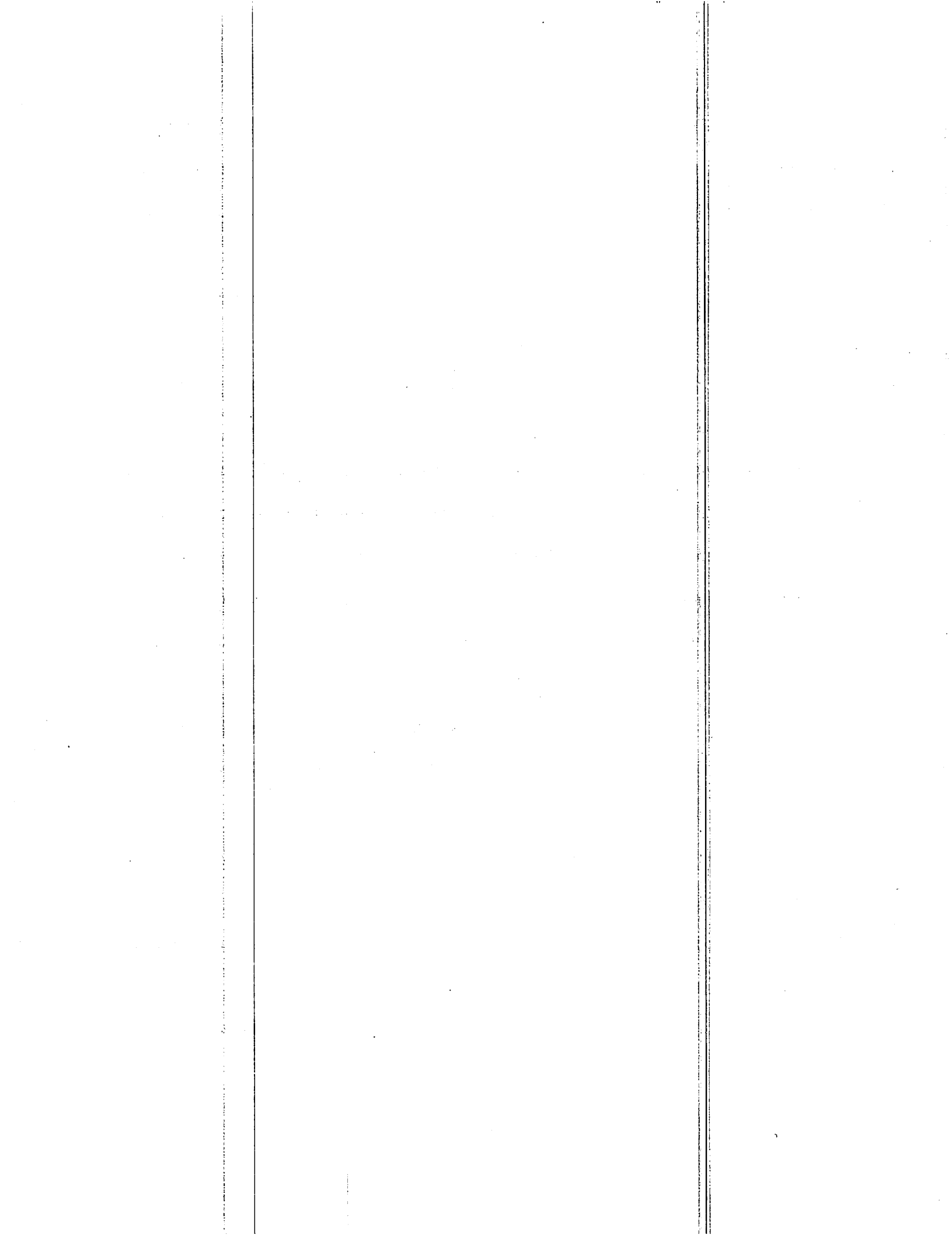
WHEREAS, the information led the Division to open and conduct an investigation of Graham and Victory Petroleum (collectively, the "Respondents") pursuant to S.C. Code Ann. § 35-1-602, and this investigation is ongoing;



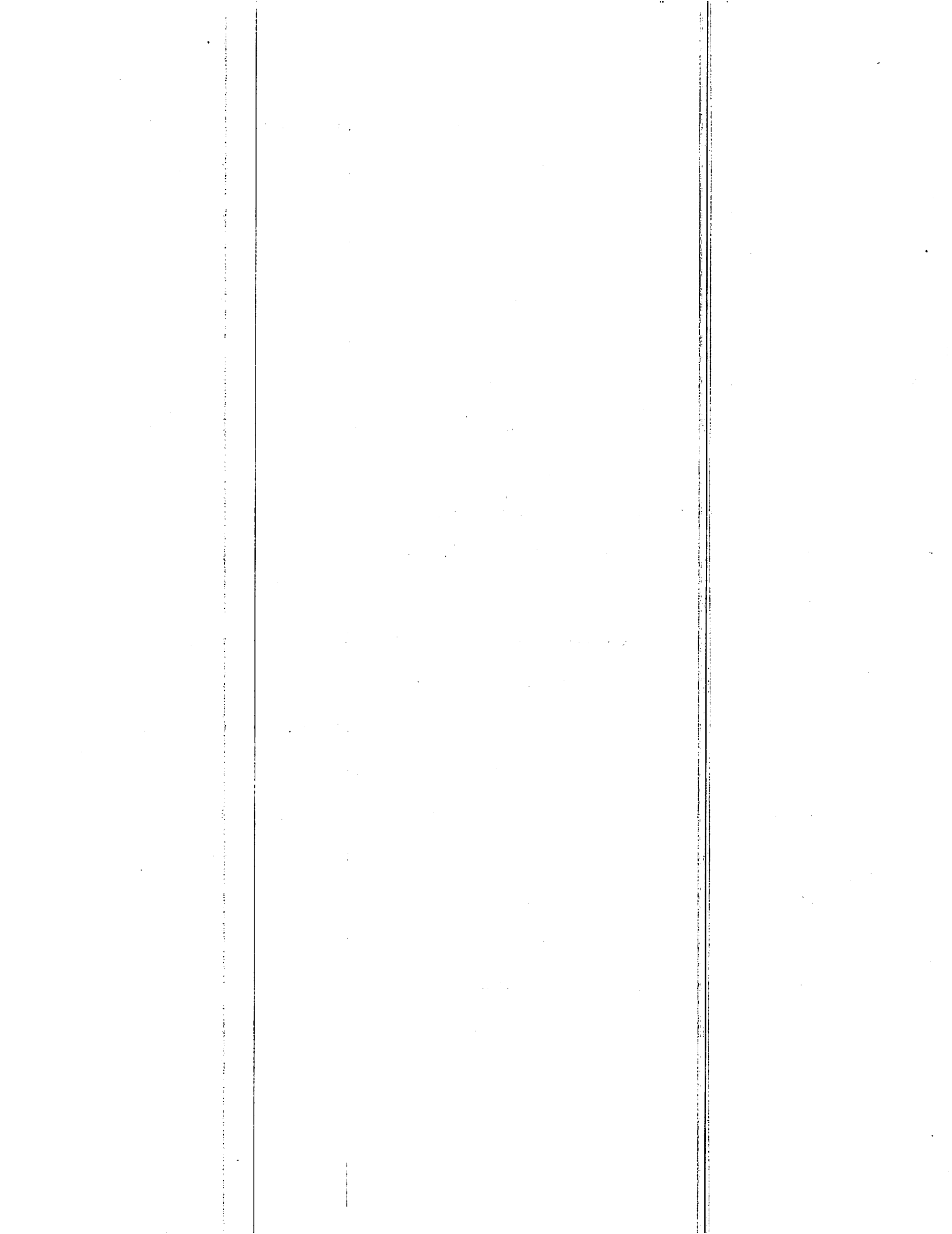
NOW THEREFORE, in connection with the investigation, the Division has determined that the Respondents have engaged, are engaging and/or may be about to engage in acts or practices constituting violations of the Act and Prior Act and hereby includes in this Order to Cease and Desist a statement of the reasons for the Order, a statement of the civil penalty sought as a result, and a notice that a hearing will be scheduled if either Respondent requests a hearing.

FACTUAL HISTORY

1. Respondent Graham is a North Carolina resident with a last known address of 3435 Pebble Drive, Monroe, North Carolina 28110.
2. Respondent Graham has represented himself as President of Respondent Victory Petroleum.
3. Respondent Victory Petroleum is a North Carolina registered limited liability company doing business in South Carolina, North Carolina, and West Virginia.
4. Upon information and belief, during the time period covered by the facts set forth herein, the primary business address for Respondent Victory Petroleum was 1501 North Charlotte Avenue, Monroe, North Carolina 28110.
5. On or about October 4, 2005, Respondents solicited a South Carolina resident (the "Resident") to invest in a 3.125% interest in Jeff Davis #8, an oil well to be drilled in Clay County, West Virginia.
6. The Respondents represented that if he invested the Resident's funds were to be used "for turnkey drilling and testing to the casing point."
7. The Respondents represented that if he invested the Resident would receive a percentage of all oil and natural gas revenue derived from the Jeff Davis # 8 oil well.
8. According to the Respondents, the Resident's sole obligation was to provide a portion of the funds to drill well Jeff Davis #8.



9. Written material provided to the Resident by Graham, acting on behalf of himself and Respondent Victory Petroleum, made promises of performance, stating “ [O]il and gas wells guaranteed to produce...really”; and “Victory is the only company in the industry that guarantees to produce oil or gas for its investors.”
10. On or about October 4, 2005, the Resident purchased a 3.125% interest in Jeff Davis #8 (the “Interest”) from Victory Petroleum.
11. The purchase was made through Respondent Graham.
12. At the time the Interest was offered to the Resident, Respondents represented that drilling would begin during December 2005.
13. As of October 2006, no drilling had occurred at Jeff Davis #8.
14. The Resident’s last communication from the Respondents was on or about October 6, 2006, when the Resident was told that drilling would begin soon.
15. Despite attempts by the Resident, Respondents have not communicated with the Resident since the communication on or about October 6, 2006.
16. The telephone number the Resident had for Victory Petroleum has been disconnected and current information is not posted on Victory Petroleum’s Internet site.
17. Contact by the Division with the State of West Virginia Department of Environmental Protection Office of Oil and Gas, which is responsible for the issuance of oil well drilling permits, found that no permit was ever sought by or issued to the Respondents for the drilling of a well in Clay County, West Virginia known as Jeff Davis #8.
18. Information has been received by the Division that:
 - a. The Respondents used investor funds received for the drilling of oil wells numbered 6, 7, and 8 to complete and maintain wells numbered 1, 2, 3, 4, and 5 which



were previously drilled by the Respondents.

b. Respondent Graham took a portion of investor funds received for the drilling of oil wells numbered 6, 7, and 8 for his personal use.

c. Respondent Victory Petroleum ceased all business activity by August 25, 2006. By that time, the Victory Petroleum office at 1501 North Charlotte Avenue, Monroe, North Carolina 28110 had closed and was not reopened.

19. By means of a certified letter mailed to Graham's home, Respondent Graham was given an opportunity to review and comment upon the allegations against him. The United States Postal Service left a delivery notice at Graham's home; however, Graham never claimed the letter, and it was returned to the Division unopened.

20. The Interest offered and sold by the Respondents was not registered for sale in or from the State of South Carolina, and the Respondents are not and have not been registered to offer or sell securities in or from the State of South Carolina.

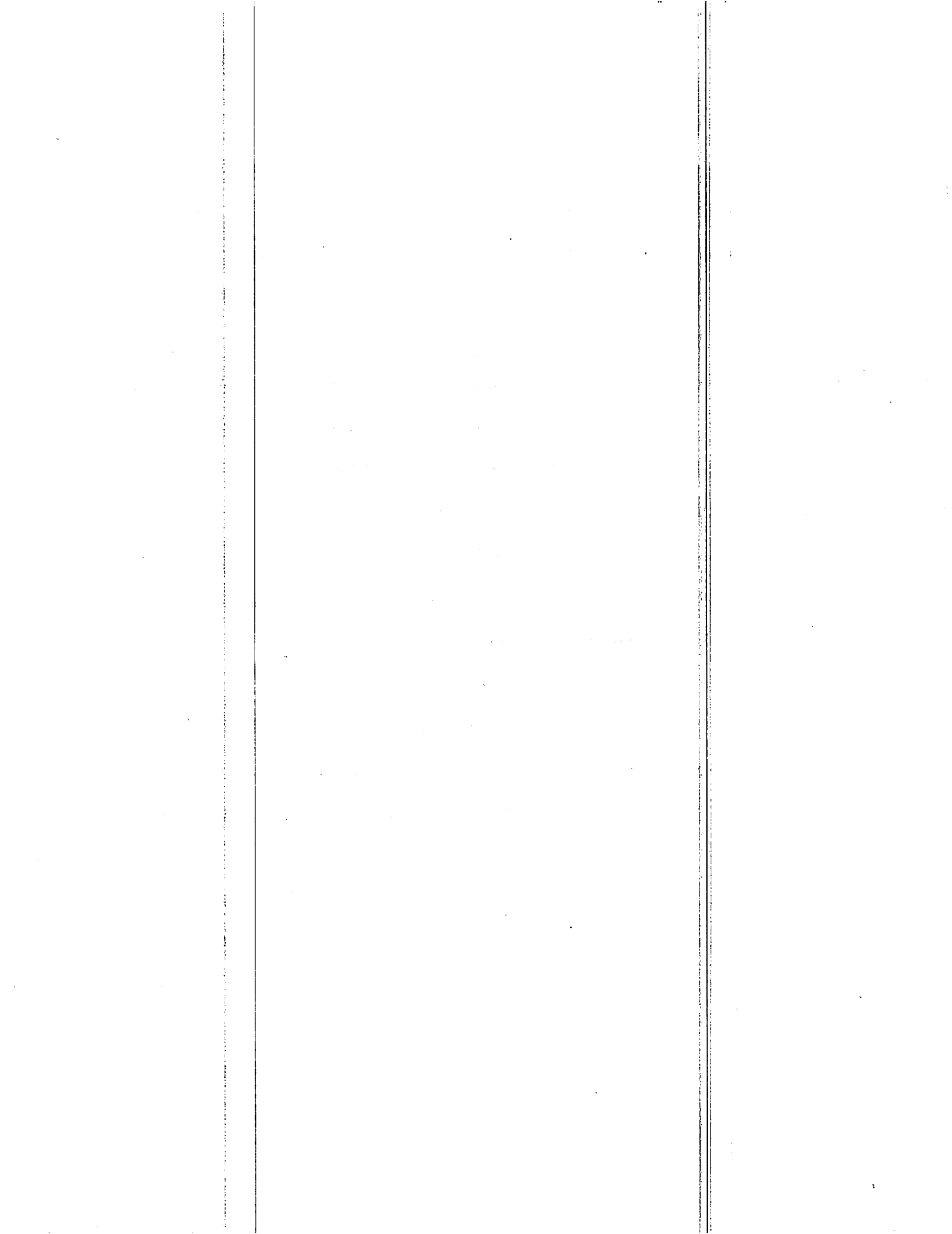
APPLICABLE LAW

21. Pursuant to S.C. Code Ann. § 35-1-701(a) of the Act, the Prior Act governs actions or proceedings that are initiated based on conduct occurring before January 1, 2006.

14. Pursuant to S.C. Code Ann. 35-1-20(15) of the Prior Act, the Interest constitutes a "security."

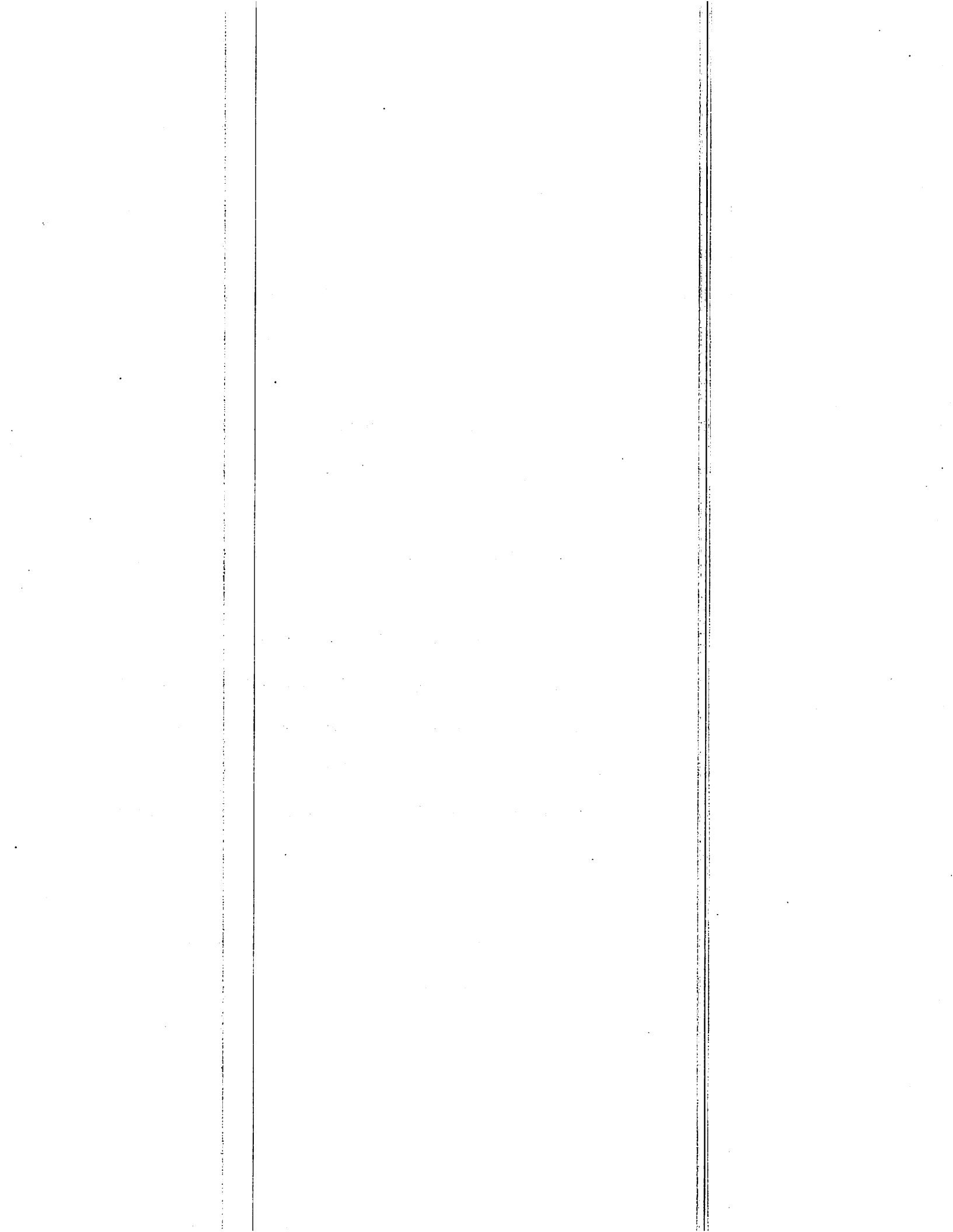
15. Pursuant to S.C. Code Ann. § 35-1-810 of the Prior Act, it is unlawful for any person to offer or sell any security in this State unless (a) it is registered under the Prior Act, (b) the security or transaction is exempted under Section 35-1-310 or 35-1-320, or (c) it is a federal covered security.

16. Pursuant to S.C. Code Ann. § 35-1-410 of the Prior Act, it is unlawful for any person to



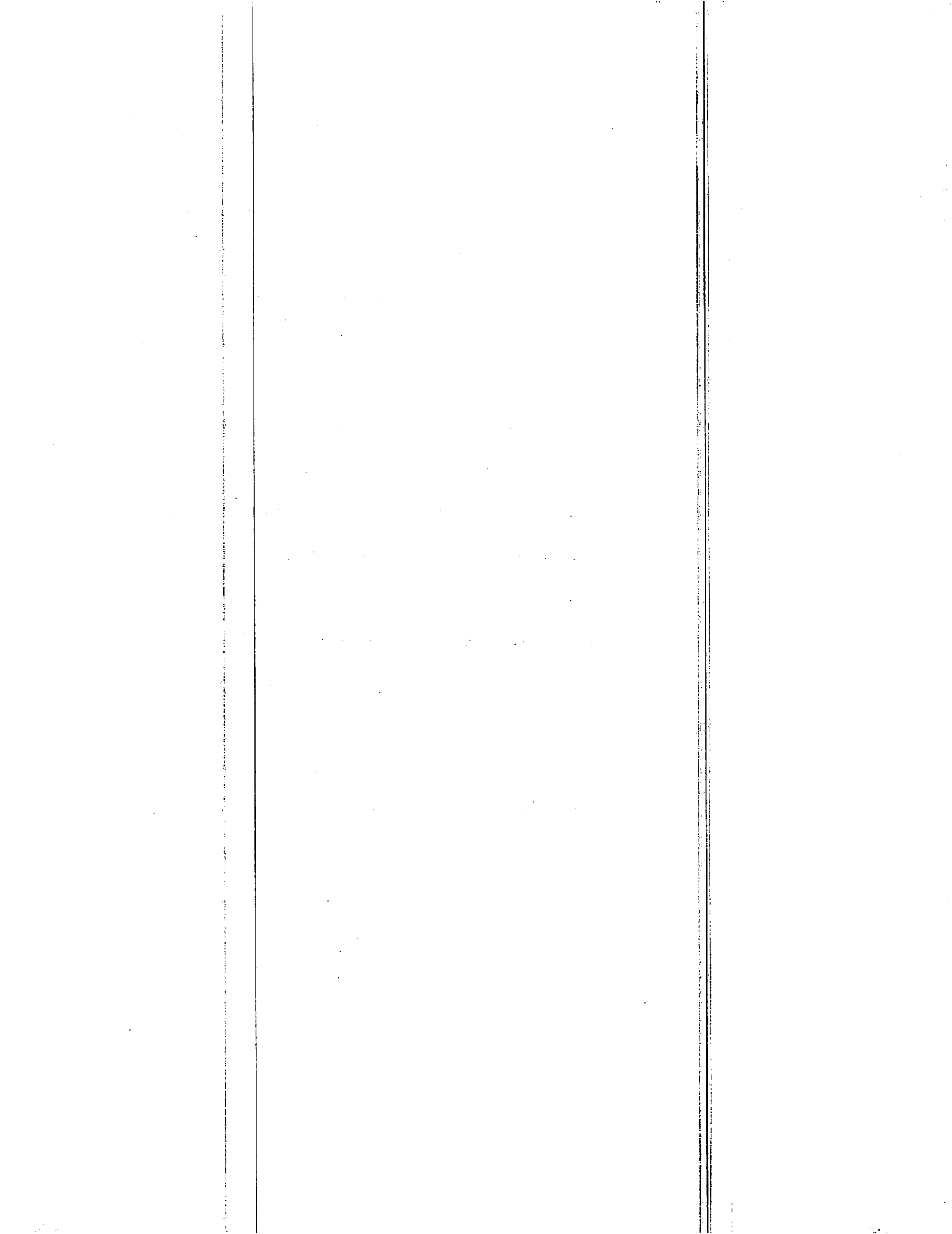
transact business in this State as a broker-dealer or agent unless he is registered under the Prior Act or exempt from licensing under the Prior Act.

17. Pursuant to S.C. Code Ann. § 35-1-340 of the Prior Act, the burden of proving an exemption or an exception from a definition is upon the person claiming it.
18. Pursuant to S.C. Code Ann. § 35-1-1210 of the Prior Act, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to:
 - a. Employ any device, scheme, or artifice to defraud;
 - b. 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
 - c. Engage in any act, practice, or course of business which operates or would operate a fraud or deceit upon any person.
19. Pursuant to S.C. Code Ann. § 35-1-602(a)(1) of the Act, the Securities Commissioner may conduct public or private investigations within or outside of this State which the Securities Commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate the Act or a rule adopted or an order issued under the Act, or to aid in the enforcement of the Act or in the adoption of rules and forms under the Act.
20. Regarding administrative remedies under the Act and Prior Act:
 - a. Pursuant to Section 35-1-604(a)(1) of the Act and Section 35-1-60 of the Prior Act, if the Securities Commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or the Prior Act or a rule adopted or order issued under the Act or the Prior



Act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of the Act or the Prior Act or a rule adopted or order issued under the Act or the Prior Act, the Securities Commissioner may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with or carry out the provisions of the Act or the Prior Act.

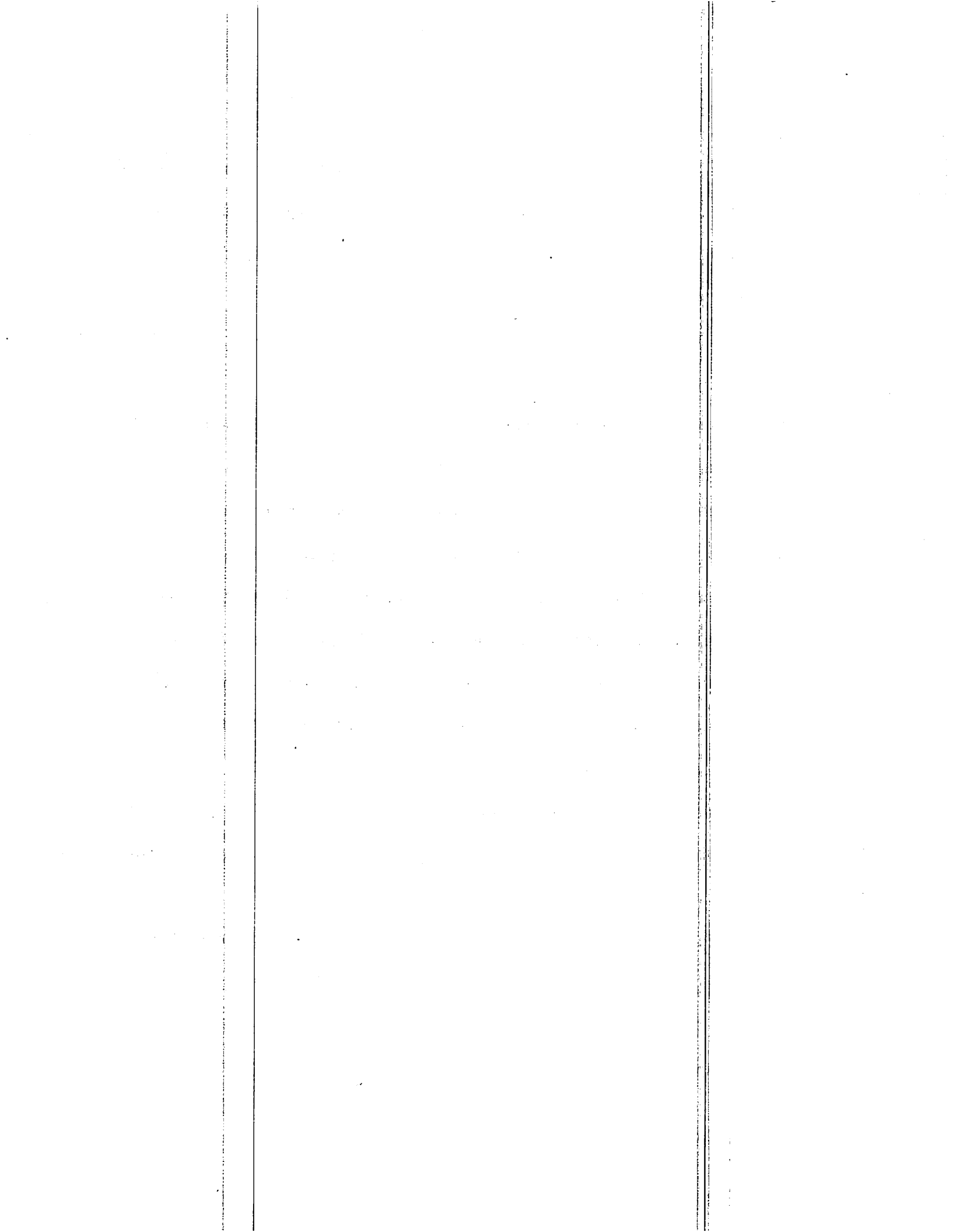
- b. Pursuant to Section 35-1-604(b) of the Act, an order under subsection 35-1-604(a) is effective on the date of issuance. Upon issuance of the order, the Securities Commissioner shall promptly serve each person subject to the order with a copy of the order and a notice that the order has been entered. The order must include a statement of any civil penalty or costs of investigation the Securities Commissioner will seek, a statement of the reasons for the order, and notice that, within 15 days after receipt of a request in a record from the person, the matter will be scheduled for a hearing.
- c. Pursuant to Section 35-1-1475 of the Prior Act, the Securities Commissioner may impose and collect an administrative fine against any person found to have violated any provision of the Prior Act, any rule or order promulgated pursuant to the Prior Act, or any written agreement entered into with the Commissioner, in an amount not exceeding five thousand (\$5,000.00) dollars for each violation.



DIVISION'S DETERMINATION

WHEREAS, based on the foregoing, the Division has determined that Graham and Victory Petroleum have engaged, are engaging, and/or are about to engage in an act, practice, or course of business constituting a violation of the Act or the Prior Act or a rule adopted or order issued under the Act or Prior Act as follows:

- a. On or around October 4, 2005, Respondents offered and sold a security to a South Carolina resident.
- b. The security was not registered under the Prior Act, which was the securities act in place at the time of the October 2005 offer and sale.
- c. Neither Respondent was registered in this State as an issuer, broker-dealer, or agent.
- d. Neither Respondent has asserted to the Division any claim of exemption from registration with the Division, either on their own behalf or on behalf of the security.
- e. Graham and Victory Petroleum violated S.C. Code Ann. § 35-1-810 of the Prior Act, when they offered and sold a security in this State which was not registered under the Prior Act, exempted under S.C. Code Ann. §§ 35-1-310 or 35-1-320 of the Prior Act, or a federal covered security.
- f. Graham and Victory Petroleum violated S.C. Code Ann. § 35-1-410 of the Prior Act when they offered and sold a security in this State without the benefit of a broker-dealer, agent, or issuer registration.
- g. Graham and Victory Petroleum violated S.C. Code Ann. § 35-1-1210 of the Prior Act and engaged in securities fraud when they offered and sold a security in the State of South Carolina by use of untrue statements of material fact, including but not limited to the following false statements:

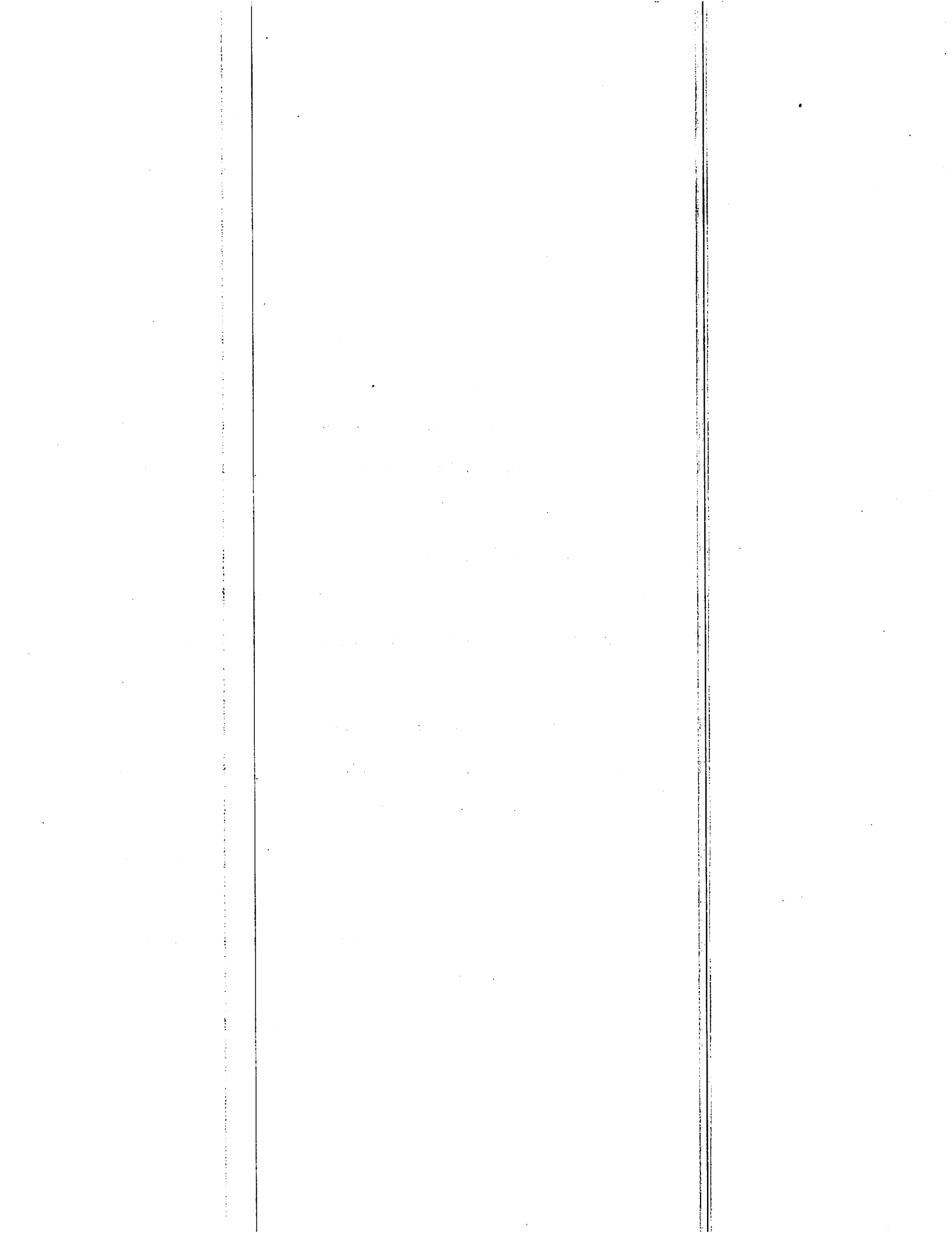


1. Ours are “[O]il and gas wells guaranteed to produce...really”;
 2. “Victory is the only company in the industry that guarantees to produce oil or gas for its investors;” and
 3. The funds from the Resident were “for turnkey drilling and testing to the casing point.”
- h. Graham and Victory Petroleum violated S.C. Code Ann. § 35-1-1210 of the Prior Act and engaged in securities fraud when they offered and sold a security to a South Carolina resident in the State of South Carolina by omitting to state one or more material facts necessary to make statements made not misleading, including but not limited to the following statements:
1. That the Respondents would use the investor funds provided to drill oil wells numbered 6, 7, and 8 to complete and maintain wells numbered 1, 2, 3, 4, and 5 which were previously drilled by the Respondents, rather than for the drilling of oil wells numbered 6, 7, and 8.
 2. That the well, “Jeff Davis #8”, would not be drilled.
 3. That Respondent Graham would take the investor’s funds for his personal use.

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1) of the Act, IT IS **HEREBY ORDERED** that each Respondent:

- a. Cease and desist from offering and/or selling securities in South Carolina, in violation of S.C. Code Ann. §§ 35-1-301, 35-1-402 and 35-1-501; and
- b. Pay a civil penalty in the amount of five thousand dollars (\$5,000.00) if this Order



becomes effective by operation of law, or, if either Respondent seeks a hearing and a hearing officer or any other legal authority resolves this matter, pay a civil penalty in an amount not to exceed five thousand dollars (\$5,000.00) for each violation of the Prior Act by each Respondent, and the actual cost of the investigation.

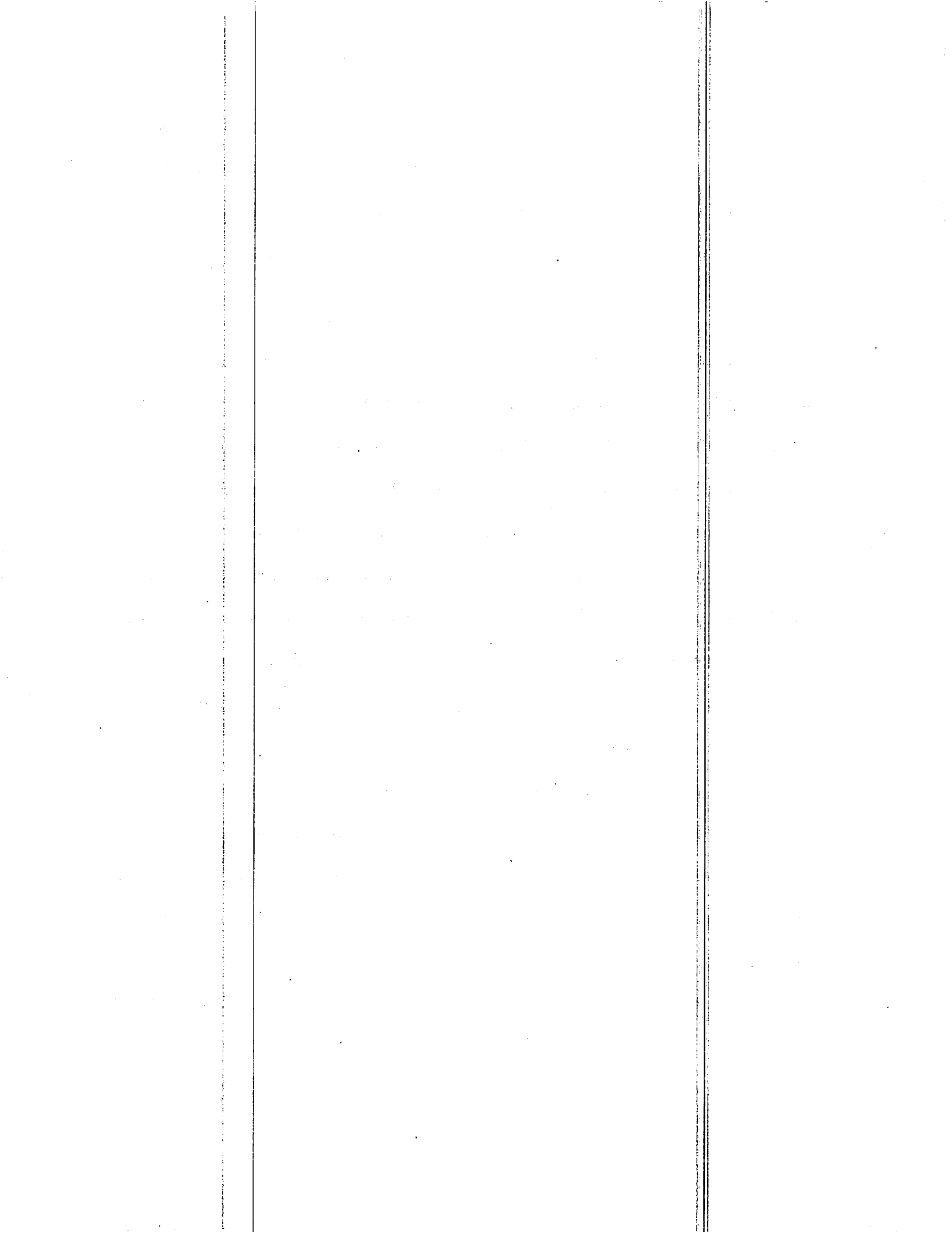
**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

Respondents are hereby notified that they each have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Thresechia Navarro, within thirty (30) days of the issuance of this Order to Cease and Desist a written Answer specifically requesting a hearing therein.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

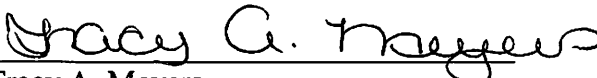
CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES.



WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PENALTIES UNDER S.C. CODE ANN. § 35-1-508 OF THE ACT. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508 OF THE ACT.

IT IS SO ORDERED.

This 6th day of November, 2007


Tracy A. Meyers
Assistant Attorney General
Securities Division
Office of the Attorney General
Rembert C. Dennis Building
1000 Assembly Street
Columbia, S. C. 29201
(803) 734-4731

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

CERTIFICATE OF SERVICE AND
AFFIDAVIT OF COMPLIANCE
File Number 07024

I hereby certify that I served upon the individual/entity listed below a copy of the document indicated below and dated November 6, 2007 by serving a copy of said document upon the Securities Commissioner of the State of South Carolina and by placing a copy of said document in the United States mail, certified mail, return receipt requested, first class postage prepaid and addressed to:


Mr. Homer Graham
Individually and as President of
Victory Petroleum Resources Holding, LLC
3435 Pebble Drive
Monroe, NC 28110

Mr. Homer Graham
Individually and as President of
Victory Petroleum Resources Holding, LLC
1501 North Charlotte Avenue
Monroe, NC 28110

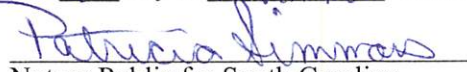
Document(s): Order to Cease and Desist

Mailed November 6, 2007 from Columbia, South Carolina.

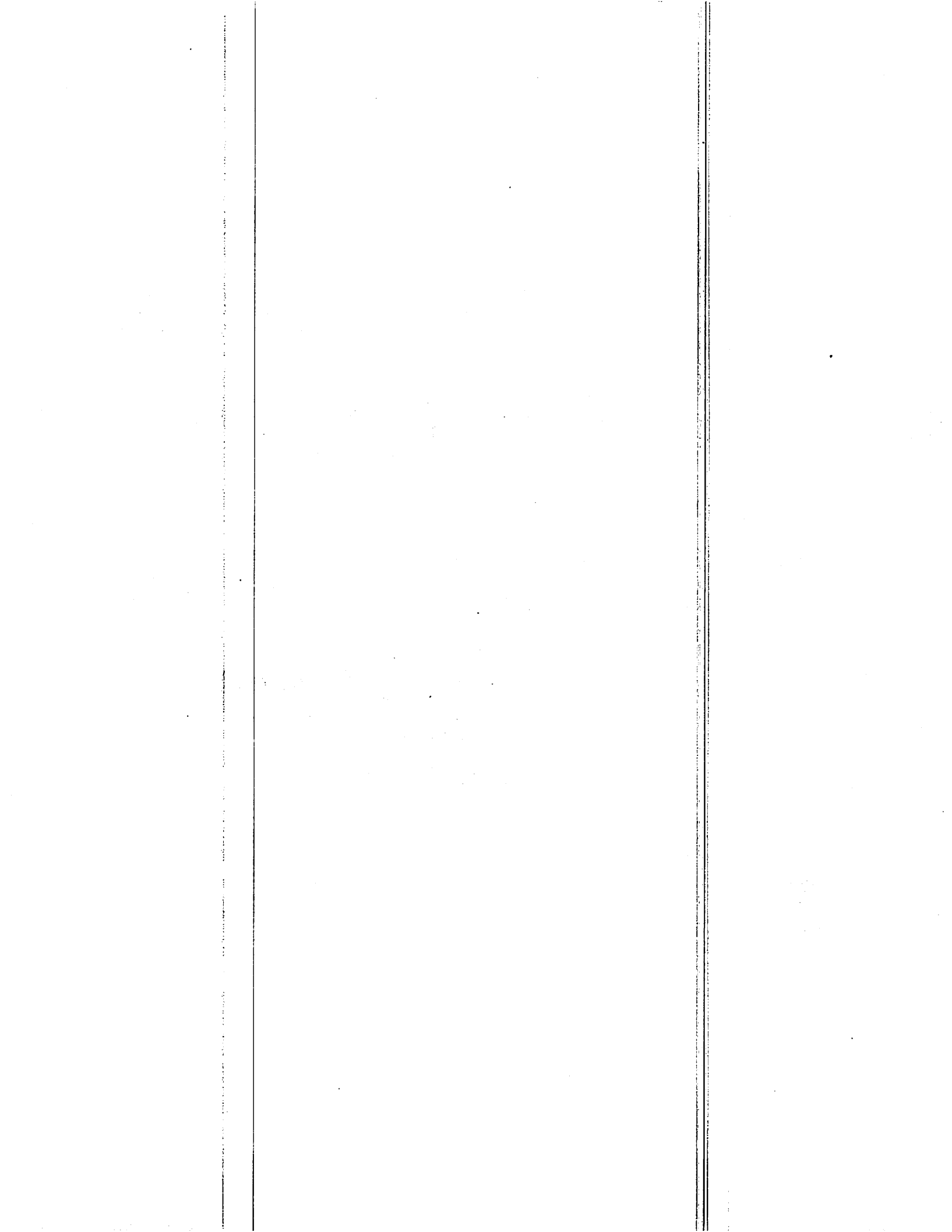
I further hereby certify, swear and affirm that, service of the above-listed entity is in compliance with Section 35-1-611, Code of Laws of South Carolina.

By: 
Thresechia P. Navarro
South Carolina Attorney General's Office
Securities Division
Post Office Box 11549
Columbia, SC 29211-1549
(803) 734-4731

Subscribed and sworn to before me on
this 6th day of November, 2007.


Notary Public for South Carolina

My commission expires: 5/7/2011



U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

7099 3400 0011 4913 8982

Article Sent To:

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
Here

Name (I Mr. Homer Graham
 Street, Individually and as President of
 City, St Victory Petroleum Resources Holding, LLC
 1501 North Charlotte Avenue

PS Form 3800, July 1999 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Mr. Homer Graham
 Individually and as President of
 Victory Petroleum Resources Holding, LLC
 1501 North Charlotte Avenue
 Monroe, NC 28110

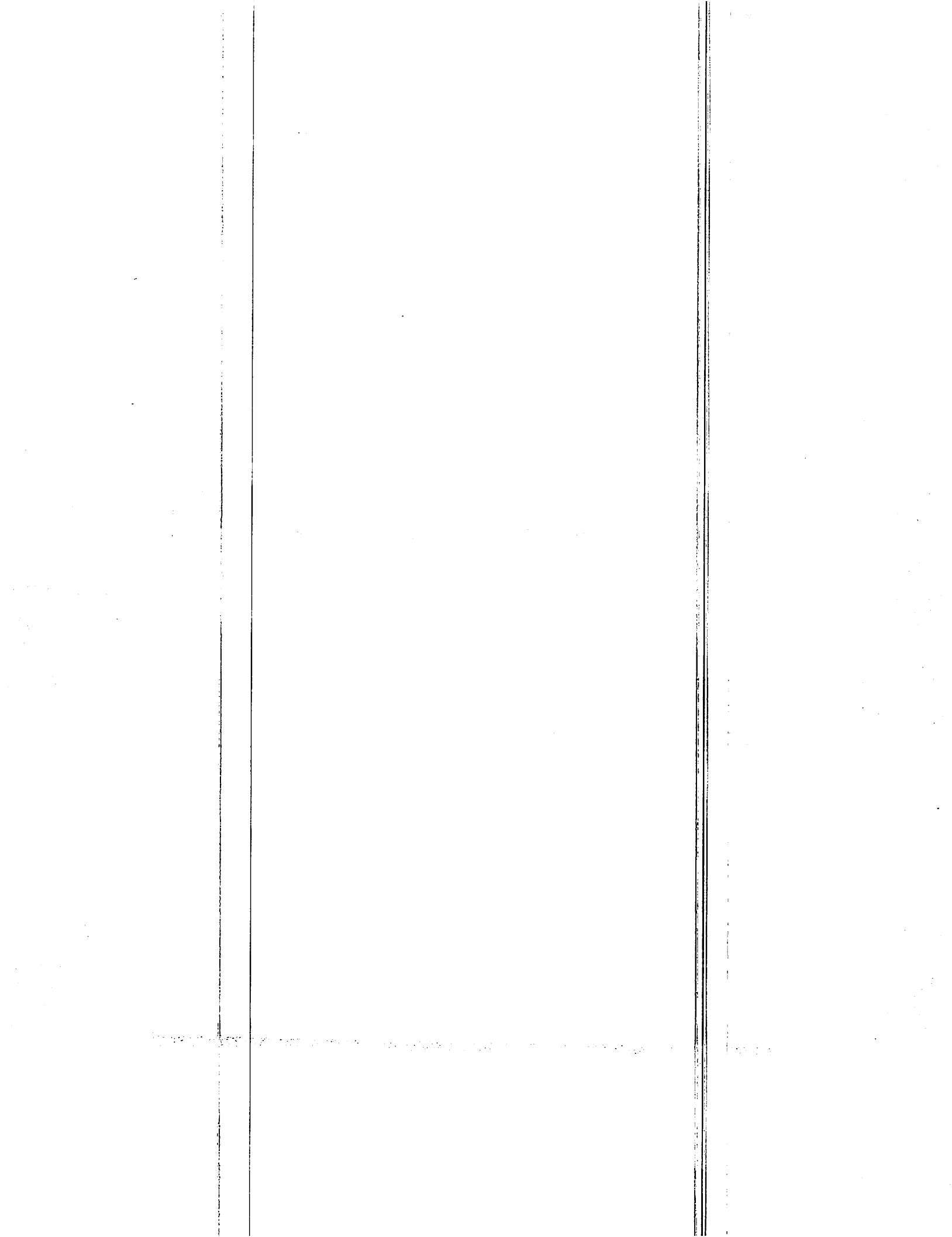
COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee
 B. Received by (Printed Name) C. Date of Delivery
 H. NORRIS 11/7/07
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7099 3400 0011 4913 8982



7099 3400 0011 4913 8975

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

Article Sent To:

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
Here

Name Mr. Homer Graham
Street Individually and as President of
Victory Petroleum Resources Holding, LLC
City, State 3435 Pebble Drive

