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Texas State Securities Board

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IN THE MATTER OF
TARGET OIL & GAS CORPORATION;
MICHAEL SMITH; RAY NEAL;
AND MARK IRWIN

§
§
§
§

Order No. ENF-07-CDO-1627

Target Oil & Gas Corporation
1000 E. Lexington Avenue, Suite 116
Danville, Kentucky 40422
and
R.R. 2 Box 474, Highway 738
Albany, Kentucky 42602

Ray Neal
1000 E. Lexington Avenue, Suite 116
Danville, Kentucky 40422
and
R.R. 2 Box 474, Highway 738
Albany, Kentucky 42602

Mark Irwin
1000 E. Lexington Avenue, Suite 116
Danville, Kentucky 40422
and
R.R. 2 Box 474, Highway 738
Albany, Kentucky 42602

Michael Smith
1000 E. Lexington Avenue, Suite 116
Danville, Kentucky 40422
and
R.R. 2 Box 474, Highway 738
Albany, Kentucky 42602
and
486 Delbar Lane
Lancaster, Kentucky 40444

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Deputy Securities Commissioner of the State of Texas ("Deputy Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2006) ("Texas Securities Act").

The Staff of the Enforcement Division of the Texas State Securities Board has presented evidence sufficient for the Deputy Securities Commissioner to find that:

FINDINGS OF FACT

1. Target Oil & Gas Corporation ("Respondent Target") maintains last known addresses of 1000 E. Lexington Avenue, Suite 116, Danville, Kentucky 40422 and R.R. 2 Box 474, Highway 738, Albany, Kentucky, 42602.
2. Michael Smith ("Respondent Smith") maintains last known addresses of 1000 E. Lexington Avenue, Suite 116, Danville, Kentucky 40422; R.R. 2 Box 474, Highway 738, Albany, Kentucky 42602; and 486 Delbar Lane, Lancaster, Kentucky 40444.
3. Ray Neal ("Respondent Neal") maintains last known addresses of 1000 E. Lexington Avenue, Suite 116, Danville, Kentucky 40422 and R.R. 2 Box 474, Highway 738, Albany, Kentucky 42602.
4. Mark Irwin ("Respondent Irwin") maintains last known addresses of 1000 E. Lexington Avenue, Suite 116, Danville, Kentucky 40422 and R.R. 2 Box 474, Highway 738, Albany, Kentucky 42602.
5. Respondents are offering for sale in Texas working interests in the Texas-Zephyr Well #2, a gas well to be drilled in Brown County, Texas.
6. The working interests have not been registered by qualification, notification or coordination and no permits have been granted for their sale in Texas.
7. Respondents Target, Smith and Irwin have not been registered with the Securities Commissioner as dealers or agents in Texas at any time material hereto.
8. In connection with the offer for sale of the above-described working interests, Respondents Target and Smith are intentionally failing to disclose the following material facts:
 - a. On February 18, 2003, the Commissioner of the Kentucky Department of Financial Institutions entered into an Agreed Order, Case Number V02017, with Respondents Target and Smith whereby Respondent Target agreed that Respondent Target and its individual agents who make contact with potential investors will have a reasonable belief that the individuals being contacted are accredited investors, that Respondents Target and Smith will obtain written information from potential investors to verify their accredited status prior to making any sales pitches or offers, and that Respondents Target and Smith will provide a prospectus or offering circular each time an offer or sale of an investment is made that contains all material information a reasonable investor would want to know about the offering and the circumstances surrounding the offering.
 - b. On December 20, 2001, the State of Wisconsin, Department of Financial Institutions, Division of Securities, File No. S-01082(EX), issued an Order of

Prohibition and Revocation against Respondents Target and Smith prohibiting Respondents Target and Smith from offering for sale and selling unregistered securities to Wisconsin residents;

- c. On December 27, 2000, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist, Docket No. 0012-10, that ordered Respondents Target and Smith to stop offering for sale and selling unregistered securities to Pennsylvania residents;
- d. The risks related to the purchase of the working interests;
- e. The assets, liabilities and profitability of Respondent Target; and
- f. The financial and professional experience of the principals of Respondent Target.

CONCLUSIONS OF LAW

1. The above-described working interests are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering for sale the above-described securities without the securities being registered with the Securities Commissioner.
3. Respondents Target, Smith and Irwin are violating Section 12 of the Texas Securities Act by offering for sale securities in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents Target and Smith are engaging in fraud in connection with the offer for sale of securities.
5. Respondents' conduct, acts and practices threaten immediate and irreparable harm to the public.
6. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.

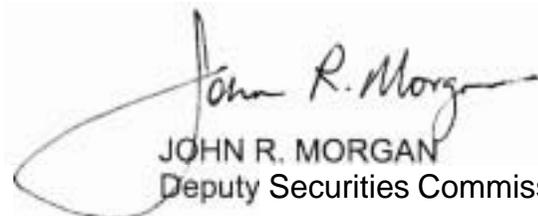
2. It is further ORDERED that Respondents Target, Smith and Irwin immediately CEASE AND DESIST from acting as securities dealers or agents until Respondents Target, Smith and Irwin are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents Target and Smith immediately CEASE and DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside and modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Deputy Securities Commissioner this 22nd day of March, 2007.


JOHN R. MORGAN
Deputy Securities Commissioner