

DENISE VOIGT CRAWFORD
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EDWARD ESCUDERO
MEMBER

IN THE MATTER OF
GNG OPERATING COMPANY,
AND DALE O. GRAVES

§
§
§

Order No. ENF-08-CDO-1653

TO: GNG Operating Company
5689 Country Glen
League City, TX 77573

Dale O. Graves
5689 Country Glen
League City, TX 77573

AGREED CEASE AND DESIST ORDER

Be it remembered that GNG Operating Company ("Respondent GNG"), by and through its Director, Dale O. Graves ("Respondent Graves"); Dale O. Graves, individually; and collectively "Respondents", appeared before the Securities Commissioner of Texas ("Securities Commissioner") and consented to the entry of this Order ("Order") and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and a hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2007) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon Supp. 2007) ("Administrative Procedure Act").
2. Respondent GNG is a Texas entity that maintains a last known business address of 5689 Country Glen, League City, TX 77573.

3. Respondent Graves is a Director of Respondent GNG and he maintains a last known address of 5689 Country Glen, League City, TX 77573.
4. Respondents have offered for sale in Texas working interests in an oil and gas lease located in Duval County, TX via the *Houston Chronicle*, a newspaper of general public circulation.
5. The working interests were not registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
6. Respondents were not registered with the Securities Commissioner as dealers or agents at any time material hereto.

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 have violated Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents have violated Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. The foregoing violations constitute bases for the issuance of a Cease and Desist Order pursuant to Section 23.A of the 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 immediately CEASE AND DESIST from the offer and sale of securities in Texas until Respondents are registered with the Securities Commissioner as dealers or agents or an available exemption from registration is utilized.

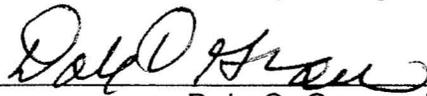
SIGNED AND ENTERED by the Securities Commissioner this 8th day of

May, 2008.

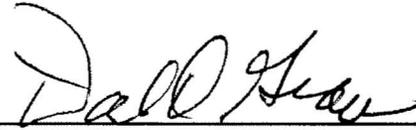

DENISE VOIGT CRAWFORD
Securities Commissioner

Respondents:

GNG Operating Company



Dale O. Graves, Director

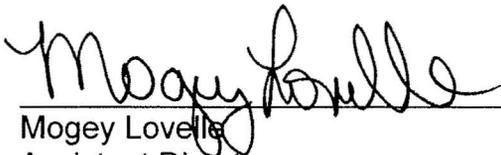


Dale O. Graves, Individually

Approved as to Form:



Joseph R. Rotunda
Director
Enforcement Division

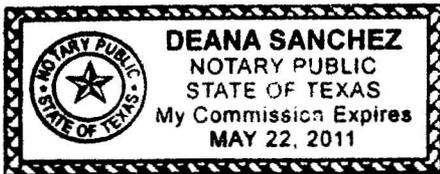


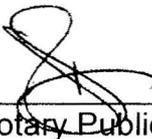
Moge Lovelle
Assistant Director
Enforcement Division

ACKNOWLEDGMENT

On the 27th day of Feb, 2008, GNG Operating Company ("Respondent"), by and through its Director, Dale O. Graves, personally appeared before me, executed the foregoing Order and acknowledged that:

1. Dale O. Graves is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Dale O. Graves has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



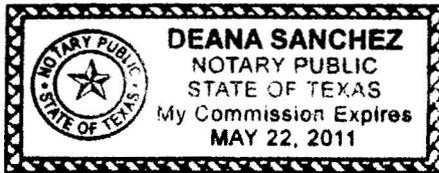


Notary Public in and for
the State of TEXAS
My commission expires on: may 22, 2011

ACKNOWLEDGEMENT

On the ____ day of _____, 200_, Dale O. Graves ("Respondent"), personally appeared before me, executed the foregoing Order and acknowledged that:

1. Respondent has read the foregoing Order;
2. Respondent has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
4. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.





Notary Public in and for
the State of Texas
My commission expires on: May 22, 2011