

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

WOLVERINE ENERGY, L.L.C.,

WOLVERINE ENERGY 1998-1999(A)
DEVELOPMENT COMPANY, L.L.C.,

and

GEORGE H. ARBAUGH, JR.,

Respondents.

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FILE NO. 2000-1065

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CONSENT ORDER

WHEREAS, Wolverine Energy, L.L.C. ("Wolverine"), a Michigan limited liability company, offered and sold securities in Maryland in the form of interests in oil and gas programs of Wolverine affiliates; and

WHEREAS, Wolverine Energy 1998-1999(A) Development Company, L.L.C. ("WDC"), a Michigan limited liability company, offered and sold unregistered securities in Maryland that were neither exempt from registration, nor preempted federal covered securities; and

WHEREAS, George H. Arbaugh, Jr. ("Arbaugh"), was the Chief Executive Officer of Wolverine and WDC during the period relevant to the facts relating to this Consent Order; and

WHEREAS, the Maryland Division of Securities ("Division"), pursuant to the authority granted by section 11-701 of the Maryland Securities Act, Title 11, Md. Code Ann., Corps. & Ass'ns (1999 Repl. Vol. and 2002 Supp.) ("Act") undertook an investigation into possible violations of securities and selling person registration requirements and the anti-fraud provisions of the Act by Wolverine and Arbaugh ("Respondents") with regard to Wolverine's offers and sales of securities in Maryland; and

WHEREAS, section 11-501 of the Act requires offers and sales of securities in Maryland to either be registered, exempt, or preempted as federal covered securities; and

WHEREAS, section 11-401 of the Act requires registration of broker-dealers and agents conducting securities transactions in Maryland; and

WHEREAS, based on the information presented by the Division, the Commissioner has determined that Wolverine and Arbaugh may have violated sections 11-501 and 11-401 of the Act, and the related regulations contained in the Code of Maryland Regulations, by offering and selling securities in Maryland that were not properly registered, exempted, or preempted, and by acting as an unregistered broker-dealer and issuer agent, respectively; and

WHEREAS, in settlement of any proceeding that could be brought based upon Respondents' violations of the Act, the Commissioner has determined that it is in the public interest to issue this Consent Order; and

WHEREAS, each of Wolverine, WDC, and Arbaugh has agreed to the provisions set forth below.

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over Wolverine, WDC, and Arbaugh pursuant to sections 11-701, 11-701.1, and 11-801 of the Act.

2. Wolverine, WDC, and Arbaugh each voluntarily and permanently waives any right to any additional hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order.

3. In the event that judicial intervention in this matter is sought by any party, Wolverine, WDC, and Arbaugh each consents to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to themselves.

II. PARTIES

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.

5. Wolverine, at all relevant times, was a limited liability company organized under the laws of Michigan, and used the address of 4660 South Hagadorn Road, Suite 230, East Lansing, Michigan 48823, and used a web site located at <http://www.wolverineenergy.com> which is accessible in Maryland.

6. Wolverine Energy 1998-1999 Development Company, LLC, at all relevant times, was a limited liability company organized under the laws of Michigan, and used the address of 4660 South Hagadorn Road, Suite 230, East Lansing, Michigan 48823.

7. Arbaugh, at all relevant times was Chief Executive Officer of Wolverine, and has an address of 4660 South Hagadorn Road, Suite 230, East Lansing, Michigan 48823.

III. FINDINGS OF FACT

The Commissioner finds the following facts:

8. In 1995, Arbaugh was an officer of Welco, Ltd., which conducted an offering of interests in Wolverine Antrim Development # 22, resulting in six sales to Maryland investors for an aggregate purchase price of \$82,500. No securities registration application or exemption or preemption notice was filed with the Division.

9. Wolverine is a promoter of oil and gas drilling investment programs. Since at least May 1995, Wolverine has offered interests in Maryland in various oil and gas drilling programs identified in paragraphs 10 through 22 below (the "Offerings") for which Wolverine has acted as promoter, manager, or administrator.

10. During December 1995, Wolverine conducted an offering of interests in Wolverine Antrim Development Trust 1995 (previously organized by Welco, Ltd.), resulting in one sale to Maryland investors for an aggregate purchase price of \$15,000. No securities registration application or exemption or preemption notice was filed with the Division.

11. Between October 16, 1996, and May 2, 1997, Wolverine conducted an offering of interests in Wolverine Antrim Development 1996-2, LLC, resulting in sales to four Maryland investors for an aggregate purchase price of \$63,212. No securities registration application or exemption or preemption notice was filed with the Division.

12. Between November 20 and December 8, 1997, Wolverine conducted an offering of interests in Wolverine Antrim Development 1997-1, resulting in two sales to Maryland investors and one sale by a Maryland broker-dealer to an investor in South Dakota, for an aggregate purchase price of \$60,000. No securities registration application or exemption or preemption notice was filed with the Division.

13. On November 25, 1998, Wolverine submitted to the Division an application for registration in connection with the public offering in Maryland of interests in Wolverine Energy 1998-1999(A) Development Company, LLC (SR19980184). The application included a final prospectus dated September 4, 1998.

14. On December 11, 1998, the Division returned correspondence listing deficiencies in the application that required satisfaction prior to receiving a letter of effectiveness in Maryland. Subsequent correspondence of December 23, 1998, and January 11, 1999, by counsel for WDC and by the Division, respectively, failed to satisfy the deficiencies in the application, and the Division notified WDC on August 17, 2000, that the Division deemed the application abandoned prior to effectiveness.

15. The Division's investigation indicates that Respondents sold WDC interests to four Maryland investors between March 30 and July 2, 1999, for an aggregate purchase price of \$28,000.

16. On February 4, 1999, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Antrim Development 1998-1, LLC (EX19990150). This notice was due on December 22, 1998.

17. On January 24, 2000, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Development 1999-1, LLC (EX20000175).

18. On July 14, 2000, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Development 2000-1, LLC (EX20001526). This notice was due on April 21, 2000.

19. On October 23, 2000, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Spotted Horse Prospect #3, LLC (EX20002276).

20. On December 26, 2000, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Spotted Horse Prospect #4, LLC (EX20002696).

21. On February 8, 2001, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Development 2000-1A, LLC (EX20010228). This notice was due on May 25, 2000.

22. On July 30, 2001, Wolverine submitted to the Division a notice of preemption in connection with the offers and sales of securities in Maryland of Wolverine Powder River Basin 2001-- #5, LLC. (EX20011176).

23. Wolverine offered and sold securities in Maryland in the offerings identified in paragraphs 10 through 22 above, to investors in Maryland through a network of broker-dealers, as well as through Wolverine employees and agents, including Arbaugh.

24. The disclosure distributed to potential investors identified Wolverine and Arbaugh as the persons distributing disclosure and answering questions regarding each of the Offerings. Disclosure materials for offerings conducted after May 1998 also provided the e-mail address and telephone numbers for Wolverine and Arbaugh and directed potential investors with inquiries about the offering to contact Wolverine, Arbaugh, or the Wolverine website.

25. Wolverine is not registered with the Division as a broker-dealer, nor does Wolverine hold such a registration with the National Association of Securities Dealer, Inc. (the "NASD").

26. Arbaugh is not registered with the Division as an issuer agent or as a broker-dealer, nor does he hold such a registration with the NASD.

IV. CONCLUSIONS OF LAW

The Commissioner makes the following conclusions of law:

27. The interests in the Offerings sold in or from Maryland constitute "securities" within the definition at section 11-101(r) of the Act.

28. Wolverine and Arbaugh were acting as a broker-dealer and agent, respectively, in connection with the Offerings, within the definition at section 11-401, 11-101(b), or 11-101(c) of the Act.

29. Respondents violated section 11-501 of the Act by offering and selling unregistered securities of WDC in or from Maryland, which securities were neither exempt from registration nor federal covered securities under the Act.

30. Respondents violated section 11-401 of the Act by transacting business in the offer or sale of securities in Maryland as a broker-dealer or securities agent without being registered pursuant to the Act.

V. CONSENT TO SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED, and each of Wolverine, WDC, and Arbaugh expressly consents and agrees, that:

31. Respondents have conducted a rescission offering to all Maryland investors who purchased interests of WDC during the offering conducted in 1998 and 1999. The results of the rescission offering are as follows:

- 0 rescission offerees have declined the rescission offer;
- 0 rescission offerees have returned receipt of the rescission offer, but have failed to accept or reject the offer within 30 days, and after reasonable efforts by Wolverine to obtain a response have failed;
- 0 rescission offerees have failed to respond to the rescission offer within 30 days, and after reasonable efforts by Wolverine, cannot be located; and
- 4 rescission offerees have accepted the rescission offer.

32. Arbaugh and Wolverine are assessed a civil monetary penalty, pursuant to section 11-702 of the Act, in the amount of \$15,000 (\$5,000 for each of 3 violations), collection of which is waived in light of the results of the rescission offers made under paragraph 31 above.

33. Respondents shall not, individually or in any combination, make or cause to be made by any affiliate of Respondents, any offer or sale of securities for a period of three years after the date of this Consent Order, except offers or sales that are:

- a) registered under the Act;
- b) registered under the U.S. Securities Act of 1933 and that meet section 18(b)(1) of that act; or
- c) involve offers or sales for which Respondents have requested and received clearance under section 11-602(17) of the Act.

Each Respondent expressly agrees that the Respondent will not otherwise offer or sell, or cause an affiliate to offer or sell, federal covered securities in or from Maryland for a period of three years after the date of this Consent Order.

34. Respondents shall each permanently cease and desist from offering or selling unregistered securities in violation of section 11-501 of the Act.

35. Arbaugh shall permanently cease and desist from acting as an unregistered agent or broker-dealer in Maryland in violation of section 11-401 of the Act.

36. Wolverine shall permanently cease and desist from acting as an unregistered broker-dealer in Maryland in violation of section 11-401 of the Act.

37. With respect to any future offer or sale of securities in Maryland, Respondents represent that:

- a) All offers and sales of securities by Wolverine or Arbaugh, and any person controlled by, controlling, or under common control with Wolverine or Arbaugh, shall be made only through a person registered with the Division as a broker-dealer or agent.
- b) All disclosure materials will direct inquiries from potential investors to the registered broker-dealer or broker-dealer representative through whom the offer was made;
- c) Employees of Wolverine and the issuer will be provided with scripted directions for use in telephone calls with potential investors, directing potential investors to the appropriate registered person for inquiries into the terms of the offering; and

38. Respondents admit the jurisdiction of the Division as to the parties and subject matter and consent to the substance and entry of this Consent Order.

VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

39. If any Respondent fails to comply with any term of this Consent Order, the Commissioner may declare this Consent Order to be null and void. The Commissioner may then proceed with full administrative and/or judicial proceedings to enforce this Consent Order against such Respondent, or to sanction either for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that any Respondent has violated this Consent Order, the facts and the violations of the Act set forth and incorporated in this Consent Order shall be deemed admitted and may be introduced into evidence against such Respondent.

VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER

40. The terms of this Consent Order may only be modified by a subsequent order issued by the Commissioner.

VIII. JURISDICTION RETAINED

41. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

The provisions of this Consent Order shall become binding when this Consent Order has been executed by each of Wolverine, WDC, and Arbaugh, and is issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

By: Wolverine Energy, L.L.C.

George H. Arbaugh, Jr.
Chief Executive Officer

____ On this ____ day of _____, 2004, personally appeared _____
signer of the foregoing Consent Order, who did duly acknowledge to me that he was authorized to
execute the same on behalf of _____, and acknowledged the same to be his free act
and deed.

Notary Public

My Commission Expires _____

CONSENTED TO:

By: Wolverine Energy 1998-1999(A)
Development Company, L.L.C.

By: Wolverine Energy, LLC, managing member

George H. Arbaugh, Jr.
Manager

____ On this ____ day of _____, 2004, personally appeared _____
signer of the foregoing Consent Order, who did duly acknowledge to me that he was authorized to
execute the same on behalf of _____, and acknowledged the same to be his free act
and deed.

Notary Public

My Commission Expires _____

CONSENTED TO:

By: _____
George H. Arbaugh, Jr.

_____ On this ____ day of _____, 2004, personally appeared _____
signer of the foregoing Consent Order, who did duly acknowledge to me that he possessed legal
capacity to execute the same, and acknowledged the same to be his free act and deed.

Notary Public
My Commission Expires _____