

STATE OF OHIO
DEPARTMENT OF COMMERCE
DIVISION OF SECURITIES
COLUMBUS, OHIO 43215-6131

Order No. 02-109

IN THE MATTER OF: BUCKEYE ENERGY CORPORATION

NOTICE OF OPPORTUNITY FOR HEARING

DIVISION ORDER

WHEREAS, the Ohio Division of Securities (hereinafter "Division") is charged with the responsibility of protecting investors and finds that this order is necessary or appropriate in the public interest or for the protection of investors, and is consistent with the purposes of the Ohio Securities Act, Chapter 1707 of the Ohio Revised Code (hereinafter "R.C."); and

WHEREAS, the Division has conducted an investigation into the activities of Buckeye Energy Corporation (hereinafter "Respondent") whose address is 32 Courthouse Square, Byrdstown, Tennessee 38549, and as a result of said investigation, the Division alleges as follows:

(1) Floyd Kemp is a natural person and a resident of Galion, Ohio;

1. The Respondent is a Tennessee corporation who, by and through its employees, conducted business in the State of Ohio during all times relevant to this order;
2. Phillip Sharp is the president and CEO of Respondent at all times relevant to this order;
1. Respondent purports to be a company engaging in the sale of oil;
2. An employee or agent on behalf of Respondent contacted Floyd Kemp for the purpose of selling him an interest in an oil lease located in Lincoln County, Oklahoma;
3. Phillip Sharp, on behalf of Respondent, made an offer to Floyd Kemp for the sale of this oil lease interest;
4. Phillip Sharp informed Floyd Kemp via written correspondence that the company would underwrite his investment "to eliminate any risk whatsoever with Buckeye Energy Cooperation's oil and gas programs";
5. Phillip Sharp, acting on behalf of Respondent, knew or should have known that risk was not eliminated from Floyd Kemp's purchase of this oil lease interest;
6. After receiving this correspondence from Phillip Sharp, Floyd Kemp purchased from Respondent a 2.5% interest in "Tower #1" at a cost of \$10,000 by writing a check to "Buckeye Energy Corp" on April 16, 2001;
7. The interest in the oil lease as described in Paragraphs (4) and (5) is a "security" as defined in

R.C. 1707.01(B);

8. The transaction(s) described in Paragraphs (4) through (8) fall within the definition of "sale" as that term is defined in R.C. 1707.01(C);
9. R.C. 1707.44(C)(1) prohibits the sale in Ohio of securities that are not exempt from the registration requirements under R.C. 1707.02, not the subject matter of an exempt transaction under R.C. 1707.03, 1707.04 or 1707.34, not registered by description, coordination or qualification, or not the subject matter of a transaction that has been registered by description;
10. The Respondent's oil lease sales are not exempt from the registration requirements under R.C. 1707.02, not the subject matter of an exempt transaction under R.C. 1707.03, 1707.04 or 1707.34, not registered by description, coordination or qualification, not the subject matter of a transaction that was registered by description, and, therefore, the interest was sold in violation of R.C. 1707.44(C)(1);
11. R.C. 1707.44(B)(4) provides that no person shall knowingly make or cause to be made any false representation concerning a material and relevant fact, in any oral statement or in any prospectus, circular, description, application or written statement for the purpose of selling securities in Ohio; and
12. In selling securities, Respondent knowingly engaged in acts and practices, as described in Paragraphs (6) and (7) and to obtain money by means of false representation or promise in violation of R.C. 1707.44(B)(4).

WHEREAS, based on Paragraphs (1) through (14), the Division alleges that Respondent has violated the provisions of Ohio Revised Code sections 1707.44(C)(1) and 1707.44(B)(4).

THEREFORE, IT IS ORDERED THAT, pursuant to Chapter 119 of the Ohio Revised Code, Respondent is hereby notified that thirty (30) days from the date of mailing of this Notice, the Division, pursuant to R.C. 1707.23(H), intends to issue an Order to CEASE AND DESIST from the acts and practices as described above which constitute a violation of Chapter 1707 of the Ohio Revised Code;

FURTHER, IT IS ORDERED THAT, pursuant to Chapter 119 of the Ohio Revised Code, Respondent Buckeye Energy Corporation is hereby notified that it is entitled to an adjudicatory hearing if a written request is received by the Division within thirty (30) days from the date of mailing of this Notice. At the hearing, Respondent may appear through its attorney(s), or its attorneys may present its position, arguments, or contentions in writing, and at the hearing it may present evidence and examine witnesses appearing for and against them; and

FURTHER, IT IS ORDERED THAT, if no hearing is timely requested, an Order to CEASE and DESIST may be issued.

Witness my hand and the official seal of this Division at
Columbus, Ohio this 4th day of April, 2002.

Deborah L. Dye Joyce, Commissioner of Securities

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