

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

BEFORE THE  
SECURITIES COMMISSIONER

In the Matter of Villa Petroleum Inc.; Mack W. Knight III; Don Tatum; James L. Watts; C. W. Weaver; and all other Officers, Directors, Agents, Servants and Employees of Villa Petroleum Inc. )  
CEASE AND DESIST ORDER  
AND NOTICE OF OPPORTUNITY  
FOR HEARING

THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO VILLA PETROLEUM INC.; MACK W. KNIGHT III; DON TATUM; JAMES L. WATTS; C. W. WEAVER; AND ALL OTHER OFFICERS, DIRECTORS, AGENTS, SERVANTS AND EMPLOYEES OF VILLA PETROLEUM INC.

1. It appears to the Securities Commissioner that Villa Petroleum Inc.; Mack W. Knight III; Don Tatum; James L. Watts; C. W. Weaver; and all other officers, directors, agents, servants and employees of Villa Petroleum Inc.; ("Respondents"), have engaged, are engaging, or are about to engage in certain acts, practices, or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code ("N.D.C.C."). It further appears to the Securities Commissioner that it is necessary or appropriate in the public interest or for the protection of investors to restrain these acts, practices, or transactions.

2. The Respondents have offered for sale, solicited an order or offer to buy, or sold in North Dakota securities in the form of investment contracts.

3. The subject securities have not been registered with the Securities Commissioner under Section 10-04-04, N.D.C.C.; are not exempt securities under Section 10-04-05, N.D.C.C.; and have not been offered for sale or sold in exempt transactions under Section 10-04-06, N.D.C.C.

4. The Respondents are not registered as dealers or salesmen under Section 10-04-10, N.D.C.C.

NOW, THEREFORE, IT IS ORDERED, pursuant to Section 10-04-16, N.D.C.C., that Villa Petroleum Inc.; Mack W. Knight III; Don Tatum; James L. Watts; C. W. Weaver; and all other officers, directors, agents, servants, and employees of Villa Petroleum Inc. immediately cease and desist:

A. From offering for sale or selling in North Dakota the subject securities, or any other security however denominated of any issuer, unless and until such securities have been registered with the Securities Commissioner; provided, however, that nothing in this part of the order shall apply to exempt securities under Section 10-04-05, N.D.C.C., or to exempt transactions under Section 10-04-06, N.D.C.C.

B. From offering for sale or selling in North Dakota the subject securities, or any other security however denominated of any issuer, unless and until they have been registered as dealers or salesmen with the Securities Commissioner; provided, however, that nothing in this part

of the order shall apply to exempt transactions under Section 10-04-06, N.D.C.C.

YOU ARE NOTIFIED that the above-cited violations, if proven, are sufficient grounds for the imposition of a civil penalty, pursuant to Section 10-04-16, N.D.C.C.

YOU ARE ALSO NOTIFIED that any person aggrieved by this order may request a hearing before the Securities Commissioner if such a request is made within ten days after receipt of this order.

IN TESTIMONY WHEREOF, witness my hand and seal this \_\_\_\_\_ day of April, 1990.

(SEAL)

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GLENN POMEROY  
SECURITIES COMMISSIONER

STATE OF NORTH DAKOTA

BEFORE THE

COUNTY OF BURLEIGH

SECURITIES COMMISSIONER

In the Matter of Villa Petroleum )  
Inc.; Mack W. Knight III; Don )  
Tatum; James L. Watts; C. W. )  
Weaver; and all other Officers, )  
Directors, Agents, Servants and )  
Employees of Villa Petroleum Inc. )

AFFIDAVIT OF MAILING

STATE OF NORTH DAKOTA )  
 ) ss.  
COUNTY OF BURLEIGH )

RaNelle Anderson, being first duly sworn under oath, deposes and says:

1. That she is a citizen of the United States over the age of twenty-one years and not a party to or interested in the above-entitled proceeding.

2. That on the \_\_\_\_\_ day of April, 1990, she deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of the following document:

CEASE AND DESIST ORDER AND  
NOTICE OF OPPORTUNITY FOR HEARING

3. That a copy of the above document was securely enclosed in an envelope with postage duly prepaid, certified mail, return receipt requested, and addressed as follows:

Villa Petroleum Inc.  
2201 North Collins, Suite 295  
Arlington, TX 76011

4. That to the best of her knowledge, information, and belief, the address given above is the actual post office address of the party intended to be so served.

\_\_\_\_\_  
RANELLE ANDERSON

Subscribed and sworn to before me this \_\_\_\_\_ day of April, 1990.

\_\_\_\_\_  
MARGARET BRINTNELL, Notary Public  
Burleigh County, North Dakota  
My commission expires 8-9-95.