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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Cole Halliburton, President
Richard P. Underwood, aka Ric Underwood and Rick Underwood, Director
Steve S. Stengell, aka Stephen Scott Stengell, Senior Vice President
Scott A. Harris, Senior Vice President
Frank Morones, Senior Account Executive
Allied Syndications, Inc., d/b/a Allied Energy Group, and as T3 CBM Development
T3 CBM Development, a Kentucky general partnership
510 Bering Drive, Suite 300
Houston, TX 77057

2800 Griffin Drive
Bowling Green, KY 42101

DESIST AND REFRAIN ORDER
(For violations of section 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Cole Halliburton (hereinafter “Halliburton”) was the President of Allied Syndications, Inc. (hereinafter “Allied”) doing business as Allied Energy Group and as T3 CBM Development. Allied is a Texas corporation formed on June 3, 2003, does business in Kentucky at 2800 Griffin Drive, Bowling Green, KY, and maintains a website located on the Internet at www.alliedenergy.com.
2. At all relevant times, Richard P. Underwood (hereinafter “Underwood”), also known as Ric Underwood, also known as Rick Underwood, was a Director and General Manager of Allied.
3. At all relevant times, Steve S. Stengell (hereinafter “Stengell”), also known as Stephen Scott Stengell, was the Senior Vice President of Allied.

1 4. At all relevant times, Scott A. Harris (hereinafter “Harris”) was Senior Vice President of
2 Allied.

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4 5. At all relevant times, Frank Morones (hereinafter “Morones”) was Senior Account Executive
5 of Allied.

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7 6. At all relevant times, Allied was Managing General Partner of T3 CBM Development, a
8 Kentucky general partnership (hereinafter T3 CBM Development), using Allied’s address of 2800
9 Griffin Drive, Bowling Green, Kentucky.

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11 7. Beginning in or about October, 2006, Halliburton, Underwood, Stengell, Harris, Morones,
12 Allied, and T3 CBM Development offered or sold securities in the form of investment contracts in
13 units of T3 CBM Development.

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15 8. According to offering documents, Allied was acquired by Technol Fuel Conditioners, Inc.
16 pursuant to an agreement dated April 10, 2005. The resulting entity became Technol Fuel
17 Conditioners, Inc. doing business as Allied Syndications, Inc. Offering documents also indicate a
18 reverse merger with Technol Fuel Conditioners, Inc. Thereafter, Allied Energy Group, Inc. was
19 formed on July 17, 2006 with a business address of 2800 Griffin Drive, Bowling Green, KY, and
20 with directors Shane Polson and Terra Underwood. Further, Texas Secretary of State filings for
21 Allied Syndications, Inc. indicate that although it is in existence, it is no longer in good standing.

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23 9. Through cold-call solicitations Halliburton, Underwood, Stengell, Harris, Morones, Allied,
24 and T3 CBM Development offered or sold 25 partnership units in T3 CBM Development at \$26,000
25 per unit to raise \$650,000 for drilling and testing three gas wells. Should Allied choose to complete
26 the wells, investors were responsible for an additional payment of \$5,400 per well per unit to raise
27 another \$405,000 for “completion costs”.

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1 10. The purported purpose of the offering was to raise funds to drill, test, and possibly complete
2 three gas wells located in Rogers County, Oklahoma.

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4 11. These securities were offered or sold in this state in issuer transactions. The Department of
5 Corporations has not issued a permit or other form of qualification authorizing any person to offer
6 and sell these securities in this state.

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8 12. In connection with these offers and sales, Halliburton, Underwood, Stengell, Harris, Morones,
9 Allied, and T3 CBM Development misrepresented or omitted to state the following facts to investors:

10 a. Misrepresented that Underwood is a prior officer and director of Allied when
11 Underwood is a Director and Registered Agent of Allied on Texas Secretary of State filings;

12 b. In addition to the Administrative Complaint filed by the Kentucky Office of Financial
13 Institutions on May 19, 2006 that is disclosed to investors, they omitted that Underwood is also a
14 subject of a number of other actions of various states including:

15 i. A Stop Order and Order to Cease and Desist by the Kentucky Office of
16 Financial Institutions issued on May 12, 2003 which concluded that Underwood, acting as Sole
17 Director and Owner of All American Investors Group, Inc. doing business as OTR Media from the
18 address of 2800 Griffin Drive, Bowling Green, KY, admitted to the illegal sale of securities and had
19 been engaged in the securities business for years;

20 ii. An Emergency Cease and Desist Order issued by the Texas State Securities
21 Board on March 5, 2004 finding Underwood, along with Allied, Terrence McCaffrey, Ray
22 Spagnuolo, and Mark DeForest Beck, to be illegally offering and selling securities in the form of
23 working interests in an oil and gas well, making material misrepresentations, and to be engaging in
24 fraud in connection with the offer and sale of those securities;

25 iii. An Order of Prohibition and Revocation issued by the Wisconsin Department
26 of Financial Institutions on June 25, 1998 for securities violations while acting as Executive Vice
27 President of Robo Enterprises, Inc.;

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1 iv. An indictment on March 8, 2006 by a federal grand jury in the Western District
2 of Kentucky at Bowling Green on six counts of tax evasion for years 1998 through 2003.

3 Underwood has since been sentenced to three years and one month in federal prison with three years
4 of supervised release thereafter and is ordered to pay restitution in the amount of \$1,467,952.

5 c. Omitted to disclose that Stengell is also the subject of a Cease and Desist Order issued
6 by the Pennsylvania Securities Commission on May 7, 2002 in addition to the Administrative
7 Complaint filed by the Kentucky Office of Financial Institutions on May 19, 2006. Other
8 Respondents in the order include Sunclear Energy, Inc., Randolph B. Akers, and Robert S. McGregor
9 III. The order was for the illegal offer and sale of securities in an oil and/or gas deal, which Stengell
10 later agreed to in an Offer of Settlement on November 12, 2003, including the imposition of costs and
11 sanctions barring him for a period of six months from offering and selling securities in Pennsylvania
12 without retaining knowledgeable counsel.

13 d. Misrepresented that the Emergency Cease and Desist Order issued by the Texas State
14 Securities Board on March 5, 2004 was temporary and against the Chaucer Fredricksburg Prospect
15 for a securities exemption issue, when in fact the order was not temporary and was also against
16 Underwood, Ray Spagnuolo, Terrence McCaffrey, and Mark DeForest Beck, for illegally offering
17 and selling securities, making material misrepresentations, and engaging in fraud with regard to the
18 sale of working interests in an oil and gas well. Further, investors are not told that those Respondents
19 agreed to the order on May 27, 2004 along with an \$8,000 fine.

20 e. Misrepresented that the Administrative Complaint filed by the Kentucky Office of
21 Financial Institutions on May 19, 2006 against Allied, Underwood, Stengell, C. Shane Polson, and
22 County Line Prospect at 2800 Griffin Drive, Bowling Green, KY was for a disclosure issue regarding
23 an offering memorandum, when the complaint was for illegally offering and selling partnership
24 interests in oil and gas wells, multiple counts of material misrepresentations, and which sought fines
25 against Allied, Underwood, Stengell including costs and joint and several liability, and joint and
26 several liability for C. Shane Polson;

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1 f. Misrepresented that the Administrative Complaint filed by Kentucky in 2006 against
2 Allied, Underwood, Stengell, C. Shane Polson, and County Line Prospect would have no effect on
3 the financial condition of Allied if an unfavorable judgment or outcome occurred, when in fact the
4 Administrative Complaint sought:

5 i. approximately \$280,000 in fines against Allied, in addition to all costs
6 including attorney fees, investigation and prosecution costs,

7 ii. \$120,000 in fines against Underwood and joint and several liability for any
8 rescission, fines or costs ordered to be paid by Allied,

9 iii. \$20,000 in fines against Stengell and joint and several liability for any
10 rescission, fines or costs ordered to be paid by Allied, and

11 iv. Joint and several liability for C. Shane Polson for any rescission, fines, or costs
12 ordered to be paid by Allied.

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14 Based upon the foregoing findings, the California Corporations Commissioner is of the
15 opinion that the units of T3 CBM Development are securities subject to qualification under the
16 California Corporate Securities Law of 1968 and are being or have been offered or sold without being
17 qualified in violation of Corporations Code section 25110. Pursuant to section 25532 of the
18 Corporate Securities Law of 1968, Cole Halliburton, Richard P. Underwood, Steve S. Stengell, Scott
19 A. Harris, Frank Morones, Allied Syndications, Inc., and T3 CBM Development, General Partnership
20 are hereby ordered to desist and refrain from the further offer or sale in the State of California of
21 securities, including but not limited to investment contracts in the form of units, unless and until
22 qualification has been made under the law, unless exempt.

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24 Further, the California Corporations Commissioner is of the opinion that the securities of T3
25 CBM Development, General Partnership were offered or sold in this state by means of written or oral
26 communications which included an untrue statement of a material fact or omitted to state a material
27 fact necessary in order to make the statements made, in the light of the circumstances under which
28 they were made, not misleading, in violation of section 25401 of the Corporate Securities Law of

1 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, Cole Halliburton, Richard
2 P. Underwood, Steve S. Stengell, Scott A. Harris, Frank Morones, Allied Syndications, Inc., and T3
3 CBM Development, General Partnership are hereby ordered to desist and refrain from offering or
4 selling or buying or offering to buy any security in the State of California, including but not limited to
5 investment contracts in the form of units, by means of any written or oral communication which
6 includes an untrue statement of a material fact or omits to state a material fact necessary in order to
7 make the statements made, in the light of the circumstances under which they were made, not
8 misleading.

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10 This Order is necessary, in the public interest, for the protection of investors and
11 consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

12 Dated: November 13, 2007
13 Sacramento, California

14 PRESTON DuFAUCHARD
15 California Corporations Commissioner

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17 By _____
18 ALAN S. WEINGER
19 Lead Corporations Counsel
20 Enforcement Division
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