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

TO: Target Oil & Gas Corporation
   Michael Smith, aka Robert Smith
   Route 2, Box 474
   Highway 738
   Albany, KY 42602

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

The California Corporations Commissioner finds that:

1. At all relevant times, Target Oil & Gas Corporation (“Target Oil & Gas”) conducted business at Route 2, Box 474, Highway 738, Albany, KY 42602.

2. At all relevant times, Michael Smith (“Smith”), also known as Robert Smith, was president of Target Oil & Gas.

3. Beginning in at least April 2008, Smith and Target Oil & Gas offered and/or sold securities in the form of joint venture interests or participation in an oil or gas title or lease or in payments out of production under that title or lease.

4. On or about April 22, 2008, Smith placed an unsolicited telephone call to a California resident with whom he had no prior business relationship. During the telephone conversation, Smith solicited investment in a four-well joint venture project in Kentucky that was purportedly managed by Target Oil & Gas.

5. Smith did not inquire about the California resident’s status or qualification as an accredited investor before advising that he would “FedEx” the investment information to him immediately.

6. The next day, a brochure titled “Target Oil & Gas Geologic Report, Lincoln County 1A, 1B, 1C & 1D” was delivered to the Sacramento address that was provided to Smith by the California
resident. Enclosed along with the brochure was a cover letter addressed to the “prospective investor” and a document titled “Joint Venture Subscription Agreement”.

7. The materials represented that Target Oil & Gas had “obtained numerous oil and gas leases in Lincoln County, Kentucky” and was in the business of developing these ventures for profit.

8. The “Joint Venture Subscription Agreement,” which was hand dated April 22, 2008, required a minimum cash purchase of $21,700.00 for one (1) unit, which is equivalent to a 3.125% “working interest” and 2.53% net interest in a project referred to as the “Lincoln County Well #’s 1A, 1B, 1C, 1D”.

9. The subscription agreement also required the purchaser, within 14 days of notification, to pay “completion costs” of $2,150.00 for each well “if completion is warranted in the opinion of the Operator”.

10. The packet Smith mailed to the California resident did not include a prospectus or offering circular containing material information about the investment offer.

11. The oil and gas interests that were offered by Smith and Target Oil & Gas are “securities” as that term is defined by California law.

12. These securities were offered for sale or sold in this state in an issuer transaction.

13. The California Department of Corporations has not issued a permit or other form of qualification authorizing any person to offer and sell these securities in this state.

14. In connection with the offers and/or sales of securities in Target Oil & Gas, Smith and Target Oil & Gas made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. These misrepresentations and/or omissions included, but are not limited to, Smith’s failure to disclose material facts relating to at least six prior enforcement actions taken against him and Target Oil & Gas by securities regulators as follows:

a. An Order issued by the State of Missouri on August 27, 2007 prohibiting the offering to sell or selling of unregistered securities and imposing civil penalties in connection therewith.

b. An Order issued by the State of Texas on March 22, 2007 to desist and refrain from “engaging in fraud” in connection with the offer and sale of unregistered securities.
c. An Order issued by the State of Michigan on July 6, 2006 to cease and desist from offering to sell or selling unregistered securities.

d. An Agreed Order with the State of Kentucky on February 18, 2003 whereby Smith and Target Oil & Gas agreed to, among other things, not contact potential investors without first obtaining written information from potential investors to verify their accredited status before making any sales offers.

e. An Order of Prohibition and Revocation issued by the State of Wisconsin on December 20, 2001 proscribing the offering for sale and selling of unregistered securities.

f. A Summary Order to Cease and Desist issued on December 27, 2000 by the State of Pennsylvania to stop offering for sale and selling unregistered securities.

Based on the foregoing findings, the California Corporations Commissioner is of the opinion that the joint venture interests or participation in an oil or gas title or lease or in payments out of production under that title or lease being sold by Michael Smith, also known as Robert Smith, and Target Oil & Gas Corporation are securities subject to qualification under the California Corporate Securities Law of 1968 and are being or have been offered or sold without first being qualified.

Pursuant to Section 25532 of the Corporate Securities Law of 1968, Michael Smith, also known as Robert Smith, and Target Oil & Gas Corporation are hereby ordered to desist and refrain from the further offer or sale of securities in the State of California, including but not limited to joint venture interests or participation in an oil or gas title or lease or in payments out of production under that title or lease, unless and until qualification has been made under said law or unless exempt.

Further, the California Corporations Commissioner is of the opinion that the securities of Target Oil & Gas Corporation were offered or sold in this state by means of written or oral communications which included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of Section 25401 of the Corporate Securities Law of 1968. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Target Oil & Gas Corporation and Michael Smith, also known as Robert Smith, are hereby ordered to desist and refrain from offering or selling or buying or offering to buy any security in the State of California, including
but not limited to joint venture interests or participation in an oil or gas title or lease or in payments
out of production under that title or lease, by means of any written or oral communication which
includes an untrue statement of a material fact or omits to state a material fact necessary in order to
make the statements made, in the light of the circumstances under which they were made, not
misleading.

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

Dated: May 30, 2008
Los Angeles, California

PRESTON DUFUAUCHARD
California Corporations Commissioner

By
ALAN S. WEINGER
Lead Corporations Counsel
Enforcement Division