

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of

ENERGY RECOVERY GROUP, LLC,  
PAUL ALAN KIMBALL, and  
DWIGHT E. BREHM,

PETITION FOR ORDER

File No. S-08145(EX)

Respondents.

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The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, Bureau of Enforcement has conducted an investigation in this matter pursuant to § 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. Energy Recovery Group, LLC ("ERG") is a limited liability company organized in the State of Texas with a last known business addresses of 2801 and 2825 Regal Road, Suite 101, Plano, Texas 75075.
2. Paul Alan Kimball ("Kimball") (CRD # 4598165) is individual who at all times material hereto has been an owner, officer, or controlling person of ERG with a last known business addresses of ERG, and a last known home address of 236 E. Bethel Road, Coppell, Texas 75019-4090.
3. Dwight E. Brehm ("Brehm") (CRD# 2577448) is an individual who at all times material hereto has been an owner, officer, or controlling person of ERG with a last known business addresses of ERG and a last known home address of 3500 Apple Blossom Lane, McKinney, Texas 75070.
4. During 2004 to 2006, Kimball, on behalf of himself, ERG and Brehm, offered and sold to at least one person in Wisconsin an interest in the profits from oil and gas wells of ERG, in the amount of \$49, 263.57.
5. Upon information and belief, investors play a passive role in the company with no duties and responsibilities.
6. Upon information and belief, investors will not be involved in the day-to-day management of the oil and gas wells of ERG, since the investors are too numerous for each to have any meaningful input, nor do the investors have the expertise or experience necessary to perform the necessary duties.
7. Since the investors will be involved in a common enterprise with the expectation of profit to be derived from the essential managerial efforts of others, the oil and gas well interests of ERG offered and sold by the Respondents are investment contracts as defined by section DFI-Sec. §1.02(6)(a), Wis. Admin. Code, and are therefore securities as defined by § 551.02(13), Wis. Stats.
8. The ERG investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
9. Each Respondent has violated § 551.21(1), Wis. Stats., by offering and selling unregistered securities in Wisconsin.

10. On September 27, 2006, an Involuntary Chapter 7 Petition was filed against ERG by its contractor creditors in the United States Bankruptcy Court for the Eastern District of Texas, Sherman Division, Case No. 06-41568, and was converted to a Chapter 11 on December 15, 2006.

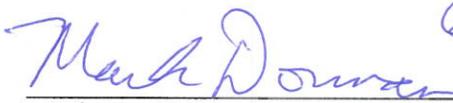
11. An Amended Motion to Approve Compromise of Unassigned Interest Claims, filed on July 1, 2008 by the Trustee of the Energy Recovery Group Creditor Trust in the ERG bankruptcy case referenced above, provides at ¶ 4: "During the administration of the bankruptcy proceeding, it was determined that the Debtor [ERG] has entered into various forms of agreements with persons or entities for the purpose of selling them interests in oil and gas wells. Notwithstanding such agreements, no transfers or assignments of interests in those wells has been made at the time of the entry of an order for relief under Chapter 11 against the Debtor. ..."

12. The Wisconsin investor referred to above received a letter dated September 12, 2008, from a corporation interested in purchasing the leasehold working interest which the bankruptcy court authorized the Bankruptcy Trustee to assign to investors whose interests in ERG were previously unassigned, offering to pay him \$1,248 for that interest, and advising him that if he retained the leasehold working interest he could be responsible for additional costs and expenses related to that well.

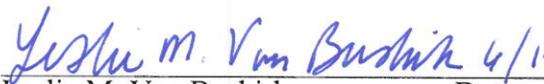
13. According to documents obtained by staff of the Division in the ERG bankruptcy case referenced above, at least two other persons in Wisconsin also had also invested in interests in oil and gas wells of ERG in which no transfers or assignments of interests in those wells had been made at the time of the entry of an order for relief under Chapter 11 against the Debtor.

14. Staff of the Bureau of Enforcement wrote to the Respondents requesting information and documents about their securities-related activities with persons in Wisconsin on September 15, 2008, and giving a two-week period for a response, but to date have gotten no response.

Therefore, the staff of the Bureau of Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

 6-19-09

Mark Dorman Date  
Senior Examiner  
Bureau of Enforcement

 4/19/09

Leslie M. Van Buskirk Date  
Attorney Supervisor  
Bureau of Enforcement