

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

In the Matter of
PRAIRIE RESOURCES, INC., GERALD H. SKYRME,
BLAKE L. CUMMINGS, and TREY MORGAN,

PETITION FOR ORDER

Respondent.

File No. S-04265(EX)

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

1. Prairie Resources, Inc. ("Prairie") is a foreign business entity with a last known business address of 15950 N. Dallas Pkwy., Ste. 400, Dallas, TX 75248.
2. Gerald H. Skyrme (DOB 6/15/71) ("Skyrme") is an individual who at all times material hereto has been the owner and controlling person of Prairie, with a last known business address at that of Prairie.
3. Blake L. Cummings (DOB 12/29/71) ("Cummings") is an individual who at all times material hereto has been General Manager of Prairie, with a last known business address at that of Prairie.
4. Trey Morgan ("Morgan") is an individual who at all times material hereto has been an agent of Prairie, Skyrme and Cummings, with a last known business address at that of Prairie.
5. During the period of November 2004, Morgan, on behalf of Prairie, Skyrme and Cummings, offered to at least one person in Wisconsin units of working interest in an oil and gas well lease.
6. The person in Wisconsin referred to above had no preexisting relationship with any of the Respondents.
7. Upon information and belief, investors can play a passive role in the company with no duties and responsibilities.
8. Upon information and belief, each investor will not be involved in the day-to-day management of Prairie, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.
9. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "memberships" offered by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.
10. The Prairie investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
11. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.

- 12. In connection with the offers of the securities described above, Morgan transacted business in Wisconsin as an "agent" for Prairie, Skyrme and Cummings, as that term is defined by sec. 551.02(2), Wis. Stats.
- 13. At no time has Morgan been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.
- 14. Morgan has violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license.
- 15. Prairie, Skyrme and Cummings have violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in Wisconsin.
- 16. On January 29, 1999, the State of Iowa issued an Administrative Order against Cummings, based on allegations of securities law violations, including fraud.
- 17. On May 18, 1999, the State of Missouri issued an Administrative Order against Cummings, based on allegations of securities law violations.
- 18. On May 28, 2003, the State of Texas issued an Emergency Cease and Desist Order against Cummings, based on allegations of securities law violations, including fraud.
- 19. In connection with the offer of the securities described in Paragraph 5, the Respondents omitted to disclose the issuance of the orders referred to in Paragraphs 16 through 18.
- 20. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.
- 21. In connection with the offer described in Paragraph 5, Morgan represented to the person in Wisconsin that Prairie has been in business for 20 years.
- 22. Prairie was incorporated in the State of Texas on June 23, 2003.
- 23. All Respondents have violated sec. 551.41(2), Wis. Stats., by making an untrue statement of a material fact in connection with the offer and sale of securities to persons in Wisconsin.
- 24. On November 18, 2004, the staff mailed letters to the Respondents requesting information concerning their securities-related activities in Wisconsin, to which no reply has been received.

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

Susan A. Kittel Moore 12/28/04

 Susan A. Kittel Moore Date
 Securities Examiner
 Bureau of Registration & Enforcement

David A. Cohen 1/6/05

 David A. Cohen Date
 Supervising Attorney
 Bureau of Registration & Enforcement