

1 PRESTON DuFAUCHARD
 California Corporations Commissioner
 2 WAYNE STRUMPFER
 Deputy Commissioner
 3 ALAN S. WEINGER
 Supervising Attorney
 4 ALEXANDER M. CALERO (238389)
 Corporations Counsel
 5 1515 K Street, Suite 200
 Sacramento, California 95814
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 7 Attorneys for Complainant
 California Corporations Commissioner
 8

9 BEFORE THE DEPARTMENT OF CORPORATIONS
 10 OF THE STATE OF CALIFORNIA

11 In the Matter of the) OAH No. N2006060324
 12 DESIST AND REFRAIN ORDER)
 Issued To:)
 13) RESPONDENTS GARY M. MILBY; MID
 GARY M. MILBY; MID AMERICA ENERGY,) AMERICA ENERGY, INC.; MID-AMERICA
 14 INC.; MID-AMERICA OIL & GAS, L.L.C.;) OIL & GAS, L.L.C.; CLINTON C. GOFF; AND
 15 CLINTON C. GOFF; and BOB McGREGOR,) BOB McGREGOR STIPULATION TO ORDER
) TO DESIST AND REFRAIN FROM THE
 16 Respondents.) UNQUALIFIED OFFER OR SALE OF
) SECURITIES AND THE MAKING OF
 17) MISREPRESENTATIONS AND OMISSIONS
 18) IN THE OFFER OR SALE OF SECURITIES
 19)

20 IT IS HEREBY STIPULATED BY AND BETWEEN THE RESPONDENTS GARY M.
 21 MILBY, MID AMERICA ENERGY, INC., MID-AMERICA OIL & GAS, L.L.C., CLINTON C.
 22 GOFF, BOB McGREGOR ("RESPONDENTS"), AND PRESTON DuFAUCHARD, CALIFORNIA
 23 CORPORATIONS COMMISSIONER ("COMMISSIONER"), AS FOLLOWS:

24 WHEREAS, RESPONDENTS admit the jurisdiction of the CALIFORNIA DEPARTMENT
 25 OF CORPORATIONS over their persons and over the subject matter of this Stipulation.

26 WHEREAS, RESPONDENTS waive the right of hearing, including that provided by
 27 California Corporations Code sections 25532 subdivision (d) and 25609. Further, RESPONDENTS
 28

1 waive any and all review by a court of law, including that provided by California Government Code
2 section 11523.

3 WHEREAS, all terms used, but not defined herein, shall have the meaning assigned to them
4 by the California Corporations Code.

5 WHEREAS, RESPONDENTS represent that no promises of any kind or nature whatsoever
6 were made to induce them to enter into this Stipulation, and that this Stipulation is a voluntary act on
7 the part of RESPONDENTS.

8 WHEREAS, on May 5, 2006, the COMMISSIONER issued a Desist and Refrain Order
9 ("Order") against GARY M. MILBY, BOB McGREGOR, STACY TERRELL, CLINTON C. GOFF,
10 MID AMERICA ENERGY, INC., MID-AMERICA OIL & GAS, L.L.C. and ENERGY
11 MARKETING for offering and/or selling unqualified non-exempt securities, in the form of limited
12 liability partnership units in oil and gas developmental well projects, and for making
13 misrepresentations and omissions of material fact in the offer and/or sale of said securities. This
14 Order is attached hereto as Exhibit A.

15 WHEREAS, RESPONDENTS GARY M. MILBY, MID AMERICA ENERGY, INC., MID-
16 AMERICA OIL & GAS, L.L.C., CLINTON C. GOFF and BOB McGREGOR timely requested a
17 hearing on the Order, as permitted by law, and hereby acknowledge and agree that the
18 COMMISSIONER is ready, willing and able to grant a hearing in relation to the Order, that said
19 RESPONDENTS have a right to such a hearing to challenge the Order, and that RESPONDENTS
20 hereby voluntarily waive their right to such a hearing in the interest of avoiding the expense, time and
21 uncertainty of such a hearing.

22 WHEREAS, RESPONDENTS, without admitting or denying any of the findings contained
23 within the Order or this Stipulation, hereby agree and stipulate to the Order, including but not limited
24 to the opinions and findings made by the COMMISSIONER that:

25 1. At all relevant times, Gary M. Milby ("Milby") was the President, Secretary and
26 Treasurer of Mid America Energy, Inc., a Nevada corporation, incorporated on June 25, 2004. Its
27 principal place of business is at 105 Mallard Drive, Hendersonville, TN 37075. According to records
28

1 of the Tennessee Secretary of State, Mid America Energy, Inc. also maintains a place of business at
2 321 Victor Reiter Parkway, # 119, Portland, TN 37178.

3 2. At all relevant times, Milby was the Manager of Mid-America Oil and Gas, L.L.C., a
4 Kentucky limited liability company, formed on October 18, 2002. Its principal place of business is at
5 2023 Earl Pearce Circle, Mount Juliet, TN 37122.

6 3. Beginning in or about March 2006, Bob McGregor ("McGregor") was a sales
7 representative of Mid America Energy, Inc.

8 4. At all relevant times, Stacy Terrell ("Terrell") was the registered contact person for
9 Energy Marketing, a fictitious business name filed with the county clerk's office in Sumner County,
10 Tennessee on April 7, 2006. Its principal place of business is at 321 Victor Reiter Parkway, # 199,
11 Portland, TN 37148. Terrell, doing business as Energy Marketing, arranges radio advertisements for
12 Milby, Mid America Energy, Inc., and Mid-America Oil and Gas, L.L.C.

13 5. Beginning in or about March 2006, Clinton C. Goff ("Goff") was the Operations
14 Manager for Mid America Energy, Inc.

15 6. Beginning in or about August 2005, Milby, Mid America Energy, Inc. and Mid-
16 America Oil & Gas, L.L.C. offered and sold securities in the form of limited liability partnership units
17 in oil and gas developmental well projects such as Freedom Oil #1, L.L.P., Big Creek Oil #1, L.L.P.,
18 Black Gold Oil #1, L.L.P., Fort Knox #8, L.L.P., Fort Knox #10, L.L.P., all of which are Tennessee
19 limited liability partnerships, to California residents.

20 7. Through general solicitations in the form of a Web site at [www.mid-](http://www.mid-americaoilandgas.com)
21 [americaoilandgas.com](http://www.mid-americaoilandgas.com) and radio advertisements on XM Satellite Radio, Milby, McGregor, Terrell,
22 Goff, Mid America Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy Marketing offered and
23 sold limited liability partnership units in oil and gas developmental well projects, the cost per unit
24 varying from well to well.

25 8. As of August 2005 the Web site located at www.mid-americaoilandgas.com identifies
26 Mid-America Oil & Gas, L.L.C. as a company engaged in "developmental drilling" in Adair and
27 Cumberland counties, Kentucky. "For clarification on the two most common types of drilling,
28 exploration drilling involves drilling on a site with the hopes of finding oil, whereas, developmental

1 drilling involves drilling in a field where there is known to be oil. We are not engaged in exploratory
2 drilling, these wells will yield oil and natural gas!" The purported purpose of the limited liability
3 partnership offerings is to raise funds to acquire working ownership interests in oil and gas
4 developmental wells. "Once all shares are purchased, a drill date is set and the well is drilled. Once
5 the drilling is complete and the oil and natural gas is flowing ... Investors receive a monthly check."

6 9. The Web site also contains a personal greeting from Milby stating that "Mid-America
7 Energy represents the culmination of everything" Milby has "learned in the petroleum business over
8 the last two decades" and invites prospective "Clients" to "join our team at Mid-America Oil & Gas,
9 LLC for what I believe will be a long and prosperous relationship."

10 10. In or about January 2006, Terrell, doing business as Energy Marketing, began arranging
11 radio spots aired on XM Satellite Radio advertising the oil and gas securities offered and sold by
12 Milby, McGregor, Mid America Energy, Inc. and Mid-America Oil and Gas, L.L.C. The radio
13 advertisements invite listeners to contact Energy Marketing at 1 (800) 810-7500. Interested listeners
14 that contact Energy Marketing are then solicited, by sales representatives such as McGregor, to
15 purchase the limited liability partnership units offered by Milby, Mid America Energy, Inc. and Mid-
16 America Oil and Gas, L.L.C.

17 11. These securities were offered and sold in the State of California in issuer transactions.
18 The Department of Corporations has not issued a permit or other form of qualification authorizing any
19 person to offer and sell these securities in this state.

20 12. In connection with these offers and sales, Milby, McGregor, Terrell, Goff, Mid
21 America Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy Marketing misrepresented to
22 investors that Mid-America Oil & Gas, L.L.C. is a registered Operator with the Railroad Commission
23 of Texas and "is in good standing with all regulating bodies in the state of Texas." In fact, on June 9,
24 2005, the Office of the General Counsel of the Railroad Commission of Texas served and filed a
25 complaint against "Gary M. Milby, Mgr/President" of Mid-America Oil & Gas, L.L.C. for violations
26 of four regulatory rules in relation to the operation of an oil well lease in Runnels County, Texas. The
27 violations include failure to timely plug the subject oil well and failure to properly maintain a reserve
28 pit, which according to the Railroad Commission of Texas "are serious and threaten the public health

1 and safety.” This complaint ultimately resulted in the Railroad Commission of Texas entering a Final
2 Order on January 24, 2006, levying administrative penalties in the amount of \$4,000.00 and forbidding
3 Milby, or any organization in which he may hold a position of ownership or control, from drilling oil
4 in Texas for a period of seven years.

5 13. In connection with these offers and sales, Milby, McGregor, Terrell, Goff, Mid
6 America Energy, Inc., Mid-America Oil and Gas, L.L.C. and Energy Marketing omitted to disclose to
7 investors that Milby filed a Chapter 7 bankruptcy petition on November 5, 2003 resulting in discharge
8 on March 17, 2004.

9 WHEREAS, RESPONDENTS agree and acknowledge that nothing in this Stipulation shall
10 preclude the Commissioner, his agents, officers, or employees, to the extent authorized by law, from
11 referring any evidence or information regarding this matter to any other state or federal law
12 enforcement official, or from assisting cooperating, or co-prosecuting with regards to any investigation
13 and/or action.

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1 WHEREFORE, RESPONDENTS GARY M. MILBY, MID AMERICA ENERGY, INC.,
2 MID-AMERICA OIL & GAS, L.L.C., CLINTON C. GOFF and BOB McGREGOR stipulate and
3 agree to the finality of the COMMISSIONER'S Order. RESPONDENTS understand and agree not to
4 represent that this Stipulation is a settlement or a withdrawal of the COMMISSIONER'S Order.
5 RESPONDENTS further understand and agree that the Order remains in full effect, and that they
6 cannot deny the violations cited in the COMMISSIONER'S Order or make any statement or
7 representation that is inconsistent with this Stipulation or the Order. RESPONDENTS further
8 understand and agree this Stipulation does not prevent the COMMISSIONER from taking future
9 action in regard to this matter.

10
11 Dated: 7/24/06 GARY M. MILBY, President and Manager
12 MID AMERICA ENERGY, INC.
13 MID-AMERICA OIL & GAS, L.L.C.

14 By: GARY M. MILBY

15
16 Dated: 7/25/06 By: CLINTON C. GOFF

17
18 Dated: 7/25/06 By: BOB McGREGOR

19
20 Dated: 7/25/06 By: CAROL HOUCK
21 Approved as to Form
22 Attorney for RESPONDENTS

23
24 Dated: 7/25/06 PRESTON DuFAUCHARD
25 California Corporations Commissioner

26 By: ALEXANDER M. CALERO
27 Corporations Counsel

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Exhibit A

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

<p>TO: Gary M. Milby, President Mid America Energy, Inc. Mid-America Oil & Gas, L.L.C. 6100 Neil Road, Suite 500 Reno, NV 89511 and 129 Haven Street, Unit A Hendersonville, TN 37075 and 105 Mallard Drive Hendersonville, TN 37075 and 321 Victor Reiter Parkway, # 119 Portland, TN 37178 and 2023 Earl Pearce Circle Mount Juliet, TN 37122</p>	<p>Clinton Goff, Operations Manager Bob McGregor Mid America Energy, Inc. 129 Haven Street, Unit A Hendersonville, TN 37075 and 105 Mallard Drive Hendersonville, TN 37075 Stacy Terrell Energy Marketing 321 Victor Reiter Parkway, #119 Portland, TN 37178</p>
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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, Gary M. Milby (“Milby”) was the President, Secretary and Treasurer of Mid America Energy, Inc., a Nevada corporation, incorporated on June 25, 2004. Its principal place of business is at 105 Mallard Drive, Hendersonville, TN 37075. According to records of the Tennessee Secretary of State, Mid America Energy, Inc. also maintains a place of business at 321 Victor Reiter Parkway, # 119, Portland, TN 37178.

2. At all relevant times, Milby was the Manager of Mid-America Oil and Gas, L.L.C., a Kentucky limited liability company, formed on October 18, 2002. Its principal place of business is at 2023 Earl Pearce Circle, Mount Juliet, TN 37122.

1 3. At all relevant times, Bob McGregor (“McGregor”) was a sales representative of Mid America
2 Energy, Inc.

3
4 4. At all relevant times, Stacy Terrell (“Terrell”) was the registered contact person for Energy
5 Marketing, a fictitious business name filed with the county clerk’s office in Sumner County,
6 Tennessee on April 7, 2006. Its principal place of business is at 321 Victor Reiter Parkway, # 119,
7 Portland, TN 37148. Terrell, doing business as Energy Marketing, arranges radio advertisements for
8 Milby, Mid America Energy, Inc. and Mid-America Oil and Gas, L.L.C.

9
10 5. At all relevant times, Clinton Goff (“Goff”) was the Operations Manager and a sales
11 representative for Mid America Energy, Inc. Goff also arranges radio advertisements for Milby, Mid
12 America Energy, Inc. and Mid-America Oil and Gas, L.L.C.

13
14 6. Beginning in or about August 2005, Milby, Mid America Energy, Inc. and Mid-America Oil &
15 Gas, L.L.C. offered and sold securities in the form of limited liability partnership units, in oil and gas
16 developmental well projects such as Freedom Oil #1, L.L.P., Big Creek Oil #1, L.L.P., Black Gold Oil
17 #1, L.L.P., Fort Knox #8, L.L.P. and Fort Knox #10, L.L.P., all of which are Tennessee limited
18 liability partnerships, to California residents.

19
20 7. Through general solicitations in the form of a Web site at www.mid-americaoilandgas.com and
21 radio advertisements on XM Satellite Radio, Milby, McGregor, Terrell, Goff, Mid America Energy,
22 Inc., Mid-America Oil & Gas, L.L.C. and Energy Marketing offered and sold limited liability
23 partnership units, in oil and gas developmental well projects, the cost per unit varying from well to
24 well.

25
26 8. As of August 2005 the Web site located at www.mid-americaoilandgas.com identifies Mid-
27 America Oil & Gas, L.L.C. as a company engaged in “developmental drilling” in Adair and
28 Cumberland counties, Kentucky. “For clarification on the two most common types of drilling,

1 exploratory drilling involves drilling on a site with the hopes of finding oil, whereas, developmental
2 drilling involves drilling in a field where there is known to be oil. We are not engaged in exploratory
3 drilling, these wells will yield oil and natural gas!" The purported purpose of the limited liability
4 partnership offerings is to raise funds to acquire working ownership interests in oil and gas
5 developmental wells. "Once all shares are purchased, a drill date is set and the well is drilled. Once
6 the drilling is complete and the oil and natural gas is flowing ... Investors receive a monthly check."
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8 9. The Web site also contains a personal greeting from Milby stating that "Mid-America Energy
9 represents the culmination of everything" Milby has "learned in the petroleum business over the last
10 two decades" and inviting prospective "Clients" to "join our team at Mid-America Oil & Gas, LLC for
11 what I believe will be a long and prosperous relationship."
12

13 10. In or about January 2006, Terrell and Goff, doing business as Energy Marketing, began
14 arranging radio spots aired on XM Satellite Radio advertising the oil and gas securities offered and
15 sold by Milby, McGregor, Mid America Energy, Inc. and Mid-America Oil and Gas, L.L.C. The radio
16 advertisements invite listeners to contact Energy Marketing at 1 (800) 810-7500. Interested listeners
17 that contact Energy Marketing are then solicited, by sales representatives such as McGregor and Goff,
18 to purchase the limited liability partnership units offered by Milby, Mid America Energy, Inc. and
19 Mid-America Oil and Gas, L.L.C.
20

21 11. These securities were offered and sold in this state in issuer transactions. The Department of
22 Corporations has not issued a permit or other form of qualification authorizing any person to offer and
23 sell these securities in this state.
24

25 12. In connection with these offers and sales, Milby, McGregor, Terrell, Goff, Mid America
26 Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy Marketing misrepresented to investors that
27 Mid-America Oil & Gas, L.L.C. is a registered Operator with the Railroad Commission of Texas and
28 "is in good standing with all regulating bodies in the state of Texas." In fact, on June 9, 2005, the

1 Office of the General Counsel of the Railroad Commission of Texas served and filed a complaint
2 against "Gary M. Milby, Mgr/President" of Mid-America Oil & Gas, L.L.C. for violations of four
3 regulatory rules in relation to the operation of an oil well lease in Runnels County, Texas. The
4 violations include failure to timely plug the subject oil well and failure to properly maintain a reserve
5 pit, which according to the Railroad Commission of Texas "are serious and threaten the public health
6 and safety." This complaint ultimately resulted in the Railroad Commission of Texas entering a Final
7 Order on January 24, 2006, levying administrative penalties in the amount of \$4,000.00 and forbidding
8 Milby, or any organization in which he may hold a position of ownership or control, from drilling oil
9 in Texas for a period of seven years.
10

11 13. In connection with these offers and sales, Milby, McGregor, Terrell, Goff, Mid America
12 Energy, Inc., Mid-America Oil and Gas, L.L.C. and Energy Marketing omitted to disclose to investors
13 that Milby filed a Chapter 7 bankruptcy petition on November 5, 2003 resulting in discharge on March
14 17, 2004.
15

16 Based upon the foregoing findings, the California Corporations Commissioner is of the opinion
17 that the investments that are being or have been offered and sold by Gary M. Milby, Bob McGregor,
18 Stacy Terrell, Clinton Goff, Mid America Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy
19 Marketing are securities subject to qualification under the California Corporate Securities Law of 1968
20 and are being or have been offered and sold without being qualified in violation of Corporations Code
21 section 25110. Pursuant to section 25532 of the Corporate Securities Law of 1968, Gary M. Milby,
22 Bob McGregor, Stacy Terrell, Clinton Goff, Mid America Energy, Inc., Mid-America Oil & Gas,
23 L.L.C. and Energy Marketing are hereby ordered to desist and refrain from the further offer or sale in
24 the State of California of securities, including but not limited to investment contracts in the form of
25 limited liability partnership units in oil and gas investments such as Freedom Oil #1, L.L.P., Big Creek
26 Oil #1, L.L.P., Black Gold Oil #1, L.L.P., Fort Knox #8, L.L.P. and Fort Knox #10, L.L.P., unless and
27 until qualification has been made under the law or unless exempt.
28

1 Further, the California Corporations Commissioner is of the opinion that the securities that are
2 being or have been offered and sold by Gary M. Milby, Bob McGregor, Stacy Terrell, Clinton Goff,
3 Mid America Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy Marketing were offered or
4 sold in this state by means of written or oral communications which included an untrue statement of a
5 material fact or omitted to state a material fact necessary in order to make the statements made, in the
6 light of the circumstances under which they were made, not misleading, in violation of section 25401
7 of the Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law
8 of 1968, Gary M. Milby, Bob McGregor, Stacy Terrell, Clinton Goff, Mid America Energy, Inc., Mid-
9 America Oil & Gas, L.L.C. and Energy Marketing are hereby ordered to desist and refrain from
10 offering or selling or buying or offering to buy any security in the State of California, including but not
11 limited to investment contracts in the form of limited liability partnership units in oil and gas
12 investments, by means of any written or oral communication which includes an untrue statement of a
13 material fact or omits to state a material fact necessary in order to make the statements made, in the
14 light of the circumstances under which they were made, not misleading.

15
16 This Order is necessary, in the public interest, for the protection of investors and consistent
17 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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19 Dated: May 5, 2006
20 Sacramento, California

21 WAYNE STRUMPFER
22 Acting California Corporations Commissioner



By _____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division

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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
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4 violations include failure to timely plug the subject oil well and failure to properly maintain a reserve
5 pit, which according to the Railroad Commission of Texas "are serious and threaten the public health
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12 Energy, Inc., Mid-America Oil and Gas, L.L.C. and Energy Marketing omitted to disclose to investors
13 that Milby filed a Chapter 7 bankruptcy petition on November 5, 2003 resulting in discharge on March
14 17, 2004.
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16 Based upon the foregoing findings, the California Corporations Commissioner is of the opinion
17 that the investments that are being or have been offered and sold by Gary M. Milby, Bob McGregor,
18 Stacy Terrell, Clinton Goff, Mid America Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy
19 Marketing are securities subject to qualification under the California Corporate Securities Law of 1968
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21 section 25110. Pursuant to section 25532 of the Corporate Securities Law of 1968, Gary M. Milby,
22 Bob McGregor, Stacy Terrell, Clinton Goff, Mid America Energy, Inc., Mid-America Oil & Gas,
23 L.L.C. and Energy Marketing are hereby ordered to desist and refrain from the further offer or sale in
24 the State of California of securities, including but not limited to investment contracts in the form of
25 limited liability partnership units in oil and gas investments such as Freedom Oil #1, L.L.P., Big Creek
26 Oil #1, L.L.P., Black Gold Oil #1, L.L.P., Fort Knox #8, L.L.P. and Fort Knox #10, L.L.P., unless and
27 until qualification has been made under the law or unless exempt.
28

1 Further, the California Corporations Commissioner is of the opinion that the securities that are
2 being or have been offered and sold by Gary M. Milby, Bob McGregor, Stacy Terrell, Clinton Goff,
3 Mid America Energy, Inc., Mid-America Oil & Gas, L.L.C. and Energy Marketing were offered or
4 sold in this state by means of written or oral communications which included an untrue statement of a
5 material fact or omitted to state a material fact necessary in order to make the statements made, in the
6 light of the circumstances under which they were made, not misleading, in violation of section 25401
7 of the Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law
8 of 1968, Gary M. Milby, Bob McGregor, Stacy Terrell, Clinton Goff, Mid America Energy, Inc., Mid-
9 America Oil & Gas, L.L.C. and Energy Marketing are hereby ordered to desist and refrain from
10 offering or selling or buying or offering to buy any security in the State of California, including but not
11 limited to investment contracts in the form of limited liability partnership units in oil and gas
12 investments, by means of any written or oral communication which includes an untrue statement of a
13 material fact or omits to state a material fact necessary in order to make the statements made, in the
14 light of the circumstances under which they were made, not misleading.

15
16 This Order is necessary, in the public interest, for the protection of investors and consistent
17 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

18
19 Dated: May 5, 2006
20 Sacramento, California

21 WAYNE STRUMPFER
22 Acting California Corporations Commissioner

23 By _____

24 ALAN S. WEINGER
25 Acting Deputy Commissioner
26 Enforcement Division
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