

OPEN MEETING ITEM

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COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

ORIGINAL



BRIAN C. McNEIL
EXECUTIVE DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Jeff Hatch-Miller, Chairman
William A. Mundell
Mike Gleason
Kristin K. Mayes
Gary Pierce

FROM: Matthew J. Neubert *MJM*
Director of Securities

DATE: January 16, 2007

RE: *Mid America Energy, Inc. et. al S-20442A-06-0110*

CC: Brian C. McNeil, Executive Director

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

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Attached hereto you will find the following: Order to Cease and Desist, Order of Restitution, For Administrative Penalties, and Consent to Same by: Respondents Clinton Goff and Warren Exploration, LLC ("Consent Order");

These parties have been involved in the offer and sale of interests in limited liability partnerships in oil and gas wells claimed to be drilled in Adair County, Kentucky. A Temporary Order to Cease and Desist and Notice of Opportunity for Hearing was entered on February 28, 2006, ("TC&D #1") against Gary Milby, Mid America Oil & Gas, LLC ("MAOG"), and Mid America, Inc. ("MAE"), and "their agents, servants employees successors, assigns, and those persons in active concert or participation with them." This Order was amended on September 8, 2006 to add, among others, Respondent Clinton Goff and Warren Exploration, LLC, ("TC&D #2").

The subjects of the proposed consent order are one entity – Warren Exploration, LLC and one individual, Clinton Goff. Both Clinton Goff and Warren Exploration, LLC were served with TC&D #2. Both orders entered by the ACC required respondents, their successors, assigns, and employees to immediately cease and desist from violating the Securities Act.

At the February 1, 2007, open meeting the Division will be requesting that the Commission approve the entry of the Consent Order concerning Warren Exploration, LLC and Clinton Goff. The following comments pertain to this request:

Consent Order

- Clinton Goff ("Goff") became active with MAE and MAOG in March of 2006 after TC&D #1 was served upon these entities.
- Goff was the Operations Manager for MAE. In his role as Operations Manager, Goff coordinated sales agent activities and developed website content.
- Goff was aware of TC&D #1 and also was aware that MAE was utilizing Energy Marketing, Inc. to place ads on XM Satellite Radio to solicit investors for MAE and MAOG.
- Goff provided information showing that two Arizona investors had invested a total of \$72,000 in Warren Exploration, LLC ("WELLC") in 2005. Goff states under oath that the total amount invested in WELLC by Arizona investors is \$72,000.
- Goff states under oath that no sales to Arizona investors were made in MAE and MAOG by him directly or indirectly. He further affirms that he did not receive any commissions for any sales to Arizona residents that were made by MAE and MAOG.
- Goff agrees to pay \$72,000.00 in restitution to WELLC investors and \$50,000 in administrative penalties. Goff has also agreed to tender \$15,000.00 at the time of entry of the order.

The Division believes that this Default Order is appropriate to protect the public welfare and is in the best interest of the investors.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

In the matter of:

Mid America Energy, Inc.,
a Nevada Corporation
321 Victor Reiter Parkway
Portland, TN 37148

Mid America Oil & Gas, LLC
a Kentucky Limited Liability Company,
493 Pleasant Run Church
Campbellsville, KY

Gary M. Milby a/k/a
Gary Moss Milby a/k/a
Gary M. Milley
and Wanda Milby,
husband and wife
321 Victor Reiter Parkway
Portland, TN 37148

Jim and Rita Whatcott,
husband and wife
222 Basin Creek Road
Durango, CO 81303-3647

John and Lucille Blitz,
husband and wife
225 Marneh Avenue
Santa Cruz, CA 95062

Clinton Goff a/k/a Clint Goff,
an un-married man
321 Victor Reiter Parkway
Portland, TN 37148

) Docket No. S-20442A-06-0110
)
) DECISION NO. _____
)
) **ORDER TO CEASE AND DESIST, ORDER**
) **OF RESTITUTION, FOR**
) **ADMINISTRATIVE PENALTIES, AND**
) **CONSENT TO SAME**
) **BY: RESPONDENTS CLINTON GOFF**
) **AND WARREN EXPLORATION, LLC**

1 Warren Exploration, LLC)
2 A Nevada Limited Liability Company)
3 321 Victor-Reiter Parkway)
4 Portland, TN 37148)

4 Energy Marketing, Inc.,)
5 a Nevada Corporation)
6 129 Haven Street, Unit A)
7 Hendersonville, TN 37075)

Respondents.

8 Respondents Clinton C. Goff and Warren Exploration, LLC (collectively "Respondents")
9 elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the
10 Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To
11 Cease And Desist, Order of Restitution, For Administrative Penalties and Consent to same by
12 Respondents: Clinton C. Goff and Warren Exploration, LLC ("Order"). Respondents admit the
13 jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the
14 Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this
15 Order by the Commission.

16 **I.**

17 **FINDINGS OF FACT**

18 1. MID AMERICA ENERGY, INC. ("MAE") is a Nevada corporation, who had
19 been doing business at 129 Haven Street, Unit A, Hendersonville, TN 37075 and whose
20 Tennessee address according to the Tennessee Secretary of State's Website is now 321 Victor-
21 Reiter Parkway, Portland, Tennessee 37148.

22 2. MID AMERICA OIL & GAS, LLC ("MAOG") is a Kentucky Limited Liability
23 Company, whose last known principal office address as provided by the Kentucky Secretary of
24 State's website is: 2023 Earl Pearce Cir, Mount Juliet, Tennessee 37122-1328. This entity also
25 had a last known business address at 493 Pleasant Run Church, Campbellsville, Kentucky.
26

1 3. MAE's website was, until recently, located at [http://mid-](http://mid-americaenergy.com/index.php?t)
2 [americaenergy.com/index.php?t](http://mid-americaenergy.com/index.php?t). The website represented that the company's corporate
3 headquarters are located in Portland, Tennessee and specifically provided the following address:
4 321 Victor-Reiter Parkway, Portland, Tennessee 37148.

5 4. GARY M. MILBY A/K/A GARY MOSS MILBY AND GARY M. MILLEY
6 ("MILBY") is an individual who has been known to have multiple business addresses, as
7 follows: 129 Haven Street, Unit A, Hendersonville, Tennessee 37075; 2343 Alexandria Drive,
8 Suite 140, Lexington, Kentucky 40504; 321 Victor- Reiter Parkway, Portland, Tennessee
9 37148.

10 5. MILBY is the President of MAE. MILBY is also the President and owner of
11 MAOG.

12 6. Warren Exploration, LLC ("WELLC") is a Nevada limited liability company whose
13 website identified its address as: 321 Victor-Reiter Parkway, Portland Tennessee, 37148. WELLC
14 has a website at www.warrenexploration.com. ("WELLC Website").

15 7. Clinton C. Goff A/K/A Clint Goff ("GOFF") is an un-married individual who has
16 multiple business addresses. Specifically he is known to have had the following business addresses:
17 129 Haven Street, Unit A, Hendersonville, Tennessee 37075; 321 Victor-Reiter Parkway, Portland,
18 Tennessee, 37148; and 6074 Hwy 31-W, Suite B, Portland, Tennessee 37148.

19 8. GOFF was the Operations Manager for MAE. Goff is also the President and CEO of
20 WELLC.

21 9. As Operations Manager for MAE, Goff contacted investors and prospective investors
22 including sending letters and emails to investors explaining low or negative distribution statements.
23 He also coordinated sales agent activities and developed web site content.

24 10. MAE and MILBY represented themselves as the Managing General Partner of
25 various limited liability partnerships purportedly created to drill oil and gas in Adair County,
26 Kentucky. WELLC and GOFF represented themselves as the Managing General Partner of

1 various limited liability partnerships purportedly created to drill oil and gas in Adair County,
2 Kentucky. In fact, except for the names assigned to the limited liability partnerships, the Private
3 Placement Memoranda ("PPMs") of WELLC are virtually identical to those of MAE.

4 11. According to PPMs received by the Commission for MAE, MAOG, and WELLC
5 significant long-term monthly returns ranging from \$1,200 to \$4,800 for a one time investment of
6 \$22,000 to \$49,000 were promised to investors. The distributions were represented to be made to
7 investors from revenues from the wells. The PPMs made clear that the Managing Partner, and
8 not the investors, would have complete control over all of the Partnership's business.

9 12. MAE, MAOG, and WELLC share much in common. For example:

- 10 • They all claim to be engaged in drilling oil and gas wells in Adair County,
11 Kentucky.
- 12 • They all claim to create limited liability partnerships that will drill for oil and gas
13 in Adair County, Kentucky.
- 14 • Their offering materials are nearly identical.
- 15 • For a period of time they posted many identical photos of their operations on their
16 respective websites.
- 17 • For a period of time they shared the same office addresses and phone numbers.
- 18 • Goff was involved in the operations MAE as the Operations Manager. Goff is the
19 President and CEO of WELLC

20 13. Energy Marketing, Inc., ("EMI") is identified as a Nevada corporation on Nevada's
21 Corporations' Website with the following address: P.O. Box 2259, Minden, Nevada 89423-2259.
22 Some addresses used by EMI have been: 129 Haven Street Unit A, Hendersonville, Tennessee
23 37075 and at 321 Victor-Reiter Parkway, Portland, Tennessee 37148.

24 14. MAE and MAOG placed ads under the name EMI. EMI was used by MAE to run
25 public advertising for oil and gas securities. While employed as MAE's Operations Manager,
26 GOFF participated in the company's operations with the knowledge that EMI ads designed to solicit
investors for MAE and MAOG were being used. GOFF did not stop the advertising.

1 15. The business records of XM Satellite Radio show that one ad that aired for MAE and
2 MAOG in April stated:

3 With hurricanes and war in the mid-east, Americans need to drill more oil in their own
4 country. Energy Marketing has invested in developed oil wells and a proven lease
5 that's been producing oil for over 40 years.

6 With investments of 24,000 to 49,000 you can make up to \$4,800 in monthly income.
7 Call 800 810-7500 for more information. Bank and law firm references available.
8 This is not a prospectus or an offer to sell. Call today 800 810-7500

9 16. XM Satellite radio is a company which delivers its radio signal by satellite nationally.
10 XM radio's programming reaches Arizona residents who are subscribers via the internet and XM
11 receivers. Arizona residents who are not subscribers also can receive a free trial subscription to XM
12 via the internet.

13 17. From at least January 18, 2006, to April 10, 2006, over 1300 ads aired on XM
14 promoting MAE and MAOG under the name Energy Marketing, Inc.

15 18. GOFF states under penalty of perjury that he only became involved in MAE and
16 MAOG in March of 2006. He further certifies that he has never consummated any sales, directly
17 or indirectly, in or from Arizona, for oil and gas interests for MAE or MAOG.

18 19. The Division's records reflect that Arizona residents invested at least \$200,000.00
19 with MAE and MAOG. The Division's records reflect that Arizona residents invested at least
20 \$72,000.00 in WELLC.

21 20. Finally, GOFF states under penalty of perjury that he has not received any
22 commissions for any sales to Arizona residents that were made by MAE and MAOG. He further
23 states under oath that he fully disclosed to the Commission all investors from Arizona who
24 invested in WELLC.

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1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents –
2 CLINTON C. GOFF and WARREN EXPLORATION, LLC shall jointly and severally under
3 Docket No. S-20442A-06-0110 pay restitution to the Commission in the amount of \$72,000.00.
4 Payment shall be made as follows: \$15,000.00 by certified check on the date of this Order. Any
5 amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order
6 until paid in full. Payment shall be made to the “State of Arizona” to be placed in an interest-
7 bearing account maintained and controlled by the Commission. The Commission shall disburse
8 the funds on a pro rata basis to investors in Warren Exploration, LLC, shown on the records of the
9 Commission. Any restitution funds that the Commission cannot disburse because an investor
10 refuses to accept such payment shall be disbursed on a pro-rata basis to the remaining investors
11 shown on the records of the Commission. Any funds that the Commission determines it is unable
12 to or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

13 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents CLINTON
14 C. GOFF and WARREN EXPLORATION, LLC shall jointly and severally under Docket No. S-
15 20442A-06-0110 pay an administrative penalty in the amount of \$50,000.00. Payment shall be
16 made in full on the date of this Order to the “State of Arizona.” Any amount outstanding shall
17 accrue interest at the rate of 10% per annum from the date of this Order until paid in full. The
18 payment obligations for these administrative penalties shall be subordinate to any restitution
19 obligations ordered herein and shall become immediately due and payable only after restitution
20 payments have been paid in full or upon Respondent’s default with respect of Respondent’s
21 restitution obligations.

22 For purposes of this Order, a bankruptcy filing by any Respondent shall be an act of
23 default. If Respondents do not comply with this Order, any outstanding balance may be deemed in
24 default and shall be immediately due and payable.

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IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

BRIAN C. McNEIL
Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.
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CONSENT TO ENTRY OF ORDER

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1. Respondent CLINTON C. GOFF (“GOFF”), an individual, and WARREN EXPLORATION, a Nevada Limited Liability Company (“WELLC” or collectively with GOFF “Respondents”) admit the jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledges that they have been fully advised of their respective right to a hearing to present evidence and call witnesses and Respondents knowingly and voluntarily waive any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease and Desist, Order of Restitution and Consent to Same by: Clinton Goff and Warren Exploration, LLC (“Order”) constitutes a valid final order of the Commission.

2. Respondents knowingly and voluntarily waive any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondents acknowledge and agree that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondents acknowledge that each have been represented by an attorney in this matter, namely they have been represented by Alan Baskin, Esq. of Bade & Baskin, that each Respondent has reviewed this Order with their attorney, and understands all terms it contains.

5. Respondents neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order. Respondents agree that neither shall contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future administrative proceeding before the Commission or any other state agency concerning the denial or issuance of any license or registration required by the State to engage in the practice of any business or profession.

1 6. By consenting to the entry of this Order, Respondents agree not to take any action
2 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding
3 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without
4 factual basis. Respondents will each undertake steps necessary to assure that all of his/its agents
5 and employees understand and comply with this agreement.

6 7. While this Order settles this administrative matter between Respondents and the
7 Commission, Respondents understand that this Order does not preclude the Commission from
8 instituting other administrative or civil proceedings based on violations that are not addressed by
9 this Order.

10 8. Respondents understand that this Order does not preclude the Commission from
11 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
12 that may be related to the matters addressed by this Order.

13 9. Respondents understand that this Order does not preclude any other agency or
14 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
15 proceedings that may be related to matters addressed by this Order.

16 10. Respondents agree that they will not apply to the state of Arizona for registration as
17 a securities dealer or salesman or for licensure as an investment adviser or investment adviser
18 representative until such time as all restitution and penalties under this Order are paid in full.

19 11. Respondents agree that they will not exercise any control over any entity that offers
20 or sells securities or provides investment advisory services within or from Arizona until such time
21 as all restitution and penalties under this Order are paid in full.

22 12. Respondents agree that neither will sell any securities in or from Arizona without
23 being properly registered in Arizona as a dealer or salesman, or exempt from such registration;
24 neither one will sell any securities in or from Arizona unless the securities are registered in
25 Arizona or exempt from registration; and neither one will transact business in Arizona as an
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1 investment adviser or an investment adviser representative unless properly licensed in Arizona or
2 exempt from licensure.

3 13. Respondents agree that they will continue to cooperate with the Securities Division
4 including, but not limited to, providing complete and accurate testimony at any hearing in this
5 matter and cooperating with the state of Arizona in any related investigation or any other matters
6 arising from the activities described in this Order.

7 14. Respondents consent to the entry of this Order and agree to be fully bound by its
8 terms and conditions.

9 15. Respondents acknowledge and understand that if they fail to comply with the
10 provisions of the order and this consent, the Commission may bring further legal proceedings
11 against either one or both, including application to the superior court for an order of contempt.

12 16. Respondents understand that default shall render each one jointly and severally
13 liable to the Commission for its costs of collection and interest at the maximum legal rate.

14 17. Respondents agree and understand that if they fail to make any payment as required
15 in the Order, any outstanding balance shall be in default and shall be immediately due and payable
16 without notice or demand. Respondents agree and understand that acceptance of any partial or late
17 payment by the Commission is not a waiver of default by Commission.

18 18. Respondent GOFF represents that he is the President and CEO of Warren
19 Exploration, LLC and has been authorized by Warren Exploration, LLC to enter into this Order for
20 and on behalf of it.

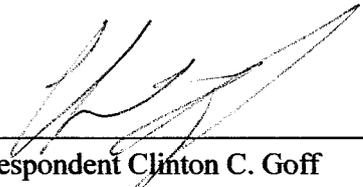
21 19. GOFF states under penalty of perjury that he only became involved in MAE and
22 MAOG in March of 2006. He further certifies that no sales were ever made, directly or indirectly
23 by him, in or from Arizona, for oil and gas interests for MAE or MAOG.

24 20. GOFF states under penalty of perjury that he has not received any remuneration for
25 any sales to Arizona residents that were made by MAE and MAOG prior to his involvement with
26

1 them. GOFF further states under oath that he fully disclosed all Arizona investors who invested in
2 WELLC to the Commission.

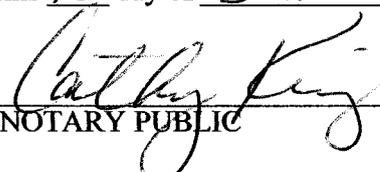
3 21. Respondent GOFF and Respondent WELLC agree to pay the sum of \$72,000.00 as
4 restitution under A.R.S. § 44-2032.

5 22. Respondent GOFF and Respondent WELLC agree to pay the sum of \$50,000.00 as
6 an administrative penalty under A.R.S. § 44-2036.

7
8 
Respondent Clinton C. Goff

9 *Kentucky*
STATE OF ARIZONA)
10) ss
County of *Warren*)

11
12 SUBSCRIBED AND SWORN TO BEFORE me this 16 day of JAN 2007.

13 
14 NOTARY PUBLIC

15 My Commission Expires:
16 6-7-07

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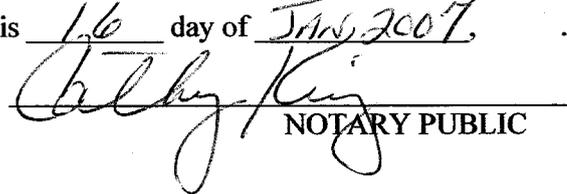
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Warren Exploration, a Nevada Limited Liability Company


By Clinton C. Goff,
Its President and CEO

Kentucky
STATE OF ~~ARIZONA~~)
County of *Wormen*) ss)

SUBSCRIBED AND SWORN TO BEFORE me this 16 day of JAN 2007.


NOTARY PUBLIC

My Commission Expires:
6-7-07