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BEFORE THE ARIZONA CORPORATION COMMISSION

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

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AZ CORP COMMISSION  
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Arizona Corporation Commission  
DOCKETED

FEB 27 2007

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In the matter of:

Docket No. S-20437A-05-0925

Reserve Oil & Gas, Inc., a Nevada corporation  
3507 North Central Avenue, Suite 503  
Phoenix, Arizona 85012

Allen and Jane Doe Stout, Sr., husband and wife  
1309 West Portland Street  
Phoenix, Arizona 85007-2102

Allen and Jane Doe Stout, Jr., husband and wife  
1309 West Portland Street  
Phoenix, AZ 85007-2102

Respondents.

AMENDED ANSWER OF  
RESPONDENTS RESERVE OIL &  
GAS, INC. AND ALLEN C. STOUT  
AND EUGENIA STOUT, HUSBAND  
AND WIFE, TO TEMPORARY ORDER  
TO CEASE AND DESIST AND NOTICE  
OF OPPORTUNITY FOR HEARING

Respondents Reserve Oil & Gas, Inc., a Nevada corporation (“ROG”), Allen C. Stout (“Stout”) and Eugenia Stout, husband and wife by and through undersigned attorney, do hereby file their Answer to the Temporary Order to Cease and Desist and Notice of Opportunity for Hearing (“TC&D”), and do hereby admit, deny and allege as set forth below. Importantly, Eugenia Stout had absolutely no involvement whatsoever with regard to the allegations that form the basis of the TC&D. Therefore, Eugenia Stout’s response to each and every allegation is that she is without sufficient information to form a belief as to each allegation and, therefore, denies every allegation. All affirmative defenses set forth by ROG and Stout are hereby incorporated by reference to Eugenia Stout. Allen C. Stout and ROG are collectively referred to herein as “Respondents.”

I.  
JURISDICTION

1. Answering Paragraph 1, Respondents admit the Commission has jurisdiction over this matter.
2. Answering Paragraph 2, Respondents admit the allegations therein.



1           16.     Answering Paragraph 16, Respondents submit that only a single well is involved in  
2 the project offered by ROG, and Respondents are without information sufficient to form a belief as  
3 to the remaining allegations of Paragraph 16 and, on that basis, deny same.

4           17.     Answering Paragraph 17, Respondents are without information sufficient to form a  
5 belief as to the allegations of Paragraph 17 and, on that basis, denies same.

6           18.     Answering Paragraph 18, Respondents are without information sufficient to form a  
7 belief as to the allegations of Paragraph 18 and, on that basis, denies same.

8           19.     Answering Paragraph 19, Respondents deny each and every allegation therein and  
9 thereon allege that the projected life of 20 to 30 years refers generally to the Barnett Shale and not  
10 to the particular well site offered by ROG.

11           20.     Answering Paragraph 20, Respondents deny each and every allegation therein.

12           21.     Answering Paragraph 21, Respondents deny each and every allegation therein.

13           22.     Answering Paragraph 22, Respondents deny each and every allegation therein.

14           23.     Answering Paragraph 23, Respondents submit that the content that was on the  
15 website speaks for itself, and Respondents are without information sufficient to form a belief as to  
16 the allegations of Paragraph 23 and, on that basis, deny same.

17           24.     Answering Paragraph 24, Respondents submit that the content that was on the  
18 website speaks for itself, and Respondents are without information sufficient to form a belief as to  
19 the allegations of Paragraph 24 and, on that basis, deny same.

20           25.     Answering Paragraph 25, Respondents submit that the content that was on the  
21 website speaks for itself, and Respondents are without information sufficient to form a belief as to  
22 the allegations of Paragraph 25 and, on that basis, deny same.

23           26.     Answering Paragraph 26, Respondents submit that the content that was on the  
24 website speaks for itself, and Respondents are without information sufficient to form a belief as to  
25 the allegations of Paragraph 26 and, on that basis, deny same.

1 the allegations of Paragraph 26 and, on that basis, deny same.

2 27. Answering Paragraph 27, Respondents submit that the content that was on the  
3 website speaks for itself, and Respondents are without information sufficient to form a belief as to  
4 the allegations of Paragraph 27 and, on that basis, deny same.

5 28. Answering Paragraph 28, Respondents submit that the content that was on the  
6 website speaks for itself, and Respondents are without information sufficient to form a belief as to  
7 the allegations of Paragraph 28 and, on that basis, deny same.

8 29. Answering Paragraph 29, Respondents submit that the content that was on the  
9 website speaks for itself. Respondents admit that disclaimers were included on the website.  
10 Respondents are without information sufficient to form a belief as to the remaining allegations of  
11 Paragraph 29 and, on that basis, deny same.

12 30. Answering Paragraph 30, Respondents deny the allegations contained in Paragraph  
13 30 of the TC&D insofar as they are directed at Allen L. Stout. Respondents are without  
14 information sufficient to form a belief as to the allegations of Paragraph 30 and, on that basis, deny  
15 same.  
16

17  
18 31. Answering Paragraph 31, Respondents are without information sufficient to form a  
19 belief as to the allegations of Paragraph 31 and, on that basis, deny same.

20 32. Answering Paragraph 32, Respondents admit the allegations therein.

21 33. Answering Paragraph 33, Respondents admit the allegations therein.

22 34. Answering Paragraph 34, Respondents admit the allegations therein.

23 35. Answering Paragraph 35, Respondents admit the allegations therein.

24 36. Answering Paragraph 36, Respondents submit that the content that was on the  
25 website speaks for itself. Respondents deny that they were required to inform visitors to the  
26 website that Stout was convicted of tax evasion in 1997. Respondents are without information  
27

1 sufficient to form a belief as to the remaining allegations of Paragraph 36 and, on that basis, deny  
2 same.

3 37. Answering Paragraph 37, Respondents deny that they were required to inform  
4 visitors to the website that Stout was convicted of tax evasion in 1997. Respondents are without  
5 information sufficient to form a belief as to the remaining allegations of Paragraph 37 and, on that  
6 basis, deny same.

7  
8 **IV.**

9 **VIOLATION OF A.R.S. § 44-1841**  
10 **(Offer and Sale of Unregistered Securities)**

- 11 38. Respondents deny the allegations contained in Paragraph 38.  
12 39. Respondents deny the allegations contained in Paragraph 39.  
13 40. Respondents deny the allegations contained in Paragraph 40.

14  
15 **V.**

16 **VIOLATION OF A.R.S. § 44-1842**

17 **(Transactions by Unregistered Dealers or Salesmen)**

- 18 41. Respondents deny the allegations contained in Paragraph 41.  
19 42. Respondents deny the allegations contained in Paragraph 42.

20  
21 **VI.**

22 **VIOLATION OF A.R.S. § 44-1842**

23 **(Fraud in Connection with the Offer or Sale of Securities)**

- 24 43. Respondents deny the allegations contained in Paragraph 43.  
25 44. Respondents deny the allegations contained in Paragraph 44.  
26 45. Respondents hereby specifically deny all allegations not admitted, denied or  
27 qualified herein.

**VII**

**ROSHKA DEWULF & PATTEN, PLC**  
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**TEMPORARY ORDER**

**Cease and Desist from Violating the Securities Act**

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3 Respondents deny that the alleged conduct supports the issuance of the TC&D, and denies  
4 that public welfare requires the TC&D. Respondents admit that it has complied with all aspects of  
5 the TC&D thus far, and will continue to do so. To the extent TC&D Section VII contains  
6 additional allegations, Respondents deny same.

7  
8 **XIII.**

9 **SECURITIES DIVISION'S REQUESTED RELIEF**

10 By inadvertence or otherwise, the Securities Division omitted Counts IX, X, XI and XII—  
11 the TC&D sections jump from VII to XIII. Respondents requests that the Commission deny the  
12 Requested Relief as identified in Paragraphs 1, 2, 3, 4, and 5 of Section XIII of the TC&D.

13  
14 **XIV.**

15 **HEARING OPPORTUNITY**

16 By inadvertence or otherwise, the Securities Division omitted Counts IX, X, XI and XII—  
17 the TC&D sections jump from VII to XIII. Respondents have requested a hearing pursuant to  
18 A.R.S. § 44-1972.

19 **AFFIRMATIVE DEFENSES**

20  
21 46. For their first affirmative defense, Respondents allege that the TC&D fails to state a  
22 claim upon which relief can be granted.

23 47. For their second affirmative defense, Respondents allege that no security is involved  
24 in these alleged transactions.  
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48. For their third affirmative defense, Respondents allege that any ruling in this action would be unconstitutional under the laws of the State of Arizona and under the laws of the United States of America for, *inter alia*, failing to provide due process, among other provisions.

49. For their fourth affirmative defense, Respondents allege that application of A.R.S. § 44-2031(C) in this case exceeds the authority granted to the Commission by the Arizona Constitution.

50. For their fifth affirmative defense, Respondents allege that to the extent the Units that were allegedly offered or sold are determined to be investment contract securities the Respondents and the subject Units are exempt from the registration provisions of the Arizona Securities Act.

51. For their sixth affirmative defense, Respondents allege that all of their actions were taken for a proper purpose.

52. For their seventh affirmative defense, Respondents allege that they have not taken any improper action within or from the State of Arizona.

53. For their eighth affirmative defense, Respondents allege that the Commission's claims are barred by the applicable statute(s) of limitations.

54. For their ninth affirmative defense, Respondents state that they did not offer or sell investment contracts under Arizona law.

55. For their tenth affirmative defense, Respondents allege the claims in the TC&D are barred by estoppel.

56. For their eleventh affirmative defense, Respondents allege the claims in the TC&D are barred by laches.

57. For their twelfth affirmative defense, Respondents allege that the claims in the TC&D are barred by waiver.

1           58.     For their thirteenth affirmative defense, Respondents allege that the claims in the  
2 TC&D are barred by assumption of risk.

3           59.     For their fourteenth affirmative defense, Respondents allege that the Securities  
4 Division has failed to allege securities fraud with reasonable particularity as required by Rule 9(b)  
5 of the Arizona Rules of Civil Procedure.

6           60.     For their fifteenth affirmative defense, Respondents allege that they did not know,  
7 and in the exercise of reasonable care could not have known, of any alleged untrue statements or  
8 material omissions as set forth in the TC&D.

9           61.     For their sixteenth affirmative defense, Respondents state that they have not acted  
10 with the requisite scienter.

11           62.     For their seventeenth affirmative defense, Respondents state that they have not  
12 employed a deceptive or manipulative device in connection with the offer, purchase or sale of any  
13 security.

14           63.     For their eighteenth affirmative defense, Respondents state that the alleged investors  
15 have suffered no injuries or damages as a result of Respondents' acts or the alleged acts of any of  
16 the other Respondent named in this action.

17           64.     For their nineteenth affirmative defense, Respondents state that they never made any  
18 misrepresentations or omissions, material or otherwise.

19           65.     For their twentieth affirmative defense, Respondents allege that they acted in good  
20 faith and did not directly or indirectly induce the conduct at issue.

21           66.     For their twenty-first affirmative defense, Respondents state that they have caused  
22 no damages.  
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67. For their twenty-second affirmative defense, Respondents allege that purchasers relied on others, and not the Respondents named in this action, in connection with the matters at issue in the TC&D.

68. Respondents allege such other affirmative defenses set forth in Arizona Rule of Civil Procedure 8(c), as may be determined to be applicable through discovery.

69. Respondents reserve the right to amend this Answer to assert additional defenses after completion of appropriate discovery.

**IX.**

**ANSWER AND AFFIRMATIVE DEFENSE REQUIREMENTS**

Respondent has fully complied with the Answer and Affirmative Defense requirements.

WHEREFORE, there is no basis for the imposition of liability of any kind or nature, and there should be no award of any kind or nature against the Respondent.

RESPECTFULLY SUBMITTED this 27th day of February, 2007.

ROSHKA DeWULF & PATTEN, PLC

By



Paul J. Roshka, Jr., Esq.

Jeffrey D. Gardner, Esq.

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ORIGINAL and thirteen copies of the foregoing  
filed this 27th day of February, 2007 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered  
this 27th day of February, 2007 to:

Marc E. Stern, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Shoshana O. Epstein  
Securities Division  
Arizona Corporation Commission  
1300 West Washington Street, 3rd Floor  
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