ORIGINAL

0000125418

STATE OF ARIZONA)
)
County of Maricopa)

AFFIDAVIT OF SERVICE

I, Michael D. Williams, for the Securities Division of the Arizona Corporation Commission, hereby certify that on the 23rd day of May, 2011, at approximately 1:55 PM, I served a copy of a Temporary Order to Cease and Destist, Docket No. S-20804A-11-0208, upon Denver Energy Exploration, LLC, at 7210 East 1st Avenue, Scottsdale, AZ 85251-4404 (Pita House), via: Personal Service.

AFFIANT

05/23/11
DATE

SUBSCRIBED AND SWORN TO BEFORE me this 23 day of May 2011

NOTARY PUBLIC

My Commission Expires:

_____

Notary Public State of Arizona
Maricopa County
Michael J Rice
My Commission Expires
07/12/2011

Arizona Corporation Commission
DOCKETED
MAY 23 2011
DOCKETED BY

RECEIVED
2011 MAY 23 P 3: 21
AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED
2011 MAY 23 A 11: 28
AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

In the matter of: CRAIG RANDAL MUNSEY and JANE DOE MUNSEY, husband and wife, MARKETING RELIABLITY CONSULTING, LLC (d.b.a. "MRC LLC"), an Arizona limited liability company, DENVER ENERGY EXPLORATION, LLC, a Texas limited liability company, Respondents.	DOCKET NO. S-20804A-11-0208 **TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR HEARING**

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents CRAIG RANDAL MUNSEY, MARKETING RELIABLITY CONSULTING, LLC (d.b.a. "MRC LLC"), and DENVER ENERGY EXPLORATION, LLC, are engaging in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II.

RESPONDENTS

2. At all relevant times, Respondent CRAIG RANDAL MUNSEY ("MUNSEY") has been a married man and an Arizona resident. At all relevant times, MUNSEY has been offering and/or selling the "unit" investments discussed below within and from Arizona in his individual capacity and on behalf of Respondents: (a) MARKETING RELIABILITY CONSULTING, LLC (d.b.a. "MRC LLC") ("MRC") as its managing member and "CEO"; and (b) DENVER ENERGY EXPLORATION, LLC. ("DEE") as its "senior representative" and investment salesman. MUNSEY has not been registered by the Commission as a securities salesman or dealer.

3. MUNSEY organized MRC as a manager managed Arizona limited liability company on or about March 1, 2007. At all relevant times, MRC has maintained its principal place of business in Arizona, and it has been offering and/or selling the unit investments discussed below within or from Arizona on behalf of DEE as its authorized "marketing" agent and investment dealer. MRC has not been registered by the Commission as a securities dealer.

4. According to certified records provided to the Division by the Texas Office of the Secretary of State, DEE was organized as a manager managed Texas limited liability company on or about October 15, 2001. At all times relevant, DEE has been issuing, offering and/or selling the unit investments discussed below within Arizona. DEE has not been registered by the Commission as a securities dealer.

5. MUNSEY, MRC and DEE may be referred to collectively as "Respondents" or individually as "Respondent."

6. JANE DOE MUNSEY has been at all relevant times an Arizona resident and the spouse of MUNSEY. JANE DOE MUNSEY may be referred to hereafter as "Respondent Spouse." Respondent Spouse is joined in this action under A.R S. § 44-2031(C) solely for purposes of determining the liability of the MUNSEY and Respondent Spouse marital community.

7. At all relevant times, Respondents has been acting for their own benefit and for the benefit or in furtherance of the marital communities.

III.

FACTS

A. Respondents Oil and Gas Business and the Units

8. From approximately 2010 to the present, Respondents have been issuing, offering and/or selling to the general public and Arizona residents fractional undivided "unit" and/or participation interests in DEE's Texas oil and gas wells (the "Unit(s)").

9. At all relevant times, Respondents have been representing to Unit offerees and purchasers residing in Arizona both verbally and in writing that they are selling the Units to raise capital for DEE's exploration, lease, purchase, development and operation of DEE's oil and gas wells.

10. The Units have not been registered with the Commission as securities to be offered or sold within or from Arizona.

11. According to its website at www.denverenergyexploration.com (the "Website"), DEE is a "privately held" "oil & gas operator" that re-works existing oil wells, and drills new ones to both produce and profitably sell oil and gas.

12. As explained on the "About Us" page of the DEE Website:

> Oil and gas prices are at record highs fueled by growing demand and tight production Worldwide. In such an environment, industry earnings are at record highs, new wells are being drilled, merger and acquisitions activity increases, and banks and investors become involved in the exploration and development of new resources.
>
> Denver Energy Exploration, LLC intends to take advantage of these trends; the Company is now in advanced discussion with several small operators for the acquisition of newly producing wells, reserves and other assets. We are also in the process of launching a ten-well drilling program and several multi-well drilling partnerships in the Brookshire Salt Dome Oil Field…near Houston, Texas.

13. The "About Us" page further states that:

> The Company commenced operations by performing workovers on three existing wells acquired with the York Lease located in the Brookshire Salt Dome Oil Field near Houston, Texas. These workovers resulted in two producing oil wells, which generated the first revenues and more importantly, validated the Company's model, confirmed additional drilling locations on the York lease, and launched the Company in a period of rising oil & gas prices.

14. The "Project" page of the DEE Website states, in part, as follows:

> We [*i.e.*, DEE] intend to continue to develop the Brookshire Salt Dome, a relatively new field whose greatest returns may still be yet to come. Most Salt Domes in the region have yielded in excess of 100 million barrels of oil compared with the 10M BOE [*i.e.*, barrel of oil equivalent] produced so far in the Brookshire Dome.
>
> Utilizing 3D seismic, Neozoic Geophysical surveys, and other Geological information, we are confident of a continued success with the development of our leases.
>
> While the Company has acquired in excess of 60 mineral leases in Brookshire totaling more than 500 net acres, which represents about 10% of the best Dome acreage... Our reserve report, available upon request, shows that we have several Proven Developed Producing (PDP), Possible Behind Pipe opportunities, and undeveloped (PUD) locations, totaling several million barrels in potential oil reserves, and approximately 3+ BCF of natural gas.

B. <u>Respondents' General Solicitation and/or Advertising For Unit Purchasers</u>

15. At all relevant times, Respondents have been engaged in public advertising and/or a general solicitation for Unit purchasers within Arizona, in part, by "cold' calling and emailing Arizona residents and/or "strangers" that have no: (a) preexisting relationship with Respondents; or (b) knowledge of Respondents' oil and gas business operations.

16. The "About Us," "Operations" and "Projects" pages of the DEE Website also contain a notation at the bottom of the pages that indirectly reference the Units and/or Respondents' interest in obtaining investment funds in part, as follows:

> THERE ARE SIGNIFICANT RISKS ASSOCIATED WITH **INVESTING IN OIL AND GAS VENTURES. THE ABOVE INFORMATION IS FOR GENERAL PURPOSES ONLY AND IS NOT A SOLICITATION TO BUY OR AN OFFER TO SELL ANY SECURITIES.** ANY SUCH SOLICITATION OR

> OFFER WILL ONLY BE MADE THROUGH A CONFIDENTIAL INFORMATION MEMORANDUM ACCOMPLISHED IN ACCORDANCE WITH SEC REGULATION D, RULE 506. (emphasis added)

17. The "Contact Us" page of the DEE Website identifies an "Equity Trust Company" through which potential purchasers can purchase Units and place them in self-directed or newly formed "IRA, 401k" investment vehicles, as discussed further below with respect to Respondents' Unit documentation.

18. At all relevant times, Respondents have been publically offering and/or selling the Units not only within Arizona but across the U.S. in states such as Pennsylvania via advertisements.

1. The First Potential Arizona Unit Purchaser

19. In 2010, MUNSEY and/or Respondents' authorized agent "cold" called a southern Arizona resident to offer him a Unit. Prior to this unsolicited phone call, this potential Arizona purchaser had no pre-existing relationship with Respondents or knowledge of DEE's oil and gas business operations (the "First PAP").

20. At this time, the First PAP told MUNSEY and/or Respondents' authorized agent that the First PAP could not purchase a Unit but could possibly do so in about one year. In response, MUNSEY and/or Respondents' authorized agent acquired the First PAP's email address.

21. Thereafter, on May 17, 2011, MUNSEY sent the First PAP an email with the subject "Denver Energy Exploration" that states as follows:

> [Respondents] Wanted to give you a heads up on our new project. We just acquired the last 3 producing wells in the Johnson lease. All 6 are producing and we will start the waterflood plan in 4-6 months. We have a half unit [Investment] left for $17,500 and those 3 [related oil wells] are producing 3—50 bopd. We will start funding the other 3 wells in about 2 weeks. Those units will be $4[,]500 more. The partners [at DEE and their Unit purchasers] are making good money so there is no problem with the investment. Let me know if I can be of any service. Have a great week.

22. MUNSEY's May 17, 2011, email to the First PAP: (a) was sent using MUNSEY and MRC's business email address "@marketingreliabilityconsulting.com"; (b) contained Respondents' Arizona telephone and fax numbers; (c) contained a link to the BEE Website; and (d) was electronically signed by MUNSEY in his capacity as the "CEO" of MRC.

23. MUNSEY's May 17, 2011, email to the First PAP further listed MRC's Arizona business address that is, on information and belief, a private post office box.

2. The Second Potential Arizona Unit Purchaser

24. A second potential Arizona Unit purchaser viewed the BEE Website from Arizona on May 17, 2011, and he subsequently spoke to MUNSEY on May 18, 2011, after calling the Arizona telephone number set forth in the May 17, 2011, email sent by MUNSEY to the First PAP discussed above (the "Second PAP").

25. Prior to the Second PAP's May 18, 2011, telephone call with MUNSEY, the Second PAP had not met or spoken to MUNSEY or any of Respondents' authorized agents (the "MUNSEY Phone Call").

26. MUNSEY answered the MUNSEY Phone call by stating the name "Denver Energy". At no time during the MUNSEY Phone Call did MUNSEY ask the Second PAP whether the Second PAP was an "accredited" purchaser and/or investor. During the MUNSEY Phone Call, the Second PAP further informed MUNSEY that the Second PAP had not previously purchased any oil or gas based investments.

27. During MUNSEY Phone Call, MUNSEY represented to the Second PAP, without limitation, that:

a. MRC is a "marketing arm" of DEE, that DEE is a "good company", and that MUNSEY himself is a Unit investor;

b. Oil is going to average approximately $114 per barrel for the next two years and, as a result, purchasing a Unit now will result in "big rewards" for the Second PAP for the "next ten to twenty years";

c. Respondents have been raising "private" Unit funds for about a year and a half to support seven oil and gas projects, and "everyone's making money" and, conversely, "nobody's lost any money" by purchasing the Units from Respondents;

d. Respondents' Unit purchasers and/or DEE will be able to "make between two hundred and four hundred million dollars in revenue over the next ten to fifteen years" from operating and drilling oil and gas wells, and that Respondents will "do everything" on behalf of Unit purchasers on "sixty" acquired leases in the Brookshire Salt Dome Field in Texas;

e. Respondents' Unit purchasers or "partners" "make money";

f. Once an investor purchases, for instance, a single Unit, they are "an owner" who will be provided with project updates on a weekly basis, and PAPd their profits of approximately $3,000 to $4,500 on a monthly basis;

g. Because DEE is such a good oil and gas producer, and "operator and driller," a Unit investor could even "**triple**" their principal Unit funds in one month (emphasis added);

h. People who purchase the Units will make "tons of money and that's just the bottom line";

i. Respondents were "100%" successful in drilling three wells in the "Denver/Karber #1" prospect and that Respondents "own all the rights" in the "Karber field";

j. Respondents are "pulling out over 300,000 barrels" of oil and "500,000 Mcf of gas"[1] from the "Denver/Karber #1" wells and because Respondents can get four to five dollars per "mcf" of gas, the purchase of a $33,000 Unit relating to the same should enable the Second PAP to make $200,000 to $350,000;

[1] According to the U.S. Energy Information Administration website, "**Mcf** — is the volume of 1,000 cubic feet (cf) of natural gas". (*See*, http://www.eia.doe.gov/tools/faqs/faq.cfm?id=45&t=8).

k. That a $35,000 Unit relating to the "Johnson" oil wells will enable the Second PAP to make $250,000 to $350,000, and that if the Second PAP purchased a Unit in the "Johnson three well" project, the Second PAP would get a "check the next month" because that project is "already producing" and will be for the "next ten years"; and

l. DEE has another well project called the "KM3" or "Koomey/Morrison #3" that's "pushing out 200 barrels of oil a day" and that the KM3 Unit purchasers are making "incredible" money".

28. MUNSEY also volunteered to email to the Second PAP "prospectuses" for the Units during the MUNSEY Phone call, and encouraged the Second PAP to call the officers or principals at DEE to verify MUNSEY and MRC's relationship with DEE.

29. Thereafter, MUNSEY sent the Second PAP two emails dated May 18, 2011, with various attachments including:

a. A fifty-two page Unit "Private Placement Memorandum" regarding three oil wells titled, "Johnson Three Well Project Brookshire Dome Waller County, Texas (Turn-Key) (the Unit "PPM");

b. A detailed, thirteen page "PRESENTATION REPORT" regarding the "Brookshire Salt Dome Field" that sets forth the benefits of the location and geology of DEE's oil and gas lease operations, and represents that the approximately 403 acres of the Brookshire Salt Dome Field controlled by DEE have proven and/or "Recoverable Reserves of 4,310,891" barrels of oil worth $215,545,000, at a market price of only $50.00 per barrel (the "Report"); and

c. A Unit "prospectus" titled "Reserves Determination Karber Lease-Brookshire Dome" relating to Units supporting the "Denver-Karber #1" oil wells (the "Prospectus"), along with two photo copied pages from a book describing the geological structure of salt domes and their history of producing oil.

3. The Second Potential Arizona Unit Purchaser's Contact With DEE

30. At MUNSEY's suggestion, the Second PAP also called DEE on May 19, 2011, to confirm MUNSEY's representations regarding the Units, and MUNSEY and MRC's relationship with DEE (the "DEE Phone Call").

31. During the DEE Phone Call, the DEE "office manager" answered the call by stating "Good morning, Denver Energy" and represented to the Second PAP, without limitation, that:

a. MUNSEY "is definitely part of our [DEE] team";

b. DEE is issuing and/or selling Units related to the Johnson project, and Denver/Karber "new drill" project that provides Unit purchasers with "really good tax benefits";

c. The Units range in price from $30,000 to just under $40,000 each, and each Unit will provide an investor with a three and three quarters to four percent working interest in the related oil and gas well project which is "really, really nice" compared to those oil units and/or investments offered by other companies; and

d. The Second PAP should invest in Respondents' different oil well projects so that he can diversify his Unit portfolio.

32. At no time during the DEE Phone Call did the DEE office manager ask the Second PAP whether the Second PAP was an accredited investor.

33. Thereafter, on May 19, 2011, the DEE officer manager sent an email to the Second PAP (the "DEE Email") with four "PDF" attachments including: (a) a three page "Joint Venture Agreement" for the "Denver/Karber #1" ("DK1") Units; (b) a twelve page DK1 Unit investor "Questionnaire" wherein the Second PAP could state whether he believed he was an accredited or "non-accredited" investor; (c) a two page "Joint Venture Participation Agreement Johnson Three Well Project" ("J3W") for related Units; and (d) a twelve page J3W Unit

"Questionnaire" wherein the Second PAP could state whether he believed he was an accredited or "non-accredited" investor.

34. The DEE Email was also sent to, or carbon copied MUNSEY. The DEE Email further asked the Second PAP to send to the DEE office manager the Second PAP's Arizona address so that the office manager could provide the Second PAP with a "fedex [mailing] label" with which the Second PAP could mail his executed Unit subscription documents and his investment "check" to DEE.

35. MUNSEY's two May 18, 2011, emails to the Second PAP and the attached PPM, Report and Prospectus, and the DEE office manager's May 19, 2011, email to the Second PAP and the attached J3W and DK1 Unit agreements and questionnaires may be collectively referred to hereafter as the Unit "Documentation."

C. <u>The J3W and DK1 Unit Documentation</u>

36. The first email sent by MUNSEY to the Second PAP on May 18, 2011, states, in part, as follows:

> MRC is a marketing arm of...[DEE and Respondents have] 3 primary goals working with their investors for a long term relationship.
> 1. Investor satisfaction and confidence and...
> 2. Long term oil and gas production which can equal BIG profits for both investors and the company and...
> 3. Future reinvestment from our ongoing investors in future projects that can produce BIGGER profits...
> That is why we expect our investors to make money on a constant basis with our service...
> Our future endeavours [sic] in the Brookshire Salt Dome will amaze you and if you join our team as Joint Venture Partner in one of our projects, you will be glad you did!

37. MUNSEY's first email to the Second PAP also states that Respondents: (a) have two J3W Units "left" for sale; (b) five DK1 Units "left" for sale; (c) that the J3W project is "already producing" oil and gas such that the Second PAP's purchase of the two remaining J3W Units is "a no brainer; and (d) that, with respect to the DK1 project, Respondents "have hit oil

and gas on every well we have drilled in the Karber field and we believe this is as good as it gets for new directional well drilling."

38. MUNSEY's second May 18, 2011, email to the Second PAP states that Respondents expect approximately 90,000,000 barrels of oil to be obtained from the Brookshire Salt Dome in Texas and that Respondents "have 500 acres of the best producing leases in the Dome out of 5000 acres."

39. The J3W Unit PPM states that: (a) J3W Units cost $35,000 each; (b) Respondents are offering, or have offered twenty J3W Units for sale, for a total offering of $700,000; (c) each J3W Unit includes a three and three quarters (i.e., "3.75%") "Working Interest" in the J3W project; and (d) that DEE is the "Manager" of the J3W project.

40. Without limitation, the J3W Unit PPM also includes: (a) "Joint Venture Summary"; (b) a "Summary of the Offering"; (c) a disclaimer stating that the J3W Units have not been registered under the Securities Act of 1933; (d) projections of J3W Unit returns of approximately $7,244.44 to $13,764.43 per month; (e) a document that describes the "TAX DEDUCTION AND BENEFITS" available to J3W Unit purchasers; (f) charts, graphs and reports that detail DEE's purported past and future, substantial oil and gas production for various projects; (g) DEE "MANAGEMENT/CONSULTANT PROFILES" of eight persons that will manage the Units on behalf of purchasers; and (h) a J3W "Joint Venture Agreement" and related questionnaire, analogous to those provided to the Second PAP by the DEE office manager discussed above.

41. The J3W Unit PPM also identifies a list of the banks and companies to which an investor could deposit or wire transfer their principal Unit funds, including the "Equity Trust Company" identified on the DEE Website discussed in paragraph 17 above.

42. The Unit Documentation provided to the Second PAP by both MUNSEY and DEE does not include any restrictions on the ultimate dissemination on the part of the Second PAP of said offering materials.

D. General Unit Allegations

43. At all times relevant, Respondents represented to offerees and/or Unit purchasers that Respondents and/or BEE would pool and/or combine Unit money together to: (a) acquire oil and gas leases; (b) drill new oil and gas wells; (c) re-work or improve existing oil and gas wells; and (d) "operate" them to profitably produce oil and gas.

44. The Unit Documentation and BEE Website discussed above state that Respondents will manage the essential aspects of the Units, including the: (a) selection, repair, rework and/or re-completion of oil and gas wells, and the construction of new wells as warranted; (b) operation of the oil and gas wells; and (c) marketing and sales of the resulting oil and gas.

45. At all times relevant, Respondents have represented to Unit offerees and/or purchasers verbally and in writing that Respondents' ability to repay purchasers their principal Units and/or projected profits is interwoven with and primarily dependent on Respondents' superior knowledge of the Texas oil and gas industry, and oil and gas well operation experience and expertise.

46. MUNSEY's May 18, 2011, to the Second PAP further states, in part, as follows:

> The best concept with our company is that **we do all the work**. No contractors. We are the operator and the drilling company so we keep a keen eye on operations. Our diligence and research on the sites we drill are unequaled. (emphasis added)

47. Also, the J3W and DK1 Unit questionnaires discussed above include a "Special Power of Attorney" to be executed by Unit purchases in favor of DEE, that allows DEE to act as their "lawful attorney" in making material decisions regarding the Units and related oil and gas well development and operation.

D. The Misrepresentations and Omissions of Material Fact

48. Unbeknownst to Unit offerees and purchasers, DEE was sanctioned by the Pennsylvania Securities Commission ("PSC") on or about July 13, 2010, for offering and/or selling the Units within or from Pennsylvania, in violation of Section 201 of the Pennsylvania Securities Act of 1972, because the Units were not registered as securities to be offered or sold

within or from Pennsylvania. (*See*, *In re Koomey/Morrison #3 Prospect, Denver Energy Exploration, LLC, et al.*, Administrative Proceeding, Docket No. 2010-04-14) (the "Pennsylvania Enforcement Action").

49. The PSC's May 4, 2010, "Summary Order to Cease and Desist" filed against DEE in the Pennsylvania Enforcement Action notes that DEE's unregistered Unit salesman had published an advertisement on an Internet message board that was viewed by a Pennsylvania resident, and that the resident was offered a Unit issued by DEE despite the fact that DEE had "no substantive, pre-existing relationship with" the resident who was also not an accredited investor.

50. In resolving the Pennsylvania Enforcement Action, DEE consented to the entry of the final, July 13, 2010, "Findings of Fact, and Conclusions of Law, and Order" in that action that orders DEE to pay a fine of $1,500, to comply with the Pennsylvania Securities Act of 1972, and/or stop offering or selling the unregistered Units to Pennsylvania residents in violation of the act (the "Pennsylvania Enforcement Order").

51. At all relevant times, as discussed, in part, above, Respondents have represented to Unit offerees and purchasers that had already produced and/or were producing substantial amounts of oil and gas from their Texas wells. For example, and without limitation, MUNSEY represented to the Second PAP that DEE's "Koomey/Morrison #3" project was "pushing out 200 barrels of oil a day" and that the KM3 Unit purchasers are making "incredible" money" as discussed in paragraph 27(l) above.

52. However, according to information provided to the Division by the Railroad Commission of Texas ("RRC") that licenses and regulates oil and gas operators in Texas: (a) DEE applied for and was granted a permit to start drilling on the Koomey Morrison Well #3 in October 2010; (b) DEE began drilling on that well in November 2010; and (c) DEE has reported no oil production from that project to the RRC, to date.

53. Further, the RRC provided information to the Division indicating that: (a) DEE currently has a license to operate a total of only five oil wells and one gas well; and (b) that DEE has reported to the RRC that it has produced only a total of twenty-two barrels of oil from the five oil wells since September 2010, and that one of the wells had produced only 5 barrels of oil back in December 2009, well before DEE acquired an interest in the same; and (c) that DEE's single gas well had produced only 446 MCF back in the year 2000, well before DEE acquired an interest in the same.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

54. From 2010 to the present, Respondents have been offering or selling securities in the form of investment contracts and/or fractional undivided interests in oil and gas rights, within or from Arizona.

55. The securities referred to above are not registered pursuant to Articles 6 or 7 of the Securities Act.

56. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

57. Respondents are offering or selling securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

58. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

59. In connection with the offer or sale of securities within or from Arizona, Respondents are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements made not misleading in light of the circumstances under which they are made; or (iii) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon offerees and purchasers. Respondents' conduct includes, but is not limited to, the following:

a. Representing to Unit offerees and purchasers that DEE is a "good company," and that purchasers would make substantial profits by purchasing the Units, while further failing to disclose to them that DEE had been sanctioned via the July 2010, Pennsylvania Enforcement Order by the PSC in the Pennsylvania Enforcement Action for violating the Pennsylvania Securities Act of 1972 by offering the unregistered Units.

b. Representing to Unit offerees and purchasers that DEE was producing substantial amounts of oil and gas from its Texas oil and gas well operations, including the J3W and DK1 projects, while further failing to disclose to them that, in fact, DEE has produced negligible amounts of oil and gas as set forth above, for instance, in paragraphs 52 through 53.

60. This conduct violates A.R.S. § 44-1991.

VII.

TEMPORARY ORDER

Cease and Desist from Violating the Securities Act [or IM Act]

THEREFORE, based on the above allegations, and because the Commission has determined that the public welfare requires immediate action,

IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that Respondents, their agents, servants, employees, successors, assigns, and those persons in active concert or participation with Respondents CEASE AND DESIST from any violations of the Securities Act.

IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

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

VIII.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars ($5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the marital community of MUNSEY and Respondent Spouse is subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

5. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

Each Respondent including Respondent Spouse may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. **If a Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order and Notice. The requesting respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered.** After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing administrative penalties, or other action.

If a request for hearing is not timely made, the Division will request that the Commission make permanent this Temporary Order, with written findings of fact and conclusions of law, which may include ordering restitution, assessing administrative penalties, or other relief.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

X.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Temporary Order and Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Mike Dailey.

The Answer shall contain an admission or denial of each allegation in this Temporary Order and Notice and the original signature of the answering respondent or the respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 23 day of May, 2011.

Matthew J. Neubert
Director of Securities