

ORIGINAL



0000134469

1 Robert D. Mitchell, 011922
 2 Sarah K. Deutsch, 026229
 3 Jamie Gill Santos, 026251
 4 MITCHELL & ASSOCIATES
 5 A Professional Corporation
 6 Viad Corporate Center, Suite 2030
 7 1850 North Central Avenue
 8 Phoenix, Arizona 85004
 9 Telephone (602) 468-1411
 10 Fax (602) 468-1311
 11 robertmitchell@mitchell-attorneys.com
 12 sarahdeutsch@mitchell-attorneys.com
 13 jamiiegillsantos@mitchell-attorneys.com
 14 www.mitchell-attorneys.com

15 Counsel for Respondents
 16 Denver Energy Exploration, LLC
 17 and Michael Lee Christopher

RECEIVED

2012 FEB 27 A 10:44

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

FEB 27 2012

DOCKETED BY 

BEFORE THE ARIZONA CORPORATION COMMISSION

15 In the matter of:

16 CRAIG RANDAL MUNSEY, an unmarried
 17 man,

18 MARKETING RELIABILITY CONSULTING,
 19 LLC (d.b.a. MRC LLC), an Arizona limited
 liability company,

20 DENVER ENERGY EXPLORATION, LLC, a
 21 Texas limited liability company,

22 MICHAEL LEE CHRISTOPHER
 23 (CRD#2695315), an unmarried man,

24 Respondents.

Docket No. S-20804A-11-0208

**RESPONDENTS DENVER
ENERGY EXPLORATION, LLC's
AND MICHAEL LEE
CHRISTOPHER'S ANSWER TO
AMENDED NOTICE OF
OPPORTUNITY FOR HEARING**

1 Respondents Denver Energy Exploration, LLC (“Denver Energy”), a Texas limited liability
2 company, and Michael Lee Christopher (“Christopher”), an unmarried man (collectively, the
3 “Denver Energy Respondents”), by and through their undersigned counsel, herein answer or
4 otherwise respond to the allegations of the Securities Division of the Arizona Corporation
5 Commission (“Commission”) set forth in the January 27, 2011 Amended Notice of Opportunity for
6 Hearing (“Amended NOH”).
7

8 The Denver Energy Respondents herein specifically deny that they engaged in any acts,
9 practices or transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-
10 1801, *et seq.* (“Securities Act”).
11

12 The Denver Energy Respondents currently have no authorized representatives in Arizona,
13 are not presenting any unit investments to Arizona residents, and have no intention of offering
14 securities in or from Arizona in the future.

15 Further, the Denver Energy Respondents herein specifically deny that Christopher is a
16 person controlling Denver Energy within the meaning of A.R.S. § 44-1999 and deny that the
17 Denver Energy Respondents are jointly and severally liable under A.R.S. § 44-1999 for violations
18 of the Securities Act.
19

20 I. JURISDICTION.

21 1. Answering paragraph 1 of the Amended NOH, while the Denver Energy
22 Respondents admit that the Commission has jurisdiction over matters pursuant to Article XV of the
23 Arizona Constitution and the Securities Act, said paragraph calls for a legal conclusion and
24 therefore the Denver Energy Respondents deny the remainder of said paragraph, including that the
25 Commission has jurisdiction over this matter.
26
27
28

II. RESPONDENTS.

1
2 2. Answering paragraph 2 of the Amended NOH, the Denver Energy Respondents are
3 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
4 to those other than Respondents Denver Energy and Christopher, and therefore the Denver Energy
5 Respondents deny those allegations. Craig Randal Munsey ("Munsey") and his company,
6 Marketing Reliability Consulting, LLC ("MRC"), were not authorized by the Denver Energy
7 Respondents to act in any fashion on behalf of Denver Energy that was in violation of Arizona
8 securities laws or regulations. Their only authorization as independent contractors was to comply
9 with all applicable laws. With respect to themselves, Respondents Denver Energy and Christopher
10 deny the remainder of said paragraph.
11

12 3. Answering paragraph 3 of the Amended NOH, the Denver Energy Respondents are
13 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
14 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
15 therefore the Denver Energy Respondents deny those allegations.
16

17 4. Answering paragraph 4 of the Amended NOH, the Denver Energy Respondents
18 admit that Denver Energy was organized as a manager managed Texas limited liability company on
19 or about October 15, 2011. the Denver Energy Respondents further admit that Denver Energy has
20 not been registered by the Commission as a securities dealer, but allege that no such registration
21 was required of Denver Energy. The Denver Energy Respondents deny the remainder of said
22 paragraph.
23

24 5. Answering paragraph 5 of the Amended NOH, the Denver Energy Respondents
25 admit that Christopher has been an unmarried man and a Texas resident. The Denver Energy
26 Respondents further admit that Christopher has not been registered by the Commission as a
27
28

1 securities salesman or dealer, but allege that no such registration was required of Christopher. The
2 Denver Energy Respondents deny the remainder of said paragraph.

3 6. Answering paragraph 6 of the Amended NOH, said paragraph contains no
4 allegations of fact to which the Denver Energy Respondents need respond.
5

6 III. FACTS

7 7. Answering paragraph 7 of the Amended NOH, the Denver Energy Respondents are
8 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
9 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
10 therefore the Denver Energy Respondents deny said paragraph. With respect to themselves,
11 Respondents Denver Energy and Christopher deny said paragraph.
12

13 8. Answering paragraph 8 of the Amended NOH, the Denver Energy Respondents are
14 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
15 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
16 therefore the Denver Energy Respondents deny said paragraph. With respect to themselves,
17 Respondents Denver Energy and Christopher deny said paragraph.
18

19 9. Answering paragraph 9 of the Amended NOH, the Denver Energy Respondents
20 admit that the Units have not been registered with the Commission as securities to be offered or sold
21 within Arizona, but allege that the Units are not securities and even if they were securities, they
22 were exempt or except from registration.

23 10. Answering paragraph 10 of the Amended NOH, the Denver Energy Respondents
24 admit the existence of the website, the contents of which speak for itself, and deny any
25 characterization of the website.
26
27
28

1 11. Answering paragraph 11 of the Amended NOH, the Denver Energy Respondents
2 admit the existence of the website, the contents of which speak for itself, and deny any
3 characterization of the website.

4 12. There is no paragraph 12 in the Amended NOH.

5 13. Answering paragraph 13 of the Amended NOH, the Denver Energy Respondents
6 admit the existence of the website, the contents of which speak for itself, and deny any
7 characterization of the website.
8

9 14. Answering paragraph 14 of the Amended NOH, the Denver Energy Respondents
10 admit the existence of the website, the contents of which speak for itself, and deny any
11 characterization of the website.
12

13 15. Answering paragraph 15 of the Amended NOH, the Denver Energy Respondents are
14 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
15 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
16 therefore the Denver Energy Respondents deny said paragraph. With respect to themselves,
17 Respondents Denver Energy and Christopher deny said paragraph.

18 16. Answering paragraph 16 of the Amended NOH, the Denver Energy Respondents
19 admit the existence of the website, the contents of which speak for itself, and deny any
20 characterization of the website. As noted, the website page indicated it was the intention of Denver
21 Energy that investment in its units would only be made in accordance applicable law and
22 regulations.
23

24 17. Answering paragraph 17 of the Amended NOH, the Denver Energy Respondents
25 admit the existence of the website, the contents of which speak for itself, and deny any
26 characterization of the website.
27
28

1 18. Answering paragraph 18 of the Amended NOH, the Denver Energy Respondents are
2 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
3 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
4 therefore the Denver Energy Respondents deny said paragraph. With respect to themselves,
5 Respondents Denver Energy and Christopher deny said paragraph. Further, with respect to Denver
6 Energy's web site, nothing on DEE's web site at the time in question represented an offer to sell
7 units in DEE's oil and gas wells. In fact, the web site specifically states that it was not a solicitation
8 to buy or offer to sell any securities. The Division can point to no language on DEE's web site,
9 presently or at any time in the past which states or even can be reasonably interpreted to constitute
10 an offer to sell securities. Further, once Denver Energy learned of the Division's concerns
11 articulated in the original NOH, and without conceding there was anything inappropriate with said
12 web site, Denver Energy revised the web site to remove the information referenced in the Division's
13 Amended NOH.
14

15
16 19. Answering paragraph 19 of the Amended NOH, the Denver Energy Respondents are
17 without sufficient information or belief to admit or deny the allegations of said paragraph, and
18 therefore deny said paragraph. Respondents Denver Energy and Christopher never authorized
19 Munsey to take any actions on behalf of Denver Energy except in strict compliance with all
20 applicable securities laws and regulations. DEE's independent contractors were strictly limited to
21 presenting the opportunity to invest in DEE units to accredited investors and in compliance with
22 applicable state laws. In fact, the independent contractor agreement specifically provided that:
23

24 The Contractor shall be honest, forthright, and convey only the facts about the
25 project to their prospective participant funding partner referrals. They will not make
26 any misrepresentation, exaggerations, or provide any false or misleading information
27 about the project wells. No promises will be made as to the success or outcome of
28 the new wells to be drilled. The drilling, completion, and production updates will be
forwarded by Denver to all participants and to the Independent Contractor.

1 The agreement also required the Independent Contractor to comply with “all security regulations in
2 effect from time to time”. Moreover, on information and belief, the alleged “First PAP”¹ did not
3 purchase any units or other securities in Denver Energy and thus has no losses.
4

5 20. Answering paragraph 20 of the Amended NOH, the Denver Energy Respondents are
6 without sufficient information or belief to admit or deny the allegations of said paragraph, and
7 therefore deny said paragraph. Respondents Denver Energy and Christopher never authorized
8 Munsey to take any actions on behalf of Denver Energy except in strict compliance with all
9 applicable securities laws and regulations.
10

11 21. Answering paragraph 21 of the Amended NOH, the Denver Energy Respondents are
12 without sufficient information or belief to admit or deny the allegations of said paragraph, and
13 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
14 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
15 the e-mail.
16

17 22. Answering paragraph 22 of the Amended NOH, the Denver Energy Respondents are
18 without sufficient information or belief to admit or deny the allegations of said paragraph, and
19 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
20 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
21 the e-mail.
22

23 23. Answering paragraph 23 of the Amended NOH, the Denver Energy Respondents are
24 without sufficient information or belief to admit or deny the allegations of said paragraph, and
25 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
26

27

¹ The Division in its NOH uses the term “PAP” which it defines as a potential Arizona purchaser.
28

1 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
2 the e-mail.

3 24. Answering paragraph 24 of the Amended NOH, the Denver Energy Respondents are
4 without sufficient information or belief to admit or deny the allegations of said paragraph, and
5 therefore deny said paragraph. Significantly, neither the Denver Energy Respondents, nor Munsey
6 or MRC initiated contact with this alleged person. Moreover, on information and belief, the alleged
7 “Second PAP” did not purchase any units or other securities in Denver Energy and thus has no
8 losses.
9

10 25. Answering paragraph 25 of the Amended NOH, the Denver Energy Respondents are
11 without sufficient information or belief to admit or deny the allegations of said paragraph, and
12 therefore deny said paragraph.
13

14 26. Answering paragraph 26 of the Amended NOH, the Denver Energy Respondents are
15 without sufficient information or belief to admit or deny the allegations of said paragraph, and
16 therefore deny said paragraph. Denver Energy never authorized Munsey to answer his telephone
17 “Denver Energy”. Further, Respondents Denver Energy and Christopher allege that they never
18 authorized Munsey to take any actions on behalf of Denver Energy except in strict compliance with
19 all applicable securities laws and regulations.
20

21 27. Answering paragraph 27 of the Amended NOH, the Denver Energy Respondents are
22 without sufficient information or belief to admit or deny the allegations of said paragraph, and
23 therefore deny said paragraph. Respondents Denver Energy and Christopher never authorized
24 Munsey to take any actions on behalf of Denver Energy except in strict compliance with all
25 applicable securities laws and regulations. Further, Respondents Denver Energy and Christopher
26
27
28

1 never authorized Munsey to make any misrepresentation or omission of fact concerning Denver
2 Energy in his communications with others.

3 a. Answering paragraph 27a of the Amended NOH, the Denver Energy
4 Respondents are without sufficient information or belief to admit or deny the
5 allegations of said paragraph, and therefore deny said paragraph.
6

7 b. Answering paragraph 27b of the Amended NOH, the Denver Energy
8 Respondents are without sufficient information or belief to admit or deny the
9 allegations of said paragraph, and therefore deny said paragraph.

10 c. Answering paragraph 27c of the Amended NOH, the Denver Energy
11 Respondents are without sufficient information or belief to admit or deny the
12 allegations of said paragraph, and therefore deny said paragraph.
13

14 d. Answering paragraph 27d of the Amended NOH, the Denver Energy
15 Respondents are without sufficient information or belief to admit or deny the
16 allegations of said paragraph, and therefore deny said paragraph.

17 e. Answering paragraph 27e of the Amended NOH, the Denver Energy
18 Respondents are without sufficient information or belief to admit or deny the
19 allegations of said paragraph, and therefore deny said paragraph.
20

21 f. Answering paragraph 27f of the Amended NOH, the Denver Energy
22 Respondents are without sufficient information or belief to admit or deny the
23 allegations of said paragraph, and therefore deny said paragraph.

24 g. Answering paragraph 27g of the Amended NOH, the Denver Energy
25 Respondents are without sufficient information or belief to admit or deny the
26 allegations of said paragraph, and therefore deny said paragraph.
27

1 h. Answering paragraph 27h of the Amended NOH, the Denver Energy
2 Respondents are without sufficient information or belief to admit or deny the
3 allegations of said paragraph, and therefore deny said paragraph.
4

5 28. Answering paragraph 28 of the Amended NOH, the Denver Energy Respondents are
6 without sufficient information or belief to admit or deny the allegations of said paragraph, and
7 therefore deny said paragraph.

8 29. Answering paragraph 29 of the Amended NOH, the Denver Energy Respondents are
9 without sufficient information or belief to admit or deny the allegations of said paragraph, and
10 therefore deny said paragraph. Further, to the extent said e-mails and attachments exist, the Denver
11 Energy Respondents allege that the contents of the e-mails and attachments speak for themselves,
12 and deny any characterization of the e-mails and attachments.
13

14 a. Answering paragraph 29a of the Amended NOH, the Denver Energy
15 Respondents are without sufficient information or belief to admit or deny the
16 allegations of said paragraph, and therefore deny said paragraph. Further, to
17 the extent said private placement memorandum ("PPM") attachment exists,
18 the Denver Energy Respondents allege that the contents of the attachment
19 speak for itself, and deny any characterization of the attachment.
20

21 b. Answering paragraph 29b of the Amended NOH, the Denver Energy
22 Respondents are without sufficient information or belief to admit or deny the
23 allegations of said paragraph, and therefore deny said paragraph. Further, to
24 the extent said presentation report attachment exists, the Denver Energy
25 Respondents allege that the contents of the attachment speak for itself, and
26 deny any characterization of the attachment.
27
28

1 c. Answering paragraph 29c of the Amended NOH, the Denver Energy
2 Respondents are without sufficient information or belief to admit or deny the
3 allegations of said paragraph, and therefore deny said paragraph. Further, to
4 the extent said prospectus attachment exists, the Denver Energy Respondents
5 allege that the contents of the attachment speak for itself, and deny any
6 characterization of the attachment.
7

8 30. Answering paragraph 30 of the Amended NOH, the Denver Energy Respondents are
9 without sufficient information or belief to admit or deny the allegations of said paragraph, and
10 therefore deny said paragraph.

11 31. Answering paragraph 31 of the Amended NOH, the Denver Energy Respondents are
12 without sufficient information or belief to admit or deny the allegations of said paragraph
13 concerning an alleged telephone call between an unidentified person (the so-called "Second PAP"
14 and an unidentified Denver Energy representative on the phone, and therefore deny said paragraph.
15

16 a. Answering paragraph 31a of the Amended NOH, the Denver Energy
17 Respondents are without sufficient information or belief to admit or deny the
18 allegations of said paragraph, and therefore deny said paragraph.

19 b. Answering paragraph 31b of the Amended NOH, the Denver Energy
20 Respondents are without sufficient information or belief to admit or deny the
21 allegations of said paragraph, and therefore deny said paragraph.
22

23 c. Answering paragraph 31c of the Amended NOH, the Denver Energy
24 Respondents are without sufficient information or belief to admit or deny the
25 allegations of said paragraph, and therefore deny said paragraph.
26
27
28

1 d. Answering paragraph 31d of the Amended NOH, the Denver Energy
2 Respondents are without sufficient information or belief to admit or deny the
3 allegations of said paragraph, and therefore deny said paragraph.

4 32. Answering paragraph 32 of the Amended NOH, the Denver Energy Respondents are
5 without sufficient information or belief to admit or deny the allegations of said paragraph, and
6 therefore deny said paragraph.

7 33. Answering paragraph 33 of the Amended NOH, the Denver Energy Respondents are
8 without sufficient information or belief to admit or deny the allegations of said paragraph, and
9 therefore deny said paragraph. Further, to the extent said e-mails and attachments exist, the Denver
10 Energy Respondents allege that the contents of the e-mails and attachments speak for themselves,
11 and deny any characterization of the e-mails and attachments.

12 34. Answering paragraph 34 of the Amended NOH, the Denver Energy Respondents are
13 without sufficient information or belief to admit or deny the allegations of said paragraph, and
14 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
15 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
16 the e-mail.

17 35. Answering paragraph 35 of the Amended NOH, said paragraph contains no
18 allegations of fact to which the Denver Energy Respondents need respond.

19 36. Answering paragraph 36 of the Amended NOH, the Denver Energy Respondents are
20 without sufficient information or belief to admit or deny the allegations of said paragraph, and
21 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
22 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
23 the e-mail. Respondents Denver Energy and Christopher never authorized Munsey to take any
24 allegations of fact to which the Denver Energy Respondents need respond.

1 actions on behalf of Denver Energy except in strict compliance with all applicable securities laws
2 and regulations. Further, Respondents Denver Energy and Christopher never authorized Munsey to
3 make any misrepresentation or omission of fact concerning Denver Energy in his communications
4 with others.

5
6 37. Answering paragraph 37 of the Amended NOH, the Denver Energy Respondents are
7 without sufficient information or belief to admit or deny the allegations of said paragraph, and
8 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
9 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
10 the e-mail. Respondents Denver Energy and Christopher never authorized Munsey to take any
11 actions on behalf of Denver Energy except in strict compliance with all applicable securities laws
12 and regulations. Further, Respondents Denver Energy and Christopher never authorized Munsey to
13 make any misrepresentation or omission of fact concerning Denver Energy in his communications
14 with others.
15

16 38. Answering paragraph 38 of the Amended NOH, the Denver Energy Respondents are
17 without sufficient information or belief to admit or deny the allegations of said paragraph, and
18 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
19 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
20 the e-mail. Respondents Denver Energy and Christopher never authorized Munsey to take any
21 actions on behalf of Denver Energy except in strict compliance with all applicable securities laws
22 and regulations. Further, Respondents Denver Energy and Christopher never authorized Munsey to
23 make any misrepresentation or omission of fact concerning Denver Energy in his communications
24 with others.
25
26
27
28

1 39. Answering paragraph 39 of the Amended NOH, the Denver Energy Respondents are
2 without sufficient information or belief to admit or deny the allegations of said paragraph, and
3 therefore deny said paragraph. Further, to the extent said PPM exists, the Denver Energy
4 Respondents allege that the contents of the PPM speak for itself, and deny any characterization of
5 the PPM.
6

7 40. Answering paragraph 40 of the Amended NOH, the Denver Energy Respondents are
8 without sufficient information or belief to admit or deny the allegations of said paragraph, and
9 therefore deny said paragraph. Further, to the extent said PPM exists, the Denver Energy
10 Respondents allege that the contents of the PPM speak for itself, and deny any characterization of
11 the PPM.
12

13 41. Answering paragraph 41 of the Amended NOH, the Denver Energy Respondents are
14 without sufficient information or belief to admit or deny the allegations of said paragraph, and
15 therefore deny said paragraph. Further, to the extent said PPM exists, the Denver Energy
16 Respondents allege that the contents of the PPM speak for itself, and deny any characterization of
17 the PPM.
18

19 42. Answering paragraph 42 of the Amended NOH, the Denver Energy Respondents are
20 without sufficient information or belief to admit or deny the allegations of said paragraph, and
21 therefore deny said paragraph. Further, to the extent said Unit documentation exists, the Denver
22 Energy Respondents allege that the contents of the Unit documentation speak for itself, and deny
23 any characterization of the Unit documentation.
24

25 43. Answering paragraph 43 of the Amended NOH, the Denver Energy Respondents are
26 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
27 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
28

1 therefore the Denver Energy Respondents deny said paragraph. With respect to themselves,
2 Respondents Denver Energy and Christopher deny said paragraph.

3 44. Answering paragraph 44 of the Amended NOH, the Denver Energy Respondents are
4 without sufficient information or belief to admit or deny the allegations of said paragraph, and
5 therefore deny said paragraph. Further, to the extent said Unit documentation exists, the Denver
6 Energy Respondents allege that the contents of the Unit documentation speak for itself, and deny
7 any characterization of the Unit documentation. Finally, the Denver Energy Respondents admit the
8 existence of the website, the contents of which speak for itself, and deny any characterization of the
9 website.
10

11 45. Answering paragraph 45 of the Amended NOH, the Denver Energy Respondents are
12 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
13 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
14 therefore the Denver Energy Respondents deny said paragraph. With respect to themselves,
15 Respondents Denver Energy and Christopher deny said paragraph. Moreover, Respondents Denver
16 Energy and Christopher never authorized Munsey to make any misrepresentation or omission of
17 fact concerning Denver Energy in his communications with others.
18

19 46. Answering paragraph 46 of the Amended NOH, the Denver Energy Respondents are
20 without sufficient information or belief to admit or deny the allegations of said paragraph, and
21 therefore deny said paragraph. Further, to the extent said e-mail exists, the Denver Energy
22 Respondents allege that the contents of the e-mail speak for itself, and deny any characterization of
23 the e-mail.
24

25 47. Answering paragraph 47 of the Amended NOH, the Denver Energy Respondents are
26 without sufficient information or belief to admit or deny the allegations of said paragraph, and
27

1 therefore deny said paragraph. Further, to the extent said questionnaires exist, the Denver Energy
2 Respondents allege that the contents of the questionnaires speak for themselves, and deny any
3 characterization of the questionnaires.

4 48. Answering paragraph 48 of the Amended NOH, the Denver Energy Respondents are
5 without sufficient information or belief regarding "all information" and the alleged dissemination
6 thereof to admit or deny the allegations of said paragraph, and therefore deny said paragraph. The
7 Denver Energy Respondents expressly deny that they provided or authorized inaccurate, incomplete
8 or false information, if any, disseminated by Munsey.

9
10 49. Answering paragraph 49 of the Amended NOH, the Denver Energy Respondents
11 admit the existence of the Administrative Proceeding, the contents of which speak for themselves,
12 and therefore deny any characterization of the proceedings, documents or findings therein. Further,
13 the Denver Energy Respondents are without sufficient information and belief to admit or deny the
14 allegations regarding the alleged knowledge of the alleged Unit offerees and purchases, and
15 therefore deny those allegations. Further, the fine paid by Denver Energy to the State of
16 Pennsylvania was a ministerial violation and fine, which fine was paid, without any admission of
17 wrongdoing whatsoever, and thus the matter entirely immaterial.

18
19 50. Answering paragraph 50 of the Amended NOH, the Denver Energy Respondents
20 admit the existence of the Summary Order to Cease and Desist, the contents of which speak for
21 itself, and deny any characterization of the Summary Order to Cease and Desist. Further, the
22 Denver Energy Respondents deny that they ever authorized anyone to publish an advertisement for
23 unit investments in Denver Energy programs.

24
25 51. Answering paragraph 51 of the Amended NOH, the Denver Energy Respondents
26 admit the existence of the Findings of Fact, and Conclusions of Law, and Order, the contents of
27

1 Denver Energy Respondents would have been exempt from registration under, *inter-alia*,
2 Regulation D, the accredited investor exemption, and the common law private offering exemption.
3 Denver Energy's representatives were limited in authorization to contacting accredited investors
4 who were on commercial investor lists which were 30 days or older that had been prequalified as
5 accredited investors.² In doing so, Denver Energy's management did its own research on the legal
6 requirements for the accredited investor exemption and relied upon the no action letter given by the
7 SEC in the Lamp Technologies, Inc. matter dated May 29, 2011 wherein the SEC consented to a 30
8 day waiting period following the completion of a generic accredited investor questionnaire by a
9 third-party investor list provider. Denver Energy also relied upon H.B. Shaine & Co., Inc., 1987
10 SEC No-Act. LEXIS 2004 (May 1, 1987) reflecting that a "substantive" relationship may be created
11 by a "satisfactory response by a prospective offeree to a questionnaire that provides...sufficient
12 information to evaluate the respondent's sophistication and financial situation." *See also* E.F.
13 Hutton SEC No Action Letter (Dec. 3, 1985). In short, Denver Energy was relying upon lead
14 provider firms who represented that they provided lead lists of qualified accredited investors who
15 had been pre-qualified. Those lead services utilized by Denver Energy included, without limitation,
16 FNiN (www.fnin.com), Infofox (www.infofoxinvestorleads.com), Sales Leads.TV
17 (<http://www.salesleads.tv/custom-surveyed-leads/accredited-investors/>), and OilandGasInvestorList
18 (<http://www.ltbj.com/OilAndGasInvestorLists.html>).

19
20
21
22 56. Answering paragraph 56 of the Amended NOH, the Denver Energy Respondents
23 admits that the Units have not been registered pursuant to Articles 6 and 7 of the Securities Act, but
24
25

26
27 ² To the extent that Craig Munsey took any actions that were violative of the Arizona
28 Securities Act, he did so without the authorization of DEE.

1 allege that the Units are not securities and even if they were securities, they were exempt or except
2 from registration.

3 57. Answering paragraph 57 of the Amended NOH, the Denver Energy Respondents
4 deny said paragraph, which calls for a legal conclusion.

5
6 **V. VIOLATION OF A.R.S. § 44-1842**

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

8 58. Answering paragraph 58 of the Amended NOH, the Denver Energy Respondents are
9 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
10 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
11 therefore the Denver Energy Respondents deny those allegations. The Denver Energy Respondents
12 admit that they have not been registered as a dealer or salesman pursuant to Article 9 of the
13 Securities Act, but allege that no such registration was required of the Denver Energy Respondents.
14 The Denver Energy Respondents deny the remainder of said paragraph, including that the Denver
15 Energy Respondents offered or sold securities within or from Arizona.
16

17 59. Answering paragraph 59 of the Amended NOH, the Denver Energy Respondents
18 deny said paragraph, which calls for a legal conclusion.

19 **VI. VIOLATION OF A.R.S. § 44-1991**

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

21
22 60. Answering paragraph 60 of the Amended NOH, the Denver Energy Respondents are
23 without sufficient information or belief to admit or deny the allegations of said paragraph pertaining
24 to those other than Respondents Denver Energy and Christopher, such as Munsey and MRC, and
25 therefore the Denver Energy Respondents deny those allegations. With respect to themselves, the
26
27
28

1 Denver Energy Respondents deny said paragraph and expressly and unequivocally deny every
2 allegation of fraud or deceit on the part of the Denver Energy Respondents.

3 a. Answering paragraph 60a of the Amended NOH, the Denver Energy
4 Respondents are without sufficient information or belief to admit or deny the
5 allegations of said paragraph, and therefore deny said paragraph.

6 b. Answering paragraph 60b of the Amended NOH, the Denver Energy
7 Respondents are without sufficient information or belief to admit or deny the
8 allegations of said paragraph, and therefore deny said paragraph.

9
10 61. Answering paragraph 61 of the Amended NOH, the Denver Energy Respondents
11 deny said paragraph, which calls for a legal conclusion.

12 62. Answering paragraph 62 of the Amended NOH, the Denver Energy Respondents
13 deny said paragraph, which calls for a legal conclusion.

14 63. The Denver Energy Respondents expressly deny each and every allegation of this
15 Amended NOH not expressly admitted herein. At no time have the Denver Energy Respondents
16 intentionally violated any securities laws of the State of Arizona, nor authorized anyone else to do
17 so on their behalf. It has been, and continues to be, the Denver Energy Respondents' intentions to
18 fully comply with the laws and regulations of the State of Arizona and the Denver Energy
19 Respondents are committed to working with the Arizona Corporation Commission, Securities
20 Division to address each and every one of its concerns about the Denver Energy Respondents'
21 business activities.

22 64. In short, Denver Energy dealt honestly and fairly with its investors and others. It did
23 exactly what it told prospective investors it would do. To date, Denver Energy has been successful
24 in its production and has already been paying returns to investors. The prospectus for DEE did not
25
26
27

1 make false claims or exaggerate Denver Energy's business. The alleged omissions, such as the
2 \$1,500 Pennsylvania fine, were immaterial and/or irrelevant to any reasonable investor.

3 **VII. AFFIRMATIVE DEFENSES.**

4 65. The Denver Energy Respondents allege that the Commission lacks personal
5 jurisdiction over Respondents.

6 66. The Denver Energy Respondents allege that the Commission lacks subject matter
7 jurisdiction over this matter.

8 67. The Denver Energy Respondents allege that the Amended NOH fails to state a claim
9 upon which relief can be granted, and that this matter should be dismissed in its entirety with
10 prejudice.

11 68. The Denver Energy Respondents allege that no securities are involved in the alleged
12 transactions.

13 69. The Denver Energy Respondents allege that, to the extent the documents that were
14 allegedly offered or sold are determined to be securities, the Denver Energy Respondents and the
15 Units are exempt or except from the registration and/or licensing provisions of the Securities Act.

16 70. The Denver Energy Respondents allege that all of its actions were taken for a proper
17 purpose.

18 71. The Denver Energy Respondents allege that they have not taken any improper
19 actions within or from the State of Arizona.

20 72. The Denver Energy Respondents allege that the claims in the Amended NOH are
21 barred by the applicable statute of limitations.

22 73. The Denver Energy Respondents allege that they did not offer or sell investments
23 contracts, commodity investment contracts, bonds, or any securities under Arizona law.
24
25
26
27
28

1 74. The Denver Energy Respondents allege that the claims in the Amended NOH are
2 barred by the doctrines of waiver, estoppel, laches, unclean hands, and contributory negligence.

3 75. The Denver Energy Respondents allege that the claims in the Amended NOH are
4 barred by assumption of risk.

5 76. The Denver Energy Respondents allege that the Commission has failed to allege
6 securities fraud with reasonable particularity as required by Rule 9(b) of the Arizona Rules of Civil
7 Procedure.
8

9 77. The Denver Energy Respondents allege that they did not know, nor could they have
10 known through the exercise of reasonable care, of any alleged untrue statements or material
11 omissions as alleged in the Amended NOH.

12 78. The Denver Energy Respondents allege that they have not acted with the requisite
13 scienter.
14

15 79. The Denver Energy Respondents allege that they have not employed a device,
16 scheme or artifice to defraud in connection with the offer, purchase, or sale of any security.

17 80. The Denver Energy Respondents allege that the alleged investors have suffered no
18 injuries or damages as a result of Respondents' acts.

19 81. The Denver Energy Respondents allege that they have not made any
20 misrepresentations or omissions, material or otherwise.
21

22 82. The Denver Energy Respondents allege that they have acted in good faith and did
23 not directly or indirectly induce the conduct at issue.

24 83. The Denver Energy Respondents allege that they have caused no damages.

25 84. The Denver Energy Respondents allege that the investors relied on other culpable
26 parties in connection with the matters at issue in this Amended NOH.
27
28

1 85. The Denver Energy Respondents allege that restitution is barred because the
2 damages, if any, were caused by the investors' own acts or omissions and/or by the investors' failure
3 to mitigate their damages.

4 86. The Denver Energy Respondents allege that the claims in the Amended NOH are
5 barred, in whole or in part, because investors' damages, if any, were caused by the acts of others
6 over whom the Denver Energy Respondents have no control, and for whose acts the Denver Energy
7 Respondents are not legally answerable.

8 87. The Denver Energy Respondents allege that the claims in the Amended NOH are
9 barred, in whole or in part, because investors' damages, if any, were caused by the intervening and
10 superseding acts of others over whom the Denver Energy Respondents have no control, and for
11 whose acts the Denver Energy Respondents are not legally answerable.

12 88. The Denver Energy Respondents allege that the claims in the Amended NOH are
13 barred, in whole or in part, because of mutual mistake.

14 89. The Denver Energy Respondents allege that the claims in the Amended NOH are
15 barred, in whole or in part, because of payment, accord, and satisfaction.

16 90. The Denver Energy Respondents allege that the claims in the Amended NOH are
17 precluded, in whole or in part, by offsets.

18 91. The Denver Energy Respondents allege that the claims in the Amended NOH are
19 barred, in whole or in part, because investors acted in bad faith.

20 92. Further investigation and discovery in this matter may reveal the existence of
21 additional affirmative defenses. Therefore, the Denver Energy Respondents reserve as possible
22 defenses all remaining defenses set forth in the Arizona Rules of Civil Procedure.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

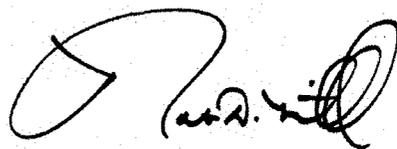
93. The Denver Energy Respondents reserve the right to amend this Answer to assert additional affirmative defenses after completion of investigation and discovery.

WHEREFORE, having fully answered the Amended NOH, there is no basis for the imposition of liability of any kind or nature, there should be no order of any kind or nature against the Denver Energy Respondents, and that all requested relief should be denied and the action should be dismissed with respect to the Denver Energy Respondents in its entirety.

The Denver Energy Respondents have previously requested a hearing in this matter and reaffirm that request.

DATED this 27th day of February, 2012.

MITCHELL & ASSOCIATES
A Professional Corporation



By _____
Robert D. Mitchell
Sarah K. Deutsch
Jamie Gill Santos
Viad Corporate Center, Suite 2030
1850 North Central Avenue
Phoenix, Arizona 85004
Counsel for the Respondents
Denver Energy Exploration, LLC
and Michael Lee Christopher

1 ORIGINAL of the foregoing plus 13 copies
2 filed on this 27th day of February, 2012 with:

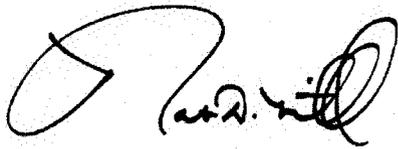
3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 COPIES of the foregoing mailed
8 on this 27th day of February, 2012 to:

9 Hon. Marc E. Stern
10 Administrative Law Judge
11 Arizona Corporation Commission
12 Hearing Division
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Julie A. Coleman, Esq.
16 Arizona Corporation Commission
17 Securities Division
18 1300 West Washington Street, Third Floor
19 Phoenix, Arizona 85007-2996

20 Craig Randal Munsey
21 Marketing Reliability Consulting, LLC
22 2303 North 44th Street, Suite 14-1071
23 Phoenix, Arizona 85008



24 _____
25 denver energy/pldgs/answer to amended noh
26
27
28