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MAY 08 2014

DOCKETED BY

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

**BEFORE THE ARIZONA CORPORATION COMMISSION**

In the matter of:  
  
CRAIG RANDAL MUNSEY, an unmarried man,  
  
MARKETING RELIABILITY CONSULTING, LLC (d.b.a. MRC LLC), an Arizona limited liability company,  
  
DENVER ENERGY EXPLORATION, LLC, a Texas limited liability company,  
  
MICHAEL LEE CHRISTOPHER (CRD#2695315), an unmarried man,  
  
Respondents.

Docket No. S-20804A-11-0208

**RESPONDENTS DENVER ENERGY EXPLORATION, LLC'S AND MICHAEL LEE CHRISTOPHER'S EXCEPTIONS TO APRIL 29, 2014 RECOMMENDED OPINION AND ORDER OF ADMINISTRATIVE LAW JUDGE MARC E. STERN**

Pursuant to A.A.C. R14-3-110(B), Respondents Denver Energy Exploration, LLC ("DEE") and Michael Lee Christopher ("Christopher") (together, "Respondents") hereby file their exceptions to the April 29, 2014 Recommended Opinion and Order of the Administrative Law Judge Marc E. Stern ("Judge Stern").

1 For the reasons set forth in Respondents' November 30, 2012 Closing Brief and  
2 Respondents' December 19, 2012 Final Rebuttal Closing Brief, which are fully incorporated by  
3 reference herein, Respondents take exception with all of Judge Stern's findings of fact, conclusions  
4 of law and order that Respondents committed violations of A.R.S. § 44-1841, A.R.S. § 44-1842 and  
5 A.R.S. § 44-1991 and that Christopher is liable as a control person under A.R.S. § 44-1999.  
6

7 Further, Respondents take exception with Judge Stern's findings of fact, conclusions of law  
8 and order that Respondents should have disclosed the Summary Order to Cease and Desist  
9 ("Order") issued by the Pennsylvania Securities Commission ("PSC") and that Respondents failure  
10 to do so constituted securities fraud in violation of A.R.S. § 44-1991 and warrants an order to cease  
11 and desist, \$3,000 in administrative penalties and a \$420,407.25 offer of rescission. See Apr. 29,  
12 2014 Recommended Opinion & Order at pp. 8 (¶¶ 40-42), pp. 20-21 (¶¶ 155-156), pp. 23-24 (¶¶  
13 177-178), pp. 25 (¶¶ 9-11), & pp. 25-28 (Order). On July 13, 2010, the PSC ordered that: "The  
14 Summary Order to Cease and Desist issued on May 4, 2010 against Respondents Koomey/Morrison  
15 #3 Prospect and Denver Energy Exploration, LLC is prospectively RESCINDED." See S-3 at 6  
16 (emphasis added); PSC Database Records, Ex. 1 hereto. Christopher also testified that the PSC  
17 rescinded the Order and allowed DEE to do business in Pennsylvania. See Oct. 2, 2012 Hrg. Tr.  
18 Vol. II at pp. 341:23-342:6. Judge Stern failed to consider the fact that the PSC Order was  
19 prospectively rescinded as of July 13, 2010, which was more than three months before the first  
20 subject investment on October 29, 2010. It is erroneous to find that Respondents' failure to disclose  
21 the PSC Order that was prospectively rescinded more than three months before the first subject  
22 investment constituted securities fraud in violation of A.R.S. § 44-1991 and warrants an order to  
23 cease and desist, \$3,000 in administrative penalties and \$420,407.25 offer of rescission. Moreover,  
24 the PSC Order, which was rescinded after DEE paid a nominal \$1,500 fine, did not relate to  
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1 Christopher or Munsey but a different independent contractor of DEE, Frank Duvall of Duvall  
2 Financial Services, who posted an advertisement on the Internet without Respondents'  
3 authorization, was related to a completely different project than those offered in Arizona, and did  
4 not result in the sale of any securities. See S-5; Oct. 2, 2012 Hrg. Tr. Vol. II at pp. 339:19-341:22.  
5

6 Based upon the foregoing, Respondents respectfully request the Commission reject Judge  
7 Stern's Recommended Opinion and Order, particularly the findings of fact, conclusions of law and  
8 order that Respondents' failure to disclose the rescinded PSC Order gave rise to securities fraud.

9 DATED this 8th day of May, 2014.

10 MITCHELL & ASSOCIATES  
11 A Professional Corporation

12  
13 By   
14 \_\_\_\_\_  
15 Robert D. Mitchell  
16 Sarah K. Deutsch  
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20 *Counsel for Respondents*  
21 *Denver Energy Exploration, LLC*  
22 *and Michael Lee Christopher*  
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1 ORIGINAL of the foregoing plus 13 copies  
2 filed on this 8th day of May, 2014 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 8th day of May, 2014 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.  
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24 Phoenix, Arizona 85008

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dee/pldgs/dee resp excepts to rec opinion & order

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**EXHIBIT 1**

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# PA SECURITIES COMMISSION ENFORCEMENT ACTIONS



A SEARCHABLE DATABASE OF ALL  
CEASE AND DESIST ORDERS  
AND FINAL ORDERS

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PA Securities Commission Website

[SEARCH AGAIN](#)

## CEASE AND DESIST

1. Koomey/Morrison #3 Prospect, Denver Energy Exploration, LLC, Duvall Financial Services and Frank Duvall (05/07/2010)  
[Rescind Order \(07/13/2010\)](#)

## FINAL ORDERS

2. Koomey/Morrison #3 Prospect\*  
Denver Energy Exploration, LLC\*  
Duvall Financial Services  
Frank Duvall  
San Antonio, TX  
07/13/2010

## PA SECURITIES COMMISSION ENFORCEMENT ACTIONS



A SEARCHABLE DATABASE OF ALL  
CEASE AND DESIST ORDERS  
AND FINAL ORDERS

PA Securities Commission Website

[BACK TO SEARCH RESULTS](#)

[BACK TO SEARCH](#)

**Koomey/Morrison #3 Prospect\***  
**Denver Energy Exploration, LLC\***  
**Duvall Financial Services**  
**Frank Duvall**  
San Antonio, TX

*FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER. 07/13/2010.*

The Commission has ACCEPTED an Offer of Settlement, which was submitted by the Koomey/Morrison #3 Prospect and Denver Energy Exploration, LLC without admitting or denying the allegations of the Order, while specifically consenting to the imposition of the sanctions set forth in the Order.

The Summary Order to Cease and Desist issued May 4, 2010 against Respondents Koomey/Morrison #3 Prospect and Denver Energy Exploration, LLC is prospectively RESCINDED.

The Commission, by Order, imposed sanctions against the Respondents, including the following:

-Respondents Koomey/Morrison #3 Prospect and Denver Energy Exploration, LLC are ORDERED to an amount which represents investigative and legal costs.

- Respondents Koomey/Morrison #3 Prospect and Denver Energy Exploration, LLC are ORDERED to comply with the 1972 Act, in particular Section 201 thereof.

Respondents Koomey/Morrison #3 Prospect and Denver Energy Exploration, LLC offered Units in Pennsylvania in willful violation of Section 201 of the 1972 Act.

## PA SECURITIES COMMISSION ENFORCEMENT ACTIONS



A SEARCHABLE DATABASE OF ALL  
CEASE AND DESIST ORDERS  
AND FINAL ORDERS

PA Securities Commission Website

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*For Immediate Release: 05/07/2010*

### **Commission Halts Unregistered Activity By Koomey/Morrison #3 Prospect, Denver Energy Exploration, LLC, Duvall Financial Services and Frank Duvall**

**ORDER TO RESCIND SUMMARY ORDER TO CEASE AND DESIST 07/13/2010**

*Harrisburg, PA, 05/07/2010* — To halt the offer and sale of unregistered securities in Pennsylvania, the Pennsylvania Securities Commission (Commission) issued a Summary Order to Cease and Desist against Koomey/Morrison #3 Prospect (Koomey) and Denver Energy Exploration, LLC (DEE), both entities with an address in San Antonio, Texas, and Duvall Financial Services (DFS), an entity, and Frank Duvall (Duvall), an individual, both with an address in Escondido, California. Koomey was an oil and gas exploration company. DEE was the manager of Koomey. DFS was a "broker" who seeks and provides funding for commercial ventures, and Duvall was the owner of DFS.

In or about April 2010, Duvall placed an advertisement (Ad) entitled, "Need investors for energy project with major energy company" on an Internet message board. The Ad stated, "On going [sic] development project for a major energy company offering the ability to purchase at least \$25k working interests on this project. The return is expected at 36% over a three year period with outstanding tax benefits." A Pennsylvania resident (PA Resident) observed the Ad and, using an e-mail address provided in the Ad, sent Duvall an e-mail requesting additional information.

In or about April 2010, Duvall e-mailed the PA Resident and offered for sale joint venture interests (Units) in Koomey. Duvall stated that "I am a broker and place many ads for various clients"; that "The well should payout in 3 months or so, and then continue thereafter. I would guesstimate a 400% plus return over the 3 year period. Probably higher..."; and that the cost of a full Unit is \$33,635.87, but investors need only invest \$24,275.87 initially with the remaining balance being due at completion of the well.

Duvall also e-mailed offering materials (Materials), including a Joint Venture Participation Agreement, to the PA Resident. The Materials state that DEE is offering 20 Units in Koomey at a cost of \$33,635.87 per Unit; that \$24,275.87 of the purchase price is due upon subscription and \$9,359.99 is due upon completion; that each Unit represents a 2.5% working interest in Koomey; and that DEE is the managing venturer of Koomey.

In or about April 2010, Duvall telephoned the PA Resident. Duvall stated that the 400% return is not guaranteed and could instead be 200% over three years; that "Oil and gas always makes money"; that the PA Resident need not complete the first section of the Investor Questionnaire because "you're not accredited," and should instead complete the second section of the questionnaire regarding non-accredited investors; that Duvall deals directly with DEE and would let DEE know that the PA Resident was sending in an investment; and that the PA Resident does not need to know anything about oil and gas or business in general.

The PA Resident had no substantive, pre-existing relationship with Koomey, DEE, DFS or Duvall. The PA Resident was not an accredited investor under Rule 501 of Regulation D, and did not have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment. The Ad does not contain the disclosure set forth in Commission Regulations.

The Commission ordered Koomey/Morrison #3 Prospect, Denver Energy Exploration, LLC, Duvall Financial Services, and Frank Duvall to stop offering and selling the Units in the Commonwealth of Pennsylvania, in violation of the 1972 Act, and in particular Sections 201 and 301 thereof.

Any further solicitations or sales made by these respondents in Pennsylvania will constitute violations of the 1972 Act and the Commission's Orders. Any person who is solicited by or has information about these respondents is asked to immediately notify the Pennsylvania Securities Commission by calling 800-600-0007, or, in Harrisburg: (717) 787-8062, in Pittsburgh: (412) 565-5083 or in Philadelphia: (215) 560-2088.

*Alternate formats of this release may be available on request;  
call 717/787-1165.*