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BEFORE THE ARIZONA CORPORATION COMMISSION

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2017 JUN 28 P 2:11

Arizona Corporation Commission

COMMISSIONERS

TOM FORESE - Chairman  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD DUNN

DOCKETED

JUN 28 2017

DOCKETED BY

GB

In the matter of:	)	DOCKET NO. S-20999A-16-0483
CLEAR ENERGY GROUP, LLC, an Arizona limited liability company, and	)	<b>APPLICATION TO AMEND NOTICE OF OPPORTUNITY FOR HEARING</b>
PAUL W. RAMIREZ, a single man,	)	
Respondents.	)	

The Securities Division ("Division") of the Arizona Corporation Commission requests to amend its *Notice of Opportunity for Hearing* filed on December 29, 2016 (the "Original Notice") to incorporate additional factual allegations and request for relief regarding the matter at issue in the Original Notice.

After the Division filed the Original Notice, the Division learned of three persons who invested in the investment described in the Original Notice. Based on this new information, the Division seeks to amend the Original Notice to include additional allegations regarding these three investors. A copy of the proposed amended notice is attached as Exhibit A.


The officer presiding over an administrative proceeding, in his/her discretion, may permit a notice to be amended.<sup>1</sup> The proposed amended notice will serve efficiency by incorporating in one action all claims arising from the respondents' offering. Additionally, an amended notice would not require the respondents to prepare a second answer or request. The Division's attempts to serve the respondents in this case have so far been unsuccessful. Consequently, the respondents have not yet received the Original Notice and have not had to prepare an answer or response in this matter. For these reasons, granting the Division leave to amend the Original Notice is proper.

<sup>1</sup> See A.A.C. R14-3-106(E).

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RESPECTFULLY SUBMITTED June 28, 2017.

ARIZONA CORPORATION COMMISSION

By:   
\_\_\_\_\_  
Ryan J. Millecam  
Securities Division  
Arizona Corporation Commission

1 On this 28<sup>th</sup> day of June, 2017, the foregoing document was filed with Docket Control as a Securities  
2 Division Request - Miscellaneous, and copies of the foregoing were mailed on behalf of the  
3 Securities Division to the following who have not consented to email service. On this date or as  
4 soon as possible thereafter, the Commission's eDocket program will automatically email a link to  
5 the foregoing to the following who have consented to email service.

6 Paul Ramirez  
7 16648 N 54<sup>th</sup> Street  
8 Scottsdale, AZ 85254

9 *Respondent and statutory agent*  
10 *for respondent Clear Energy Group LLC*

11 By: Karen Houle

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Exhibit A

Proposed Amended Notice of Opportunity

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

TOM FORESE - Chairman  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD DUNN

In the matter of:	)	DOCKET NO. S-20999A-16-0483
CLEAR ENERGY GROUP, LLC, an Arizona limited liability company, and	)	<b>AMENDED NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER FOR ADMINISTRATIVE PENALTIES, AND ORDER FOR OTHER AFFIRMATIVE ACTION</b>
PAUL W. RAMIREZ, a single man	)	
Respondents.	)	
	)	

**NOTICE: EACH RESPONDENT HAS 10 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 Clear Energy Group, LLC and Paul W. Ramirez have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”).

The Division also alleges that Paul W. Ramirez is a controlling person of Clear Energy Group, LLC within the meaning of A.R.S. § 44-1999(B) to the same extent as the entity for its violations of the antifraud provisions of the Securities Act.

**I.  
JURISDICTION**

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

1 **II.**  
2 **RESPONDENTS**

3 2. Paul W. Ramirez is a single man who resided in Scottsdale during the times relevant to  
4 this Notice, i.e. 2014 through 2016.

5 3. Clear Energy Group, LLC ("Clear Energy") is a manager-managed Arizona limited  
6 liability company formed on April 22, 2014. Paul Ramirez is listed as Clear Energy's manager in its  
7 Articles of Organization. He is also listed as the sole member, the organizer, and the statutory agent.  
8 Ramirez's address and Clear Energy's domestic address is a residence in Scottsdale, Arizona.

9 4. Ramirez and Clear Energy may be referred to collectively as "Respondents."

10 **III.**  
11 **FACTS**

12 5. From fall 2014 through 2015, Respondents offered and sold notes and fractional  
13 undivided interests in oil and mineral rights to at least five people (these five people may be referred to  
14 as the "Investors.")

15 6. In fall 2014, Ramirez met J.F.S., an Ohio resident, when Ramirez was at an Ohio car  
16 dealership.

17 7. In conversations between Ramirez and J.F.S., Ramirez described an investment  
18 opportunity in oil wells in New York State where Clear Energy would own 50% of five oil wells. A  
19 third party, Drillers LLC, would drill and operate the wells.

20 8. Based on these representations, J.F.S. invested \$450,000 in Clear Energy on  
21 September 18, 2014.

22 9. In exchange for his investment, J.F.S. received a note and a security interest in oil and  
23 mineral rights.

24 10. The note that Clear Energy sold to J.F.S. describes Clear Energy as the "Borrower."  
25 This note bears interest at 20% per annum. It requires Clear Energy to make 12 consecutive, interest-  
26 only payments of \$7,500 due on the first day of every month beginning on November 1, 2014. On

1 November 1, 2015, Clear Energy is to make a balloon payment of all principal and outstanding  
2 interest.

3 11. J.F.S.'s note says it is "to be secured by a UCC Security Agreement [*sic*] on certain  
4 oil well interests located in Olean, New York, as described in said Security Agreement."

5 12. The note states that it was made in Scottsdale, Arizona.

6 13. Ramirez signed the note as the "managing member" of Clear Energy.

7 14. In exchange for his \$450,000 payment, Clear Energy also provided J.F.S. with a  
8 "Security Agreement" with Clear Energy as the "Debtor" and J.F.S. as the "Secured Party." This  
9 agreement grants J.F.S. a security interest in all of Clear Energy's interest in the first six oil wells  
10 developed by Drillers LLC on an oil and gas lease in Cattaraugus County, NY.

11 15. In fall 2014, a mutual acquaintance introduced Ramirez to J.P.S. and A.S., who are  
12 Ohio residents.

13 16. In conversations between Ramirez and J.P.S. and A.S., Ramirez described an  
14 investment opportunity in oil wells in New York. This was the same opportunity he described to  
15 J.F.S., i.e. that Clear Energy would own 50% of five oil wells drilled and operated by Drillers LLC.

16 **[*Id.*]**

17 17. Based on these representations, J.P.S. and A.S. each invested \$150,000, for a total of  
18 \$300,000, in Clear Energy on November 19, 2014.

19 18. In exchange for their respective \$150,000 investments, J.P.S. and A.S. each received  
20 a note and a security interest in oil and mineral rights.

21 19. The notes that Clear Energy sold to J.P.S. and A.S. describe Clear Energy as the  
22 "Borrower." The notes each bear interest at 15% per annum. The terms of the notes require Clear  
23 Energy to make six consecutive monthly payments of \$1,875 beginning on January 20, 2015, and  
24 continuing through June 20, 2015. On June 20, 2015, Clear Energy is to make a balloon payment of  
25 all principal and outstanding interest.

26

1           20.     J.P.S.'s and A.S.'s notes are both "to be secured by a UCC Security Agremenet [*sic*]  
2 on certain oil well interests located in Olean, New York, as described in said Security Agreement."

3           21.     The notes state that they were made in Scottsdale, Arizona.

4           22.     Ramirez signed the notes as the "managing member" of Clear Energy.

5           23.     In exchange for their \$150,000 payments, Clear Energy also provided J.P.S. and A.S.  
6 with respective "Security Agreements" with Clear Energy as the "Debtor" and J.P.S. and A.S. each  
7 as the "Secured Party." These agreements grant J.P.S. and A.S. a security interest in all of Clear  
8 Energy's interest in the first two oil wells developed by Drillers LLC on an oil and gas lease in  
9 Cattaraugus County, NY.

10          24.     In April 2015, a mutual business associate told M.H., a California resident, about  
11 Ramirez and Clear Energy.

12          25.     In conversations between Ramirez and M.H., Ramirez described an investment  
13 opportunity in an oil well in Olean, New York. According to Ramirez, oil had already been  
14 discovered and \$1,000,000 had already been invested in the well. Ramirez told M.H. that additional  
15 investor money was needed to complete the well through fracking. Ramirez further represented that  
16 the investment was 100% guaranteed.

17          26.     Based on these representations, M.H. invested \$45,000 in Clear Energy through his  
18 company, SolarStar. He invested \$22,500 on April 9, 2015, and another \$22,500 on April 22, 2015.

19          27.     M.H. expected his investment to be used only on fracking an oil well in Olean, New  
20 York.

21          28.     In exchange for the investments, M.H./SolarStar received notes and fractional  
22 undivided interests in oil and mineral rights.

23          29.     Both notes say that they are "to be secured by a UCC Security Agreement on certain  
24 oil well interests located in Olean, New York[.]"

25          30.     Each note states that it was made in Scottsdale, Arizona.

26          31.     Ramirez signed each note as the "managing member" of Clear Energy.



1           32. Both of M.H./SolarStar's notes list SolarStar as the "Lender." Each note bears interest  
2 at 24% interest per annum and requires Clear Energy to make six monthly payments of \$450 followed  
3 by a balloon payment at the end of the six-month period.

4           33. Each note also grants SolarStar a working interest in the well, described as a  
5 "horizontal well" on the "Stephens-Williams lease." For each note, SolarStar was to initially receive  
6 a 5% working interest upon fracking of the well. After the principal and interest on the notes are  
7 repaid, SolarStar would retain a 3% working interest per note for the life of the well.

8           34. Respondents also provided M.H. with a document titled "Wellbore Assignment,  
9 Conveyance, Bill of Sale and Release" which lists Ramirez as the "Assignor" and M.H. as the  
10 "Assignee."

11           35. This document assigns M.H. a 6% working interest in the well, described as being in  
12 the Town of Allegany (which is a few miles from Olean), County of Cattaraugus, New York, in  
13 exchange for M.H. funding \$45,000 to complete the fracking of the well.

14           36. SolarStar received one, \$900 payment from Clear Energy in the form of a Cashier's  
15 Check from a Scottsdale branch of Wells Fargo, dated May 11, 2015. SolarStar/M.H. received no  
16 other payments.

17           37. In early 2015, Ramirez contacted P.G., a California resident. Ramirez met P.G.  
18 through a mutual friend.

19           38. In conversations between Ramirez and P.G., Ramirez described an investment  
20 opportunity in an oil well in Olean, New York. Ramirez described it as a horizontal hydraulic fracking  
21 project. Ramirez stated that everything at the well site was taken care of and that they needed investor  
22 money to start the actual fracking.

23           39. Based on these representations, P.G. invested \$21,500 in Clear Energy on May 5,  
24 2015.

25           40. In exchange for his investment, P.G. received a note and fractional undivided interests  
26 in oil and mineral rights.

1           41.     The note that Clear Energy sold to P.G. describes Clear Energy as the “Borrower.”  
2 This note bears interest at 12% per annum. It requires Clear Energy to make six consecutive, interest-  
3 only payments of \$215 beginning on June 1, 2015, followed by a balloon payment of all principal  
4 and outstanding interest.

5           42.     The P.G.-Clear Energy note also grants P.G. a 3% interest in the Olean, NY oil well:  
6 “Security in Promissory Note is direct interest of 3% in Stephens-Williams 1 Located In Olean, NY.  
7 Direct Interest will be transferred immediately upon well frack. This ownership shall remain for the  
8 life of the well after promissory note is paid in full.”

9           43.     P.G.’s note says it is “to be secured by a UCC Security Agreement on certain oil well  
10 interests located in Olean, New York[.]”

11           44.     The note states that it was made in Scottsdale, Arizona.

12           45.     Ramirez signed the note as the “managing member” of Clear Energy.

13           46.     P.G. has not received any payments from his investment with Respondents.

14           **Respondents’ Misrepresentations to Investors**

15           47.     Clear Energy and Ramirez promised the Investors that they would quickly receive  
16 returns on their investments. All Investors were to receive monthly interest payments, then a full  
17 return of their funds within six months or a year of their purchase. Besides the single, \$900 payment  
18 made to M.H. described above, the Investors did not receive the interest payments promised; no  
19 Investors received a return of any principal.

20           48.     Respondents failed to inform two Investors, M.H. and P.H., that prior to their purchase  
21 of the notes and well interests, Clear Energy had failed to make required payments to persons who  
22 had previously purchased notes from Clear Energy.

23           49.     All five Investors understood that they were investing in oil and gas production and  
24 that their investments would be secured by Clear Energy’s ownership interests in several oil wells.  
25 At least two investors were to receive interest in oil well revenues after their notes were paid.

26

1 Respondents failed to disclose to each of the four Investors who invested subsequent to J.F.S. that  
2 Respondents had already granted security interests in the wells.

3 50. Respondents failed to disclose to the Investors any risks related to investing or any  
4 risks associated with oil and gas investments in particular.

5 51. Respondents told at least two Investors that their investment funds would be used for  
6 fracking an oil well in or near Olean, New York. Respondents failed to disclose to these two Investors  
7 that the State of New York had placed a moratorium on all fracking in 2008. On December 17, 2014,  
8 New York's governor announced that the moratorium would become a permanent ban on fracking.  
9 Thus at all relevant times, fracking was prohibited in New York.

10 **IV.**

11 **VIOLATION OF A.R.S. § 44-1841**

12 **(Offer or Sale of Unregistered Securities)**

13 52. From on or about November 2014, Respondents offered or sold securities in the form  
14 notes and/or fractional undivided interests in oil and mineral rights, within or from Arizona.

15 53. The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
16 Securities Act.

17 54. This conduct violates A.R.S. § 44-1841.

18 **V.**

19 **VIOLATION OF A.R.S. § 44-1842**

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

21 55. Respondents offered or sold securities within or from Arizona while not registered as  
22 dealers or salesmen pursuant to Article 9 of the Securities Act.

23 56. This conduct violates A.R.S. § 44-1842.

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**VI.****VIOLATION OF A.R.S. § 44-1991****(Fraud in Connection with the Offer or Sale of Securities)**

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4 57. In connection with the offer or sale of securities within or from Arizona, Respondents  
5 directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements  
6 of material fact or omitted to state material facts that were necessary in order to make the statements  
7 made not misleading in light of the circumstances under which they were made; or (iii) engaged in  
8 transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon  
9 offerees and investors. Respondents' conduct includes, but is not limited to, the following:

10 a) Respondents represented to Investors that the oil wells would quickly generate  
11 returns and a full return of principal. Respondents failed to make payments to investors as promised and  
12 failed to disclose to at least two Investors that Clear Energy had failed to make payments on notes it sold  
13 to prior investors.

14 b) Respondents told three Investors that that their investment was secured by oil  
15 wells and granted two other Investors ownership interests in well production. Respondents failed to  
16 disclose to Investors who invested subsequent to J.F.S. investing that Respondents had granted security  
17 interests in their wells to other Investors.

18 c) Respondents failed to disclose the risks inherent to investments in notes and other  
19 securities, risks particular oil and gas mining investment, and risks specific to investing in the described  
20 well.

21 d) Respondents represented to two of the Investors that the underlying oil well was  
22 a horizontal well being developed with fracking procedures that was very near completion. In fact,  
23 fracking had been subject to a moratorium in New York State since 2008 and New York's governor  
24 announced a permanent ban on December 17, 2014.

25 58. This conduct violates A.R.S. § 44-1991.

**VII.**



1 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20  
2 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or  
3 ordered by the Commission. If a request for a hearing is not timely made the Commission may, without  
4 a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for  
5 Hearing.

6 Persons with a disability may request a reasonable accommodation such as a sign language  
7 interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon,  
8 ADA Coordinator, voice phone number (602)542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@azcc.gov). Requests should  
9 be made as early as possible to allow time to arrange the accommodation. Additional information  
10 about the administrative action procedure may be found at  
11 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

## 12 X.

### 13 ANSWER REQUIREMENT

14 Pursuant to A.A.C. R14-4-305, if a respondent requests a hearing, the requesting respondent  
15 must deliver or mail an answer to this Notice of Opportunity for Hearing to Docket Control, Arizona  
16 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days  
17 after the date of service of this Notice. Filing instructions may be obtained from Docket Control by  
18 calling (602) 542-3477 or at <http://www.azcc.gov/divisions/hearings/docket.asp>.

19 Additionally, the answering respondent must serve the answer upon the Division. Pursuant to  
20 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy  
21 of the answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,  
22 addressed to Ryan Millecam.

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

