



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUN 20 2014

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

DOCKETED BY

NR

IN THE MATTER OF:

DOCKET NO. S-20804A-11-0208

CRAIG RANDAL MUNSEY and JANE DOE
MUNSEY, husband and wife,

DECISION NO. 74565

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

DENVER ENERGY EXPLORATION, LLC, a Texas
limited liability company, and

MICHAEL LEE CHRISTOPHER (CRS #2695315),
an unmarried man.

OPINION AND ORDER

DATES OF PRE-HEARING
CONFERENCES:

June 30, September 15, and December 15, 2011, and
February 16, 2012

DATES OF HEARING:

October 1, 2, and 3, 2012

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Marc E. Stern

APPEARANCES:

Mr. Robert D. Mitchell, Mitchell and Associates, on
behalf of Respondents Denver Energy Exploration,
LLC, and Michael Lee Christopher;

Craig Randal Munsey, pro per and for Marketing
Reliability Consulting, LLC; and

Ms. Stacy Luedtke, Staff Attorney, on behalf of the
Securities Division of the Arizona Corporation
Commission.

BY THE COMMISSION:

On May 23, 2011, the Securities Division ("Division") of the Arizona Corporation
Commission ("Commission") filed a Temporary Order to Cease and Desist ("T.O.") and a Notice of
Opportunity for Hearing ("Notice") against Craig Randal Munsey and Jane Doe Munsey, husband

1 and wife, Marketing Reliability Consulting, LLC dba "MRC LLC" ("MRC"), an Arizona limited
2 liability company, and Denver Energy Exploration, LLC ("DEE"), a Texas limited liability company,
3 (collectively "Respondents"), in which the Division alleged multiple violations of the Arizona
4 Securities Act ("Act") in connection with the offer and sale of securities in the form of unit
5 investments. Respondent spouse, Jane Doe Munsey, was joined in the action for the purpose of
6 determining the liability of the marital community.

7 The Respondents were duly served with copies of the T.O. and Notice.

8 On June 9, 2011, Respondent DEE's manager filed a request for hearing in this matter.

9 On June 14, 2011, by Procedural Order, a pre-hearing conference was scheduled on June 30,
10 2011.

11 On June 16, 2011, Respondent Craig Munsey also filed a request for a hearing.

12 On June 30, 2011, at the pre-hearing conference, the Division and DEE appeared through
13 counsel. Mr. Munsey appeared on his own behalf and MRC. Following a brief discussion, the
14 Division requested that a status conference be scheduled in approximately 90 days while the parties
15 conferred to resolve the issues raised by the T.O. and Notice.

16 On July 1, 2011, by Procedural Order, a status conference was scheduled on September 15,
17 2011.

18 On September 15, 2011, the Division and DEE appeared through counsel. Mr. Munsey
19 appeared on his own behalf and MRC. The Division and the Respondents were attempting to
20 negotiate a settlement of the proceeding, and the Division requested that an additional status
21 conference be scheduled in December in the event that the parties did not conclude a settlement.

22 On September 16, 2011, by Procedural Order, a status conference was scheduled on
23 December 15, 2011.

24 On December 15, 2011, the Division and DEE appeared through counsel. Mr. Munsey
25 appeared on his own behalf and MRC. The Division and the Respondents were continuing to
26 negotiate a settlement of the proceeding, but it was indicated that the Division intended to file an
27 Amended Notice.

28

1 On December 30, 2011, the Division filed a Motion for Leave to Amend the Notice in order
2 to add a Respondent and to make other necessary additions and corrections due to the Division's
3 ongoing investigation.

4 On January 9, 2012, the Division filed a Stipulation by Respondent Munsey and MRC to the
5 Division's Motion which was filed on December 30, 2011. DEE did not file a response.

6 On January 23, 2012, the Motion for Leave to Amend the Notice filed by the Division was
7 granted.

8 On January 27, 2012, the Division filed the Amended Notice, and added a new Respondent,
9 Michael Lee Christopher, DEE's manager.

10 On February 9, 2012, Respondent Christopher filed a request for hearing.

11 On February 21, 2012, by Procedural Order, a hearing was scheduled to commence on
12 October 1, 2012.

13 On October 1, 2012, a full public hearing was convened before a duly authorized
14 Administrative Law Judge ("ALJ") of the Commission at its offices in Phoenix, Arizona. The
15 Division and Respondents DEE and Mr. Christopher were present with counsel. Mr. Munsey
16 appeared on his and MRC's behalf. At the conclusion of the proceeding, the parties agreed to
17 exchange post-hearing briefs by November 30, 2012, and the matter was taken under advisement
18 pending submission of a Recommended Opinion and Order to the Commission.

19 On October 23, 2012, the Commission's Docket Control section notified the presiding ALJ
20 that, upon the court reporter filing the certified record including all exhibits introduced and admitted
21 during the proceeding, it was learned that the exhibits utilized by Respondents DEE and Mr.
22 Christopher contained private and/or personal information¹ that would not be appropriate to publish
23 on the internet under the Commission's eDocket system.

24 On October 24, 2012, by Procedural Order, Respondents DEE and Mr. Christopher were
25 ordered to submit marked, redacted exhibits to the Commission's Docket Control section in a timely
26
27

28 ¹ i.e. Social Security and bank account numbers.

1 fashion after which Respondent DEE's and Mr. Christopher's exhibits submitted at hearing would be
2 presented to and retained under seal by the ALJ who presided over the proceeding.

3 On November 30, 2012, closing briefs were filed by Respondents DEE and Christopher and
4 the Division.

5 On December 4, 2012, Mr. Munsey filed his closing brief.

6 On December 19, 2012, Respondents DEE and Mr. Christopher and the Division filed reply
7 briefs.

8 * * * * *

9
10 Having considered the entire record herein and being fully advised in the premises, the
11 Commission finds, concludes, and orders that:

12 **FINDINGS OF FACT**

13 1. Craig Randal Munsey is an individual who, at all relevant times herein, was an
14 unmarried Arizona resident.

15 2. MRC, at all relevant times herein, was an Arizona limited liability company organized
16 on or about March 1, 2007, and operated by Respondent Munsey as a marketing company with its
17 principal place of business in Arizona. (Ex. S-2)

18 3. DEE, at all relevant times herein, was a Texas limited liability company organized on
19 or about October 15, 2001. (Ex. S-6)

20 4. Michael Lee Christopher, at all relevant times herein, was an unmarried Texas resident
21 who was the sole member of DEE and was its manager.

22 5. The Division, in support of its allegations in the T.O. and Amended Notice called one
23 witness, Robert Eckert, the Division's Chief Investigator. The Division also called Respondents
24 Munsey and Christopher to testify as witnesses.

25 6. According to the Amended Notice filed by the Division, beginning in approximately
26 October 2010 through May 2011, Respondents offered and sold to non-residents of Arizona, and to
27 one Arizona resident, fractional, undivided units and/or participation interests in oil and gas wells
28 which were located in Texas and were being developed by DEE.

1 7. According to Commission records, during the relevant time frame, neither DEE, Mr.
2 Munsey, Mr. Christopher, nor MRC were registered with the Commission as either dealers or
3 salesmen. (Ex. S-1)

4 8. Mr. Eckert testified that on May 17, 2011, at the outset of his investigation, he
5 received an email communication from a Pastor Shawn Buckhanan. (Tr. 40:1-3)

6 9. Mr. Eckert testified that the investigation of the Respondents began after Pastor Shawn
7 Buckhanan contacted the Commission after he was "solicited" for an investment by Respondent
8 Munsey and Pastor Buckhanan wanted to learn whether the offering was a good investment. (Tr.
9 97:17-23)

10 10. The email contained an attachment that had been electronically signed by Respondent
11 Munsey as the CEO of MRC and described him as the "Senior Representative" of DEE and described
12 "three producing wells in the Johnson Lease." (Ex. S-62)

13 11. The email referenced a half unit being available for \$17,500 and stated that the three
14 wells were producing 3,250 barrels of oil per day and referenced another three wells whose units
15 would sell for \$4,500 more, and went on to state that the partners were making good money
16 "monthly." (Ex. S-62)

17 12. Investigator Eckert testified that he spoke with Pastor Buckhanan who told him that he
18 had been contacted about a year earlier about an investment in DEE. (Tr. 42:6-13)

19 13. Mr. Eckert stated that the email communication received by Pastor Buckhanan was a
20 follow up to earlier contacts between the Respondents and Pastor Buckhanan and offered him an
21 investment opportunity. (Tr. 42:13-24)

22 14. Investigator Eckert testified further that Pastor Buckhanan could not recall who had
23 spoken with him regarding an investment with DEE in 2010, but the subsequent contact was made by
24 Respondent Munsey. (Tr. 43:1-9)

25 15. According to Mr. Eckert, Pastor Buckhanan was an Arizona resident when he was
26 contacted by Mr. Munsey and he had no pre-existing relationship with Munsey, MRC, DEE, or Mr.
27 Christopher. The Pastor further indicated "that he was unaware of how they got his name, telephone
28 number, or email address." (Tr. 44:1-14)

1 16. The email forwarded to the Division's investigator, Mr. Eckert, contained a reference
2 to a website for DEE, www.denverenergyexploration.com. (Ex. S-62)

3 17. Investigator Eckert read from a print-out of DEE's website describing DEE's
4 acquisition of more than 60 mineral leases in the Brookshire Salt Dome Oil Field ("Brookshire") near
5 Houston, Texas, consisting of more than 500 acres and described as having approximately 10 percent
6 of the best acreage in the oil field.² (Ex. S-72)

7 18. Respondent Christopher is described as the founder/manager of DEE in the printout.
8 (Ex. S-72)

9 19. The projects depicted by DEE at its website describe the Karber Lease with 12
10 producing wells which had produced in excess of several hundred thousand barrels of oil.

11 20. During Mr. Eckert's investigation of DEE and in speaking with Respondent Munsey,
12 he utilized the pseudonym of "Jackson Roberts." (Tr. 47:15-17)

13 21. Mr. Eckert testified that he spoke with Respondent Munsey by telephone on May 18,
14 2011, after calling the number that was referenced in the email sent to Pastor Buckhanan. (Tr. 47:1-
15 14)

16 22. Mr. Eckert testified that he recorded his conversation with Mr. Munsey on May 18,
17 2011. (Tr. 46:18-22) (Ex. S-126)

18 23. Mr. Eckert stated that during his conversation with Mr. Munsey on May 18, 2011, Mr.
19 Munsey discussed various investment opportunities in oil and gas wells with DEE. (Tr. 52-53:20-1)

20 24. Mr. Eckert told Mr. Munsey that he had no experience with oil and gas investments.
21 (Tr. 53:5-8)

22 25. During their conversation, Mr. Munsey discussed two of DEE's projects, the DK#1
23 and J3W Projects. (Tr. 53:14-17)

24 26. Following their telephone conversation, Mr. Munsey emailed Mr. Eckert some
25 materials on the projects that they had discussed. The email contained several attachments
26

27 ² DEE's website also contains a footnote, a portion of which reads as follows, "there are significant risks associated with
28 investing in oil and gas ventures. The above information is for general purposes only, it is not a solicitation to buy or an
offer to sell any securities."

1 concerning DEE's involvement in the Brookshire and the Karber Field Project and contained an
2 email address of crm@marketingreliabilityconsulting.com. (Tr. 55:1-15) (Ex. S-63)

3 27. In the email, MRC was described as "a marketing arm" of DEE. (Ex. S-63)

4 28. The email received by Mr. Eckert says that "the best concept with our company is that
5 we do all the work. No contractors. We are the operator and the drilling company." (Ex. S-63)

6 29. Mr. Eckert testified that during his conversation and in the subsequent email with Mr.
7 Munsey, he was offered an opportunity to become a joint venture partner with DEE with one of its
8 projects. (Tr. 56:17-24)

9 30. Mr. Eckert described the Johnson 3 Well Project ("J3W") which was set forth on DEE
10 letterhead and contained a description that described the current oil production from the three wells
11 and included a space for the signature of Respondent Christopher as manager. (Tr. 57:13-25) While
12 further testifying, Mr. Eckert reviewed a Private Placement Memorandum ("PPM") which described
13 the J3W Project, and the PPM's cover referenced a Rule 506 Regulation D Exemption. (Tr. 58:4-9)

14 31. Mr. Eckert described a Joint Venture Agreement which was attached to the materials
15 that had been emailed by Mr. Munsey. In the agreement for the J3W Project, DEE was named as the
16 operator and the investor was described as a non-operator. (Ex. S-63)

17 32. Mr. Eckert testified that in a second email he received from Mr. Munsey, it contained
18 an Executive Summary for the Karber #1 Project. (Tr. 60:1-9)

19 33. Mr. Eckert stated that he also spoke with Ms. Suzanne Wynn, the office manager for
20 DEE, who also emailed investment material with respect to Denver/Karber #1 ("DK#1") in the form
21 of a Joint Venture Agreement. (Tr. S-66)

22 34. Mr. Eckert further testified that he had received a subsequent email from Mr. Munsey
23 dated May 22, 2011. This email discussed the production possibilities for the J3W Project and the
24 DK#1 Project. (Ex. S-65)

1 35. According to Mr. Eckert, during his telephone conversations with Ms. Wynn and Mr.
2 Munsey, they did not inquire about either his net worth or whether he qualified as an “accredited
3 investor.”³ (Tr. 64-65:22-3)

4 36. In response to Division subpoenas, DEE provided corporate records to the Division for
5 its investigation. (Tr. 65:4-19) (Ex. S-111)

6 37. The Division’s investigator testified that he spoke with a DEE investor, Ms. Lori
7 Cook, who he believed to be an Arizona resident. (Tr. 66-67:13-23)

8 38. Mr. Eckert also identified Jack Jensen, another DEE investor, that he had spoken with
9 who he believes had been contacted by Mr. Munsey and who told him that he had not had a prior
10 relationship with either Mr. Munsey or DEE. (Tr. 68-71)

11 39. During Mr. Eckert’s investigation, he researched whether any of the Respondents had
12 been found in violation in securities laws either in Arizona or any other jurisdictions. (Tr. 71:21-25)

13 40. As a result of this part of Mr. Eckert’s investigation, he learned that the Pennsylvania
14 Securities Commission (“PSC”) had issued a Summary Order to Cease and Desist involving DEE and
15 several other Respondents on May 4, 2010, and that the PSC had subsequently issued an Order dated
16 July 13, 2010 which described an offer of settlement involving DEE dated June 15, 2010, that was
17 accepted by the PSC. (Tr. 72-73) (Ex. S-3, S-4, S-5)

18 41. Mr. Eckert stated that neither Mr. Munsey nor Ms. Wynn, had disclosed to him the
19 earlier action by the PSC in 2010. (Tr. 74:1-9)

20 42. Mr. Eckert further testified that neither the offering materials nor any of the emails he
21 received with respect to the DEE offerings disclosed the actions by the PSC with respect to DEE.
22 (Tr. 74:11-15)

23 43. During the Division’s investigation, Mr. Eckert became familiar with the Texas
24 Railroad Commission (“TRC”) which is the licensing and regulatory body in the state of Texas for oil
25 and gas operators. (Tr. 74:16-23)

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27
28 ³ See A.A.C. R14-4-126.

1 44. Subsequently, Mr. Eckert contacted a representative of the TRC to learn about
2 production on various oil and gas wells, and used the operator number assigned to DEE to learn about
3 the production at the various oil and gas wells operated by DEE in Texas. (Tr. 75:1-20)

4 45. Mr. Eckert testified that, in order to conduct his investigation, he utilized a website
5 operated by the TRC to investigate the production of the oil wells operated by DEE using DEE's
6 operator number. (Tr. 75-76:21-16)

7 46. Mr. Eckert testified that he conducted this investigation on the TRC website on
8 February 2, 2012, for production reports on the leases operated by DEE from July 2010 to December
9 2011. (Tr. 76:17-23) (Ex. S-78)

10 47. Referring to Exhibits S-78 and S-79, TRC production reports for DEE, Mr. Eckert
11 stated that no results were shown for oil production from the KM#3 Well. (Tr. 78:1-5)

12 48. Mr. Eckert further testified concerning a drilling permit application query which he
13 made on the TRC's website on July 31, 2012, utilizing DEE's operator number. The TRC website
14 showed that the KM#3 was permitted and approved for drilling as of October 20, 2010, but according
15 to Mr. Eckert, there was no reported oil production from that well. (Tr. 78-79:10-21)

16 49. According to Mr. Eckert's review of the records, there was also no oil production
17 reported for DEE's DK#1 well. (Tr. 79:23-25)

18 50. Mr. Eckert testified that oil and gas production data queries from the TRC showed no
19 significant oil production for DEE from January 2009 to July 2012. (Tr. 82-83) (Ex. S-80 and S-81)

20 51. Mr. Eckert testified that, based on his review of the production reports from the TRC,
21 he believed that some of the representations made by Mr. Munsey concerning oil production were not
22 true. (Tr. 89:10-18)

23 52. Mr. Eckert stated that Mr. Munsey had told him that there were risks in oil and gas
24 investing. (Tr. 90:2-11).

25 53. Investigator Eckert stated that when speaking with Mr. Munsey as "Jackson Roberts"
26 he told him that he had never invested in oil and gas, but he did tell him that he had invested in
27 securities and bonds. (Tr. 90:18-25)

28

1 54. Mr. Eckert testified that he neither submitted an investor questionnaire to DEE or to
2 Mr. Munsey nor spoke with Mr. Christopher prior to the initiation of the Division's investigation.
3 (Tr. 91:18-25)

4 55. Mr. Eckert testified further that when he received the offering materials sent with Mr.
5 Munsey's email on May 18, 2011, they included the Johnson Well Project Summary and a Johnson
6 Well PPM along with other subscription documents including an investor questionnaire which
7 contained a notation that the information would be utilized to make a determination whether a
8 prospective investor was making a suitable investment because the offering had not been registered
9 under the Act. (Tr. 92-93:9-19)

10 56. Mr. Eckert stated that he did not complete or return the investor questionnaire form.
11 (Tr. 93:20-22)

12 57. Mr. Eckert testified that the investigation in this proceeding was the first one in which
13 he utilized the TRC website to investigate oil and gas production. (Tr. 97:1-5)

14 58. Mr. Eckert testified that although Respondent Munsey told him that there were risks in
15 investing in oil and gas, he did not explain the risks. (Tr. 103:19-24)

16 59. According to Mr. Eckert, an offer of an investment opportunity was made to him
17 before he received the email containing the offering materials concerning the projects and the
18 investor questionnaire. (Tr. 116)

19 60. Respondent Munsey testified that he is the owner and sole manager of MRC. (Tr.
20 118-119:17-5)

21 61. Mr. Munsey testified that he started working for DEE as an independent contractor in
22 September 2010. (Tr. 126:20-22)

23 62. Mr. Munsey further testified that he worked as an independent contractor for DEE
24 providing information to prospective investors and was paid a commission if the prospective investor
25 invested with DEE. (Tr. 121:1-19)

26 63. Mr. Munsey was informed that DEE owned leases for oil and gas wells in Texas and
27 that it was selling joint venture interests to investors. (Tr. 122:7-12)

28

1 64. Mr. Munsey further stated that during the period that he was offering investment
2 opportunities for DEE that Suzanne Wynn, the office manager for DEE, provided him with the
3 information that he passed on to prospective investors. (Tr.122:13-21)

4 65. Respondent Munsey testified that Mr. Christopher provided information on the
5 projects on an ongoing basis, but all of the information came through DEE and Ms. Wynn who
6 supplied all of the documents which had to be returned to DEE. (Tr. 122-123:22-15)

7 66. Respondent Munsey denied fabricating any information provided to prospective
8 investors stating that "everything came from Denver Energy." (Tr. 123-124:24-3)

9 67. Testifying further, Mr. Munsey stated that when speaking with prospective investors
10 about oil production from DEE's wells, he relied on information that was provided by the company
11 through Ms. Wynn. (Tr. 124:20-25)

12 68. According to Mr. Munsey, investors in DEE's joint venture projects were to share in a
13 percentage of the profits with DEE and the land owner who leased the land. (Tr. 125:1-12)

14 69. In order to contact prospective investors, Mr. Munsey testified that DEE sent him lead
15 lists with contact information for different types of individuals such as investors in oil and gas or
16 business owners. (Tr. 127:12-25)

17 70. Mr. Munsey further stated that DEE's office manager would send him a list of
18 "accredited investors" that he was told came from reliable brokers, but he had no pre-existing
19 relationship with any of the individuals that he called whose names appeared on the lists. (Tr. 128:8-
20 17)

21 71. Respondent Munsey testified that when he called a prospective investor whose name
22 appeared on a lead list, he would identify himself stating that he was with DEE and was calling
23 because that individual had expressed an interest or been involved in oil and gas projects. He then
24 asked whether they were still interested in these projects. (Tr. 130:8-11)

25 72. After contacting prospective investors, if they showed an interest in the offering, Mr.
26 Munsey emailed information about the investment using his email address at MRC. (Tr. 136:13)

27 73. When Mr. Munsey contacted prospective investors, he only utilized materials which
28 had been provided to him by DEE. (Tr. 131:14-17)

1 74. Mr. Munsey testified that the amount of his commissions for locating investors for
2 DEE were based on a percentage of the money that was invested. (Tr. 138:12-20)

3 75. Initially, commission checks from DEE were paid to MRC, but, Mr. Munsey later
4 requested that DEE issue his commission checks to him personally. (Tr. 138-139:21-7)

5 76. Respondent Munsey testified that he offered and sold four of DEE's investments to
6 four investors "through an oil and gas list." (Tr. 142:12-21)

7 77. Mr. Munsey stated that he sold investments in DEE's joint ventures to four individuals
8 who had previously invested in oil and gas investments with other companies as follows: Marshall
9 Rauch; Charles Haegelin; Jacob Ullrich; and Jack Jensen. (Tr. 143-144:20-10) (Ex. S-128)

10 78. Respondent Munsey testified that the four different investors to whom he sold DEE
11 joint venture interests resided outside of Arizona. (Tr. 159-160:24-7)

12 79. Mr. Munsey's four investors who invested in DEE's projects invested approximately
13 \$289,000. (Ex. S-128)

14 80. According to Mr. Munsey, DEE had multiple joint venture projects based on the
15 different wells that were being developed. (Tr. 146:8-12)

16 81. From Mr. Munsey's dealings with DEE, Mr. Munsey understood that, with respect to
17 permitting an unaccredited investor to invest, he was to make sure that the prospective investors
18 knew there were risks with investments in oil and gas. (Tr. 148:15-21)

19 82. Mr. Munsey received a 15 percent commission on an investor's investment if the well
20 was completed and he would also receive a slight interest in the income of an investor when the well
21 was producing. (Tr. 150:13-35)

22 83. Respondent Munsey entered into two separate independent contractor agreements with
23 DEE, the first on September 30, 2010, and the second on November 5, 2010. (Tr. 153-154:15-3) (Ex.
24 S-8)

25 84. Mr. Munsey had been advised by the management of DEE that he was to limit his
26 contacts to the prospective investors who were on the lists of individuals that were provided by DEE
27 who were supposed to be accredited. (Tr. 158:2-8)

28

1 85. Mr. Munsey further stated that he was explicitly directed by DEE's office manager,
2 Suzanne Wynn, not to contact anyone who was not on a list provided by DEE. (Tr. 158:10-15)

3 86. According to the terms of Respondent Munsey's contractor agreement with DEE, as a
4 contractor he was required to register with any and all states which required registration in order to
5 offer and sell joint venture interests in DEE's projects. (Tr. 159:5-9)

6 87. Mr. Munsey testified that his first investor was Charles Haegelin, who invested
7 \$50,000 on or about October 29, 2010 as a joint venture partner in the Julie Wells Project. (Tr. 161:1-
8 8) (Ex. S-13)

9 88. According to Mr. Haegelin's investor questionnaire, his net worth or joint net worth
10 with his spouse was over \$10 million. (Ex. S-14)

11 89. According to a second joint venture agreement with DEE, Mr. Haegelin, in December
12 2010, initially invested \$117,245 for four units, or a 15 percent working interest in the
13 Koomey/Morrison #4 Test Well. (Ex. S-15)

14 90. Mr. Munsey stated that another of his investors, Jacob Ullrich, invested \$25,000 for
15 one unit, or a 3.15 percent working interest in the Julie Wells Project in November 2010. (Ex. S-19)

16 91. The joint venture agreement contained language that the oil and gas business was a
17 risky business with no guarantees for the success of the venture.

18 92. Instructions for the completion of the investor questionnaire accompanying joint
19 venture agreements state that the investor's written response to specific questions allowed the
20 managing joint venturer (Mr. Christopher) to determine if each investor qualifies as a "suitable
21 investor" in compliance with United States Securities and Exchange Commission requirements and
22 applicable state law guidelines. The instructions went on to state that "suitable investors" were
23 either an accredited investor or a non-accredited investor who met guidelines regarding a minimum
24 financial net worth in income or a minimum financial net worth and a minimum federal income tax
25 bracket and have the ability to evaluate the relative merits and risks of such an investment. (Ex. S-
26 21)

1 93. Another investor Mr. Munsey dealt with, Marshall Rauch, invested \$17,500 for one-
2 half of a unit of the Johnson 3 Wells or J3W Project on May 17, 2011, on behalf of his company,
3 Gamp, LLC. (Ex. R-45)

4 94. Mr. Rauch's investor questionnaire indicated that he had individual income of at least
5 \$200,000, with \$300,000 if he were married, and indicated that his net worth was over \$1 million.
6 (Ex. R-45)

7 95. According to Mr. Rauch's investor questionnaire, he also had investment experience
8 with initial public offerings, reverse mergers, hedge funds, real estate and futures.

9 96. The remaining investor contacted by Mr. Munsey, Jack Jensen, made two investments
10 with DEE in November and December 2010 totaling almost \$60,000 in the Julie Wells and DK#1.
11 (Ex. S-26 and S-31)

12 97. Mr. Munsey testified that the four investors that he found who invested with DEE had
13 come from a lead list of investors who had previously invested in oil and gas. (Tr. 180:10-19)

14 98. Mr. Munsey testified that he did not know that he had to be registered as a securities
15 salesman in Arizona when he began contacting prospective investors for DEE until the Division
16 initiated its action. (Tr. 182:1-12)

17 99. Mr. Munsey testified that he did not know the qualifications to be classified as an
18 accredited investor other than that they just needed to have "a lot of money." (Tr. 188:1-4)

19 100. Mr. Munsey described his conversations with prospective investors as being short and
20 without much detail, and if they displayed an interest, either he or the office manager for DEE would
21 mail out a prospectus. (Tr. 192:10-16)

22 101. Mr. Munsey further stated that he did not discuss the issue of accreditation of the
23 members of Gamp, Mr. Rauch's LLC, explaining that Mr. Rauch had control over the company and
24 no one else. (Tr. 194:14-18)

25 102. Mr. Munsey testified further that he did not handle paperwork for DEE, but forwarded
26 marketing materials in the form of emails to prospective investors in the joint venture projects. (Tr.
27 482-483:15-2)

28

1 103. Materials such as prospectuses were mailed by DEE's main office in Texas by its
2 office manager. (Tr. 483:5-16)

3 104. Mr. Munsey further stated that when he spoke with "Jackson Roberts," the Division's
4 investigator in his undercover role, he made precautionary warning statements to him 13 times during
5 the course of the conversation referring to the joint venture projects as a "risky investment," and
6 cautioned him to do his due diligence. (Tr. 487-488:16-6)

7 105. Mr. Christopher testified that DEE had offerings in different projects involving oil and
8 gas wells which were located in Texas and the projects were explained to prospective investors or
9 investors as joint venture projects with DEE retaining a 25 percent interest in each project. (Tr. 234-
10 235:4-3)

11 106. Mr. Christopher stated that all investor funds in each project were pooled to fund the
12 project. (Tr. 235:17-20)

13 107. Mr. Christopher stated further that of the various well projects that were offered to
14 investors, only the following wells were involved in this proceeding: the Denver/Karber #1 ("DK
15 #1"); the Koomey/Morrison #4 (became the "DK#4M"); the Julie York Project became the Julie 3
16 Wells; and the Harrison Project became the J3W. (Tr. 237-239) (Ex. S-89)

17 108. According to Mr. Christopher, DEE purchased lead lists from five or six different
18 brokers and then DEE provided these lists to its independent contractors. (Tr. 252:1-10)

19 109. Mr. Christopher stated that he was unaware of any pre-existing relationship with any
20 of the individuals on the lead lists which DEE purchased from lead list brokers. (Tr. 253:1-11)

21 110. Mr. Christopher further stated that DEE relied upon the lead list brokers from whom
22 his company purchased the lists to verify accreditation status of the individuals who were identified
23 on the lists. (Tr. 253:17-24)

24 111. Mr. Christopher did not know how DEE could verify whether a prospective investor
25 was accredited prior to contacting the prospective investor whose name appeared on a lead list
26 purchased by DEE. (Tr. 254:1-9)

1 112. Mr. Christopher further testified that Mr. Munsey had been hired as an independent
2 contractor to sell investments for DEE in 2010 after DEE's office manager had run an ad for sales
3 people on Craigslist. (Tr. 254:12-24)

4 113. According to Mr. Christopher, independent contractors, such as Mr. Munsey, offered
5 DEE's projects to prospective investors utilizing the lead lists purchased by DEE in order to offer
6 them opportunities in the joint ventures. If the prospective investor exhibited an interest, the
7 contractors were to contact DEE's office which would mail out the hard copy of the offering to the
8 prospective investor. (Tr. 258-259:16-5)

9 114. Mr. Christopher stated that a California independent contractor who worked as a
10 salesperson for DEE contacted an investor from Arizona named Lori Cook. (Tr. 259-260:16-11)

11 115. Independent contractors such as Mr. Munsey were authorized to contact prospective
12 investors on behalf of DEE. (Tr. 260:12-16)

13 116. DEE's independent contractors were provided information about the various well
14 projects by DEE. (Tr. 260:17-20)

15 117. Mr. Christopher acknowledged that he had signed the joint venture agreement on
16 behalf of DEE with investor Charles Haegelin who first invested \$50,000 for a 7.5 percent working
17 interest in the J3W Project in November 2010. (Tr. 262:9-19)

18 118. Mr. Christopher further stated that Mr. Haegelin also invested in a second joint
19 venture project with DEE when he invested \$154,605 for a 15 percent working interest in the
20 DK#4M in December 2010. (Tr. 266:12-25) (Ex. S-128)

21 119. Mr. Christopher testified that neither he nor DEE had any prior relationship with Mr.
22 Haegelin prior to his investment in the joint venture and that he had been contacted as a result of a
23 lead list from a broker. (Tr. 263-264:25-6)

24 120. According to Mr. Christopher, Mr. Jacob Ullrich, Jr., who invested \$25,000 for a 3.75
25 percent working interest in the J3W Project in November 2010, did not have any pre-existing
26 relationship with either Mr. Christopher or DEE prior to his investment, and he too had been
27 contacted as a result of his name appearing on a lead list. (Tr. 264-265:10-4)

28

1 121. Mr. Christopher confirmed that Jack Jensen invested \$25,000 in a DEE joint venture
2 for a 3.75 percent working interest in the J3W Project. (Tr. 265:5-28)

3 122. Prior to Mr. Jensen's investment in the J3W Project, he had no pre-existing
4 relationship with either Mr. Christopher or DEE. (Tr. 265:19-22)

5 123. Mr. Christopher testified that Ms. Lori Cook, the Arizona investor, invested \$9,668 for
6 a .25 percent interest in the DK#4M joint venture in January 2011. (Tr. 268-269:25-12) (Ex. S-35)

7 124. Mr. Christopher further stated that because of the Division's action in this proceeding,
8 DEE offered a refund/rescission of her agreement to participate in the DK#4M project, but she
9 declined his offer. (Tr. 269:20-24) (Ex. S-34)

10 125. Mr. Christopher stated that Jack Jensen, a California investor, invested \$25,000 in the
11 DK#1 project in December 2010 and an additional \$9,629.63 upon completion of the drilling project
12 for a total of \$34,638.63. (Tr. 270-271:14-16) (Ex. S-33) (Ex. S-128)

13 126. Mr. Christopher stated that a Florida resident, Alton Dwyer, invested \$69,276.52 for
14 an 8 percent working interest in the DK#1 project. (Tr. 272:1-18)

15 127. Mr. Christopher further testified that Mr. Dwyer did not have a pre-existing
16 relationship with either DEE or Mr. Christopher prior to his investment. (Tr. 272: 21-24)

17 128. Mr. Christopher further testified that Mr. Sidney du Mont, a Florida resident who
18 invested \$34,638.69, for a 4 percent working interest in the DK#1 Project, in March 2011, did not
19 have a prior relationship with either Mr. Christopher or DEE before he invested, and he too had been
20 contacted as a result of one of the lead lists. (Tr. 273-274:13-19)

21 129. Mr. Christopher stated that in May 2011, when Mr. Marshall Rauch invested \$17,500
22 for a 1.875 percent working interest in the J3W Project on behalf of Gamp, LLC, Mr. Rauch
23 controlled the company. (Tr. 274-275:20-6)

24 130. Mr. Christopher estimated that DEE has raised between \$4 and \$5 million for its
25 various joint venture offerings. (Tr. 278:1-12)

26 131. According to Mr. Christopher, DEE reports monthly to the TRC its drilling activities
27 and production from the well projects that are part of the joint ventures which involve the investors.
28 (Tr. 292-293:16-21)

1 132. Respondents Christopher and DEE produced records for the J3W Project which
2 reflected oil production in May 2011 of 148.2 barrels, June 2011 of 88.74 barrels and August 2011 of
3 104 barrels, contrary to the records of the TRC which did not show any production for that same time
4 frame. However, Mr. Christopher testified that the discrepancy occurred because the TRC is "so
5 backed up at the Railroad Commission, it's unbelievable." (Tr. 294-298) (Ex. R-48) (Ex. S-81)

6 133. Respondent DEE's and Mr. Christopher's records of sale of oil from the J3W lease
7 reflect sales in July, August, September, and December 2011 followed by more sales in January,
8 March, and May of 2012. (Ex. R-58) However, TRC records differed and according to Mr.
9 Christopher the TRC had listed production for the wells under a prior operator, Property
10 Development Group. (Tr. 299-300:19-8) (Ex. R-58) (Ex. S-80)

11 134. Mr. Christopher stated further that DEE's records indicated that the company received
12 payments for oil production and from these payments distributions were made to investors. (Tr.
13 300:1-8)

14 135. TRC records indicated another DEE project, the Rancho Cali Project, had no reports
15 for oil production for May and June 2012; however, Respondent DEE provided records of oil
16 purchase statements in May and June 2012 which reflected approximately \$48,000 in revenue to
17 DEE. (Ex. S-86) (Ex. R-68)

18 136. Mr. Christopher testified that he was the ultimate decision maker with respect to how
19 to operate each of the joint venture projects after consulting with various experts in the field. (Tr.
20 302:5-22)

21 137. Mr. Christopher testified that he formed DEE in 2001 to develop oil and gas leases
22 that he acquired in what is known as Brookshire. (Tr. 309-310:23-4)

23 138. According to Mr. Christopher, salt domes are located over some of the largest
24 producing oil fields throughout the world in places such as California, Texas and Saudi Arabia. (Tr.
25 311:6-25)

26 139. All of the oil and gas wells operated by DEE are located on leases which are above
27 and to the sides of the Brookshire. (Tr. 315:5-12)

28

1 140. Mr. Christopher testified further that the company determined that it would have to
2 make an offering in order to raise funds to develop the wells by making an exempt offering pursuant
3 to the United States Securities and Exchange Commission's ("SEC"), Federal Rule 506 Regulation
4 D, and by complying with various states' "Blue Sky" requirements. (Tr. 325:1-9)

5 141. Mr. Christopher stated that DEE filed three notices of exempt offerings of securities
6 with the SEC on April 19, August 26, and October 14, 2010. (Ex. S-112, S-113, and S-114)

7 142. According to Mr. Christopher, in order to comply with the requirements of Regulation
8 D, DEE was acquiring lists of accredited oil and gas investors because he believed that they would be
9 interested in investing in wells which were located on a salt dome. (Tr. 328:13)

10 143. Mr. Christopher stated that he did research online in order to find companies that
11 market investor leads and the cost to acquire them. (Tr. 328-329:19-3)

12 144. Mr. Christopher testified further that DEE utilized six lead brokers which charged fees
13 for their services and were supposed to provide accredited, experienced oil and gas investors or
14 commodity type investors who would potentially be interested in investing with DEE. (Tr. 329-
15 330:20-6)

16 145. Mr. Christopher testified credibly that Mr. Munsey had utilized one of the lead lists
17 which had been purchased from one of DEE's lead brokers and that it contained the names of
18 individuals who had previously invested in oil and gas. (Tr. 330-331:16-4)

19 146. Mr. Christopher testified that names on lead lists sell for between \$1 and \$10 per lead,
20 with some costing even more. (Tr. 331:10-14)

21 147. Mr. Christopher understood that under the Rule 506 offering, an offeror could have an
22 unlimited number of accredited investors, but was limited to 35 unaccredited investors in order to
23 avoid a violation of the Rule. (Tr. 332:4-13)

24 148. Mr. Christopher thought that the only investor in his offerings who was unaccredited
25 was the Arizona investor, Lori Cook. (Tr. 332:17-22)

26 149. Mr. Christopher testified that based on Ms. Cook's background as an accountant with
27 an accounting degree, and her prior investing experience in commodities and in private placements,
28

1 that she could make an informed decision that an investment in a joint venture with DEE was suitable
2 for her. (Tr. 333:1-9)

3 150. According to Mr. Christopher, DEE had to register before a new investor in a state
4 could make an investment under the requirements of a Regulation D Rule 506 Exemption. (Tr.
5 333:13-21)

6 151. Mr. Christopher testified that after he learned that Ms. Cook had invested in a DEE
7 project, on June 7, 2011, he sent a letter to the Commission addressed to the Division and included a
8 check for \$250 to register DEE's offering pursuant to the Regulation D Rule 506 Exemption and
9 pursuant to A.A.C. R14-4-126.⁴ (Tr. 381-382:8-25) (Ex. R-50)

10 152. Subsequent to the Division's issuance of its T.O. and notice on May 23, 2011, DEE,
11 on June 21, 2011, sent a letter to Ms. Cook and offered her a full refund and rescission of her
12 participation in the DEE KM#4 Project. (Tr. 334:13-25)

13 153. However, Ms. Cook, the Arizona investor, refused the refund offer. (Tr. 335:1-8)

14 154. Prior to the Division's action in this matter, DEE's website on its second page
15 contained a disclaimer as follows: "There are significant risks associated with investing in oil and
16 gas ventures. The above information is for general purposes only and is not a solicitation to buy or
17 an offer to sell any securities." (Tr. 336:8-22) (Ex. S-72)

18 155. Mr. Christopher testified that shortly after DEE began to utilize independent
19 contractors as salesmen, on May 4, 2010, the PSC issued a Summary Order to Cease and Desist
20 ("Summary Order") against the offer and sale of joint venture investment opportunities in a DEE
21 project, the Koomey/Morrison #3, for \$33,635.87 per unit by means of an independent contractor
22 who advertised the opportunity on an internet message board. The Summary Order ordered DEE to
23 cease and desist from offering or selling the units in the State of Pennsylvania and provided an
24 opportunity for DEE to request a hearing. Mr. Christopher was not named personally in the
25 proceeding. (Tr. 338-339:16-25) (Ex. S-4)

26
27
28 ⁴ This payment was made after the offers and sales described herein, and the filing of the T.O. and Notice.

1 156. Mr. Christopher stated that he subsequently contacted a representative of the PSC and
2 was told that if he agreed to pay a \$1,500 fine, then the Summary Order would be rescinded and he
3 could continue to do business in Pennsylvania upon making a filing for a Regulation D Rule 506
4 exemption. (Tr. 340-341:3-13)

5 157. Mr. Christopher further stated that the subject joint venture, the Koomey/Morrison #3
6 Project, was an offering which was not made in Arizona. (Tr. 341:14-20) (Ex. S-3)

7 158. Mr. Christopher testified further that Respondent Munsey had been hired as an
8 independent contractor after DEE's office manager ran an ad for fundraisers and received a response
9 from Mr. Munsey including his resume and an application. (Tr. 342:7-14)

10 159. According to Mr. Christopher, Mr. Munsey had indicated that he had worked for
11 American Express for a number of years and also attended Phoenix Community College where he
12 studied accounting. (Tr. 343:3-13)

13 160. According to Mr. Munsey's initial independent contractor agreement dated September
14 30, 2010, he was not to make any misrepresentations or exaggerations or provide any false or
15 misleading information about any well projects. (Tr. 344-345:18-15) (Ex. S-8)

16 161. Mr. Christopher stated that DEE wanted accredited investors who understood the risk
17 and reward potential because of the risky nature of the business. (Tr. 346:1-4)

18 162. Mr. Munsey's independent contractor agreement with DEE contained an addendum
19 which stated that the contractor agreed to abide by all federal and state laws and agreed to register in
20 any and all states requiring registration. (Ex. S-8)

21 163. Mr. Munsey's employment contract with DEE which he signed on November 5, 2010,
22 contained the same provisions as his earlier independent contractor agreement. (Ex. S-92)

23 164. Mr. Christopher testified that DEE has started to make distributions to its joint partner
24 investors. (Tr. 349:10-12)

25 165. According to DEE records, the Arizona investor, Lori Cook, who invested \$9,668 in
26 the DK#4M joint venture had earned \$4,705.27 as of July 2012. (EX. R-69)

27 166. Mr. Christopher testified further that Marshall Rauch, Alton Dwyer, Sydney du Mont,
28 Jack Jensen, Jacob Ullrich, and Charles Haegelin, the investors who invested in DEE after they had

1 been solicited from Arizona, have all received distributions based on their investments in their joint
2 venture projects. (Tr. 357:1-13)

3 167. During the proceeding, Mr. Christopher agreed to provide copies of DEE's cancelled
4 checks to the investors.⁵ (Tr. 357:14-16)

5 168. Subsequently, Mr. Christopher acknowledged that Mr. du Mont had not begun to
6 receive any distributions because additional work had to be done on the DK#1 Project. (Tr. 357:22-
7 25)

8 169. Based on the record, there is no evidence that any complaints were made either to the
9 Division or to Respondents, Mr. Christopher and DEE, by any investors. (Tr. 362:7-13)

10 170. Mr. Christopher testified that he anticipates operating DEE's projects to produce oil
11 for a number of years into the future in order to return investors' principal investments together with
12 income. (Tr. 362-363:14-11)

13 171. A DEE Private Placement Memorandum for the KM#4 joint venture disclosed as a
14 risk factor that there were risks associated with the project and that investments should be made only
15 "by those individuals who can afford the loss of all or a portion of their investment in the Joint
16 Venture Well." (Ex. R-23)

17 172. Based on DEE records, the investors identified in this proceeding, after investing
18 approximately \$420,000, have received \$49,546.17 for slightly more than a ten percent rate of return
19 from their participation in the joint ventures. (Tr. 391-392:6-12)

20 173. According to Mr. Christopher, the lead brokers which he had researched and selected
21 to provide lead lists for DEE had advised him that he was getting the names of accredited investors.
22 (Tr. 425:2-9)

23 174. Mr. Christopher testified that the TRC's production reports run behind the actual
24 production from some of the wells reflected on the reports which the Division secured through the
25 internet. Additionally, Mr. Christopher testified that disbursements were paid to the joint venture
26 partners according to DEE's records which conflicted with the TRC's reports from the internet with
27

28 ⁵ On October 12, 2012, DEE filed copies of cancelled checks which reflected payments to investors.

1 respect to well production. However, there was no evidence presented by the Division to show that
2 the joint venture partners were not paid, either by calling these individuals as witnesses or by
3 providing either certified records of the TRC or sworn testimony by a TRC representative to establish
4 if there were any production discrepancies. (Tr. 454-457)

5 175. When Mr. Christopher testified, he stated that the joint venture investors were still
6 being paid on a monthly basis from oil production from the various projects. (Tr. 470:19-21)

7 176. Based on the evidence, we find that Respondents Munsey, MRC, DEE, and
8 Christopher offered and sold unregistered securities in the form of fractional, undivided interests in
9 oil and gas wells within or from Arizona.

10 177. Sales of the unregistered securities by unregistered dealers or salesmen totaled
11 \$420,407.25. Based on the record, of the \$420,407.25 in investment interests sold to the one Arizona
12 investor and the other out of state investors, it was established that Respondents Munsey and MRC
13 were not involved in the sale to the Arizona investor, Lori Cook, but were involved in the offer of the
14 interests in oil or gas wells to four out of state investors who invested in the DEE joint ventures. The
15 weight of the evidence established Respondent Christopher was the control person of DEE. With
16 respect to the Division's allegations of fraud against the Respondents, specifically regarding the
17 nondisclosure of the previously issued PSC Order, and misrepresentations concerning the oil
18 production from the various wells, we find that the evidence is conflicting. Based on the record, Mr.
19 Munsey was not a consultant or salesman for DEE at the time of the PSC Order and there was no
20 evidence that he was informed about it. With respect to the production of the wells operated by DEE,
21 we find that the sworn testimony of Mr. Christopher, supported by copies of late filed checks paid to
22 investors with respect to the production of the wells, has greater weight and credibility than the data
23 from the TRC website which was not supported by sworn testimony from a representative of the
24 TRC.

25 178. Under the circumstances herein, after our review of the entire record in this matter,
26 and reviewing the applicable law, we find that the Respondents, Mr. Munsey, MRC, DEE, and Mr.
27 Christopher committed violations of the Act by offering and selling unregistered securities in the
28 form of fractional undivided interests in oil or gas wells as unregistered dealers or salesmen within or

1 from Arizona. With respect to the allegations of fraud in this proceeding, we find that the Order of
2 the PSC should have been disclosed by Respondents DEE and Mr. Christopher. There is no evidence
3 that Respondents Mr. Munsey and MRC were made aware of the PSC Order at any time until after
4 the Division brought its action herein. Additionally, we believe that the most reliable evidence in this
5 case is the sworn testimony of a witness with supporting documentation when compared to
6 information which appears on the internet without certification or authentication as to its
7 completeness, accuracy, and veracity. Although there were no complaints by any investors in this
8 proceeding and the investor who was offered a refund chose not to accept it, the omission or
9 misstatement of a material fact, the PSC Order, would be significant information to a reasonable
10 investor. That is the relevant inquiry and not whether a particular investor would place any import in
11 the statements by those in violation of the Act.⁶ Therefore, based on the record, we find that
12 Respondents DEE and Mr. Christopher committed fraud in violation of A.R.S. § 44-1991.
13 Accordingly, an offer of rescission together with an administrative penalty should be ordered
14 hereinafter.

15 CONCLUSIONS OF LAW

16 1. The Commission has jurisdiction of this matter pursuant to Article 15 of the Arizona
17 Constitution and A.R.S. § 44-1801, et. seq.

18 2. The investment offering as described herein and offered and sold by Respondents
19 constitutes securities within the meaning of A.R.S. § 44-1801.

20 3. Respondents Munsey, MRC, DEE, and Christopher acted as a dealer and/or salesmen
21 within the meaning of A.R.S. § 44-1801(9) and (22).

22 4. The actions and conduct of Respondents Munsey, MRC, DEE, and Christopher
23 constitute the offer and sale of securities within the meaning of A.R.S. § 44-1801(21).

24 5. The securities were neither registered or exempt from registration in violation of
25 A.R.S. § 44-1841.

26 ...

27 _____
28 ⁶ See *Aaron v. Fromkin*, 196 Ariz. 224, 227, 994 P.3d 1039, 1042 (Ct. App. 2000) and *Chiarella v. United States*, 445
U.S. 222, 230, 100 S. Ct. 1108, 1115, 63 L. Ed. 2d 348 (1980).

1 6. The Respondents failed to meet their burden of proof pursuant to A.R.S. § 40-2033 to
2 establish that the securities offered and sold herein were exempt from regulation under the Act.

3 7. Respondents Munsey, MRC, DEE, and Christopher offered and sold unregistered
4 securities within or from Arizona in violation of A.R.S. § 44-1841.

5 8. Respondents Munsey, MRC, DEE, and Christopher offered and sold securities within
6 or from Arizona without being registered as a dealer and/or salesmen in violation of A.R.S. § 44-
7 1842.

8 9. Respondents DEE and Christopher committed fraud in the offer and sale of
9 unregistered securities, engaging in transactions, practices or a course of business which involves
10 untrue statements and omissions of material facts in violation of A.R.S. § 44-1991.

11 10. Respondents Munsey, MRC, DEE, and Christopher have violated the Act and should
12 cease and desist pursuant to A.R.S. § 44-2032, and from any future violations of A.R.S. §§ 44-1841,
13 44-1842, 44-1991, and all other provisions of the Act.

14 11. The actions and conduct of Respondents Munsey, MRC, DEE, and Christopher
15 constitute multiple violations of the Act and are grounds for an order of rescission pursuant to A.A.C.
16 R14-4-308 and administrative penalties pursuant to § A.R.S. 44-2036.

17 **ORDER**

18 IT IS THEREFORE ORDERED that pursuant to the authority granted to the Commission
19 under A.R.S. § 44-2032, Respondents Craig Randal Munsey, Marketing Reliability Consulting, LLC,
20 Denver Energy Exploration, LLC, and Michael Lee Christopher, shall cease and desist from their
21 actions described hereinabove in violation of A.R.S. §§ 44-1841 and 44-1842.

22 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
23 A.R.S. § 44-2032, Respondents Denver Energy Exploration, LLC, and Michael Lee Christopher shall
24 cease and desist from their actions described hereinabove in violation of A.R.S. § 44-1991.

25 IT IS FURTHER ORDERED pursuant to the authority granted to the Commission under
26 A.R.S. § 44-2036, Respondents Craig Randal Munsey and Marketing Reliability Consulting, LLC,
27 shall pay as and for administrative penalties of A.R.S. § 44-1841 the sum of \$750; and for the
28 violation of A.R.S. § 44-1842 the sum of \$750. The payment obligation of these administrative

1 penalties shall be subordinate to any rescission obligation that shall become immediately due and
2 payable only after rescission payments have been paid in full or upon Respondents' default with
3 respect to Respondents' rescission obligations.

4 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
5 A.R.S. § 44-2036, Respondents Denver Energy Exploration, LLC, and Michael Lee Christopher shall
6 pay as and for administrative penalties for the violation of A.R.S. § 44-1841 the sum of \$1,500; for
7 the violation of A.R.S. § 44-1842 the sum of \$1,500; and for the violation of A.R.S. § 44-1991 the
8 sum of \$3,000. The payment obligation of these administrative penalties shall be subordinate to any
9 rescission obligation and shall become immediately due and payable only after rescission payments
10 have been paid in full or upon Respondents' default with respect to Respondents' rescission
11 obligations.

12 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
13 A.R.S. § 44-2036, that Respondents Craig Randal Munsey and Marketing Reliability Consulting,
14 LLC, jointly and severally shall pay the administrative penalties ordered hereinabove in the amount
15 of \$1,500 payable by either cashier's check or money order paid to the "State of Arizona" and
16 presented to the Arizona Corporation Commission for deposit in the general fund.

17 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
18 A.R.S. § 44-2036, that Respondents Denver Energy Exploration, LLC, and Michael Lee Christopher,
19 jointly and severally shall pay the administrative penalties ordered hereinabove in the amount of
20 \$6,000, payable by either cashier's check or money order payable to the "State of Arizona" and
21 presented to the Arizona Corporation Commission for deposit in the general fund for the State of
22 Arizona.

23 IT IS FURTHER ORDERED that if Respondents Craig Randal Munsey, Marketing
24 Reliability Consulting, LLC, Denver Energy Exploration, LLC, and Michael Lee Christopher fail to
25 pay the administrative penalties ordered hereinabove, any outstanding balance plus interest at the rate
26 of the lessor of 10 percent per annum or the rate per annum that is equal to one percent plus the prime
27 rate as published by the Board of Governors of the Federal Reserve System of Statistical Release
28 H.15 or any publication that may supersede on the date that the judgment is entered may be deemed

1 in default and shall be immediately due and payable, without further notice.

2 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
3 A.R.S. § 44-2032, Respondents Craig Randal Munsey, Marketing Reliability Consulting, LLC,
4 Denver Energy Exploration, LLC, and Michael Lee Christopher jointly and severally shall make an
5 offer of rescission with respect to the sales of the fractional, undivided interests in oil or gas wells,
6 which offer of rescission shall be made pursuant to A.A.C. R14-4-308, subject to any legal set-offs
7 by the Respondents and confirmed by the Director of Securities, with said offer of rescission to be
8 made within 60 days of the effective date of this Decision.

9 IT IS FURTHER ORDERED that Respondents Craig Randal Munsey and Marketing
10 Reliability Consulting, LLC's share of the offer of rescission as to each investor shall be limited to
11 the commissions earned from their sales to any investor who was identified by Mr. Munsey and who
12 requests rescission.

13 IT IS FURTHER ORDERED that the offer of rescission ordered hereinabove shall bear
14 interest at the rate of the lessor of 10 percent per annum or at a rate per annum that is equal to one
15 percent plus the prime rate as published by the Board of Governors of the Federal Reserve System of
16 Statistical Release H.15 or any publication that may supersede on the date that the judgment is
17 entered.

18 IT IS FURTHER ORDERED that all rescission payments as ordered hereinabove shall be
19 deposited into an interest bearing account(s), if appropriate, until distributions are made.

20 IT IS FURTHER ORDERED that the Commission shall disburse the funds on a pro-rata basis
21 to the investors shown on the records of the Commission. Any rescission funds that the Commission
22 cannot disburse because an investor refuses to accept such payment, or any rescission funds that
23 cannot be disbursed to an investor because an investor is deceased and the Commission cannot
24 reasonably identify and locate the deceased investor's spouse or natural children surviving at the time
25 of distribution, shall be disbursed on a pro-rata basis to the remaining investors shown on the records
26 of the Commission. Any funds that the Commission determines that it is unable to or cannot feasibly
27 disburse shall be transferred to the general fund of the State of Arizona.

28

1 IT IS FURTHER ORDERED that if Respondents Craig Randal Munsey, Marketing
2 Reliability Consulting, LLC, Denver Energy Exploration, LLC, and Michael Lee Christopher fail to
3 comply with the requirement to make an offer of rescission pursuant to this Order, the Respondents
4 shall be jointly and severally liable for restitution in the amount of \$420,407.25, payable to the
5 Arizona Corporation Commission, less any legal offsets pursuant to A.A.C. R14-4-308(C).

6 IT IS FURTHER ORDERED that default shall render Respondents Craig Randal Munsey,
7 Marketing Reliability Consulting, LLC, Denver Energy Exploration, LLC, and Michael Lee
8 Christopher liable to the Commission for its costs of collection and interest at the rate of the lessor of
9 10 percent per annum or at a rate per annum that is equal to one percent plus the prime rate as
10 published by the Board of Governors of the Federal Reserve System of Statistical Release H.15 or
11 any publication that may supersede on the date that the judgment is entered.

12 IT IS FURTHER ORDERED that if Respondents Craig Randal Munsey, Marketing
13 Reliability Consulting, LLC, Denver Energy Exploration, LLC, and Michael Lee Christopher fail to
14 comply with this Order, the Commission may bring further legal proceedings against Respondent(s)
15 including application to the Superior Court for an order of contempt.

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1 IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-1974, upon application, the
2 Commission may grant rehearing of this Order. The application must be received by the Commission
3 at its offices within twenty (20) calendar days after entry of this Order and, unless otherwise ordered,
4 filing an application for rehearing does not stay this Order. If the Commission does not grant
5 rehearing within twenty (20) calendar days after the filing of the application, the application is
6 considered to be denied. No additional notices will be given of such denial.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

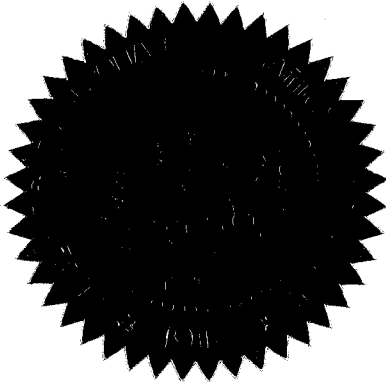
9
10
11 CHAIRMAN

COMMISSIONER

12
13 COMMISSIONER

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive
Director of the Arizona Corporation Commission, have
hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this 20th day of June 2014.

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21 JODI JERICH
22 EXECUTIVE DIRECTOR

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DISSENT

DISSENT
MES:tv

1 SERVICE LIST FOR: CRAIG RANDAL MUNSEY; MARKETING
2 RELIABILITY CONSULTING, LLC (d.b.a. "MRC
3 LLC"); DENVER ENERGY EXPLORATION, LLC;
MICHAEL LEE CHRISTOPHER

4 DOCKET NO.: S-20804A-11-0208

5 Craig Randal Munsey
6 2303 North 44th Street, Suite 14-1071
Phoenix, AZ 85008-2443

7 Robert D. Mitchell
8 MITCHELL & ASSOCIATES
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9 Phoenix, AZ 85004-3946
Attorneys for Denver Energy Exploration,
LLC and Michael Lee Christopher

10 Matt Neubert, Director
11 Securities Division
ARIZONA CORPORATION COMMISSION
12 1300 West Washington Street
Phoenix, AZ 85007

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