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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS**DOCKETED**

TOM FORESE - Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

JAN 3 2018

DOCKETED BY

In the matter of

CLEAR ENERGY GROUP, LLC, an
Arizona limited liability company, and

PAUL W. RAMIREZ, a single man,

Respondents.

DOCKET NO. S-20999A-16-0483

DECISION NO. 76517

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, AND ORDER FOR
ADMINISTRATIVE PENALTIES**

On July 10, 2017, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed an 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 (the "Notice") against Respondents Clear Energy Group, LLC and Paul W. Ramirez.

On October 23, 2017, the Division served a copy of the Notice, upon Clear Energy Group, LLC and Paul W. Ramirez, by delivering the Notice to Paul W. Ramirez via certified mail. No request for a hearing or answer to the Notice has been filed as of December 18, 2017.

I.**FINDINGS OF FACT**

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

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

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

4 4. In fall 2014, Ramirez met JFS, an Ohio resident, when Ramirez was at an Ohio car
5 dealership.

6 5. In conversations between Ramirez and JFS, Ramirez described an investment
7 opportunity in oil wells in New York State where Clear Energy would own 50% of five oil wells. A
8 third party, Drillers LLC, would drill and operate the wells.

9 6. Based on these representations, JFS invested \$450,000 in Clear Energy on September
10 18, 2014.

11 7. In exchange for his investment, JFS received a note and a security interest in oil and
12 mineral rights.

13 8. The note that Clear Energy sold to JFS describes Clear Energy as the "Borrower."
14 This note bears interest at 20% per annum. It requires Clear Energy to make 12 consecutive, interest-
15 only payments of \$7,500 due on the first day of every month beginning on November 1, 2014. On
16 November 1, 2015, Clear Energy is to make a balloon payment of all principal and outstanding
17 interest.

18 9. JFS's note says it is "to be secured by a UCC Security Agremenet [*sic*] on certain oil
19 well interests located in Olean, New York, as described in said Security Agreement."

20 10. The note states that it was made in Scottsdale, Arizona.

21 11. Ramirez signed the note as the "managing member" of Clear Energy.

22 12. In exchange for his \$450,000 payment, Clear Energy also provided JFS with a
23 "Security Agreement" with Clear Energy as the "Debtor" and JFS as the "Secured Party." This
24 agreement grants JFS a security interest in all of Clear Energy's interest in the first six oil wells
25 developed by Drillers LLC on an oil and gas lease in Cattaraugus County, NY.

1 13. In fall 2014, a mutual acquaintance introduced Ramirez to JPS and AS, who are Ohio
2 residents.

3 14. In conversations between Ramirez and JPS and AS, Ramirez described an investment
4 opportunity in oil wells in New York. This was the same opportunity he described to JFS, i.e. that
5 Clear Energy would own 50% of five oil wells drilled and operated by Drillers LLC.

6 15. Based on these representations, JPS and AS each invested \$150,000, for a total of
7 \$300,000, in Clear Energy on November 19, 2014.

8 16. In exchange for their respective \$150,000 investments, JPS and AS each received a
9 note and a security interest in oil and mineral rights.

10 17. The notes that Clear Energy sold to JPS and AS describe Clear Energy as the
11 "Borrower." The notes each bear interest at 15% per annum. The terms of the notes require Clear
12 Energy to make six consecutive monthly payments of \$1,875 beginning on January 20, 2015, and
13 continuing through June 20, 2015. On June 20, 2015, Clear Energy is to make a balloon payment of
14 all principal and outstanding interest.

15 18. JPS's and AS's notes are both "to be secured by a UCC Security Agremenet [*sic*] on
16 certain oil well interests located in Olean, New York, as described in said Security Agreement."

17 19. The notes state that they were made in Scottsdale, Arizona.

18 20. Ramirez signed the notes as the "managing member" of Clear Energy.

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

24 22. In April 2015, a mutual business associate told MH, a California resident, about
25 Ramirez and Clear Energy.
26

1 23. In conversations between Ramirez and MH, Ramirez described an investment
2 opportunity in an oil well in Olean, New York. According to Ramirez, oil had already been
3 discovered and \$1,000,000 had already been invested in the well. Ramirez told MH that additional
4 investor money was needed to complete the well through fracking. Ramirez further represented that
5 the investment was 100% guaranteed.

6 24. Based on these representations, MH invested \$45,000 in Clear Energy through his
7 company, SolarStar. He invested \$22,500 on April 9, 2015, and another \$22,500 on April 22, 2015.

8 25. MH expected his investment to be used only on fracking an oil well in Olean, New
9 York.

10 26. In exchange for the investments, MH/SolarStar received notes and fractional
11 undivided interests in oil and mineral rights.

12 27. Both notes say that they are “to be secured by a UCC Security Agreement on certain
13 oil well interests located in Olean, New York[.]”

14 28. Each note states that it was made in Scottsdale, Arizona.

15 29. Ramirez signed each note as the “managing member” of Clear Energy.

16 30. Both of MH/SolarStar’s notes list SolarStar as the “Lender.” Each note bears interest
17 at 24% interest per annum and requires Clear Energy to make six monthly payments of \$450 followed
18 by a balloon payment at the end of the six-month period.

19 31. Each note also grants SolarStar a working interest in the well, described as a
20 “horizontal well” on the “Stephens-Williams lease.” For each note, SolarStar was to initially receive
21 a 5% working interest upon fracking of the well. After the principal and interest on the notes are
22 repaid, SolarStar would retain a 3% working interest per note for the life of the well.

23 32. Respondents also provided MH with a document titled “Wellbore Assignment,
24 Conveyance, Bill of Sale and Release” which lists Ramirez as the “Assignor” and MH as the
25 “Assignee.”
26

1 33. This document assigns MH a 6% working interest in the well, described as being in
2 the Town of Allegany (which is a few miles from Olean), County of Cattaraugus, New York, in
3 exchange for MH funding \$45,000 to complete the fracking of the well.

4 34. SolarStar received one, \$900 payment from Clear Energy in the form of a Cashier's
5 Check from a Scottsdale branch of Wells Fargo, dated May 11, 2015. SolarStar/MH received no
6 other payments.

7 35. In early 2015, Ramirez contacted PG, a California resident. Ramirez met PG through
8 a mutual friend.

9 36. In conversations between Ramirez and PG, Ramirez described an investment
10 opportunity in an oil well in Olean, New York. Ramirez described it as a horizontal hydraulic fracking
11 project. Ramirez stated that everything at the well site was taken care of and that they needed investor
12 money to start the actual fracking.

13 37. Based on these representations, PG invested \$21,500 in Clear Energy on May 5, 2015.

14 38. In exchange for his investment, PG received a note and fractional undivided interests
15 in oil and mineral rights.

16 39. The note that Clear Energy sold to PG describes Clear Energy as the "Borrower." This
17 note bears interest at 12% per annum. It requires Clear Energy to make six consecutive, interest-only
18 payments of \$215 beginning on June 1, 2015, followed by a balloon payment of all principal and
19 outstanding interest.

20 40. The PG-Clear Energy note also grants PG a 3% interest in the Olean, NY oil well:
21 "Security in Promissory Note is direct interest of 3% in Stephens-Williams 1 Located In Olean, NY.
22 Direct Interest will be transferred immediately upon well frack. This ownership shall remain for the
23 life of the well after promissory note is paid in full."

24 41. PG's note says it is "to be secured by a UCC Security Agreement on certain oil well
25 interests located in Olean, New York[.]"

26 42. The note states that it was made in Scottsdale, Arizona.

1 43. Ramirez signed the note as the “managing member” of Clear Energy.

2 44. PG has not received any payments from his investment with Respondents.

3 **Respondents’ Misrepresentations to Investors**

4 45. Clear Energy and Ramirez promised the Investors that they would quickly receive
5 returns on their investments. All Investors were to receive monthly interest payments, then a full
6 return of their funds within six months or a year of their purchase. Besides the single, \$900 payment
7 made to MH described above, the Investors did not receive the interest payments promised; no
8 Investors received a return of any principal.

9 46. Respondents failed to inform two Investors, MH and PH, that prior to their purchase
10 of the notes and well interests, Clear Energy had failed to make required payments to persons who
11 had previously purchased notes from Clear Energy.

12 47. All five Investors understood that they were investing in oil and gas production and
13 that their investments would be secured by Clear Energy’s ownership interests in several oil wells.
14 At least two investors were to receive interest in oil well revenues after their notes were paid.
15 Respondents failed to disclose to each of the four Investors who invested subsequent to JFS that
16 Respondents had already granted security interests in the wells.

17 48. Respondents failed to disclose to the Investors any risks related to investing or any
18 risks associated with oil and gas investments in particular.

19 49. Respondents told at least two Investors that their investment funds would be used for
20 fracking an oil well in or near Olean, New York. Respondents failed to disclose to these two Investors
21 that the State of New York had placed a moratorium on all fracking in 2008. On December 17, 2014,
22 New York’s governor announced that the moratorium would become a permanent ban on fracking.
23 Thus at all relevant times, fracking was prohibited in New York.

II.**CONCLUSIONS OF LAW**

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

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

9. Ramirez directly or indirectly controlled Clear Energy within the meaning of A.R.S. § 44-1999. Therefore, he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as Clear Energy for its violations of A.R.S. § 44-1991.

III.**ORDER**

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

1 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents'
2 agents, employees, successors and assigns, permanently cease and desist from violating the Securities
3 Act.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents shall jointly
5 and severally pay restitution to the Commission in the principal amount of \$815,600 as a result of
6 the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the
7 date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing
8 account controlled by the Commission.

9 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
10 accrue interest, as of the effective date of the Order, at the rate of the lesser of (i) ten percent per
11 annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the
12 board of governors of the federal reserve system in statistical release H. 15 or any publication that
13 may supersede it on the date that the judgment is entered.

14 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
15 of the Commission. Any restitution funds that the Commission cannot disburse because an investor
16 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
17 because the investor is deceased and the Commission cannot reasonably identify and locate the
18 deceased investor's spouse or natural children surviving at the time of the distribution, shall be
19 disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission.
20 Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be
21 transferred to the general fund of the state of Arizona.

22 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents shall jointly
23 and severally pay an administrative penalty in the amount of \$50,000 as a result of the conduct set
24 forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order.
25 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as
26 allowed by law.

1 IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding
2 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per
3 annum that is equal to one per cent plus the prime rate as published by the board of governors of the
4 federal reserve system in statistical release H. 15 or any publication that may supersede it on the date
5 that the judgment is entered.

6 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
7 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
8 shall be applied to the penalty obligation.

9 IT IS FURTHER ORDERED, that if a Respondent fails to comply with this order, the
10 Commission may bring further legal proceedings against that Respondent, including application to
11 the superior court for an order of contempt.

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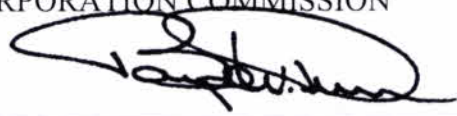
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IT IS FURTHER ORDERED that this Order shall become effective immediately.

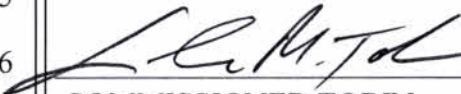
BY ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN FORESE



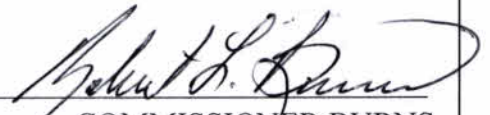
COMMISSIONER DUNN



COMMISSIONER TOBIN



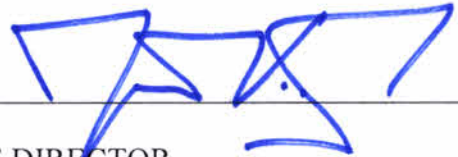
COMMISSIONER OLSON



COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, 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 3rd day of January, 2018.



TED VOGT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(RJM)

1 SERVICE LIST FOR: *In re Clear Energy Group, LLC et al.*

2 Paul H. Ramirez

3 15600 Frank Lloyd Wright Blvd., Apt. 1065

4 Scottsdale, AZ 85260

5 *Respondent and Respondent Clear Energy's Manager/Member/Statutory Agent*

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