



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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REGULATORS WARN AGAINST SLIPPERY OIL DEALS Oil & Gas Scams Favored by Cons

PHOENIX – Although oil prices have fallen since reaching an all-time high in 2006, fraudulent oil and gas deals remain a favorite ploy of con artists nationwide, according to securities regulators at the Arizona Corporation Commission’s Securities Division. Arizona joins the North American Securities Administrators’ Association in warning investors to avoid slippery oil and gas deals.

“Investing in commodities like oil and gas deals, precious metals or minerals can be legitimate for people who understand and can afford the risks,” said Commission Chairman Jeff Hatch-Miller. “But too often we are seeing doubtful and even outright fraudulent energy deals aggressively promoted to the public.”

“Any commodity that gets headline coverage for high prices – like oil, gas, gold or copper – can give a scam artist the leverage he or she needs to persuade an unsuspecting investor,” Commissioner Bill Mundell said.

Skyrocketing prices of oil and natural gas in recent years have made a variety of traditional and alternative energy projects attractive to investors. Most of these investments are highly risky and not appropriate for smaller investors. And even where the underlying project is legitimate, the resulting profits can be absorbed by high sales commissions paid to the promoter and dubious ‘expenses’ skimmed off by managers.

“Just two days ago, my fellow Commissioners and I ordered Gary Milby and his three companies to pay full restitution and \$100,000 in penalties for offering fraudulent oil and gas investments in Arizona,” Commissioner Mike Gleason said. (For details, click <http://www.azinvestor.gov/News/2007/jan10-07.pdf>.)

Over the past two years, state securities regulators have opened more than 260 cases involving oil and gas-related schemes and have issued 122 cease and desist orders against promoters.

“Scam artists tend to target individual victims and make an unsolicited contact, usually with a phone call, offering a ‘get in on the ground floor’ or ‘urgent’ business opportunity,” Commissioner Kris Mayes said. “Never succumb to pressure to invest. High pressure tactics are a hallmark of fraud.”

The Commission is also posting a more detailed Investor Alert on its investor education website (www.azinvestor.gov) to warn investors about oil and gas opportunities.

Commissioner Gary Pierce said most fraud victims don’t realize they have been swindled until after the money is gone. “Investors should tread very carefully before buying into an oil, gas or mineral deal. Do independent research to check the background of the promoters, get a clear explanation of the deal in writing and carefully read all the fine print.”

The Arizona Corporation Commission’s Securities Division can tell you whether an individual and his or her company are licensed to sell securities in Arizona, and whether they have a history of disciplinary action. Just call 602-542-4242 or toll free outside the Phoenix metropolitan area and Arizona at 1-866-VERIFY-9. The Division’s investor education website also has helpful information at www.azinvestor.gov.

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