



Jesse White

SECRETARY OF STATE

NEWS

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For More Information Contact:
Dave Druker
Randy Nehrt

Illinois Secretary of State Jesse White Warns Against Slippery Oil and Gas Deals *Oil Patch Scams Remain Favored Ploy to Fleece Investors*

Illinois Secretary of State Jesse White warned investors that although oil prices have fallen since reaching an all-time high last summer, fraudulent oil and gas deals remain a favorite ploy of con artists nationwide.

White, whose office regulates the securities industry in Illinois and investigates complaints of fraud or improper practices, issued the warning in conjunction with the North American Securities Administrators Association (NASAA), the membership organization of state and provincial securities regulators.

“Investors who consider participating in oil and gas ventures should ensure they understand the risk involved,” said White. “We also want to warn people that we have seen fraudulent energy deals aggressively promoted to the public. Investors should always research the background of anyone who promotes an investment opportunity to them, get a clear explanation of the deal in writing and carefully read all the fine print.”

According to the NASAA, 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, any revenues realized can be absorbed by high sales commissions paid to the promoter and dubious 'expenses' skimmed off by the managing partner. Most scam deals, say regulators, are devastatingly simple.

White said NASAA has issued an alert to investors who may be considering oil and gas opportunities. Because these investments scams tend to be interstate in nature, NASAA also has coordinated a network of representatives from state securities agencies to share information on oil and gas investment schemes. Over the past two years, state securities regulators throughout the country have opened more than 260 cases involving oil and gas-related schemes and have issued 122 cease and desist orders against promoters. In Illinois a dozen cases have been opened thus far against potential violators of the law.

Scam artists tend to target individual victims and make an unsolicited contact, usually with a phone call, offering a great business opportunity. Most oil and gas fraud victims don't realize they have been swindled until after the money is gone.

Businesses raising money by soliciting investors must comply with the Illinois Securities law. Scam artists usually tell prospective victims that they are licensed and their investment is registered - and they can be quite convincing.

“You should never take unsolicited promoters offering investment opportunities at their word,” White said. “You should always investigate before you invest and my office is available to help.”

The Secretary of State Securities Department can tell you whether an individual and his or her company are licensed to sell securities in Illinois, and whether they have a history of disciplinary action. The Securities Department can be contacted by calling 1-800-628-7937 or through its website at www.avoidthescam.net.