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FOR IMMEDIATE RELEASE

State Securities Regulator Warns Against Slippery Oil Deals Oil Patch Scams Remain Favored Ploy to Fleece Investors

MONTGOMERY, ALABAMA (January 11, 2007) – Although oil prices have fallen since reaching an all-time high this summer, fraudulent oil and gas deals remain a favorite ploy of con artists nationwide, according to Joseph P. Borg, Director of the Alabama Securities Commission (ASC).

“Securities investments offering profit participation in oil and gas ventures can be legitimate for those who understand and can afford the risk,” said Borg. “But too often we are seeing doubtful and even outright fraudulent energy deals aggressively promoted to the public.”

Skyrocketing prices of oil and natural gas in recent years have made a variety of traditional and alternative energy projects attractive to investors, Borg said. 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.

Businesses raising money by soliciting investors must comply with the Alabama Securities Act. Scam artists tend to target individual victims and make an unsolicited contact, usually with a phone call, offering a “great” business opportunity.

The Alabama Securities Commission, along with its membership organization, the North American Securities Administrators Association (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 has coordinated a group of representatives from state securities agencies to share information on oil and gas investment schemes. 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.

Borg said most oil and gas fraud victims don’t realize they have been swindled until after the money is gone. “As in any investment, we ask that investors investigate before they invest and call our office,” Borg said. “An investor should do three things before buying into any limited partnership in energy or any other industry. You need to independently research the background of the promoters, get a clear explanation of the deal in writing, and carefully read all the fine print.”

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Borg noted that scam artists usually tell prospective victims that they are licensed and their investment is registered — and they can be quite convincing. “But unless you can afford to lose your money, don’t take them at their word. Find out for sure,” Borg said.

To learn more about Gas and Oil investment scams view a new brochure in the Investor Education & Fraud Prevention area at www.asc.state.al.us.

The Director of the Alabama Securities Commission cautions potential investors to thoroughly check out any investment opportunity. Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, the registration status of securities, to report suspected fraud, or obtain consumer information:

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