



**BEFORE THE ARIZONA CORPORATION COMMISSION**

Arizona Corporation Commission  
**DOCKETED**

**JAN 16 2007**

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
GARY PIERCE

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In the matter of:  
  
Mid America Energy, Inc.,  
a Nevada Corporation  
321 Victor Reiter Parkway  
Portland, TN 37148  
  
Mid America Oil & Gas, LLC  
a Kentucky Limited Liability Company,  
493 Pleasant Run Church  
Campbellsville, KY  
  
Gary M. Milby a/k/a  
Gary Moss Milby a/k/a  
Gary M. Milley  
and Wanda Milby,  
husband and wife  
321 Victor Reiter Parkway  
Portland, TN 37148  
  
Jim and Rita Whatcott,  
husband and wife  
222 Basin Creek Road  
Durango, CO 81303-3647  
  
John and Lucille Blitz,  
husband and wife  
225 Marneh Avenue  
Santa Cruz, CA 95062  
  
Clinton Goff a/k/a Clint Goff,  
an un-married man  
321 Victor Reiter Parkway  
Portland, TN 37148

) Docket No. S-20442A-06-0110

) DECISION NO. 69234

) **ORDER TO CEASE AND DESIST, ORDER**  
) **FOR RESTITUTION AND CONSENT TO**  
) **SAME**  
) **BY: RESPONDENT JOHN BLITZ**

1 Warren Exploration, LLC )  
 2 A Nevada Limited Liability Company )  
 3 321 Victor-Reiter Parkway )  
 4 Portland, TN 37148 )  
 5 Energy Marketing, Inc., )  
 6 a Nevada Corporation )  
 7 129 Haven Street, Unit A )  
 8 Hendersonville, TN 37075 )  
 9 Respondents. )

10 Respondent John Blitz elects to permanently waive any right to a hearing and appeal under  
 11 Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* (“Securities Act”)  
 12 with respect to this Order To Cease And Desist, Order for Restitution and Consent to Same  
 13 (“Order”). Respondent admits the jurisdiction of the Arizona Corporation Commission  
 14 (“Commission”); neither admits nor denies the Findings of Fact and Conclusions of Law contained  
 15 in this Order; and consents to the entry of this Order by the Commission.

16 **I.**  
 17 **FINDINGS OF FACT**

18 1. JOHN BLITZ (“Blitz” or “Respondent”) resides at 225 Marnell Avenue, Santa Cruz,  
 19 CA 95062. At all relevant times, Lucille Blitz was the spouse of BLITZ.

20 2. About mid January of 2005 Blitz replied to an ad in the New York Times seeking an  
 21 “ISO,” an Independent Sales Organization, to market oil and gas investments. Subsequently, Blitz  
 22 visited Mid America Energy, Inc. (“MAE”), Mid America Oil & Gas, LLC (“MAOG”) and visited  
 23 with John Melton, Missy Chapman, and Gary Milby (“MILBY”) in Tennessee. After the trip to  
 24 Tennessee, BLITZ agreed to work on bringing in oil and gas investors to MAE and MAOG; in  
 25 return BLITZ would receive a percentage of the investments raised.

26 3. On January 31, 2006, BLITZ arranged an ad with the online “Oil & Gas Journal” at  
www.ogj.com to find leads for MAE and MAO investors. From at least the first week of February

1 of 2006, BLITZ placed advertisements for oil and gas opportunities in various newspapers including  
2 the Arizona Republic, to bring investors to MAE and MAOG.

3 4. BLITZ specifically arranged to publish an ad in the Arizona Republic that ran on  
4 Sunday February 5, 2006. This ad stated, "Make up to \$4800/mo on a \$49K oil investment.  
5 615-537-0261." At all times, MAE, MAOG, and MILBY were aware of the advertisements being  
6 made by BLITZ, in fact they reviewed and approved the ads.

7 5. A call to the published number by at least one potential Arizona investor resulted in a  
8 return phone call from BLITZ who represented himself as a representative of Mid America  
9 Energy ("MAE") located in Hendersonville, Tennessee. On February 22, 2006, BLITZ  
10 represented that MAE was operated by MILBY and offered a 2% net revenue interest in three oil  
11 wells for \$49,000 in an area called the "Knox Formation." BLITZ represented that payments to  
12 investors would begin one year after the investment was made and continue for approximately  
13 twenty plus years.

14 6. On February 22, 2006, BLITZ also represented that the opportunity with MAE is a  
15 private placement "registered with the SEC." In fact, no filing existed with the SEC concerning  
16 Eagle Oil #6 on or prior to February 22, 2006.

17 7. On or about February 27, 2006, a "Private Placement Memorandum" ("PPM"), for a  
18 program known as EAGLE OIL #6 was received by at least one potential Arizona investor from  
19 MAE and BLITZ. The materials also identify MILBY as President of MAE and as the Managing  
20 Partner for the EAGLE OIL #6 program.

21 8. Under the alleged PPM, \$1,225,000 was to be raised from the sale of 25 units at  
22 \$49,000 each. According to the PPM, in the aggregate the 25 units will have a total of 50% net  
23 revenue interest and a 62.5% working interest in three new oil and gas wells in Adair County,  
24 Kentucky.

25 9. In the PPM, MAE represents that EAGLE OIL #6 is a Tennessee limited liability  
26 partnership.

1           10. Again according to the PPM, once funded by MAE, EAGLE OIL #6 is to drill,  
2 complete, and operate up to three wells. Distributions are to be made to the partners from the  
3 revenues of the wells minus expenses and reserves.

4           11. Terms of the EAGLE OIL #6 investment are also set forth in a brochure which  
5 BLITZ arranged to forward to at least one Arizona investor. The brochure identifies both  
6 MAOG and MAE in the materials which encourages Prospective investors "to visit the field  
7 operations" by MILBY.

8           12. However, it is clear from the PPM that investors must rely upon management who has  
9 the sole discretion over everything including the drill sites and whether to substitute them. In  
10 fact, in the PPM it states that, "*[t]he Managing Partner will have exclusive and complete*  
11 *discretion in and responsibility for the management of the Partnership and will make all*  
12 *decisions affecting Partnership affairs, including certain decisions with respect to the drilling,*  
13 *completion, development and operation of the properties in which the Partnership invest. The*  
14 *Managing Partner will exercise complete control over all of the Partnership's activities.*  
15 *Accordingly, the investors must rely entirely upon the Managing Partner and its management*  
16 *and personnel in the conduct of the Partnership's business.*" (Italics added). There is no avenue  
17 for investors to participate in the management of the venture.

18           13. The documents received by at least one potential Arizona investor on February 27,  
19 2006 also contained a cover letter from BLITZ. The cover letter sets forth highlights of the oil  
20 drilling investment including the following representations: "*3 Guaranteed Producing Oil*  
21 *Wells," "[m]onthly income checks for as much as \$3,600 + per unit," and "Monthly checks*  
22 *lasting for as long as 30--50 years."* (Italics added).

23           14. The investments with MAE and MAOG were offers of securities in the form of  
24 investment contracts in oil and gas opportunities.

25           15. On or prior to December 6, 2005, the Pennsylvania Securities Commission issued a  
26 Summary Order to Cease and Desist against MAE, MILBY and Tom McKenna. Said order was

1 entered to halt the offer and sale of unregistered securities, namely units representing a working  
2 interest in an operation to drill and operate oil wells in Kentucky – Black Gold Oil #4, LLP. The  
3 summary order was not disclosed by BLITZ to at least one potential Arizona investor.

4 16. On February 28, 2006 a TEMPORARY ORDER TO CEASE AND DESIST AND  
5 NOTICE OF OPPORTUNITY FOR HEARING (“TC&D”) was entered by the Arizona  
6 Corporation Commission against, among others, BLITZ.

7 17. BLITZ represents under oath that no securities offers he made in Arizona or to Arizona  
8 residents resulted in any sales.

9 18. The Division’s records reflect that Arizona residents invested at least \$200,000.00 with  
10 MAE and MAOG. The Arizona investors known to the Division are believed to have been  
11 introduced to MAE and MAOG by persons other than BLITZ.

12 19. Since receiving notice of the entry of the TC&D, BLITZ represents under oath that he  
13 has not directly offered securities in Arizona.

14 **II.**

15 **CONCLUSIONS OF LAW**

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

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

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

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

24 5. Respondent violated A.R.S. § 44-1991 by making untrue statements or misleading  
25 omissions of material facts.

26



1 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the  
2 state of Arizona.

3 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If  
4 Respondent does not comply with this Order, any outstanding balance may be deemed in default  
5 and shall be immediately due and payable.

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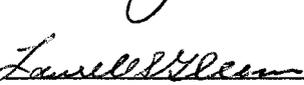
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1 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the  
2 Commission may bring further legal proceedings against that Respondent, including application to  
3 the superior court for an order of contempt.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

<p>6 7 </p> <hr/> <p>8 CHAIRMAN</p>	<p>6 </p> <hr/> <p>8 COMMISSIONER</p>	
<p>9 </p> <hr/> <p>10 COMMISSIONER</p>	<p>9 </p> <hr/> <p>10 COMMISSIONER</p>	<p>9 </p> <hr/> <p>10 COMMISSIONER</p>

11  
12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
13 Executive Director of the Arizona Corporation  
14 Commission, have hereunto set my hand and caused the  
15 official seal of the Commission to be affixed at the  
16 Capitol, in the City of Phoenix, this 16<sup>th</sup> day of  
January, 2007.

17   
18 BRIAN C. McNEIL  
19 Executive Director

20 \_\_\_\_\_  
21 DISSENT

22 \_\_\_\_\_  
23 DISSENT

24 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant  
25 to the Executive Director, voice phone number 602-542-3931, E-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

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**CONSENT TO ENTRY OF ORDER**

1. Respondent John Blitz (“BLITZ”), an individual, admits the jurisdiction of the Commission over the subject matter of this proceeding. Respondent BLITZ acknowledges that he has been fully advised of his right to a hearing to present evidence and call witnesses and Respondent BLITZ knowingly and voluntarily waives any and all rights to a hearing before the Commission and all other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondent BLITZ acknowledges that this Order to Cease and Desist, Order for Administrative Penalties and Consent to Same by: Respondents John Blitz (“Order”) constitutes a valid final order of the Commission.

2. Respondent BLITZ knowingly and voluntarily waives any right under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting from the entry of this Order.

3. Respondent BLITZ acknowledges and agrees that this Order is entered into freely and voluntarily and that no promise was made or coercion used to induce such entry.

4. Respondent BLITZ acknowledges that he has been represented by an attorney in this matter, he has reviewed this Order with his attorney, Michael Ross of the law firm of Gallagher and Kennedy, and understands all terms it contains.

5. Respondent BLITZ neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order. Respondent BLITZ agrees that he shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or future administrative proceeding before the Commission or any other State agency concerning the denial or issuance of any license or registration required by the State to engage in the practice of any business or profession.

6. Notwithstanding the foregoing, BLITZ states under penalty of perjury that no securities offers he made in Arizona or to Arizona residents resulted in any sales. Further, Blitz

1 represents that since receiving notice of the entry of the TC&D, that he has not directly offered  
2 securities in Arizona.

3 7. By consenting to the entry of this Order, Respondent BLITZ agrees not to take any  
4 action or to make, or permit to be made, any public statement denying, directly or indirectly, any  
5 Finding of Fact or Conclusion of Law in this Order or creating the impression that this Order is  
6 without factual basis. Respondent BLITZ will undertake steps necessary to assure that all of his  
7 agents and employees understand and comply with this agreement.

8 8. While this Order settles this administrative matter between Respondent BLITZ and  
9 the Commission, Respondent BLITZ understands that this Order does not preclude the  
10 Commission from instituting other administrative or civil proceedings based on violations that are  
11 not addressed by this Order.

12 9. Respondent BLITZ understands that this Order does not preclude the Commission  
13 from referring this matter to any governmental agency for administrative, civil, or criminal  
14 proceedings that may be related to the matters addressed by this Order.

15 10. Respondent BLITZ understands that this Order does not preclude any other agency  
16 or officer of the state of Arizona or its subdivisions from instituting administrative, civil, or  
17 criminal proceedings that may be related to matters addressed by this Order.

18 11. Respondent BLITZ agrees that he will not sell any securities in or from Arizona  
19 without being properly registered in Arizona as a dealer or salesman, or exempt from such  
20 registration; he will not sell any securities in or from Arizona unless the securities are registered in  
21 Arizona or exempt from registration; and he will not transact business in Arizona as an investment  
22 adviser or an investment adviser representative unless properly licensed in Arizona or exempt from  
23 licensure.

24 12. Respondent BLITZ agrees that he will continue to cooperate with the Securities  
25 Division including, but not limited to, providing complete and accurate testimony at any hearing in  
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1 this matter and cooperating with the state of Arizona in any related investigation or any other  
2 matters arising from the activities described in this Order.

3 13. Respondent BLITZ agrees to pay the sum of \$3,000 to be paid as restitution under  
4 A.R.S. § 44-2032.

5 14. Respondent BLITZ consents to the entry of this Order and agrees to be fully bound  
6 by its terms and conditions.

7 15. Respondent BLITZ acknowledges and understands that if he fails to comply with  
8 the provisions of the order and this consent, the Commission may bring further legal proceedings  
9 against him, including application to the superior court for an order of contempt.

10 16. Respondent BLITZ understands that default shall render him liable to the  
11 Commission for its costs of collection and interest at the maximum legal rate.

12 17. Respondent BLITZ agrees and understands that if he fails to make any payment as  
13 required in the Order, any outstanding balance shall be in default and shall be immediately due and  
14 payable without notice or demand. Respondent BLITZ agrees and understands that acceptance of  
15 any partial or late payment by the Commission is not a waiver of default by Commission.

16  
17   
18 Respondent John Blitz

19 CALIFORNIA )  
STATE OF ARIZONA )  
20 HK ) ss  
County of SANTA CRUZ

21  
22 SUBSCRIBED AND SWORN TO BEFORE me this 17th day of December, 2006.

23   
24 NOTARY PUBLIC

25 My Commission Expires:  
26 APRIL 8, 2008

