COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF BANKING AND SECURITIES  

v.  

AMERICAN ENERGY OIL & GAS  
RESOURCES PROJECT PHASE II, LLC  
AMERICAN ENERGY OIL & GAS  
RESOURCES, INC.  

CONSENT AGREEMENT AND ORDER  

The Commonwealth of Pennsylvania, acting through the Pennsylvania Securities Commission ("PSC"), now known as the Department of Banking and Securities ("Department"), Bureau of Securities, Licensing, Compliance, and Examinations ("Bureau") conducted an investigation of the securities-related business practices of American Energy Oil & Gas Resources Project Phase II, LLC ("American Energy Project" or "the Project") and American Energy Oil & Gas Resources, Inc. ("American Energy Resources") (collectively known as "American Energies") in Pennsylvania. Based on the results of the investigation, the PSC issued a Summary Order to Cease & Desist on December 6, 2011 ("C&D") (Exhibit #1) against American Energies for activity which violated a certain provision of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101, et. seq. ("1972 Act"). American Energies, in lieu of litigation, without admitting or denying the allegations herein, and intending to be legally bound, hereby agree to the terms of this Consent Agreement and Order ("Order") which prospectively rescinds the C&D.
BACKGROUND

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the 1972 Act.

2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

3. American Energy Resources was, at all times material herein, an entity with an address at 669 Hostman Avenue, Suite 1, Warminster, Pennsylvania 18974. American Energy Resources was offering for sale limited liability company membership interests ("Interests")¹ in the Project and was the Project’s manager.

4. In or about November 2011, a representative ("Representative 1") of American Energy Resources cold-called at least one Pennsylvania resident ("PA Resident") and "offered"² for "sale"³ the Interests. Representative 1 stated:
   a. American Energy Resources is a company that develops oil and gas fields;
   b. American Energy Resources is offering the Interests for sale at a cost of $120,000 per Interest;
   c. The PA Resident could purchase a one-quarter Interest for $30,000;
   d. The PA Resident could earn a 35% return plus a return of principal in twelve to eighteen months by investing in an Interest; and
   e. The 35% estimated return is a conservative estimate based on a life span of ten years for the well because the well will actually last up to thirty years.

¹ The Interests constitute "securities" as that term is defined by Section 102(t) of the 1972 Act, 70 P.S. §1-102(t).
² The term "offer" is defined by Section 102(r)(ii) of the 1972 Act, 70 P.S. §1-102(r)(ii).
³ The term "sale" is defined by Section 102(r)(i) of the 1972 Act, 70 P.S. §1-102(r)(i).
5. In or about November 2011, Representative 1 e-mailed offering materials ("Materials"), including a Private Placement Memorandum and a Subscription Agreement, to the PA Resident. The Materials state:
   a. American Energy Resources was formed to drill four new oil wells and one salt water disposal well in central Texas;
   b. American Energy Resources is offering for sale 38 Interests at a cost of $120,000 per Interest for a total offering of $4,560,000;
   c. The annual rate of return per Interest would be 36.5%; and
   d. American Energy Resources is the managing member of the Project.

6. In or about November 2011, a second representative ("Representative 2") telephoned the PA Resident and stated that the PA Resident did not need to know anything about oil and gas to invest and that everything would be done by American Energy Resources.

7. The PA Resident had no substantive, pre-existing relationship with American Energy Resources, the Project, Representative 1, or Representative 2.

8. The PA Resident was not an accredited investor under Rule 501 of Regulation D, and did not have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment.

9. In or about December 2012, American Energy Resources disclosed to the Bureau that it had contracted with certain "marketing agencies" to promote the marketing of the Interests and other securities which it "offers" and "sells." These "marketing agencies" are not registered as "broker-dealers" as that term is defined by the 1972 Act, 70 P.S. § 1-102(e).
10. In or about December 2012, American Energy Resources informed the Bureau that the “marketing agencies” had been instructed to not contact PA Residents.

VIOLATIONS

11. By engaging in the acts and conduct set forth in paragraphs 3 through 10 above, American Energies “offered” unregistered “securities” to Pennsylvania residents, in willful violation of Section 201 of the 1972 Act, 70 P.S. § 1-201.

AUTHORITY

12. Because American Energies offered unregistered “securities” to Pennsylvania residents in willful violation of Section 201 of the 1972 Act, 70 P.S. § 1-201, the Department may order American Energies to pay for the costs incurred in the conduct of the investigation pursuant to Section 602.1(b) of the 1972 Act, 70 P.S. § 1-602.1(b).

RELIEF

13. The Summary Order to Cease & Desist issued by the Pennsylvania Securities Commission on December 6, 2011 is PROSPECTIVELY RESCINDED.

14. Pursuant to Section 602.1(b) of the 1972 Act, 70 P.S. § 1-602.1(b), within 20 days of the Effective Date of this Order, as defined in Paragraph 22, American Energies shall pay the Department the legal and investigative costs related to this matter in the amount of $1,000. Payment shall be made by certified check or money order made payable to the “Department of Banking and Securities” and shall be mailed, or delivered in person, to the Bureau of Securities Licensing, Compliance and Examinations located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

15. American Energies are ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 201, 70 P.S. §1-201. American Energies
are also ORDERED to not use any unregistered “broker-dealer” in connection with the “offer” or “sale” of “securities” in Pennsylvania.

16. Should American Energies fail to pay the costs as set forth in paragraph 14, above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording American Energies the option of either paying the costs or being indefinitely subjected to the sanctions.

17. Should American Energies fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to their rights to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

18. Consent. American Energies hereby knowingly, willingly, voluntarily and irrevocably consent to the entry of this Order pursuant to the Bureau’s authority under the 1972 Act and agree that it understands all of the terms and conditions contained herein. American Energies, by voluntarily entering into this Order, waive any rights to hearings or appeals concerning the terms, conditions and/or penalties set forth in this Order.

19. Entire Agreement. This Order contains the entire agreement between the Department and American Energies. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and American Energies.

20. Binding Nature. The Department, American Energies, and all heirs and assigns of American Energies, intend to be and are legally bound by the terms of this Order.
21. **Counsel.** This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

22. **Effectiveness.** American Energies hereby stipulate and agree that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

23. **Other Enforcement Action.**

   (a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against American Energies in the future regarding all matters not resolved by this Order.

   (b) American Energies acknowledge and agree that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

24. **Authorization.** The parties below are authorized to execute this Order and legally bind their respective parties.

25. **Counterparts.** This Order may be executed in separate counterparts, by facsimile and by PDF.

26. **Titles.** The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

27. **Finding.** The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

**WHEREFOREx**, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities, Licensing, Compliance and Examinations and American Energy Oil & Gas Resources Project
Phase II, LLC and American Energy Oil & Gas Resources, Inc. intending to be legally bound, do hereby execute this Consent Agreement and Order.

FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES, LICENSING, COMPLIANCE AND EXAMINATIONS

James A. Khutinoty, Chief, Western Region
Bureau of Securities Licensing, Compliance and Examinations

Date: 8/14/2014

FOR AMERICAN ENERGY OIL & GAS RESOURCES PROJECT PHASE II, LLC

Date: August 7, 2014

FOR AMERICAN ENERGY OIL & GAS RESOURCES, INC.

Date: August 7, 2014
Exhibit #1
COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA SECURITIES COMMISSION

IN THE MATTER OF

American Energy Oil & Gas
Resources Project Phase II, LLC

American Energy Oil & Gas
Resources, Inc.

ADMINISTRATIVE PROCEEDING
Docket No. 2011-11-17

RESPONDENTS

SUMMARY ORDER TO CEASE AND DESIST

Based upon a preliminary investigation conducted by the staff of the Pennsylvania Securities Commission (Commission), the Commission has determined that evidence exists to support the following findings and conclusions:

1. American Energy Oil & Gas Resources Project Phase II, LLC (Respondent AE, LLC) was, at all times material herein, an entity with an address at 669 Hostman Avenue, Suite 1, Warminster, Pennsylvania 18974. At all times material herein, Respondent AE, LLC was offering for sale limited liability company membership interests (Interests) in Respondent AE, LLC;

2. American Energy Oil & Gas Resources, Inc. (Respondent AE, Inc.) was, at all times material herein, an entity with an address at 669 Hostman Avenue, Suite 1, Warminster, Pennsylvania 18974. At all times material herein, Respondent AE, Inc. was the manager of Respondent AE, LLC;

3. In or about November 2011, a representative (Representative 1) of Respondent AE, Inc. cold-called at least one Pennsylvania resident (PA Resident) and offered for sale the Interests. Representative 1 stated:
a. Respondent AE, LLC is a company that develops oil and gas fields;
b. Respondent AE, LLC is offering the Interests for sale at a cost of $120,000 per Interest;
c. The PA Resident could purchase a one-quarter Interest for $30,000;
d. The PA Resident could earn a 35% return plus a return of principal in twelve to eighteen months by investing in an Interest; and
e. The 35% estimated return is a conservative estimate based on a life span of ten years for the well because the well will actually last up to thirty years;

4. In or about November 2011, Representative 1 e-mailed offering materials (Materials), including a Private Placement Memorandum and a Subscription Agreement, to the PA Resident. The Materials state:
a. Respondent AE, LLC was formed to drill four new oil wells and one salt water disposal well in central Texas;
b. Respondent AE, LLC is offering for sale 38 Interests at a cost of $120,000 per Interest for a total offering of $4,560,000;
c. The annual rate of return per Interest would be 36.5%; and
d. Respondent AE, Inc. is the managing member of Respondent AE, LLC;

5. In or about November 2011, a second representative (Representative 2) telephoned the PA Resident and stated that the PA Resident does not need to know anything about oil and gas to invest and that everything would be done by Respondent AE, Inc.;

6. The PA Resident had no substantive, pre-existing relationship with Respondent AE, LLC, Respondent AE, Inc., Representative 1, or Representative 2; and

7. The PA Resident was not an accredited investor under Rule 501 of Regulation D, and did not have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment.
WHEREAS, the Interests described above are “securities” within the meaning of Section 102(f) of the Pennsylvania Securities Act of 1972 (1972 Act), 70 P.S. § 1-102(f); and

WHEREAS, Respondent AE, LLC is the “issuer” of the Interests described above within the meaning of Section 102(f) of the 1972 Act, 70 P.S. § 1-102(f); and

WHEREAS, Respondent AE, Inc. acted as an “affiliate” of Respondent AE, LLC within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused and is about to cause Respondent AE, LLC to commit the herein alleged acts which violated, and are about to violate, the 1972 Act, 70 P. S. § 1-101 et seq.; and

WHEREAS, the records of the Commission disclose that the Interests are (a) not registered under Section 201 of the 1972 Act, 70 P.S. § 1-201; (b) not exempt from registration under Section 202 of the 1972 Act, 70 P.S. § 1-202; and (c) not federally covered securities; and, further, the securities transactions relating to the Interests are not exempt under Section 203 of the 1972 Act, 70 P.S. § 1-203; and

WHEREAS, based on the foregoing, the Commission finds that Respondents AE, LLC and AE, Inc. have engaged in and are about to engage in acts and practices which violate Section 201 of the 1972 Act, 70 P.S. § 1-201; and

WHEREAS, after due deliberation, the Commission finds that it is necessary and appropriate, in the public interest, for the protection of investors and is consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue the following Order:

NOW, THEREFORE, by the authority of Section 606(c.1) of the 1972 Act, 70 P.S. § 1-606(c.1);
IT IS ORDERED that Respondents American Energy Oil & Gas Resources Project Phase II, LLC and American Energy Oil & Gas Resources, Inc. and every successor, affiliate, control person, agent, servant, and employee of each of them, and every entity owned, operated, or indirectly or directly controlled or hereinafter organized by or on behalf of them, shall immediately CEASE AND DESIST from offering and selling the Interests in the Commonwealth of Pennsylvania, in violation of the 1972 Act, and in particular Section 201 thereof.

Pursuant to Section 607 of the 1972 Act, 70 P.S. § 1-607, within thirty (30) days after receipt of written notification that this Order has been issued, any Respondent(s) against whom this Order was issued and entered may file with the Secretary of the Commission a written request for a hearing in respect to any matters determined by the Order. This written request must be filed with the Secretary of the Commission at the Commission’s Harrisburg office. Failure to timely file the request for a hearing will result in this Order becoming a final Order.

Upon receipt of such written request for a hearing, the matter will be set down for a hearing to commence within thirty (30) days after receipt unless the person making the request consents to a later date.

If a person making a request for hearing consents to a later date but fails, after notification by first class mail to the person’s last known address in the Commission's files, to consent to a hearing date that is within 180 days of the request, the request for a hearing shall be deemed abandoned and the order shall be deemed a final order.
FAILURE TO COMPLY WITH THIS ORDER MAY RESULT IN CRIMINAL
PROSECUTION, INJUNCTIVE PROCEEDINGS, CIVIL CONTEMPT PROCEEDINGS,
(INCLUDING CIVIL MONETARY PENALTIES) AND, SUBJECT TO THE RIGHT OF
HEARING AFFORDED RESPONDENT UNDER THE 1972 ACT, THE IMPOSITION OF
ADMINISTRATIVE MONETARY ASSESSMENTS AND STATUTORY BARS.

So ORDERED this 6th day of December, 2011.

BY ORDER OF THE COMMISSION

Jeanne S. Parsons, Secretary

Date Issued & Entered: December 6, 2011

Representation before the Commission shall be in accordance with Sections 31.21, 31.22, 31.23, and 31.24 of the General
substantially controls a Respondent may represent the Respondent in an adversary proceeding.