



ARIZONA CORPORATION COMMISSION

FOR RELEASE: August 12, 2014

MEDIA CONTACT: Rebecca Wilder (602) 542-0844

Commission Shuts Down Fraudulent Oil and Gas Technology Offering

PHOENIX, AZ—The Arizona Corporation Commission today halted an unregistered oil and gas technology investment and penalized two California promoters and their affiliated company for securities fraud.

The Commission issued a default order against Kevin D. Grace and Madelynn R. Jones of California and their affiliated Nevada company, Neoteric Energy, Inc., for a fraudulent stock offering. The Commission ordered Jones to pay a \$10,000 administrative penalty and Grace and Neoteric, Inc. to jointly and severally pay a \$10,000 administrative penalty.

The Commission found that, while not registered to offer or sell securities in Arizona, Jones and Neoteric, Inc. solicited potential Arizona investors through e-mail and a website, seeking money to implement and further develop a new technology that had an efficient and cost-effective means of extracting oil from a well or reserve. The Commission found, however, that Neoteric, Inc. did not have any authority to acquire the new oil and gas technology or the rights to distribute it.

The Commission found that, among their various misrepresentations and material omissions, Jones and Neoteric, Inc. told a potential Arizona offeree that the inventor of the new, oil-extracting technology held a patent when, in fact, no patent existed. Further, the Commission found that Grace, the controlling person of Neoteric, Inc., had a previously issued order against him for violating state of California securities laws in connection with the offer and sale of stock in Black Gold Energy, Inc., a material fact that was not disclosed when the Neoteric, Inc. offering was made in Arizona.

For more details about this case, view the full text of the Commission's order [S-20908A-140104](#). The Commission's final order against the named respondents will be posted online as soon as it is signed by all of the Commissioners. Please check the website in a few days: <http://www.azcc.gov/divisions/securities/enforcement/enforce-orders.asp>

More caution for investors:

Even when selling a legitimate product, some promoters do not recognize the investment program they have created is a security. Determining whether an alternative investment program is a security is not always easy to determine and depends upon the unique facts and circumstances of the transaction and not on what a promoter calls the investment product. Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9 (837-4399). The Securities Division's investor education website also has helpful information at www.azinvestor.gov.

###