

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333

IN RE:

Mid-Continent Oil and Gas, Inc.,
Steven Lee White, Casey Ladymon and
Chad Willis

NOTICE OF INTENT
TO ISSUE
CEASE AND DESIST ORDER
04-025

ALLEGATIONS

1. Mid-Continent Oil and Gas, Inc. ("MOGI") is a Texas corporation with a last known business address of 5700 Granite Parkway, Suite 200, Plano, Texas 75024.
2. Steven Lee White ("White") is an individual who at all relevant times has been President of MOGI and has the same last known business address as MOGI.
3. Casey Ladymon ("Ladymon") is an individual who at all relevant times was a Director and Senior Advisor of MOGI, and solicited monies from individuals to invest in MOGI's purported oil and gas exploration projects.
4. Chad Willis ("Willis") is an individual who at all relevant times was a Director and Senior Advisor of MOGI, and solicited individuals to invest in MOGI's purported oil and gas exploration projects.
5. MOGI, on its website located at www.mcog.org ("the website"), described a number of its current oil and gas projects in Texas, including the Smith Prospect #2 in Denton County, the Beard Prospect in Tarrant County, and the Elder Prospect in Parker County.
6. MOGI also represented on the website that it was working on the Barnett Shale project located in Denton County, and that production in this county had "already doubled in 2002. The Barnett Shale is currently one of the most attractive and active gas fields onshore in the United States."
7. MOGI further represented on the website that, "[t]he Barnett Shale would be a conservative investment for any oil and gas investor. Investing into the Barnett

Shale, an investor should expect to see a monthly income, take advantage of phenomenal tax benefits, all with limited risk in losing their principal investment.”

8. Furthermore, MOGI represented on the website that it “handle[s] oil and gas investments in low risk oil and gas fields. Every investment opportunity chosen is a geologically proven oil producing region. Our goal is to build our investor base by lowering tax burdens and creating a monthly income, without trying to put investors at risk of losing their principal by going for the home run.”
9. In or about October 2002, an investor from Lemoine, Maine, (“the Maine investor”) contacted MOGI. The Maine investor later exchanged e-mails with Ladymon, inquiring about investing in MOGI’s oil and gas exploration projects. Following their communications, the Maine investor sent MOGI a \$5,000.00 check dated October 24, 2002, for the purchase of a half unit in one of MOGI’s oil and gas exploration projects, the Smith #1 Prospect.
10. By e-mail dated January 27, 2003, Ladymon wrote to the Maine investor, asking him to purchase an interest in another MOGI project, the Beard Prospect #1. In this e-mail, Ladymon stated:

The well is called the Beard Prospect. The acreage is surrounded by Devon Energy and Chief Oil & Gas. You probably know who Devon is. Chief is the largest producer in Tarrant Co. Many of the wells sustain well over 1,000 mcf per day. Looking at the map you can see that most of these wells have produced .25 BCF within a 4 month period of time and still selling over 1,000 mcf per day. This is the most active area of the Barnett and probably the hardest area to acquire acreage in... If you are interested please get back to me as soon as possible and I will send you a map.

11. Following this e-mail from Ladymon, the Maine investor sent MOGI an \$11,000 check dated January 31, 2003, for the purchase of a unit in the Beard Prospect #1.
12. By e-mail dated March 18, 2003 Ladymon wrote to the Maine investor, soliciting him to purchase an interest in another MOGI project, the Elder Prospect. In this e-mail, Ladymon stated:

Mid-Continent is trying really hard to get rid of 6.5% of our committed 19% on the Elder Prospect. With three projects going on it is quite a bit on our plate to raise 66% of the Smith (which is closed) and 22 % of the Beard (which is closed). Due to the tremendous activity it has left us a bit short on the Elder. We really would like to raise the funds for the 6.5% by the 21st of March. Mid-Continent only intended to keep 4% of this project, and right now we have 10.5%.

If anyone is interest [sic] in buying a half percent on a prospect that is low cost and averages a 20-30% rate of return plus tax benefits, to do us a favor please let me know.

13. Following this e-mail from Ladymon, the Maine investor sent MOGI a \$4,000.00 check dated March 28, 2003, for the purchase of a half unit in the Elder Prospect.
14. By letter dated April 2, 2003, Willis informed the Maine investor that the Beard Prospect "will be completed in approximately 10 business days. You have 1.00 unit(s) in the Beard Prospect. The completion money is now due. Your completion amount is \$6,000.00. As you can see from the attached geologist's letter, the Beard Prospect was a success. I will continue to keep you posted on the progress of the well."
15. By another letter dated April 2, 2003, Willis informed the Maine investor that the Elder Prospect "will be completed in approximately 10 business days. You have 0.50 units unit(s) in the Elder Prospect. The completion money is now due. Your completion amount is \$2,500.00. As you can see from the attached geologist's letter, the Elder Prospect was a success. I will continue to keep you posted on the progress of the well."
16. Upon receipt of these two letters, the Maine investor sent MOGI an \$8,500.00 check dated April 2, 2003, representing the completion monies purportedly due for the Beard and Elder Prospects.
17. The Maine investor sent MOGI a \$5,500.00 check dated May 26, 2003 for an investment in another of MOGI's projects, the Beard #2 Prospect.
18. On or about July 11, 2003, the Maine investor died of cancer.
19. In attempting to sort out the Maine investor's financial affairs, his widow ("the Maine widow") called White in or about August 2003. At or about this time, the Maine widow informed White that the Maine investor had died of cancer and asked White that the money invested in MOGI be returned to her. White informed her that the prospects that the Maine investor had invested in were still in their exploration phase and that it was premature to expect immediate returns on the investments. White also assured her that the Maine investor had invested well in order to look after her future needs. White further assured her that MOGI would send her a \$3,000 check every month for the next twenty years commencing April 2004.
20. In or about August 2003, White also told the Maine widow that a further \$2,500.00 was due on the Beard #2 Prospect. The Maine widow accordingly sent MOGI a \$2,500.00 check dated August 13, 2003.
21. The total monies invested by the Maine investor and the Maine widow in MOGI amounts to \$31,000.00.
22. Since August 2003, the Maine Widow has not received any monies or any further communications from Respondents.

23. By certified letter dated October 28, 2003, the Office of Securities (“the Office”) wrote to White, requesting a list of all Maine consumers who had been sold MOGI units. The Office also asked White for written assurance that MOGI units would not be offered or sold in Maine unless and until such transactions are in compliance with Maine law. Although receipt of this letter was acknowledged, the Office received no response.
24. By certified letter dated November 26, 2003, the Office again wrote to White requesting a response to the matters raised in its October 28, 2003 letter. Although receipt of this letter was acknowledged, the Office received no response.
25. Pursuant to 32 M.R.S.A. §10401, a person may not offer or sell any security in Maine unless the security is registered under the Revised Maine Securities Act (“the Act”) or the securities or transaction is exempt from registration under the Act.
26. Units in MOGI have never been registered under the Act for offer and sale in Maine, nor is the Office aware of any applicable exemption from registration for which the sale, or offer of sale, may have qualified.
27. Respondents violated 32 M.R.S.A. § 10401 by offering and selling unregistered securities in Maine. White, Ladymon and Casey are also liable as control persons of MOGI pursuant to 32 M.R.S.A. § 10602(3).
28. On December 18, 2002, the State of Pennsylvania issued a Summary Order to Cease and Desist against Respondents MOGI and White for securities law violations similar to those alleged herein. On March 7, 2003, the State of Texas issued an Emergency Cease and Desist Order against Respondents MOGI, White and two other individuals affiliated with Respondents, also for securities law violations similar to those alleged herein.
29. Pursuant to 32 M.R.S.A. § 10602(1)(A), the Administrator may, after notice and opportunity for hearing, issue a cease and desist order against any person if the Administrator reasonably believes that the person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or Order issued pursuant to the Act.

NOTICE

Pursuant to 32 M.R.S.A. § 10708(6), notice is hereby given that the Administrator intends to issue an Order to Cease and Desist against all Respondents to prohibit further violations of the Revised Maine Securities Act.

Pursuant to 32 M.R.S.A. § 10708(2), Respondents have thirty (30) calendar days from the entry of this Notice of Intent to file a written request for a hearing.

Date: January 29, 2004

/s/ Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

Reviewed by:

Date: January 29, 2004

/s/ Bonnie E. Russell
Bonnie E. Russell
Assistant Securities Administrator

Presented by:

Date: January 29, 2004

/s/ Christian D. Van Dyck
Christian D. Van Dyck
Investigator/Examiner