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Texas State Securities Board

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SSB Docket No. 03-008

IN THE MATTER OF
MID-CONTINENT OIL AND GAS, INC.;
STEVEN LEE WHITE; CHAD WILLIS
AND TIMOTHY "TIM" BOYD

§
§
§
§

Order No. CDO-1498

TO: Mid-Continent Oil and Gas, Inc.
5700 Granite Parkway, Suite 200
Plano, Texas 75024

Steven Lee White
5700 Granite Parkway, Suite 200
Plano, Texas 75024

Chad Willis
5700 Granite Parkway, Suite 200
Plano, Texas 75024

Timothy "Tim" Boyd
5700 Granite Parkway, Suite 200
Plano, Texas 75024

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. Mid-Continent Oil and Gas, Inc. ("Respondent MOGI") is a Texas company whose last known address is 5700 Granite Parkway, Suite 200, Plano, Texas 75024.
2. Steven Lee White ("Respondent White") is an individual who, at all times material hereto, has been President of Respondent MOGI and has the same last known business address as Respondent MOGI.
3. Chad Willis ("Respondent Willis") is an individual who, at all times material hereto, has been Senior Advisor of Respondent MOGI and has the same last known business address as Respondent MOGI.
4. Timothy "Tim" Boyd ("Respondent Boyd") is an individual who, at all times material hereto, has been an account executive of Respondent MOGI and has the same last known business address as Respondent MOGI.
5. Respondents MOGI, White, Willis and Boyd (collectively "Respondents") placed, or permitted to be placed, an advertisement on the Internet, located at website <http://www.mcog.org> ("the website") which describes a number of current oil and gas projects including the Smith Prospect # 2 in Denton County, Texas; the Beard Prospect in Tarrant County, Texas; and the Elder Prospect in Parker County, Texas. The website indicates that more information may be requested from Respondent MOGI regarding "Investment Opportunities."
6. On or about February 27, 2003, Respondent Boyd contacted, by telephone, at least one Texas resident ("the offeree") who had submitted an information request form provided on the above-described website. During the telephone conversation, Respondent Boyd described an investment in the North Denton Prospect, Smith # 2. Concerning the investment, Respondent Boyd stated the following:
 - a. "You don't have risks in these wells as opposed to other wells."
 - b. "Every single well that you put down is going to make you some money."
 - c. "It's real, real hard not to drill a successful well."

Respondent Boyd also provided significant tax assurances to the offeree stating that the entire investment was tax deductible and that 15% of any returns are tax deductible.

7. Thereafter, the offeree received various written materials, including a letter agreement, from Respondents describing the investment as the purchase of a working interest and net revenue interest in the North Denton Prospect oil, gas and mineral lease, Denton County, Texas. The investment was further described in the

letter agreement as the sale of units representing interests in the Prospect wells and equating said units to percentages of working interests after tanks and yielding net revenue interests ("the interests or the investment"). The letter agreement specifically states that the acquisition of the interest is highly speculative with a very high degree of risk. The letter agreement requires that the purchaser warrant that: "The Purchaser has been given no assurances regarding any tax related matters related to the purchase of the Interests, including the tax advantages which may inure to the benefit of the Purchaser." The letter agreement further specifies that it is an agreement by and between the purchaser and MOGI.

8. Additionally, with the above-described written materials, a cover letter was sent with the signature line executed as follows: "Steve White/President", on Mid-Continent Oil and Gas letterhead. The letter indicated that the program interests were "low risk" with "excellent" tax benefits and referenced the website. These materials were forwarded with a return address of Mid-Continent Oil & Gas, 3218 I-30, Mesquite, Texas, and contained a Federal Express air bill for return of the investor agreement and check c/o Cathy Johnson, 5700 Granite Parkway, Suite 200, Plano, Texas.
9. On or about March 4, 2003, Respondent Willis contacted the offeree by telephone and further described the investment in the North Denton Prospect, Smith # 2. Respondent Willis indicated that the investment offered was low-risk and that both he and Respondent Boyd would receive a commission in connection with the sale of an interest in the program. When asked by the offeree about the high-risk language in the written agreement, Respondent Willis indicated that such language had to be included because of the securities laws. Further, Respondent Willis represented that the company only worked in geologically proven fields that have a very low degree of risk. Respondent Willis also represented that the investment was 100% tax deductible and that 15% of the income investors receive from the program is considered depletion allowance, meaning investors are only taxed on 85% of the income they receive from the program.
10. On or about December 10, 2002, the Pennsylvania Securities Commission issued a Summary Cease and Desist Order ("Pennsylvania Order") against Respondent MOGI and Respondent White for violations of the Pennsylvania securities laws. The above-described offering materials fail to disclose the existence of the Pennsylvania Order.
11. Respondents have not been registered with the Securities Commissioner as a securities dealer, agent, investment adviser or investment adviser representative at any time material hereto and Respondents have not submitted a notice filing as an investment adviser or an investment adviser representative at any time material hereto.

12. The above-described interests have not been registered by MOGI with the Securities Commissioner by qualification, notification or coordination and no permit has been granted for their sale within Texas at any time material hereto.
13. The above-described representations made by Respondents regarding the low-risk nature of the investment are misleading in light of the above-described statements in the written agreement sent to the offeree.
14. The above-described representations made by Respondents regarding the tax-related benefits of the investment are misleading in light of the above-described written agreement sent to the offeree by Respondents.
15. The above-described offering materials are misleading in failing to disclose the existence of the above-described Pennsylvania Order.

CONCLUSIONS OF LAW

1. The above-referenced working interests and net revenue interests in the North Denton Prospect lease and units, as set forth in the letter agreement, are "securities" as that term is defined in Section 4.A of the Texas Securities Act, to wit, certificates or instruments representing an interest in or under an oil, gas or mining lease, fee or title and investment contracts.
2. Respondents have offered for sale the above securities in Texas as the term "offer for sale" is defined in Section 4.E of the Texas Securities Act.
3. Respondents violated Section 7 of the Texas Securities Act by engaging in the offer for sale of the above-described securities without the securities being registered with the Securities Commissioner.
4. Respondents are acting as "dealers" or "agents" as those terms are defined in Sections 4.C and 4.D of the Texas Securities Act.
5. Respondents violated Section 12 and 12-1 of the Texas Securities Act by offering securities for sale in Texas without being registered as provided in the Texas Securities Act.
6. Respondents have made offers for sale of securities in Texas that are materially misleading or otherwise likely to deceive the public through the use of the above-referenced representations and material non-disclosures contained in Findings of Fact 6 - 10.
7. Respondents' conduct, acts and practices threaten immediate and irreparable harm to the public.

8. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from acting as securities agents or dealers in Texas until they are registered or an available exemption from registration is utilized.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas until the securities have been registered with the Securities Commissioner or an available exemption from registration is utilized.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside and modify the Order. Failure to request a hearing will result in the Order becoming final and nonappealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 7th day of March, 2003.

Denise Voigt Crawford

DENISE VOIGT CRAWFORD
Securities Commissioner