

FOR IMMEDIATE RELEASE

DATE: May 2, 2011

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Department of Banking Issues Warning about Oil and Gas Scams

Lincoln, Neb., May 2, 2011 – The Nebraska Department of Banking and Finance is issuing a warning to Nebraska residents considering investing in oil, gas, or alternative energy programs. According to Jack Herstein, Assistant Director for the Department's Bureau of Securities, con artists frequently rely on today's headlines in pitching their investment schemes. With recent headlines focusing on prices at the gas pump, Herstein warned Nebraska residents to be alert to investments in traditional and alternative energy projects. Such investments are highly risky and not appropriate for smaller investors.

"As gasoline prices move higher, fueled by similarly priced barrels of oil, investment opportunities — some legitimate, some not — tend to crop up more frequently," said Herstein. Investments in oil and gas programs are securities and must be sold in compliance with Nebraska's securities law. As a general rule, both the investment and the person selling it must be registered with the Department before the investment can be sold in Nebraska.

Earlier this year, the Department issued a Cease and Desist Order against Fairfield Energy, Inc., 12295 Oracle Boulevard, Suite 340, Colorado Springs, CO ("Fairfield Energy"), its chief executive officer, Brian Sullivan, and its affiliates, officers, directors, agents and employees. Beginning in 2010, Sullivan sold joint venture interest shares in Fairfield Energy to Nebraska investors. Proceeds from the joint venture interest shares were to be used to allow Fairfield to provide funds to Fairfield Energy for oil exploration. The company's joint venture interest shares were securities under Nebraska law and were not registered for sale with the Department. In addition, neither the company nor its officers or employees were registered as broker-dealers, or as agents of broker-dealers, as required under the Securities Act of Nebraska. The Department is concerned that more such investment opportunities may have been or will be offered to Nebraskans.

Although many oil and gas investments are legitimate, it may not be easy to identify an investment that is not. Scam artists tend to target individual victims and make an unsolicited contact, usually with a phone call, offering a great business opportunity. Most oil and gas fraud victims don't realize they have been swindled until long after their money is gone. Herstein had the following advice for Nebraska residents considering investing in oil, gas or alternative energy programs: "Independently research the background

of the promoters. Get a clear explanation of the investment in writing. Carefully read all the fine print. Check with the Department to see if the investment and the promoter have complied with the Act.”

Individuals who may have been contacted by Brian Sullivan or invested with Fairfield Energy, Inc., should contact Katherine Kuhn with the Department.

More information about the laws governing the securities industry in Nebraska can be found on the Department’s Web site at www.ndbf.ne.gov. If you have questions about any investment matters, call the NDBF Consumer Hotline toll free at (877) 471-3445 in Nebraska, or (402) 471-3445 if you are out of state.

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