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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: William F. Elder, Manager
Billingsley-Walborn-Kansas Oil & Gas, LLC
aka Billingsley-Walborn-Gould Oil & Gas, LLC
517 Lakeshore Road, P.O. Box 130
Bull Shoals, Arkansas, 72619

Dennis W. Stutes, CEO
Elco Oil, LLC
American Energy Developments, Inc.
517 Lakeshore Road, P.O. Box 130
Bull Shoals, Arkansas, 72619
and
476 Pamilar Avenue,
San Jose, California 95101

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. Elco Oil, LLC is an Illinois limited liability company formed on April 2, 1992, with a primary office address of 517 Lakeshore Road, P.O. Box 130, Bull Shoals, Arkansas, 72619. Dennis W. Stutes is the CEO of Elco Oil, LLC and does business on its behalf at the address of 476 Pamilar Avenue, San Jose, California 95101. William F. Elder is also a principal and manager of Elco Oil, LLC.
2. Billingsley-Walborn-Kansas Oil & Gas, LLC is an Illinois limited liability company formed on December 28, 2006, and was originally organized and operated under the name Billingsley-Walborn-Gould Oil & Gas, LLC. (Both are referred to jointly herein as Billingsley-

1 Walborn.) Billingsley-Walborn's primary office address is 517 Lakeshore Road, P.O. Box 130, Bull
2 Shoals, Arkansas, 72619. Dennis W. Stutes and William F. Elder are the co-managers of the
3 company.

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5 3. American Energy Developments, Inc. is a Nevada Corporation, which was formed March
6 14, 2002. Its corporate status was suspended on April 1, 2007 for non-payment of fees. Its registered
7 address is 348 Mill Street, Reno Nevada 89501 and its president is listed as Jeri Bosma according to
8 the records of the Nevada Secretary of State. However, Dennis W. Stutes is the chief executive
9 officer of American Energy Developments, Inc. and does business on its behalf at 476 Palmar
10 Avenue, San Jose, California 95101. American Energy Developments, Inc. maintains websites at
11 www.oilandgasinvesting.com. and www.americanenergydevelopments.blogspot.com which offers
12 advice on oil and gas investments and provides contact information to obtain more information.
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14 4. When persons contact American Energy Developments, Inc. through the information
15 provided on the websites they are connected to Dennis W. Stutes, who then offers to sell them
16 investments in three oil and gas drilling projects owned or operated by Dennis W. Stutes, William F.
17 Elder, Elco Oil, LLC and Billingsley-Walborn in Illinois and Kansas. The investments offered
18 include "Units" of "Working Interests" in Billingsley-Walborn at a cost of \$25,000 per unit. The
19 Billingsley-Walborn private placement memorandum (PPM) provided to prospective investors refers
20 to the projects as "The Walborn, Jones, Goff, & Faith 'Turn Key' Drilling & Production Project",
21 involving sixteen wells, the " Billingsley and Holms, Comm. Project", involving two wells, and the
22 "Kansas Project", involving ten wells. In the PPM its states that the investors will start making
23 money in 60-90 days from the date of investment and that investors will receive an "undivided
24 fractional working interest ownership in all of the net assets we've funded, acquired and developed in
25 our continuing oil and gas drilling and investment program" and that it will provide the investors with
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1 “substantial and completely legal tax write-offs.” The PPM states that Billingsley-Walborn was
2 “organized to offer working interest in 28 oil and gas wells drilling projects” and that “The Manager”
3 of the company is William F. Elder and “The Operator” is Elco Oil, LLC.
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5 5. It was not disclosed to prospective investors that Elco Oil, LLC and William F. Elder were
6 previously the subjects of a government regulatory enforcement action and orders as a result of their
7 offer of unregistered securities in violation of state securities regulations in the form of “working
8 interests” in the Walborn, Jones, Goff & Faith oil drilling project. The regulatory action included the
9 issuance of a Cease and Desist Order on July 12, 2006 by the Pennsylvania Securities Commission to
10 halt the offer and sale of those securities. On May 29, 2006 a subsequent order was issued by the
11 Pennsylvania Securities Commission as part of the administrative proceedings in that action pursuant
12 to the consent of the subject William F. Elder and Elco Oil, LLC as part of their settlement of that
13 action. In that order, the prior Cease and Desist Order was rescinded and the subjects William F.
14 Elder and Elco Oil, LLC consented to the payments of fines, the entry of a new order requiring the
15 subjects to comply with state securities regulations and to the entry of the findings of fact and
16 conclusions of law made by the commission in that order. The finding of the commission in that
17 order included that William F. Elder and Elco Oil, LLC had offered the unregistered securities in
18 violation of state securities laws by means of unsolicited emails sent to persons with which they had
19 no prior relationship, and who were not “accredited investors” pursuant to federal securities
20 regulations.

21 6. It was also not disclosed to prospective investors that Dennis W. Stutes had been the
22 subject of a prior Cease and Desist Order issued on December 12, 1991 issued by the Oklahoma
23 Department of Securities as a result of his offer and sales of unregistered securities in violation of
24 state securities laws, in the form of limited partnerships in oil and gas ventures. It was also not
25 disclosed to prospective purchasers that Dennis W. Stutes had been discharged from his previous
26 employment as a registered representative of a securities broker dealer in May of 2006 as a result of
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1 his engaging in the “selling away” of securities, in violation of National Association of Securities
2 Dealers, Rule 3040.

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4 7. The Department of Corporations has not issued any permit, license or other form of
5 authorization, approval or qualification to allow any person to offer and sell securities, including
6 certificates of interest or participation in, or in payments out of production under, oil or gas titles or
7 leases, and “Units” of “Working Interests” in oil projects owned or operated by Dennis W. Stutes,
8 William F. Elder, Elco Oil, LLC and Billingsley-Walborn.

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10 Based upon the foregoing findings, the California Corporations Commissioner is of the
11 opinion that the units of working interests in oil projects owned or operated by Dennis W. Stutes,
12 William F. Elder, Elco Oil, LLC and Billingsley-Walborn-Kansas Oil & Gas, LLC constitute
13 securities, which are subject to qualification under the California Corporate Securities Law of 1968,
14 and that these securities have been and are being offered without being qualified or exempt.

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16 The California Corporations Commissioner is of the further opinion that the securities in the
17 form of working interests in oil projects owned or operated by Dennis W. Stutes, William F. Elder,
18 Elco Oil, LLC and Billingsley-Walborn-Kansas Oil & Gas, LLC have been offered in this state by
19 means of written and oral communications, which include untrue statements or omissions of material
20 facts, in violation of section 25401 of the California Corporate Securities Law of 1968.

21 Pursuant to Corporations Code section 25532, Dennis W. Stutes, William F. Elder, Elco Oil,
22 LLC, Billingsley-Walborn-Kansas Oil & Gas, LLC and American Energy Developments, Inc. are
23 hereby ordered to desist and refrain from the further offer or sale in the State of California of
24 securities, including but not limited to certificates of interest or participation in, or in payments out of
25 production under, oil or gas titles or leases, in the form of units in working interests in oil projects
26 owned or operated by Dennis W. Stutes, William F. Elder, Elco Oil, LLC and Billingsley-Walborn-
27 Kansas Oil & Gas, LLC unless and until qualification has been made under the California Corporate
28 Securities Law or unless exempt.

1 Pursuant to Corporations Code section 25532, Dennis W. Stutes, William F. Elder, Elco Oil,
2 LLC, Billingsley-Walborn-Kansas Oil & Gas, LLC and American Energy Developments, Inc. are
3 hereby further ordered to desist and refrain from the further offer or sale in the State of California of
4 securities, including but not limited to certificates of interest or participation in, or in payments out of
5 production under, oil or gas titles or leases, in the form of units of working interests in oil projects
6 owned or operated by Dennis W. Stutes, William F. Elder, Elco Oil, LLC and Billingsley-Walborn-
7 Kansas Oil & Gas, LLC, by means of any written or oral communication which includes untrue
8 statements or omissions of material facts.

9 This Order is necessary, in the public interest, for the protection of investors and consistent
10 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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12 Dated: March 28, 2008

13 Los Angeles, California

14 PRESTON DuFAUCHARD
15 California Corporations Commissioner

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17 By _____
18 ALAN S. WEINGER
19 Lead Corporations Counsel
20 Enforcement Division
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