

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of  
ESPEY DEVELOPMENT LLC,  
MICHAEL G. ESPEY, and  
RICHARD K. RANSPOT,

PETITION FOR ORDER

Respondents.

File No. 04017(EX)

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The staff of the State of Wisconsin Department of Financial Institutions, Division of Securities, Bureau of Registration & Enforcement has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof alleges as follows:

1. Espey Development LLC ("EDLLC") is a foreign business entity with a last known business address of 2340 E. Trinity Mills Rd. Ste. 300, Carrollton, TX 75006-1947.
2. Michael G. Espey (DOB 12/1/73; CRD #4403061) ("Espey ") is an individual who at all times material hereto has been President of EDLLC, with a last known business address at that of EDLLC.
3. Richard K. Ranspot ("Ranspot") is an individual who at all times material hereto has been an agent of EDLLC and Espey, with a last known business address at that of EDLLC.
4. During the period of January 2004, Ranspot, on behalf of EDLLC and Espey, offered to at least one person in Wisconsin units of participation in the EDLLC's Iron Orchard Drilling Prospect, an oil and gas developmental drilling prospect in Montague County, Texas ("Iron Orchard").
5. The person in Wisconsin referred to above had no preexisting relationship with any of the Respondents.
6. Pursuant to the offering materials received by persons in Wisconsin, EDLLC will engage in the business of performing developmental drilling on Iron Orchard.
7. Upon information and belief, investors can play a passive role in Iron Orchard, with no duties and responsibilities.
8. Upon information and belief, each investor will not be involved in the day-to-day management of Iron Orchard, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.
9. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "units" offered by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.
10. The EDLLC investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

11. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.
12. In connection with the offer of the securities described above, Ranspot transacted business in Wisconsin as an "agent" for EDLLC and Espey, as that term is defined by sec. 551.02(2), Wis. Stats.
13. At no time has Ranspot been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.
14. Ranspot has violated sec. 551.31(1), Wis. Stats., by transacting business in Wisconsin as a securities agent without a license.
15. EDLLC and Espey have violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in Wisconsin.
16. The offering materials contain many inconsistencies and incomprehensible statements, including:
17. Page One of the section entitled "Introduction" states:

The Espey Development, LLC IRON ORCHARD DRILLING PROSPECT Seven Oil Well Drilling Prospect is a direct working interest drilling prospect to be formed for the purpose of performing developmental drilling on a Venture Prospect selected by Espey Development, LLC. The Sponsor/Operator Seel-Mac Oil LLC. Investor Participants who are accepted by Espey Development LLC shall be added to the Iron Orchard Seven (7) Oil Well Drilling Prospect as Non-Operators upon their acceptance at the time the offering closes. Operators and Non-operators may be referred jointly herein as "Joint Venturers" or "Venturers". The Sponsor/Operator will apply substantially all of the net proceeds of the offering to the acreage acquisition, drilling and, if warranted, completion of the Seven Oil Wells on a prospect (the "Venture Prospect") in Montague County, Texas. The Venture Prospect is described in the Exhibit to the Model Form Operating Agreement ("Joint Operating Agreement") Espey Development LLC as Sponsor/Operator Seel-Mac Oil LLC, is evaluating and attempting to acquire other leases in the immediate area, Espey Development LLC and Seel-Mac Oil LLC will reserve the right to change the proposed location(s) should the Management of Espey Development LLC and Seel-Mac Oil LLC feel a change be in the best interest of the Iron Orchard Drilling Prospect.

18. Because of its incomplete and run-together sentences, it is impossible from the above-quoted paragraph to determine if EDLLC or Seel-Mac Oil LLC is the entity referred to as the "Sponsor/Operator."
19. Furthermore, neither the "Operating Agreement" nor any "Exhibit" referred to in the above-quoted paragraph are included in the offering documents.
20. The above-quoted paragraph states that Iron Orchard is "to be formed," while page one of the "Participation Agreement" states:
 

"Espey Development LLC . . . represents to Own or have rights to acreage in the following described lands . . . Iron Orchard Seven (7) Well Drilling Prospect, Montague County, Texas."
21. During the offer described in Paragraph 4, Ranspot stated that investors have no liabilities beyond the amount invested.

