



SECURITIES AND EXCHANGE COMMISSION

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NEW COMMISSION BROCHURE CAUTIONS INVESTORS ON INVESTMENTS IN OIL, GAS AND COAL

The Commission has announced publication of a new consumer information brochure advising investors to exercise caution in investing in one of the burgeoning number of oil, gas and coal exploration ventures being offered to the public.

The new brochure, entitled Investing In Oil, Gas & Coal: Things to Consider, notes that, "Most oil, gas and coal investment opportunities, while involving varying degrees of risks to the investor, are legitimate in their conception, business-like in their marketing, and prudent in their operations."

"However," it continues, "as in many other investment opportunities, it is not unusual for unscrupulous promoters to attempt to take advantage of increased investor interest by engaging in fraudulent practices."

The Commission perceived a need for a consumer information brochure covering this area because the demand for increased energy resources has sparked increased numbers of offerings to the public of investment opportunities involving exploration for oil, gas and coal. The potential for a high return and also the tax advantages of some of these investments has created widespread interest among individual investors.

This is the third in a series of consumer information brochures produced by the Commission to acquaint the public with the intricacies of investing; the other two brochures are Investigate Before You Invest, and How to Avoid Ponzi and Pyramid Schemes. As with the other two, the new brochure is not intended to be, and is not, exhaustive in its descriptions. It summarizes, in plain language, what investors should watch for and consider when making a decision to invest in oil, gas and coal exploration programs.

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The brochure counsels investors to understand the investment being offered (i.e., the differences between the rights and obligations of a limited partner or an owner of a fractional undivided interest). It cautions investors on selection of an investment and reviews certain fraudulent practices which Commission investigations have revealed. For example, the brochure explains that in one case "investors funds were used to pay for the European and Bahamian vacations of the promoter, leaving no money to pay for drilling wells." In another, it says, "investors were not told that a 'psychic' was paid \$100,000 to select sites for drilling."

It also cautions investors to watch for "boiler room" techniques -- high pressure salesmen, flamboyant and misleading advertisements and predictions of potentially spectacular profits. It lists some typical "boiler room" sales pitches relating to oil, gas and coal investments, such as "the risks are minimal - that the exploration efforts 'can't fail'"; "the salesperson has personally invested in the venture"; or "the promoter has 'hit' on every well drilled so far." It also enumerates what a typical "boiler room" sales pitch will not reveal, such as, the amount of commission paid to promoters and salespersons, how the funds invested will be held, and the level of experience in oil and gas drillings on the part of all persons responsible for the venture.

To aide prospective investors, the brochure also gives some suggestions on "What to do", "What to ask" and "Where to go for help". Among other things, it cautions investors to be particularly hesitant if the salesperson suggests sending money in the mail directly to him or her and to resist pressures to make hurried, uninformed investment decisions. It suggests questions to ask such as how the caller/writer obtained a prospect's name and whether the offering is filed with the SEC.

Copies of the new brochure (and the other consumer information brochures named above) may be obtained from the Commission's Publications Section. In addition, all three are distributed to the general public through the federal Consumer Information Center in Pueblo, Colorado.