

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF)	CEASE AND DESIST ORDER AND
)	SUBPOENA DUCES TECUM
FAIRFIELD ENERGY, INC.)	
AMAZON EXPLORATION LLC)	DIVISION FILE NO.: 79099
KENNETH M. GOMEZ)	
BRIAN T. SULLIVAN)	

Now comes the Iowa Insurance Division ("Division"), pursuant to the provisions of the Iowa Uniform Securities Act – Iowa Code Chapter 502 and finds as follows:

PARTIES AND JURISDICTION

1. The Commissioner of Insurance, Nick Gerhart, pursuant to Iowa Code § 502.601(2013), administers the Iowa Uniform Securities Act.
2. Fairfield Energy, Inc. ("Fairfield Energy") is a Colorado entity with a last known address of 12295 Oracle Blvd., Suite 340, Colorado Springs, CO 80291. Fairfield Energy is not and has not been registered with the Division to offer or sell securities or act as an investment adviser firm in the state of Iowa.
3. Amazon Exploration LLC ("Amazon Exploration") is a Colorado entity with a last known address of 2139 Chuckwagon Road, # 200, Colorado Springs, CO 80919. Amazon Exploration is not and has not been registered with the Division to offer or sell securities or act as an investment adviser firm in the state of Iowa.
4. Kenneth M. Gomez ("Gomez") is an individual with a last known mailing address of 2139 Chuckwagon Road, # 310, Colorado Springs, CO 80919. Gomez is not and has not been licensed to offer or sell securities or act as an investment adviser representative in the state of Iowa.
5. Brian T. Sullivan ("Sullivan") is an individual with a last known address of 8025 Applestone Trail, Colorado Springs, CO 80919. On information and belief, Sullivan is the Chief

Executive Officer and a control person of Fairfield Energy. Sullivan is not and has not been licensed to offer or sell securities or act as an investment adviser representative in the state of Iowa.

6. Fairfield Energy, Amazon Exploration, Sullivan and Gomez have engaged in acts or practices within the state of Iowa constituting violations of Iowa Code Chapter 502 and/or any rule or order adopted or issued pursuant to Iowa Code Chapter 502. The Insurance Commissioner is authorized to issue a summary order directed to any person requiring the person to cease and desist from engaging in such acts or practices or take other affirmative action as in her judgment is necessary to comply with the requirements of Iowa Code Chapter 502 pursuant to Iowa Code § 502.604 (2013).

FACTUAL BACKGROUND

I. Investment made by JS and BS

7. On or about January 2012, JS, an Iowa resident, was contacted by phone at his place of employment by Gomez to invest in an oil and gas well. JS knew Gomez personally and that he was a new salesman for Brian Sullivan and Fairfield Energy. Gomez was engaged in the offer and sale of for the Amazon Exploration wells.

8. On January 13, 2012, JS was in Colorado and met with Gomez and Sullivan for dinner. JS was told that by Sullivan and Gomez that he needed to buy into their newest project because it was going to be a good one, based on what wells in the surrounding area were doing.

9. In a letter dated January 16, 2012 from Ron Banta, General Manager, Fairfield Energy, Inc., JS and his wife BS were told that:

Due to the tremendous amount of success we have had with the first three wells in the Amazon Field, Fairfield Energy is excited to present to you the Amazon 13-29 Well.

This well is in our Amazon Field also but with a much higher potential for Oil production, due to the fact that this is a new drill and not a redevelopment or re-entry.

The Amazon 13-29 well will be drilled right next to the RGM 13-28 disposal well, which, when first drilled produced at a rate of 125 barrels of oil per day. We will be targeting the "J" sand zone, (approximately 5,395 ft), the most oil prolific zone in this area. With the help of the same engineers that advised us on our first three wells, we believe the Amazon 13-29 to be an excellent, low-risk prospect for our next producing well.

We look forward to speaking with you about this latest venture.

(emphasis added). The letter accompanied a packet of information about the project.

10. JS spoke with Gomez on a weekly basis from January thru March 2012 about the well project and other personal conversations.

11. In March 2012, JS and BS were in Colorado for a personal visit with Gomez. At that time, JS was given another packet of information on the oil well.

12. When JS was back in Iowa, he received a call from Gomez that the project was almost sold out. Gomez asked how much of the offering that JS wanted to purchase. JS felt pressured but agreed to purchase a ¼ unit. Gomez then told JS that there was only a 1/8 unit left in the offering and encouraged JS to also take it. JS and BS agreed to the purchases of the units.

13. On March 21, 2012, JS and BS sent two checks – one check for \$21,428.50 and another check for \$10,714.25 – and the application documents to Gomez to purchase an interest in the Amazon 13-29 units.

14. When the oil well was actually being dug, JS and BS were told by Gomez that there decision to invest in the oil well would be the best decision that they could ever make. Gomez also stated that this was huge and the results would be tremendous. JS and BS could expect their first check to be in the thousands!

15. Shortly thereafter, JS and BS were told that Amazon Exploration had to do something to the well that resulted in the oil not flowing from the well. However, JS and BS were assured that it was only a temporary situation.

16. JS and BS began receiving monthly operating statements regarding their interest in the well. The reports indicated the operating results and dividends payable to them:

July 2012 Operating Statement – Total Net Partner Revenue \$6,230 (Dividend was \$23.36)

August 2012 Operating Statement – Total Net Partner Revenue \$5,935 (Dividend was \$22.26)

September 2012 Operating Statement – Total Net Partner Revenue \$4,699 (Dividend was \$17.62)

October 2012 Operating Statement – Total Net Partner Revenue \$3,758 (Dividend was ?)

17. The September 2012 dividend check for \$17.62 was not honored.

18. A conference call was purportedly held in November 2012 with the partners. JS and BS were not able to be on the conference call, but were told in a phone call with Sullivan that all the other partners had agreed to “frack” the well. This would cost another \$13,000 for their portion. JS and BS were pressured to sign the papers agreeing to the additional payment. Sullivan told JS that they would be subject to a 500 times penalty in fines if they did not sign and send in the money. JS refused to sign the form or send in the additional money.

II. Confidential Information Memorandum

19. The Confidential Information Memorandum does not discuss such material issues as the prior success or failure of other wells, the commissions or other compensation paid to solicit the purchase of units, and the prior litigation taken against Fairfield Energy, Amazon Exploration, and its officers, agents, and employees.

III. Actions taken by other states against Respondents

20. Fairfield Energy, Amazon Exploration, Sullivan and Gomez failed to disclose administrative or civil actions taken to JS and BS. These actions are as follows:

a. On February 20, 2007, a Desist and Refrain Order was issued by the state of California Department of Corporations against Sullivan, Fairfield Energy, and other parties. The California Order found that Sullivan and Fairfield Energy used cold calling and a website to engage in general solicitations of unregistered investments in the Vista Joint Venture. The California Order also found that the investments were securities, and therefore, the parties were ordered to desist and refrain from further offers or sales of securities until compliance with the law was made.

b. On March 30, 2009, the state of Washington Department of Financial Institutions issued a Statement of Charges and Notice of Intent to Issue an Order to Cease and Desist, Impose Fines, and Charge Costs against Sullivan, Fairfield Energy, and the TM4500 Rig Acquisition Joint Venture (the "Washington Action") based upon the unsolicited cold call to a Washington resident suggesting a 90% annualized rate of return. The Washington Action alleged that the parties in that case failed to provide material information, including financial statements, operational history, full representation of the company history, prior performance information and the risks associated with equipment leasing. On May 11, 2011, a Final Order was issued in the matter, adopting the original Statement of Charges filed and ordering Sullivan, Fairfield Energy, and the TM4500 Rig Acquisition Joint Venture to cease and desist from further violations of Washington state securities laws, imposing a fine of \$5,000 and imposing costs of \$1,500 for the investigation.

c. On January 4, 2011, the state of Nebraska Department of Banking & Finance issued a Findings of Fact, Conclusions of Law and Order to Cease and Desist against Fairfield Energy

and Sullivan, finding that Fairfield Energy and Sullivan offered and sold joint venture interests without registering the securities and that Fairfield Energy, Sullivan, and their affiliates, controlling persons, officers, directors, agents and employees were not registered as broker-dealers. The Nebraska Order requires Sullivan and Fairfield Energy to cease offering securities in or to the state of Nebraska in violation of the law.

d. On July 16, 2012, the state of Colorado Division of Securities issued and filed a Complaint for Injunctive and Other Relief against Fairfield Energy, Amazon Exploration, Sullivan and other parties (the "Colorado Action"). The Colorado Action alleged that Fairfield Energy, Amazon Exploration and Sullivan were engaged in attracting investors through boiler-room cold-calls and had defrauded dozens of investors nationwide of millions of dollars. They used unlicensed sales agents, some with criminal histories, to contact investors nationwide, with each agent making as many as 300 to 400 cold-calling attempts per day, relying upon canned scripts and statements to promote the investments, and earning commissions for their efforts. Fairfield Energy, Amazon Exploration and Sullivan failed to disclose any risks associated with the investments, their prior legal troubles, their prior failures, and the actual amount of commissions and other compensation they paid themselves out of investment funds. On July 19, 2012, a Stipulation for Permanent Injunction and Other Relief and Order for Permanent Injunction and Other Relief were entered into between Fairfield Energy, Amazon Exploration and Sullivan and the Colorado Division of Securities and were approved by the court. The court order states that Fairfield Energy, Amazon Exploration and Sullivan are permanently restrained and enjoined from engaging, directly or indirectly, in offering to sell any securities in the state of Colorado; engaging in business as a securities broker-dealer, sales representative, investment adviser or investment adviser representative; making material misrepresentation or omissions of material facts; engaging in any act, practice or course of business which operates or would

operate as a fraud and deceit upon any person; otherwise violating the Colorado Securities Act. A judgment was entered against the Defendants in the amount of \$975,000.

IV. Failure to Disclose Material Facts

21. In connection with the offer and sales of securities, Fairfield Energy, Amazon Exploration, Sullivan and Gomez (collectively the "Respondents"), directly or indirectly, failed to disclose material facts to investors, including, but not limited to, the following.

- a. any financial information regarding the performance of prior joint ventures operated by the Respondents;
- b. the fact that none of the Respondents were licensed to sell securities in the state of Iowa;
- c. the actual or promised amount of commissions and other compensation paid to the Respondents or their sales agents based on the original investment;
- d. that Fairfield Energy, Sullivan, and other parties were the subject of administrative orders from other securities regulators directing them to cease and desist from violation of state securities laws;
- e. that Respondents failed to adequately disclose the risks being taken by investors in the oil well project.
- d. that Respondents failed to disclose to investors an adequate accounting of how investors' funds were expended;
- e. that Respondents failed to adequately disclose to investors the background and investment experience of the individuals managing and operating Fairfield Energy and Amazon Exploration.

V. Misrepresentation of Material Facts

22. Fairfield Energy, Amazon Exploration, Sullivan and Gomez have made misrepresentations of material fact to investor(s) including, but not limited to, the following:

- a. misrepresented the investment risk(s) being taken by investors in the oil well project;
- b. misrepresented the returns being earned by investors on their investment in the oil well project.

VIOLATIONS OF SECURITIES ACT

COUNT I

UNREGISTERED SECURITIES

23. Paragraphs 1 - 22 are incorporated herein by reference.

24. Fairfield Energy, Amazon Exploration, Sullivan and Gomez have offered or sold, have aided or abetted the offer or sale of, or have participated in the offer or sale of unregistered evidences of joint venture units and/or investment contracts.

25. These joint venture units and/or investment contracts are securities within the meaning of Iowa Code § 502.102(28) (2013).

26. The securities promoted by Fairfield Energy, Amazon Exploration, Sullivan and Gomez were not registered with the Iowa Securities Bureau pursuant to Iowa Code §§ 502.303, 502.304 or 502.304A (2013), nor do any of the exemptions in Iowa Code §§ 502.201 or 502.202 (2013) appear to apply, nor were they federally covered securities.

27. Therefore, Fairfield Energy, Amazon Exploration, Sullivan and Gomez have violated Iowa Code § 502.301 (2013), by offering and/or selling unregistered, non-exempt and non-federal covered securities in Iowa and should be ordered to cease and desist.

28. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

COUNT II

UNREGISTERED AGENTS

29. Paragraphs 1 - 28 are incorporated herein by reference.

30. No individual associated with Fairfield Energy or Amazon Exploration, including Sullivan and Gomez, is or has been registered as a securities agent with the Iowa Securities Bureau.

31. Sullivan and Gomez acted as unregistered agents in violation of Iowa Code § 502.402 (2013).

32. Therefore, those representatives of Fairfield Energy and Amazon Exploration, including Sullivan and Gomez, who have solicited, offered or sold in Iowa these securities have violated Iowa Code § 502.402 (2013) and should be ordered to cease and desist.

33. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

COUNT III

ISSUER EMPLOYING UNREGISTERED AGENTS

34. Paragraphs 1 - 33 are incorporated herein by reference.

35. Fairfield Energy and Amazon Exploration are issuers as defined in Iowa Code § 502.102(17) (2013).

36. Therefore, Fairfield Energy and Amazon Exploration has violated Iowa Code § 502.402 (2013) by employing agents not registered with the Iowa Securities Bureau to offer securities for sale within this State and should be ordered to cease and desist.

37. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code chapter 502 (The Iowa Uniform Securities Act).

COUNT IV

MISREPRESENTATIONS

38. Paragraphs 1 - 37 are incorporated herein by reference.

39. Fairfield Energy, Amazon Exploration, Sullivan and Gomez have made untrue statements of material fact in the sale of securities.

40. Therefore, Fairfield Energy, Amazon Exploration, Sullivan and Gomez have violated Iowa Code § 502.501 (2013) by making untrue statements of material facts and should be ordered to cease and desist.

41. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

COUNT V

OMISSIONS

42. Paragraphs 1 - 41 are incorporated herein by reference.

43. Fairfield Energy, Amazon Exploration, Sullivan and Gomez have made omissions of material fact in the sale of securities.

44. The omission of these material facts, in light of the circumstances surrounding the sale of securities, is misleading.

45. Therefore, Fairfield Energy, Amazon Exploration, Sullivan and Gomez have violated Iowa Code § 502.501 (2013) by failing to state material facts, and should be ordered to cease and desist.

46. This action is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the provisions of Iowa Code Chapter 502 (The Iowa Uniform Securities Act).

ORDERS

WHEREFORE, IT IS HEREBY ORDERED pursuant to the powers granted to the Commissioner of Insurance by Iowa Code §§ 502.604 and 507A.10 (2013) as follows:

A. Fairfield Energy, Amazon Exploration, Sullivan and Gomez shall Cease and Desist the offer or sale of, aiding and abetting the offer or sale of, and participating in the offer or sale of the securities described above or any other securities in the State of Iowa while those securities are unregistered, non-exempt and not federal covered securities, in violation of Iowa Code § 502.301 (2013).

B. All individuals representing Fairfield Energy and Amazon Exploration, specifically including Sullivan and Gomez, shall Cease and Desist acting as agents in the state of Iowa without registration, in violation of Iowa Code § 502.402 (2013).

C. Fairfield Energy and Amazon Exploration shall Cease and Desist employing individuals as securities agents who are not registered as agents to solicit the sale of securities in Iowa without registration in violation of Iowa Code § 502.402 (2013).

D. Fairfield Energy, Amazon Exploration, Sullivan and Gomez shall Cease and Desist making untrue statements of material facts in the offer or sale of securities in violation of Iowa Code § 502.501 (2013).

E. Fairfield Energy, Amazon Exploration, Sullivan and Gomez shall Cease and Desist omitting material facts which, in light of the circumstances surrounding the sale of securities, are misleading in violation of Iowa Code § 502.501 (2013).

F. Fairfield Energy and Amazon Exploration shall each be assessed a civil penalty of \$10,000.00 for knowingly and recklessly violating provisions of the Iowa Uniform Securities Act pursuant to Iowa Code § 502.604(4) (2013) and rules enacted thereunder.

G. Sullivan and Gomez shall each be assessed a civil penalty of \$5,000.00 for violating provisions of the Iowa Uniform Securities Act pursuant to Iowa Code § 502.604(4) (2013) and rules enacted thereunder:

H. The Division shall retain \$1,000 costs from any penalty or payment.

IT IS FURTHER ORDERED pursuant to the authority of Iowa Code § 502.602 (2013) that Fairfield Energy, Amazon Exploration, Sullivan and Gomez shall make available at the premises of the Iowa Insurance Division, 330 Maple Street, Des Moines, Iowa 50319, on or before Thursday, February 28, 2013, the following:

1. All written agreements, contracts, letters, memorandums, or correspondence relating to the offer or issuance of the above described securities with Iowa investors.

2. All written advertising, solicitation and offering materials used in connection with the offer or issuance of the above described securities, including prospectuses, brochures, pamphlets, web pages, and materials distributed to Iowa investors.

3. All documents reflecting those Iowa residents who have purchased any interest or investment related to stock or investment contracts from you or through your efforts, including names, complete addresses, date of investment(s), amount invested, and the purchase price.
4. All documents reflecting proof of registration or supporting your claim of exemption for each transaction identified above.
5. All documents reflecting the complete name, address, social security number and job title, of every partner or agent.
6. All documents reflecting financial statements of Fairfield Energy and Amazon Exploration for the last three years including, but not limited to, balance sheets, income statements, statements of changes in financial condition and statements of sources and uses of funds.
7. All documents reflecting the balances in each Iowa investor or purchaser's account, balances in all bank accounts or investments made on behalf of yourself or on behalf of an investor or purchaser.
8. All documents reflecting the name, complete address, and account number(s) of all bank accounts and/or other depositories used by or for Fairfield Energy and Amazon Exploration.

NOTICE REGARDING FAILURE TO REQUEST A HEARING

If you fail to request a hearing within thirty (30) days of the date of this Cease and Desist Order, the Order shall be a final Order of the Commissioner of Insurance and shall be enforceable by the Commissioner of Insurance in an administrative or court proceeding.

**NOTICE REGARDING EXHAUSTION OF ADMINISTRATIVE REMEDIES AND RIGHT TO
SEEK JUDICIAL REVIEW**

The failure to request a hearing can constitute a failure to exhaust your administrative remedies and limit the issues subject to judicial review. You may seek judicial review of this Order pursuant to Iowa Code chapter 17A after the Order becomes final. The Order becomes final thirty (30) days after it is issued if you do not timely request a contested case hearing, or following hearing if you do timely request a contested case hearing.

NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER

YOU ARE NOTIFIED that any person who willfully violates this order shall be deemed in contempt of the order pursuant to Iowa Code § 502.604. The administrator may petition the district court to hold a hearing to enforce the order as certified by the administrator. The district court may assess a civil penalty against the person in an amount not less than three thousand dollars but not greater than ten thousand dollars per violation and may issue further orders as it deems appropriate.

YOU ARE ALSO NOTIFIED that a person who willfully violates any provision of this chapter, or any rule or order under this chapter, is guilty of a class "D" felony pursuant to Iowa Code § 502.605(1)(a). A person who willfully violates §§ 502.401, 502.402, 502.403, or 502.408, subsection (1) or (2), resulting in a loss of more than ten thousand dollars is guilty of a class "C" felony pursuant to Iowa Code § 502.605(1)(b).

NOTICE REGARDING IMPACT OF ORDER ON EXISTING LICENSES

A final Cease and Desist Order may adversely affect existing business or professional licenses and result in license revocation or disciplinary action. For example, a final Cease and Desist

Order issued to a licensed insurance agent may subject the insurance agent to insurance license revocation or other disciplinary action. Further notice is given that the Iowa Insurance Division may review this Cease and Desist Order for a potential license revocation or disciplinary action.

NOTICE OF RIGHT TO REQUEST HEARING

NOTICE IS HEREBY GIVEN that Fairfield Energy, Amazon Exploration, Sullivan and Gomez or any individual representing any Respondent, may request a hearing in this matter. This request must be in writing and must be filed within thirty (30) calendar days of the date of this Order with Robert Koppin, Enforcement Bureau Chief, Iowa Insurance Division, 330 Maple Street, Des Moines, Iowa 50319. A notice of the hearing shall be prepared and shall be given at least fifteen (15) days before the date of the hearing unless the parties agree to an earlier date. The hearing shall be held within ninety (90) days after the date of the notice of the hearing unless extended by the presiding officer for good cause with at least fifteen days notice to the parties. The resulting hearing will be held in accordance with Iowa Code Chapter 17A (2013).

Dated this 1st day of February, 2013.

Iowa Insurance Division



by JIM MUMFORD
First Deputy Commissioner and
Securities Administrator

COPY SENT BY CERTIFIED AND FIRST CLASS MAIL TO:

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