

OIL AND GAS INVESTOR CHECKLIST

Investors must ask questions when considering an oil and gas investment opportunity. The following checklist can help you verify whether an offer is legitimate. Keep copies of your notes in your files, and verify information the seller provides. By the time you're ready to invest, you should know the following:

Date: _____ Time: _____ Who initiated the discussion? Seller called you You called seller
 Name of seller: _____ Seller's phone number: _____
 Background information about the salesperson and his or her experience in other oil or gas ventures:

What commission/compensation will the salesperson receive? _____
 Seller's company name: _____ Company phone number: _____
 Additional contact information for seller or company: _____

NOTE: The promoter must furnish a prospectus or offering memorandum to potential investors before they commit their funds. The information to look for in these documents includes:

- Names of company principals or general partners and their background/experience in the industry
- Production history, including well locations, initial production, investor cost versus investor payout and dry holes drilled for prior programs operated or managed by the seller
- Administrative costs, including salaries and overhead expenses to be paid from the offering proceeds
- Estimated costs of drilling and completion
- Sources and amounts of any additional funds to be secured for drilling the wells
- Material tax considerations
- Information on oil and gas regulation, including availability of markets and pricing
- Summary of material contracts
- Summary of the geologist's opinion
- Opinion of counsel as to the validity of the lease
- Information on all forms of compensation paid or to be paid to the seller or its affiliates

CHECKLIST: Place a checkmark or answer in the left-hand column for each item listed on the right.

	Obtain a copy of the prospectus or offering memorandum.
	Is the seller licensed with the Kentucky Department of Financial Institutions (DFI)?
	Is the investment offering registered with Kentucky DFI?
	Call DFI at (800) 223-2579 to see if the seller and product are registered/licensed in Kentucky.
	Does the seller claim the offering is exempt from Kentucky registration requirements? If so, list exemptions and terms:
	Is the offering registered with the state securities regulator where the sellers are located?
	How much money is to be raised?
	What is the cost per fractional interest?
	If the well is completed, what will the completion costs be for each investor?
	Does the Internal Revenue Service support the tax treatment as claimed by the sellers?
	Is the well to be drilled in a territory known to be productive?
	Insist on seeing a copy of the operator's contract with the seller, and find out the operator's name, address and compensation terms.

GETTING HELP: DFI protects investors by enforcing the Securities Act of Kentucky. If you have questions or want to report fraud, call (800) 223-2579. Always contact a securities administrator **before** you invest.