North Carolina

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North Carolina Department of the Secretary of State
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does it have from other ventures? Does it have sufficient funds to cover unexpected costs? Is the tax treatment of the investments, as claimed by the promoters, supported by the Internal Revenue Service?

If the investment is in an oil or gas operation, find out the company's or general partners' history in drilling operations. In particular, ask how long it has been in the oil and gas business, the number of wells drilled, the number of wells completed as producing wells, and whether the company retained its interests in the wells it drilled. Determine if conflicts of interest involving the promoter are disclosed. All the above information should be contained in a prospectus or "offering documents" that the promoter must furnish potential investors before they commit their funds.

4. The Investment. Make sure funds raised are kept in a separate escrow account until used and that they won't be commingled with other funds. Also, be certain the funds will not be used for purposes other than those specified. Ask how much money is to be raised and the cost per fractional interest. Ask how much of the money will pay for advertising, salaries, sales commissions and any estimated profit to the company. Ask what type of conveyance document will be provided after any investment is made.

Assuming the well is completed, ask what the completion costs will be for each investor, including additional commissions to be paid (the purpose and amount), and whether investors may be obligated to pay in more money in the future. Ask what tax incentives might be available if a dry-hole is encountered and for intangible drilling costs. Finally, evaluate the risk involved in making the investment. Is the well to be drilled a wildcat (drilled in territory not known to be productive) or is the drilling to be done in an area of proven oil reserves?

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Calendar of Upcoming Events

Recent Enforcement Actions