

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
December 1, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12494

In the Matter of

LARRY WEBMAN and
MELVIN WEBMAN,

Respondents.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND NOTICE OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Larry Webman and Melvin Webman (together, “Respondents”).

II.

After an investigation, the Division of Enforcement alleges that:

1. During the relevant period, Respondents acted as unregistered broker-dealers in connection with the offer and sale of U.S. Gas & Electric, Inc. (“U.S. Gas”) securities and securities belonging to U.S. Gas’ affiliated companies, USG&E Drilling I, LLC, USG&E Drilling II, LLC, and USG&E Gas Drilling III, LLC (collectively the “Drilling LLCs”), for which each received transaction-based compensation.

2. On November 16, 2006, an Amended Order of Default Judgment of Permanent Injunction and Other Relief was entered against each of the Respondents, permanently enjoining each from future violations of Sections 5(a), 5(c) and 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a)(1) of the Exchange Act and Rule 10b-5

promulgated thereunder, in the civil action entitled Securities and Exchange Commission v. U.S Gas & Electric, Inc., et al., Civil Action No. 06-22440-CIV-LENARD/TORRES, in the United States District Court for the Southern District of Florida.

3. The Commission's complaint in the civil action alleged that between March 2002 and August 2003, U.S. Gas and the Drilling LLCs raised approximately \$6.8 million through a series of fraudulent offerings in unregistered transactions to more than 180 investors, many of whom were senior citizens. The purported purpose of these offerings was to start up and operate natural gas businesses in the New York metropolitan area and in Pennsylvania. The complaint alleged that U.S. Gas, through Respondents and others, made material misstatements and omissions to investors in the various offerings concerning, among other things, the returns on the investments and the use of proceeds. In addition, the complaint alleged that Respondents and others falsely represented to investors in the Drilling LLCs offerings that they should expect to receive annual returns ranging from 25% to 50% for decades. The complaint charged Respondents, and their co-defendants, with violations of the registration, broker-dealer registration, and antifraud provisions of the federal securities laws in connection with the offer and sale of U.S. Gas and Drilling LLC securities.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

- A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations; and
- B. What, if any, remedial action is appropriate in the public interest against Respondents pursuant to Section 15(b) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Larry Webman and Mel Webman shall each file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Larry Webman or Mel Webman fails to file the directed answer, or fails to appear at a hearing after being duly notified, he may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed

to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris
Secretary