

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

Oklahoma Department of Securities)
ex rel. Irving L. Faught,)
Administrator,)

Plaintiff,)

v.)

Maier Resources, Inc., and)
Johnny Ray Maier, *a/k/a*)
John Ray Maier, a deceased)
Individual,)

Defendants,)

v.)

the Estate of Johnny Ray Maier,)

Relief Defendant.)

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

JAN 12 2006

Case No. PATRICIA PRESLEY, COURT CLERK
by _____
Deputy

CJ -2006-326

PETITION FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF

COMES NOW the Plaintiff, Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator, ("Department"), and for its claims against the above-named Defendants, alleges and states as follows:

OVERVIEW

1. This case involves ongoing violations of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), by Maier Resources, Inc., and Johnny Ray Maier ("Defendants"). Specifically, the Department alleges that Defendants, after having been previously enjoined by an Oklahoma County District Court judge from doing so, have offered and sold unregistered securities, failed to register agents and employed

unregistered agents, and perpetrated fraud in connection with the offer, sale, and/or purchase of securities.

2. Defendants have engaged in a course of business whereby they: (a) solicited money from investors to repeatedly recomplete oil and gas wells with histories of limited production; (b) solicited money from investors for the stated purpose of drilling new wells then apply such money to recomplete existing wells; (c) solicited money from investors for the stated purpose of reCompleting existing wells and then distribute that money to previous investors in other wells as production "revenue" when such other wells produced no revenue; (d) failed to file assignments of working interests sold to investors and then resell interests in the same wells to other groups of investors; (e) provided offering documents to investors that contain materially false information and/or that omit material information; and (f) filed documentation with the Department containing information they know to be false at the time the filing is made.

3. Defendants have refused to fully comply with subpoenas issued by the Administrator of the Department and have obstructed the Department's investigation of this matter by directing at least one of their employees to ignore a subpoena issued by the Administrator of the Department.

JURISDICTION

4. The Administrator of the Department brings this action pursuant to Section 1-603 of the Act and is the proper party to bring this action against the Defendants.

5. Pursuant to Sections 1-102 and 1-610 of the Act, Defendants, in connection with their activities in the offer, sale, and purchase of securities, are subject to the provisions of the Act. By virtue of their transaction of business by contract and otherwise and commission of

other acts in this state, Defendants are subject to the jurisdiction of this Court and to service of summons within or outside of this state.

6. Defendants have engaged, and are engaging, in acts and practices in violation of the Act. Unless enjoined, Maier Resources, Inc. may continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

DEFENDANTS

7. Maier Resources, Inc. ("Maier Resources") is an Oklahoma corporation with its principal place of business in Norman, Oklahoma. Maier Resources represents that it is a company engaged in the business of exploring for and producing oil and gas. At all times material hereto, Maier Resources offered and/or sold securities in and/or from Oklahoma as described herein.

8. Johnny Ray Maier, *a/k/a* John Ray Maier ("Maier"), was an Oklahoma resident. At all times material hereto, Maier Resources acted under the dominion and control of Maier. At all times material hereto, Maier materially and actively participated in offers and sales of securities to investors. Maier died on January 7, 2006.

DEFENDANTS' PRIOR VIOLATIONS

9. On February 14, 1996, the Administrator of the Department filed a petition in the district court of Oklahoma County against Defendants alleging that Defendants, in connection with the offer and/or sale of working interests in oil and gas leases, violated the securities registration, agent registration and anti-fraud provisions of the Oklahoma Securities Act, Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (1991 & Supp. 1995) (the "Predecessor Act") (Case No. CJ-96-1044-63, Okla. County Dist. Ct.). The petition requested immediate relief in the form of a temporary injunction to stop Defendants' ongoing violations of the Predecessor Act. The petition also requested that the court appoint a receiver for Maier Resources to, *inter alia*, protect and

preserve the funds of investors. The court granted such relief and the receivership remained in place until July 18, 1996, at which time the court permanently enjoined Defendants from further and future violations of the Predecessor Act.

DEFENDANTS' SUBSEQUENT SECURITIES VIOLATIONS

10. Defendants have engaged in violations of the Act in connection with the offer and/or sale of securities, in and/or from Oklahoma to investors ("Investors"), in the nature of interests in oil and/or gas leases ("Working Interests"). Defendants have violated, and continue to violate, the securities and agent registration provisions of the Predecessor Act and the Act. Defendants have made filings with the Administrator of the Department that contain materially false and misleading information. Defendants have provided offering materials to investors that contain materially false information and that omit material information. Finally, Defendants have engaged in acts, practices and a course of business that operates as a fraud upon Investors.

A. False Filings with the Department

11. Beginning in or about 2003, and continuing through the present, Defendants have made, or caused to be made, filings with the Administrator of the Department that contain materially false and misleading information and omit material information.

12. On March 9, 2005, Maier Resources filed a Form D, *Notice of Sale of Securities*, with the Administrator of the Department notifying the Department of its intent to claim an exemption from the registration requirements of the Act relating to the Liberty #1 oil and gas well in Noble County, Oklahoma (the "Liberty #1 Form D"). The Liberty #1 Form D falsely stated the purpose of the offering as the drilling, completion and operation of the Liberty #1 well. As described below, the offering was actually for the recompletion of an existing well rather than the drilling of a new well on the lease. The Liberty #1 Form D falsely stated the address of the

principal executive offices of Maier Resources to be 914 ½ Main, Duncan, Oklahoma 73533. At the time of the filing the principal executive office of Maier Resources was in Norman, Oklahoma.

13. On September 13, 2005, Maier Resources filed a Form D, *Notice of Sale of Securities*, with the Administrator of the Department notifying the Department of its intent to claim an exemption from the registration requirements of the Act for an offering of securities related to the Tracy #1 well in Garvin County, Oklahoma (the "Tracy #1 Form D"). The Tracy #1 Form D falsely stated the purpose of the offering as the drilling, completion and operation of the Tracy #1 well. As described below, the offering was actually for the recompletion of an existing well rather than the drilling of a new well on the lease. The Tracy #1 Form D omitted required information concerning the states of residence of Investors known to Defendants at the time the filing was made. Specifically, the Tracy #1 Form D omitted information concerning at least eleven Investors in seven states other than Oklahoma. The Tracy #1 Form D falsely stated the address of the principal executive offices of Maier Resources to be 914 ½ Main, Duncan, Oklahoma 73533.

B. Violations of the Securities Registration Provisions

14. Beginning in or about 2003, Defendants themselves, and through the use of sales agents, offered and/or sold Working Interests to Investors in violation of the securities registration provisions of the Predecessor Act and the Act. Through telephone solicitations to Investors in numerous states, Defendants offered and/or sold Working Interests in the Liberty #1, Tracy #1 and Baker #1 wells to individuals with whom they had no previous substantive business relationship.

C. Untrue Statements of Material Fact and Omissions of Material Fact in Connection with the Offer and Sale of the Working Interests

15. In connection with the offer and sale of the Working Interests, Defendants have made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Liberty #1 Well

16. In connection with the offer and sale of interests in the Liberty #1 well, Defendants provided Investors with offering documents (the "Liberty Offering Materials"). The Liberty Offering Materials provided a description and history of Maier Resources and Maier and stated that the Liberty #1 well would be a new well drilled in Noble County, Oklahoma. The Liberty Offering Materials further stated that the interests in the Liberty #1 well were being offered to Investors on a "turnkey basis," meaning the costs to Investors to drill and complete the well would not exceed a stated amount. The Liberty Offering Materials stated that the well was a "minimal risk" well that Maier Resources predicted would return drilling costs within one year "and continue producing for twenty more."

17. The Liberty Offering Materials provided to Investors included a schedule of "Drilling Costs" in which drilling and completion costs were estimated to be Two Hundred Fifty Thousand Dollars (\$250,000). Such information was false. The Liberty #1 well involved the recompletion of an existing well, therefore estimated costs would be far less than those stated by Defendants in the Liberty Offering Materials.

18. In connection with the "turnkey" representations in the Liberty Offering Materials, Defendants omitted to state whether or not Maier Resources had the financial capability to complete the well if costs exceeded the amount to be charged to Investors.

19. In connection with the offer and sale of interests in the Liberty #1 well, Defendants omitted to state that money received from Investors in the Liberty #1 well would be used to pay Investors in other wells as purported production revenue.

20. In connection with the offer and sale of interests in the Liberty #1 well, Defendants omitted to state that they were the subject of numerous lawsuits and judgments relating to their oil and gas operations, including suits for failure to pay the costs of labor and materials. Defendants further omitted to disclose a judgment against them for wrongfully withholding royalty payments due the owner of an interest in a well operated by Maier Resources.

21. In connection with the offer and sale of interests in the Liberty #1 well, Defendants omitted to state that Investors would be subject to joint and several liability for any obligations or liabilities incurred in connection with the completion and/or operation of the Liberty #1 well. Defendants further omitted to state the potential conflicts of interest arising from Maier Resources' additional role as the operator of the well and that there were no procedures in place to address those conflicts of interest. Finally, Defendants omitted to state whether a title opinion for the lease had been, or would be, obtained and that defects, if any, in title to the lease could result in partial or total loss of Investors' interests in the lease and/or any well thereon.

22. In connection with the offer and sale of interests in the Liberty #1 well, Defendants omitted to state that on February 14, 1996, the Administrator of the Department filed suit against Defendants in the district court of Oklahoma County for violating the securities registration, agent registration and anti-fraud provisions of the Predecessor Act, and that on July

18, 1996, the court permanently enjoined Defendants from further and future violations of the Predecessor Act.

Tracy #1 Well

23. In 2003, Defendants offered and sold working interests to Investors in a well described as the Tracy #1. Defendants represented to Investors that the Tracy #1 well was to be recompleted and that the working interests were being offered to investors on a "turnkey basis," meaning the costs to Investors to recomplete the well would not exceed a stated amount.

24. In 2005, Defendants again offered and sold working interests in the Tracy #1 well to Investors. In connection with the second offer and sale of interests in the Tracy #1 well, Defendants provided Investors with offering documents (the "2005 Tracy Offering Materials"). The 2005 Tracy Offering Materials state that the interests in the Tracy #1 well are offered to Investors on a "turnkey basis," meaning the costs to Investors to recomplete the well will not exceed a stated amount. The 2005 Tracy Offering Materials state that the Tracy #1 well is producing two barrels of oil per day and twenty-five thousand cubic feet of gas per day. Such information is false. At the time the 2005 Tracy Offering Materials were provided to Investors, there was no reported production from the Tracy #1 well.

25. The 2005 Tracy Offering Materials describe the "Viola Formation" in which the Tracy #1 well is proposed to be recompleted with money received from Investors. The 2005 Tracy Offering Materials state that the "Viola Formation" produces an average of "58 barrels of oil per day" in the area. The 2005 Tracy Offering Materials omit to state the basis for such figure, including whether such figure represents initial production or current production from the other wells in the area. The 2005 Tracy Offering Materials also provide a map identifying various wells in the section, township and range in which the Tracy #1 is located. The map

identifies the location of the Tracy #1 and other wells in the section and states the amount of oil per day produced in the "Viola Formation" by each well. The 2005 Tracy Offering Materials omit to state whether these figures represent initial or current production and omit to state that at least half of the other wells identified on the map have been plugged and abandoned for years.

26. In connection with the "turnkey" representations in the 2005 Tracy Offering Materials, Defendants omit to state whether or not Maier Resources has the financial capability to complete the well if costs exceed the amount charged to Investors.

27. In connection with the offer and sale of interests in the Tracy #1 well, Defendants omit to state that they were the subject of numerous lawsuits and judgments relating to their oil and gas operations, including suits for failure to pay the costs of labor and materials. Defendants further fail to disclose a judgment against them for wrongfully withholding royalty payments due the owner of an interest in a well operated by Maier Resources.

28. In connection with the offer and sale of interests in the Tracy #1 well, Defendants omit to state that Investors will be subject to joint and several liability for any obligations or liabilities incurred in connection with the completion and/or operation of the Tracy #1 well. Defendants further omit to state the potential conflicts of interest arising from Maier Resources' additional role as the operator of the well and that there are no procedures in place to address those conflicts of interest. Finally, Defendants omit to state whether a title opinion for the lease has been, or will be, obtained and that defects, if any, in title to the lease may result in partial or total loss of Investors' interests in the lease and/or any well thereon.

29. In connection with the offer and sale of interests in the Tracy #1 well, Defendants omit to state that money received from Investors will be used to pay Investors in other wells as purported production revenue.

30. In connection with the offer and sale of interests in the Tracy #1 well, Defendants omit to state that on February 14, 1996, the Administrator of the Department filed suit against Defendants in the district court of Oklahoma County for violating the securities registration, agent registration and anti-fraud provisions of the Predecessor Act, and that on July 18, 1996, the court permanently enjoined Defendants from further and future violations of the Predecessor Act.

31. One Investor who purchased a Working Interest in the Tracy #1 well from Defendants in 2003 contacted Maier in 2004 to inquire about the status of the well and to ask why he had received no revenue from the well. Maier informed this Investor that the Tracy #1 well was producing nothing and was "dead." This same investor received an unsolicited package from Maier Resources containing the 2005 Tracy Offering Materials described above, including the representations that the Tracy #1 was producing sixty barrels of oil per month.

FIRST CAUSE OF ACTION

(Violation of Section 301 of the Predecessor Act: Offering and/or Selling Unregistered Securities)

32. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 31 above.

33. The Working Interests offered and sold in the Tracy #1 well in 2003 are securities as defined by Section 2 of the Predecessor Act.

34. The securities offered and sold by Defendants were not registered under the Predecessor Act, and did not otherwise qualify for an exemption from registration pursuant to Section 401 of the Predecessor Act.

35. By reason of the foregoing, Defendants have violated Section 301 of the Predecessor Act, and unless enjoined, may continue to violate the Act.

SECOND CAUSE OF ACTION

(Violation of Section 1-301 of the Act: Offering and/or Selling Unregistered Securities)

36. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding cause of action.

37. The Working Interests offered and sold in the Liberty #1 well and the Tracy #1 well in 2005 are securities as defined by Section 1-102 of the Act.

38. The securities offered and sold by Defendants are not and have not been registered under the Act, or otherwise qualified for an exemption from registration pursuant to either Sections 1-201 or 1-202 of the Act.

39. By reason of the foregoing, Defendants have violated, and unless enjoined, may continue to violate Section 1-301 of the Act.

THIRD CAUSE OF ACTION

(Violation of Section 1-402 of the Act: Acting as and Employing Unregistered Agents)

40. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

41. Maier Resources is an issuer as defined in Sections 1-102 of the Act.

42. The sales agents employed by Maier Resources, by virtue of their efforts and activities in this state in effecting or attempting to effect transactions in the securities of an issuer, are agents, as defined in Section 1-102 of the Act.

43. The agents employed by Maier Resources are not, and have not been, registered as issuer agents under the Act.

44. By reason of the foregoing, Defendant Maier Resources has violated, and unless enjoined, may continue to violate Section 1-402 of the Act.

FOURTH CAUSE OF ACTION

**(Violation of Section 1-501 of the Act:
Untrue Statements of Material Fact and Omissions of Material Fact
in Connection With Offer, Sale or Purchase of Securities)**

45. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

46. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, made untrue statements of material fact as described above.

47. Defendants, in connection with the offer, sale, or purchase of securities, directly and indirectly, omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, as described above.

48. By reason of the foregoing, Defendants, directly and indirectly, have violated, and unless enjoined, may continue to violate Section 1-501 of the Act.

FIFTH CAUSE OF ACTION

**(Violation of Section 1-501 of the Act:
Engaging in any Act, Practice, or Course of Business Which Operates or
Would Operate as a Fraud or Deceit upon any Person)**

49. The Department realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

50. Defendants, in connection with the offer, sale, or purchase of securities, and through the use of the untrue statements of material fact and the omissions of material fact described above, have engaged in an act, practice, or course of business that has operated, and may continue to operate, as a fraud or deceit upon Investors.

51. By reason of the foregoing, Defendants, directly and indirectly, have violated, and unless enjoined, may continue to violate Section 1-501 of the Act.

SIXTH CAUSE OF ACTION

(Violation of Section 1-505 of the Act: False and Misleading Filings under the Act)

52. The Department realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

53. As described in paragraphs 11 through 13 above, Defendants have filed under the Act, documents that, at the time and in the light of the circumstances under which they were made, were false and/or misleading in material respects, and that omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not false or misleading.

54. By reason of the foregoing, Defendants, directly and indirectly, have violated, and unless enjoined, may continue to violate Section 1-505 of the Act.

PRAYER FOR RELIEF

Defendants have engaged in acts and practices in violation of the Predecessor Act and Act and have, as a result of these activities, received a substantial amount of money from Investors. Unless enjoined, Maier Resources may continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object. A danger exists that the money received by Defendants from Investors or money or securities held by Defendants on behalf of Investors will be lost, removed, or transferred. A temporary restraining order to issue *instanter* and temporary and permanent injunctions to issue against Maier Resources is necessary a) to preserve the money received and money, securities and other assets held by Maier Resources and the records relating thereto, and b) to prevent further violations of the Act.

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 1-603 of the Act, the Department prays for the court to grant the following relief:

I.

A temporary restraining order to issue *instanter* and temporary and permanent injunctions, restraining and enjoining Maier Resources, its agents, servants, employees, assigns, and all those persons, directly or indirectly, acting on its behalf, under its direction and control, and/or in active concert or participation with it, who receive actual notice of the restraining order or temporary and/or permanent injunction, by personal service, facsimile or otherwise, and each of them from:

- a. offering and selling any security in and/or from this state; and
- b. transacting business in this state as a broker-dealer, agent, investment adviser, and/or investment adviser representative;

II.

An order prohibiting Maier Resources and Relief Defendant, the estate of Johnny Ray Maier, their agents, servants, employees, assigns, and all those persons, directly or indirectly, acting on their behalf, under their direction and control, and/or in active concert or participation with them, who receive actual notice of the order, by personal service, facsimile or otherwise, and each of them from tampering with, mutilating, altering, erasing, concealing, removing, destroying or otherwise disposing of any and all books, records, documents, files, correspondence, computer disks, tapes or other data recordings of any type, pertaining to or referring to Defendants or any financial transactions by Defendants or to which Defendants were parties;

III.

An order *instanter* freezing the assets of Defendants and Relief Defendant, the estate of Johnny Ray Maier and ordering that all financial or depository institutions comply with the Court's order upon notice to such depository institutions by facsimile or otherwise;

IV.

An order *instanter* appointing a receiver *pendente lite* for Maier Resources, empowering said receiver to marshal and take possession of the books, records, funds and other assets of Maier Resources; to undertake whatever manner of legal or equitable action is required to preserve or maintain the assets of Maier Resources; and to operate or liquidate the assets of Maier Resources for the benefit of creditors, as equity may require;

V.

An order *instanter* requiring Maier Resources to file with this Court and to serve on Plaintiff, within ten (60) days of the filing of this Petition, an accounting, under oath, detailing all of their assets and detailing all funds received from Investors and the disposition and/or use of those funds;

VI.

An order requiring Defendants and Relief Defendant, the estate of Johnny Ray Maier, to make restitution to any and all Investors who purchased securities from Defendants or who transferred money to Defendants for the purpose of making securities investments on their behalf;

VII.

An order requiring Defendants and Relief Defendant, the estate of Johnny Ray Maier, their agents, servants, employees, assigns, and all persons, directly or indirectly, acting on their

behalf, under their direction and control, and/or in active concert or participation with them, to disgorge all ill-gotten gains;

VIII.

An order imposing a civil penalty against Maier Resources in the amount of Two Hundred Fifty Thousand Dollars (\$250,000), payable to the Oklahoma Department of Securities; and

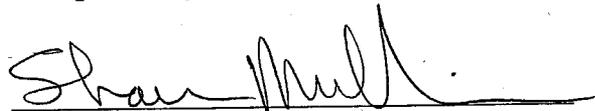
IX.

Such other equitable relief as the Court may deem necessary, just and proper in connection with the enforcement of the Act.

Respectfully submitted,

OKLAHOMA DEPARTMENT OF SECURITIES
Irving L. Faught, Administrator

By:



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