

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11112 / September 30, 2022**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 95950 / September 30, 2022**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21185**

**In the Matter of**  
  
**Standard Oil Company, Inc.**  
  
**Respondent.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933 AND SECTION 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934,  
MAKING FINDINGS, AND IMPOSING A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (the “Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Standard Oil Company, Inc. (“Standard Oil” or the “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant To Section Section 8A of the Securities Act of 1933 And Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### A. Summary

1. From 2014 to early 2018, Respondent, led by its then-CEO Richard Zelnar, sold approximately \$24 million of stock to over 300 investors by misrepresenting, among other things, material facts about its prospects for going public and that its oil and gas reserves were worth billions of dollars. In truth, the Company's reserves were largely unproven and it was nowhere near prepared to go public.

2. Respondent violated the antifraud provisions of the federal securities laws because it made materially false statements and engaged in other deceptive acts concerning Respondent's prospects and operations. As a result, Respondent violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

#### B. Respondent and Related Individual

3. Respondent is a West Virginia corporation headquartered in Parkersburg, West Virginia. It was formed in 1998.

4. Richard Zelnar is deceased. He was President and CEO of Respondent until April 2017, and Chairman of Respondent until his death in January 2018. Zelnar was not registered with the Commission in any capacity.

#### C. Facts

5. In 2014, Respondent began acquiring additional oil and gas wells and rights with the goal of buying the properties while prices were low and positioning Respondent for an initial public offering or to be sold to another company.

6. Respondent financed this activity through the sale of equity. From 2014 through early 2018, Respondent raised approximately \$24 million from over 300 investors through the sale of common and preferred shares of stock and warrants using material misrepresentations.

7. During that period, Respondent was effectively controlled by Zelnar. Zelnar spearheaded its fundraising efforts and controlled the information that was provided to prospective investors and the board of directors.

8. For many years, Zelnar represented to prospective investors that Respondent was on the verge of conducting an initial public offering or being sold to another company. The

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Company included the selling point in marketing materials and Zelnar repeated it in conversations with investors. In one example, in April 2017, Zelnar told investors that a prominent investment bank was planning to take Respondent public on the New York Stock Exchange in 12 to 14 months.

9. Respondent was never close to an IPO. Among other issues facing Respondent, it had virtually no accounting function, no audited financial statements, lacked proper employee and other records, and had not paid taxes in several years. Nor was the prominent investment bank planning to take Respondent public in 12 to 14 months. Zelnar's interactions with the bank were limited to talking to personal wealth advisers, not its capital markets bankers.

10. The purported prospect of a forthcoming IPO was the primary reason that many investors invested their money with Respondent.

11. Respondent also misled investors about the value of its oil and gas reserves. For example, some investors were given a booklet that, among other things, contained a chart that purported to provide the dollar value of Respondent's oil and gas reserves. The total reserve value in the chart varied over time, but was never accurate. Among other issues, the chart was based on the assumption that all of the estimated oil and gas reserves on Respondent's properties were proven recoverable. However, Respondent had obtained engineering reports for certain of its properties that indicated that significant portions of those holdings were considered prospective resources—that is, potentially recoverable from undiscovered accumulations by application of future development projects—rather than proven reserves.

12. Using this unfounded assumption of proven recoverability, certain versions of the booklet given to investors represented that Respondent's reserves were valued at approximately \$3.2 billion. Zelnar also made similar misrepresentations to investors. For example, during the April 2017 shareholder call, Zelnar told investors that Respondent's reserves were worth more than \$3.2 billion and that investors could therefore expect a \$1 billion IPO.

13. Other aspects of Respondent's operations were also misrepresented. For example, Respondent represented in the booklet given to investors that it had "negotiated an agreement with Caterpillar Corporation" to purchase generators that would convert natural gas to electricity for Respondent to sell back to the grid. Respondent claimed the "opportunity ha[d] unlimited revenue potential." These representations were materially false or misleading because Respondent had not reached an agreement with Caterpillar. Zelnar controlled Respondent's operations and knew that no such agreement had been finalized.

#### **D. Legal Discussion**

##### **Respondent Violated the Antifraud Provisions of the Securities Laws**

14. As described above, Respondent made materially false and misleading statements to investors and prospective investors and engaged in other deceptive conduct that misled investors as to Respondent's prospects and value.

15. Zelnar knew or was reckless in not knowing that his false statements and other conduct misled investors. As the CEO and Chairman of Respondent, Zelnar's scienter is imputed to Respondent.

16. As a result of the conduct described above, Respondent violated Section 17(a) of the Securities Act, which prohibits fraudulent conduct in the offer or sale of securities.

17. As a result of the conduct described above, Respondent violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

#### **E. Undertakings**

18. Respondent has undertaken to:

- (a) Within 60 days of the date of the filing of the Order, at its own expense, retain a consultant (the "Consultant") not unacceptable to the staff of the Commission (the "Staff"). Respondent shall provide the Staff a copy of the engagement letter detailing the scope of the Consultant's responsibilities.
- (b) Require the Consultant, within 120 days of the date of engagement, to submit a written report to Respondent and the Staff that reviews and evaluates Respondent's assets and operations, and includes a description of the review performed, the conclusions reached, and makes recommendations on ways to maximize value for the shareholders of Respondent, including any improvements on Respondent's operations and the management and/or disposition of assets.
- (c) Provide to Respondent's shareholders, at a minimum, an executive summary of the report described in paragraph (b) above containing the Consultant's conclusions reached and recommendations on ways to maximize value for the shareholders of Respondent by email within 10 days of receipt of the report from the Consultant. If requested, Respondent will provide the same by mail or other means of hard copy delivery. Respondent will present, at a minimum, the executive summary to shareholders during the next shareholder meeting. The Commission has determined in its sole discretion that requiring such disclosure is in furtherance of the Commission's discharge of its duties and responsibilities.
- (d) Cooperate fully with the Consultant in its review, including making such information and documents available as the Consultant may reasonably request, and by permitting and requiring Respondent's employees and agents to supply such information and documents as the Consultant may reasonably request.

- (e) Respondent (i) shall not have the authority to terminate the Consultant without prior written approval of the Staff; and (ii) shall compensate the Consultant for services rendered pursuant to the Order at their reasonable and customary rates.
- (f) Require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
- (g) The reports by the Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.
- (h) Require the Consultant to report to the Staff on its activities as the staff may request.
- (i) Respondent agrees that the Staff may extend any of the dates set forth above at its discretion.
- (j) Certify, in writing, compliance with the undertaking set forth above no later than 30 days from the date of the completion of the undertakings. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

- (k) All correspondence, including the engagement agreement, reports, and any certifications and supporting material shall be submitted to Assistant Regional Director Julia C. Green, 1617 J.F.K. Blvd., Suite 520, Philadelphia, PA 19103, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F. Street NE, Washington, DC 20549.

19. In considering whether to accept the Offer, the Commission has considered the undertakings enumerated in Paragraph 18 above.

20. Respondent has undertaken to:

- (a) In the event Respondent or any affiliate thereof conducts an offering of securities in the next 10 years (“Securities Offering”), at its own expense, retain an independent consultant (the “Independent Consultant”) to review and evaluate Respondent’s policies, procedures, and internal controls regarding its disclosures to investors and potential investors. Respondent shall provide to the Staff a copy of the engagement letter detailing the Independent Consultant’s responsibilities.
- (b) Require the Independent Consultant, at the conclusion of the review to submit a written report to Respondent and the Staff. The report shall address Respondent’s policies, procedures, and internal controls regarding its disclosures to investors and potential investors and include a description of the review performed, the conclusions reached, and make recommendations regarding policies, procedures, controls, improvements thereon, and training reasonably designed to ensure compliance with the federal securities laws.
- (c) Take all necessary and appropriate steps to adopt and implement recommendations of the Independent Consultant. As to any of the Independent Consultant’s recommendations about which Respondent and the Independent Consultant do not agree, such parties shall attempt in good faith to reach agreement. In the event that Respondent and the Independent Consultant are unable to agree on an alternative proposal, Respondent will abide by the determination of the Independent Consultant and adopt those recommendations deemed appropriate by the Independent Consultant.
- (d) Direct the Independent Consultant to conduct a follow-up review of Respondent’s efforts to implement each of the recommendations made by the Independent Consultant and submit a follow-up written report to the Staff. Respondent shall direct the Independent Consultant to include in the follow-up report the details of Respondent’s efforts to implement each of the Independent Consultant’s recommendations and state whether Respondent has complied with each of the Independent Consultant’s recommendations.

- (e) Retain the Independent Consultant to advise Respondent on an ongoing basis with respect to any Securities Offering.
- (f) Cooperate fully with the Independent Consultant in its review, including making such information and documents available as the Independent Consultant may reasonably request, and by permitting and requiring Respondent's employees and agents to supply such information and documents as the Independent Consultant may reasonably request.
- (g) Ensure the independence of the Independent Consultant. Respondent (i) shall not have received legal, auditing, or other services from, or have had any affiliations with, the Independent Consultant during the two years prior to the issuance of this Order; (ii) shall not have the authority to terminate the Independent Consultant without prior written approval of the Staff; and (iii) shall compensate the Independent Consultant for services rendered pursuant to the Order at their reasonable and customary rates.
- (h) Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, other than as set forth in paragraph (e) above, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
- (i) The reports by the Independent Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

- (j) Require the Independent Consultant to report to the Staff on its activities as the staff may request.
- (k) Respondent agrees that the Staff may extend any of the dates set forth above at its discretion.
- (l) Certify, in writing prior to the offering of any Securities Offering, that Respondent has complied with the undertaking set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.
- (m) All correspondence, including the engagement agreement, reports, and any certifications and supporting material shall be submitted to Assistant Regional Director Julia C. Green, 1617 J.F.K. Blvd., Suite 520, Philadelphia, PA 19103, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F. Street NE, Washington, DC 20549.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 8A of the Securities Act, Respondent shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act.
- B. Pursuant to Section 21C of the Exchange Act, Respondent shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.
- C. Respondent shall comply with the undertakings enumerated in Paragraph 20 above.



D. Respondent shall pay a civil money penalty of \$150,000, to the Securities and Exchange Commission. Payment shall be made in equal quarterly installments with the first payment to be made within 14 days of the date of this Order, and subsequent payments made on or before October 31, 2022, January 30, 2023, and April 30, 2023. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Standard Oil as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Julia C. Green, Division of Enforcement, Securities and Exchange Commission, Philadelphia Regional Office, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalty referenced in paragraph D above. This Fair Fund may receive the funds from and/or be combined with funds paid by other respondents or defendants. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and

Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary