



nationwide to fund the joint ventures. Geo raised an additional \$871,000 from investors in four of the joint ventures for the ostensible purpose of deepening certain wells.

3. In telephone solicitations and in written offering materials GSI, Rose and Reedy misrepresented and omitted to disclose material facts in the offer and sale of joint venture interests. For example, Reedy frequently touted Geo's successful track record to prospective investors. In reality, Geo had very few wells that produced in commercial quantities. Additionally, Geo raised funds from investors to complete each of its wells, even when the geologists assigned to the project advised against completing them. Contrary to its own offering materials, Geo failed to disclose to investors the geologists' recommendation. Finally, after the investors had purchased interests, Rose and Reedy issued written updates designed to encourage further investment. In many instances, the updates falsely portrayed Geo's wells as "successful" and production revenues as imminent, when, in fact, several of the wells were dry holes.

4. The Commission, in the interest of protecting investors from any further illegal activity, brings this action against the Defendants seeking permanent injunctive relief, disgorgement of all illicit profits and benefits Defendants received, plus accrued prejudgment interest, and civil monetary penalties.

#### **JURISDICTION AND VENUE**

5. This Court has jurisdiction over this action pursuant to § 22(a) of the Securities Act of 1933 (the "Securities Act") and § 27 of the Securities Exchange Act of 1934 ("Exchange Act"). Defendants, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint. Venue is proper because

many of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Northern District of Texas.

#### **DEFENDANTS**

6. Rose, age 62, a Dallas resident, is the president and sole shareholder of GCNA. Rose holds no securities licenses and is not registered with the Commission in any capacity. The Texas State Securities Board and the Oregon Division of Finance, in 1997 and 1998, respectively, ordered Rose to cease and desist from selling unregistered securities (in connection with prior oil and gas offerings). Neither of the orders was disclosed in Geo's offering materials.

7. Reedy, age 47 and a Dallas resident, was vice president of sales for GSI and vice president of GNR. Although not currently associated with any broker or dealer, Reedy holds Series 22 and Series 63 securities licenses. Between 1993 and 1999, state securities agencies from Colorado, Texas, Virginia and Oregon issued cease-and-desist orders against Reedy for acting as an unregistered agent in the offer and sale of unregistered securities (unrelated to Geo).

#### **RELATED ENTITIES**

8. GSI was, during the relevant period, a Commission registered broker-dealer located in Dallas and wholly owned by GCNA. On January 10, 2006, GSI filed a Rule 17a-11 notice and voluntarily ceased conducting its securities business after the Financial Industry Regulatory Authority (FINRA) notified it of a net capital deficiency of \$1,117,226. The net capital deficiency resulted principally from GSI's failure to record a \$949,688 liability associated with a civil lawsuit.

9. GCNA, a Texas corporation with its principal place of business in Dallas, is wholly owned by Rose, its sole officer and director. Neither GCNA nor its securities are registered with the Commission.

10. GNR, wholly owned by Rose and located in Dallas, served as the well operator for each of Geo's oil and gas projects sponsored by GCNA. GNR is not registered with the Commission in any capacity.

### **BACKGROUND FACTS**

11. Between August 2003 and August 2005, Geo offered and sold unregistered interests in ten joint ventures, collecting over \$10 million from more than 300 investors nationwide. The offerings are presented in the table below.

<b>Offering</b>	<b>Offering Period</b>	<b>Number of Investors</b>	<b>Initial Amount</b>	<b>Completion Funds</b>	<b>Total</b>
Goldenrod No. 1	7/10/2003 to 4/14/2004	35	\$ 578,550	\$ 288,550	\$ 867,100
Goldenrod No. 2, 3, 4	8/22/2003 to 12/4/2003	48	598,500	453,031	1,051,531
Goldenrod No. 5, 6, 7	11/10/2003 to 1/23/2004	32	598,500	426,075	1,024,575
Geo Wilcox No. 1	1/5/2004 to 4/8/2004	36	652,363	474,058	1,126,420
Geo Wilcox No. 2	4/7/2004 to 6/14/2004	43	638,403	518,375	1,156,778
Geo Wilcox No. 3	6/1/2004 to 10/1/2004	38	636,400	486,475	1,122,875
Geo Wilcox No. 4	7/24/2004 to 9/16/2004	34	538,500	441,025	979,525
Geo Wilcox No. 5	9/1/2004 to 1/12/2005	33	538,500	441,025	979,525
Marathon-Derry #1	12/1/2004 to	27	748,750	-0-	748,750

Offering	Offering Period	Number of Investors	Initial Amount	Completion Funds	Total
	3/8/2005				
Navarro #1	2/14/2005 to 7/22/2005	26	613,753	523,247	1,137,000
		352	\$6,142,218	\$4,051,861	\$10,194,079

12. GSI purchased lead lists to obtain the names of prospective investors and employed a two-tiered sales staff comprised of unregistered cold-callers and registered representatives (the latter group referred to as “closers”) to solicit prospective investors. For each project, the cold-callers contacted prospects by telephone and sent written offering materials to those who expressed an interest in a project. Subsequently, one of the closers telephoned the prospective investor to “close” the deal. After investing in a joint venture, the investor received “reports to partners” and “updates” designed to entice them into making additional investments in Geo’s subsequent projects. Typically, Rose and Reedy prepared the updates about the status of the on-going projects. The updates often failed to disclose negative information, such as that a well was either marginal or a dry hole, representing instead that oil and gas production was imminent and that revenue checks were forthcoming.

13. Geo created a separate joint venture for each of its oil and gas projects and, through GSI, provided written offering materials to prospective investors. The written offering materials consisted of, among other things, a Private Placement Memorandum (“PPM”), a geological report, a joint venture agreement (“JVA”), and a subscription agreement. Although Geo’s legal counsel drafted the JVA and subscription agreement, Rose and Reedy were responsible for project information contained in the

geological report and for financial information contained in the PPM. Rose reviewed and approved the final draft of all offering materials.

14. The PPMs for Geo's ten projects were nearly identical in their description of the joint venture operation. GCNA was identified as the joint venture manager and GNR was listed as the operator. According to each PPM, investors purchased an interest in the project in two installments.

15. The first installment, approximately one-half of the total investment, was to fund the drilling and testing of the well. In each PPM, Geo represented that, upon completion of drilling and testing, it would analyze the results and recommend whether the well should be completed. Geo also represented that it would forward promptly to investors any supporting data it relied upon in making its decision to complete a well. Should Geo recommend completing the well, it would notify investors that the second installment was due. Because the investor was not required to participate financially in the well's completion, the question whether to remit the completion costs involved a second investment decision. Should the investor elect not to forward his pro rata share of the completion funds, the investor forfeited his joint venture interest in the project.

16. The completion funds were to be used to complete, equip and operate the well. Each PPM represented that Geo would request completion costs only if the geological tests revealed that further development of the well was warranted and, if so, Geo would forward to the partners the data supporting the decision to complete the well. Rose and Reedy, on behalf of Geo, decided to complete every well that Geo drilled, but did not provide all relevant information to investors supporting their decision. In fact, in

numerous instances, Geo called for completion funds despite the fact that its staff geologist recommended against completing the well.

17. Geo employed geologists and geophysicists (collectively, “geologists”) to review all prospective projects. Prior to the drilling and testing of the well or wells in a prospective project, the geologist analyzed the relevant information and provided Rose with a Confidential Geological Report (“geological report”), with supporting documentation, and an oral recommendation whether and where to drill. Typically, Reedy also received a copy of the geological report, either from Rose or from the geologist.

18. According to the geologists, if they proposed drilling a particular well, Reedy reviewed and edited the geological report pertaining to that well prior to its inclusion in the offering materials, which were approved by Rose. The reports initially provided to Rose and Reedy by the geologists described the project in geological terms, including location, drilling depth and target zones, the composition of the sands and the drainage acreage. Reedy either added to or changed the original report by including “sales-type” statements and tables that computed potential daily production revenue based on price and quantity variables. Reedy also made formatting changes to the geological reports, typically highlighting the “sales-type” information with bold, underlined or italicized print. While the information added or altered by Reedy was arguably not false, the representation that the report was authored by geologists was misleading.

19. The JVA purportedly granted investors the power to, among other things, control and direct the management of the joint venture’s business and all its affairs. Notwithstanding these purported powers, Rose and Reedy actually controlled every aspect of the joint ventures’ operations. For example, the JVA designated GCNA as the initial

manager and the only partner authorized to act on behalf of the joint venture. Moreover, Rose and Reedy selected the well sites, the drilling and completion contractors, the geologists, and appointed GNR as the operator. Finally, Rose and Reedy never consulted with or invited input from the partners with respect to any joint venture business. Instead, they told the partners *post facto*, of its decisions relating to the ventures' business activities, including whether to complete the wells.

20. Under the JVA, partners could initiate an action and exercise the powers granted by the JVA only through a vote by the partners. For example, the JVA provided the partners with the power to remove GCNA as the initial manager with or without cause, by a majority vote. Other actions, such as dissolving the joint venture, required a unanimous decision. Therefore, if one or more of the partners wanted to take such an action they needed access to the names and contact information of the other partners. On every occasion, however, when various partners asked for information, Rose and Reedy denied the request. For example, in late 2005, claiming privacy concerns and Patriot Act requirements, they denied two partners' requests for the names and contact information of the other partners. In February 2006, they refused to discuss the joint venture's business with a group of its partners. Therefore, joint venture partners were unable to exercise the powers presumably granted by the JVA.

21. Reedy, as GSI's vice president of sales, conducted meetings in which he introduced the project and instructed the sales staff on how to "spin" the project. The sales staff followed Reedy's direction and parroted his statements to prospective investors, who were identified through cold calls. Reedy made numerous many false and misleading representations about Geo's track record, inflated oil and gas production from

previous projects and the status of current projects. In many cases, Reedy personally closed sales with prospects.

22. When closing a sale, Reedy typically engaged in high-pressure sales tactics. For example, he routinely stressed to prospective investors, without basis in fact, that there were immediate, but limited opportunities to invest with Geo and encouraged them to act quickly. Additionally, Reedy emphasized to the investors that once they invested with Geo, they were “in the family” and “eligible” for future investments. Finally, Reedy made claims to investors alluding to great returns with minimal risk. For example, Reedy was often overheard making statements to investors such as, “A year from now we will be on a cruise drinking champagne” and “Geo hasn’t stayed in business over 15 years by drilling dry holes.” Actually, Geo had drilled numerous dry holes and enjoyed only limited success; indeed, only a few of its investors received any returns.

23. Throughout the relevant period, Rose and Reedy barraged the investors with “updates” and “reports to partners.” The purpose of these documents was two-fold -- to convince investors that their current investment was progressing toward producing oil and/or gas revenues and to promote the next project based on the purported success or imminent success of the on-going projects.

24. Rose and Reedy composed the updates or reports to partners. Typically, these updates were signed “Production Department” and none of them appeared on GCNA, GNR or GSI letterhead. Rose, however, signed investor updates in addition to signing the letters that requested completion funds from investors.

25. Reedy knew or should have known that the information he included in the updates was false. Reedy was vice president of GNR, the operator for the wells and, Rose's "second in command." Geo's geologists discussed decisions relating to the wells' operations with either Rose or Reedy or both. Moreover, Rose gave Reedy the authority to make decisions relating to well operations without seeking his prior approval. Additionally, Reedy had access to Geo's well files, containing all the operating and production information relating to the well, including drilling and testing logs and a summary of the well's current status. Thus, Reedy knew or had access to information about all of the wells.

26. Geo's fraudulent sales activities accelerated over time. For example, beginning in April 2004, due to Geo's marginal success in finding producing oil and gas wells, Rose increasingly relied on Reedy, his most aggressive sales person, to generate funds from the offer and sale of the joint venture interests. At the same time, Geo was paying significant costs associated with defending investor lawsuits that named, among others, Reedy as a defendant; the investors alleged that Reedy overstated returns and minimized risks associated with various oil and gas projects. Finally, Reedy's personal financial problems pressured him to seek more commission income. Geo's need for funds prompted Rose to ignore Reedy's conduct.

27. Geo made each of the ten offerings in violation of the registration provisions; in five of Geo's ten offerings, GCNA, GNR, GSI, Rose and Reedy violated the antifraud provisions. The fraudulent offerings include the Wilcox #2, Wilcox #4, Wilcox #5, Marathon-Derry and Navarro projects.

28. Bolstered by the apparent success of the Wilcox #1 well, Rose and Reedy decided to expedite development of the Wilcox Field. They demanded that the geologists accelerate completion of geological reports for insertion into offering materials for subsequent Wilcox Field projects. As an industry standard, after completing the initial well in a field, operators typically fully develop the well before selecting drill sites for subsequent wells; this incremental approach in drilling and well-development theoretically enhances the long-term growth potential of the field. Rather than follow the incremental approach, Rose and Reedy emphasized the drilling of new wells, to generate additional revenue for Geo (and consequently for themselves) through the sale of joint venture interests in the new wells.

29. In April 2004, Geo first offered interests in the Wilcox #2 project to Wilcox #1 joint venture partners through a "Right of First Refusal." In proposing further development of the Wilcox Field, Geo claimed that, "There is virtual assurance that stepping out from the [Wilcox] #1 wellbore in any northeasterly direction will result in being able [sic] to locate multiple, additional paying sands, in a combination of either oil, gas or both." In fact, there is no such assurance until the well is drilled and tested, because the sands for each offset well may be markedly different.

30. In his telephone solicitations, Reedy misrepresented or omitted to disclose other material facts about the Wilcox #2 project. For example, Reedy told one investor that Wilcox #2 was a "can't miss opportunity" and a "company maker." Reedy told another investor that, over the next 10 years, his investment of \$17,950 would earn a return of \$200,000. There was no basis for either statement. Finally, Reedy told another investor, who purchased his interest shortly after the Wilcox #2 had been drilled, that the

well was “on line” and “producing.” The Wilcox #2 was never “on line” and never produced any oil or gas.

31. In May 2004, Geo solicited completion funds for the Wilcox #2 project, but failed to disclose material facts to the investors. Geo drilled and tested the Wilcox #2, but its geologists disagreed whether the well should be completed. Rose, nevertheless, decided to complete the well and issued a ten (10) day call for completion funds. Contrary to the requirements of Geo’s offering materials, Rose never disclosed to the Wilcox #2 investors either of the geologists’ conflicting conclusions or the data he relied upon in deciding to complete the well. Had he done so the investors would have been aware of the geologists’ opinions and may have opted not to participate in the well’s completion. Geo raised \$518,375 for Wilcox #2 completion costs.

32. Contrary to Reedy’s claims, the Wilcox #2 well never produced oil or gas. Between July and December 2004, after Geo completed Wilcox #2, Rose and Reedy made numerous statements in “updates” and “reports to partners.” They promised that Geo would continue to explore various zones in Wilcox #2 and that the well would produce oil and gas in the near future. When Wilcox #2 failed to produce, Rose and Reedy subsequently reported, falsely, that there was some unavoidable delay preventing actual production. For example, in July 2004, Rose and Reedy falsely claimed in a “report to partners” that the Wilcox #2 would produce oil and gas in commercial quantities. Then, in another “report to partners” dated August 12, 2004, Rose and Reedy misled investors by reporting that the Wilcox #2 began “producing [oil] in the tanks,” but that they had to halt production while Geo tested other zones. On September 3, 2004, Rose and Reedy sent a “report to partners” advising them, falsely, that the well would be

producing and that Geo would be selling oil by September 10, 2004, with production revenue beginning in November 2004. In November 2004, Rose and Reedy claimed, falsely, that the well was producing liquids, but had to be temporarily shut in because the rain prevented the transport trucks from reaching the oil tanks. In reality, Geo shut down Wilcox #2 in September 2004 because it failed to produce any oil or gas.

33. Between June and December 2004, Geo raised funds for three more Wilcox Field projects: Wilcox #3, Wilcox #4 and Wilcox #5. In July 2004, after drilling the Wilcox #3 well, and while Rose and Reedy falsely touted the success of the Wilcox #2 well, Geo began to offer and sell joint venture interests in the Wilcox #4 project. On or about July 12, 2004, Geo “invited” the joint venture partners of the “successfully drilled Wilcox #1, Wilcox #2 and the Wilcox #3” to invest in the “highly regarded” Wilcox #4. From July through September 2004, Geo offered and sold \$538,500 of joint venture interests in the Wilcox #4. During this period, as discussed above, Rose and Reedy continued to issue false updates (dated July 19, August 12 and September 3, 2004) to investors about Wilcox #2.

34. The Wilcox #4 well was a dry hole. On September 7, 2004, after drilling and testing the well, Geo’s staff geologist told Reedy that the well should be plugged and abandoned. Instead, Reedy instructed the driller to complete the well. In response to Reedy’s rejection of her recommendation, the staff geologist resigned. Along with her resignation letter, the staff geologist provided written instructions to Rose for the Wilcox wells, which reiterated her recommendation that the Wilcox #4 be plugged and abandoned. The next day, despite her recommendation, Rose issued a ten (10) day call for completion funds to the investors of the Wilcox #4 well, which disclosed neither the

testing results showing that Wilcox #4 was a dry hole nor the staff geologist's recommendation to plug and abandon the well. Geo raised \$441,025 to complete Wilcox #4.

35. In September 2004, while touting the purported success of Wilcox #4, Geo offered joint venture interests in Wilcox #5. In an undated document, Geo provided Wilcox #4 investors a "Log Analysis," purportedly signed by one of Geo's geologists. In the "Recommendation" section of the log analysis, Geo announced that it planned to drill Wilcox #5 well the following month and invited the investors in the "successfully drilled Wilcox #1, #2, #3 and #4 wells [to] join [Geo] as partners in the highly regarded [Wilcox #5]." Both Rose and Reedy knew that neither Wilcox #2 nor Wilcox #4 were successful wells, because, at this time, Wilcox #2 had not produced and Wilcox #4 was a dry hole.

36. In September 2004, when Geo began its fund raising efforts for Wilcox #5, Reedy misled investors about the success of Wilcox #4. For example, Reedy left a voice mail message with one investor claiming, "The #4 is a hit and it is definitely what we thought it would be. It's the biggest one that we've hit out there." Reedy knew this was false because Geo's staff geologist had told him that Wilcox #4 was a dry hole. A few days later, in an attempt to capitalize on his deception about the success of Wilcox #4, Reedy offered the same investor an interest in the Wilcox #5 project. Because the investor had also invested in Wilcox #2 and #3, Reedy told him, "Congratulations on the Wilcox 4. You're three for three and I'm going to make you four for four."

37. For several months after the drilling and testing of Wilcox #4, Rose and Reedy continued to conceal that Wilcox #4 was a dry hole. Between October and December 2004, Rose and Reedy issued three updates claiming that completion activities

had begun on Wilcox #4, but were delayed. In a November 2004 update, for example, Rose and Reedy falsely told investors that the Wilcox #4 was “unloading liquids,” but production had been suspended because rain had saturated the roads, preventing the transport trucks from reaching the oil tanks. In reality, Wilcox #4 was a dry hole – a fact that Rose and Reedy knew at least as early as September 2004.

38. In his telephone solicitations, Reedy portrayed the Wilcox #5 to one investor as a “once-in-a-lifetime opportunity” with very little risk. Reedy falsely represented to other investors that the Wilcox field was a “proven field” and that the previous Wilcox wells were producing. Reedy knew that neither Wilcox #2 nor Wilcox #4 had produced any oil or gas. Additionally, regarding the Wilcox #5 well, Reedy made unsubstantiated claims regarding potential returns, telling one investor in a telephone conversation that he could “bank” on a monthly return of \$8,400 on an investment of \$32,900. Finally, Reedy overstated Geo’s success by telling an investor in a telephone call that Geo had drilled over 20 wells with only one dry hole and that Wilcox #5 was a “sure thing.” Reedy, who was intimately involved in Geo’s well operations and had worked with Geo since the mid 1990s, knew that Geo had achieved only marginal success in the oil and gas industry.

39. Geo’s geologist recommended against completing Wilcox #5. Rose and Reedy ignored the geologist’s advice and directed the driller to complete the well. On December 22, 2004, a letter from GNR announced the successful drilling, logging and setting of pipe on Wilcox #5 and falsely claimed, “[L]ive oil was seen in abundance,” and that “An oil event of this magnitude has not been witnessed by Geo engineers, geologists or staff in Geo’s 16 years.” On December 22, 2004, a ten (10) day call for completion

funds was issued by “[GCNA] Issuer/Manager.” The letter did not disclose to the investors that the geologist recommended against completing Wilcox #5.

40. As with the other Wilcox wells, Rose and Reedy issued false and misleading updates to the investors about the status of Wilcox #5. In March 2005, Rose signed an update falsely claiming that “oil and gas was immediately observed at surface in very respectable amounts.” In April 2005, Rose and Reedy sent an update reiterating Rose’s March 2005 claim that Wilcox #5 displayed oil and gas at the surface and added that they expected to have Wilcox #5 producing soon. Rose’s and Reedy’s statements were false. There were no reports about oil and gas at the surface and, because of the test results, Geo’s geologist did not believe that the well would ever produce.

41. In December 2004, Geo began to offer interests in the Marathon-Derry project, in which Geo proposed to re-enter a previously drilled well and test the sands for additional potential production. Like Geo’s other projects, Reedy overstated the expected returns and minimized the risks associated with the Marathon-Derry project. For example, Reedy falsely claimed to a prospective investor during a telephone call that because this well had previously produced, it was certain to produce again. Additionally, in a telephone solicitation, Reedy lied to another prospective investor when he claimed that Geo’s prior investors were receiving monthly returns of 15 percent. Of the Wilcox #5 investors who received Rose’s and Reedy’s Wilcox #5 updates, at least seven purchased interests in the Marathon-Derry project. In total, Geo raised \$748,750 for the Marathon-Derry project.

42. Rose and Reedy also issued false and misleading updates to investors about the Marathon-Derry project. In a February 2, 2005, update Rose and Reedy told

investors that the “[oil] began flowing today” and “should be flowing into the tanks within 48 hours of this update.” In reality, after re-entry and testing, Geo’s geologist did not see any oil or gas. While other zones showed some gas, they quickly turned to water. About two weeks later, on February 18, 2005, Rose and Reedy sent another update. This time Rose and Reedy falsely stated that the Marathon-Derry “evidenced an abundant amount of live crude oil along with high natural gas pressure” and that Geo needed to install three more tanks to accommodate the production. Rose and Reedy knew or should have known that both of the updates relating to the Marathon-Derry project were false. At least six investors purchased interests in Geo’s next well (the Navarro #1) after receiving updates containing Rose and Reedy’s false statements. The Marathon-Derry never produced after Geo’s re-entry.

43. Between February and July 2005, Geo raised \$613,753 from 26 investors to cover the drilling and testing costs associated with the Navarro #1 well. As with Geo’s other projects, Reedy convinced investors to purchase interests by touting the “success” of Geo’s prior wells. For example, Reedy told one investor during a telephone call that, because Marathon-Derry was currently producing oil and Navarro #1 was an offset well to the Marathon-Derry, Navarro #1 it would be a “superior, long-term, reliable producer.” In fact, as stated above, the Marathon-Derry never produced after Geo’s re-entry.

44. On June 24, 2005, Geo issued a ten (10) day call for completion funds *prior* to testing the well. In the letter, Geo claimed, “At 2580 feet we discovered a body of sand that was saturated with oil” and “The [Navarro #1] is now considered a success, and excellent production potential appears to be imminent.” In reality, after testing the well and reviewing the logs, Geo’s geologist concluded that Navarro #1 appeared to be

nonproductive and advised Rose and Reedy not to complete the well. Instead, Reedy directed the driller to complete the well. Geo collected \$523,247 in completion funds from investors for the Navarro#1.

45. In May 2005, Geo proposed to the investors in the Wilcox #1, Wilcox #2, Wilcox #3 and Wilcox #4 projects the re-entry and deepening of the wells. Reedy conceived the idea of deepening the Wilcox wells, based on his review of the tests from the Marathon-Derry, which initially showed some potential hydrocarbons. Geo's geologist advised Reedy and Rose that he opposed deepening the Wilcox wells because he believed it was financially very risky. According to the geologist, Reedy pressured Rose to pursue the deepening project. Eventually, Rose asked Geo's geologist to name a well in the Wilcox Field that had the best chance to succeed. The geologist suggested Wilcox #4. Rose authorized the deepening of Wilcox #4, but opposed Reedy's idea to deepen the other Wilcox wells.

46. On May 19, 2005, contrary to Rose's instruction to raise deepening funds for only the Wilcox #4 well, Reedy caused Geo to issue a "Notice of Subsequent Development" to investors of the Wilcox #1, #2, #3 and #4 wells. On the same day, Reedy also issued a ten (10) day call for re-entering and deepening funds, seeking \$8,500 per unit of ownership interest. Reedy omitted from the notice the geologist's assessment that deepening all these wells was financially risky and that only the Wilcox #4 should be deepened. In the notice, without any basis, Reedy projected monthly revenue of \$5,400 per unit per well after the re-entry and deepening. Additionally, Reedy assured investors that Geo, as a co-owner of the Wilcox wells, would bear one-third of the cost to re-enter and deepen them. Reedy knew that this was a false statement because he had previously

sold most of Geo's interests in the Wilcox wells. Geo collected over \$870,000 from 120 investors in the various Wilcox wells for the deepening project.

47. Rather than segregating the funds raised for each well, Geo commingled the funds and obtained drilling permits for all four wells. As initially planned, Geo first re-entered and deepened the Wilcox #4 well. The cost to re-enter and deepen Wilcox #4 turned out to be more than originally expected. In a June 9, 2006, letter Rose contacted the Wilcox #4 investors seeking reimbursement for the excess re-entry and deepening expenses of nearly \$360,000 for the well. None of the investors provided additional funds to Geo. Despite the deepening, the Wilcox #4 never produced oil or gas. In late 2006, ten months after Geo ceased doing business, Rose refunded \$548,917 in deepening funds to the investors in Wilcox #1, Wilcox #2 and Wilcox #3.

## CLAIMS

### FIRST CLAIM

#### **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder**

48. Plaintiff Commission repeats and incorporates paragraphs 1 through 47 of this Complaint by reference as if set forth *verbatim*.

49. Defendants Rose and Reedy, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails: (a) have employed devices, schemes and artifices to defraud; (b) have made untrue statements of material facts and have 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; and (c) have engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

50. As a part of and in furtherance of their scheme, defendants Rose and Reedy, directly and indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material facts and misrepresentations of material facts, and which 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, including, but not limited to, those set forth in Paragraphs 1 through 47, above.

51. Defendants Rose and Reedy made the referenced misrepresentations and omissions knowingly or with severe recklessness disregarding the truth.

52. By reason of the foregoing, Defendants Rose and Reedy have violated and, unless enjoined, will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

**SECOND CLAIM**  
**Violations of Sections 5(a) and 5(c) of the Securities Act**

53. Plaintiff Commission repeats and incorporates paragraphs 1 through 47 of this Complaint by reference as if set forth *verbatim*.

54. Defendants Rose and Reedy, directly or indirectly, singly and in concert with others, have been offering to sell, selling and delivering after sale, certain securities, and have been, directly and indirectly: (a) making use of the means and instruments of transportation and communication in interstate commerce and of the mails to sell securities, through the use of written contracts, offering documents and otherwise; (b) carrying and causing to be carried through the mails and in interstate commerce by the means and instruments of transportation, such securities for the purpose of sale and for

delivery after sale; and (c) making use of the means or instruments of transportation and communication in interstate commerce and of the mails to offer to sell such securities.

55. As described in this Complaint, defendants offered and sold the purported joint venture interests to the public through a general solicitation of investors. No registration statement has been filed with the Commission or is otherwise in effect with respect to these securities.

56. By reason of the foregoing, Rose and Reedy violated and, unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§77e(a) and 77e(c)].

**THIRD CLAIM**  
**Violation of Section 17(a) of the Securities Act**

57. Plaintiff Commission repeats and realleges paragraphs 1 through 47 of this Complaint and incorporated herein by reference as if set forth *verbatim*.

58. Defendants Rose and Reedy, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

59. As part of and in furtherance of this scheme, defendants Rose and Reedy, directly and indirectly, prepared, disseminated or used contracts, written offering

documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which 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, including, but not limited to, those statements and omissions set forth in paragraph 1 through 47 above.

60. Defendants Rose and Reedy made the referenced misrepresentations and omissions knowingly or with severe recklessness disregarding the truth. Defendants were also negligent in making representations to investors.

61. By reason of the foregoing, Defendants Rose and Reedy violated, and unless enjoined, will continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

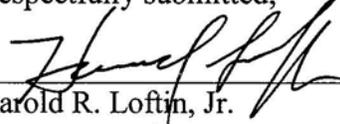
**PRAYER FOR RELIEF**

The Commission respectfully requests that this Court enter a judgment:

- (a) permanently enjoining Defendants Rose and Reedy from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 5(a), 5(c) and 17(a) of the Securities Act;
- (b) ordering Defendants Rose and Reedy to, on the basis of joint and several liability, disgorge all ill-gotten gains, with prejudgment interest;
- (c) ordering Defendants Rose and Reedy to pay a civil penalty, plus post-judgment interest, under Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] and Sections 21(d)(3) and 21A of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78uA]; and
- (d) granting such other relief as this Court may deem just or appropriate.

DATED: May 7, 2009

Respectfully submitted,



Harold R. Loftin, Jr.

Attorney in Charge

Texas Bar No. 12487090

Securities and Exchange Commission

Burnett Plaza, Suite 1900

801 Cherry Street, Unit #18

Fort Worth, Texas 76102-6882

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[loftinh@sec.gov](mailto:loftinh@sec.gov)

ATTORNEY FOR PLAINTIFF

JS 44  
(Rev. 12/07)

# CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

**I.(a) PLAINTIFF**

**SECURITIES AND EXCHANGE COMMISSION**

**DEFENDANTS**

**HARTMUT THEODOR ROSE, and JAMES PATRICK REEDY**

**(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF** \_\_\_\_\_  
(EXCEPT IN U.S. PLAINTIFF CASES)

**County of Residence of First Listed Defendant:** Dallas  
(IN U.S. PLAINTIFF CASES ONLY)  
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

**(c) ATTORNEY (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)**  
Harold R. Loftin, Jr.  
U.S. Securities & Exchange Commission, Burnett Plaza, Ste. 1900,  
801 Cherry Street, Unit #18, Fort Worth, TX 76102-6882  
(817) 978-6450

**ATTORNEYS (if known):**

**II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)**

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

**III. CITIZENSHIP OF PRINCIPAL PARTIES (For Diversity Cases Only)**

	PTF	PTF		PTF	PTF
Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business In This State	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6

**IV. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)**

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery OF Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	<b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 156 <input type="checkbox"/> 423 Withdrawal 28 USC 157 <b>PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copy rights <input type="checkbox"/> 830 Patient <input type="checkbox"/> 840 Trademark <b>SOCIAL SECURITY</b> <input type="checkbox"/> 861 HIA (1395FF) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g))	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities Commodities/ Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions
REAL PROPERTY	CIVIL RIGHTS	PRISONER PETITIONS	FEDERAL TAX SUITS	
<input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/ Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	<input type="checkbox"/> 510 Motions to Vacate Sentence <b>Habeas Corpus:</b> <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights	<input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS - Third Party 26 USC 7609	

**V. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)**

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened

**VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY.)**

Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§77e(a), 77e(c), and 77q(a)], Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. §78j(b)] and Rule 10b-5, thereunder [17 C.F.R. §§ 240.10b-5]

**VII. REQUESTED IN COMPLAINT:**

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

**DEMAND \$**

CHECK YES only if demanded in complaint:  
**JURY DEMAND**  YES  NO

**VIII. RELATED CASE(S) (See Instructions): IF ANY**

DATE 5/7/09 JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_  
SIGNATURE OF ATTORNEY OF RECORD \_\_\_\_\_

FOR OFFICE USE ONLY  
Receipt # \_\_\_\_\_ AMOUNT \_\_\_\_\_ APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ MAG. JUDGE \_\_\_\_\_

**INSTRUCTIONS FOR ATTORNEYS COMPLETING CIVIL COVER SHEET FORM JS-44**  
**Authority For Civil Cover Sheet**

The JS-44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleading or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. The attorney filing a case should complete the form as follows:

**I. (a) Plaintiffs - Defendants.** Enter names (last, first, middle initial) of plaintiff and defendant. If the plaintiff or defendant is a government agency, use only the full name or standard abbreviations. If the plaintiff or defendant is an official within a government agency, identify first the agency and then the official, giving both name and title.

**(b) County of Residence.** For each case filed, except U.S. plaintiff cases, enter the name of the county where the first listed plaintiff resides at the time of filing. In U.S. plaintiff cases, enter the name of the county in which the first listed defendant resides at the time of filing. (NOTE: In land condemnation cases, the county of residence of the "defendant" is the location of the tract of land involved.)

**(c) Attorneys.** Enter the firm name, address, telephone number, and attorney of record. If there are several attorneys, list them on an attachment, noting in this section "(see attachment)".

**II. Jurisdiction.** The basis of jurisdiction is set forth under Rule 8(a), F.R.C.P., which requires that jurisdictions be shown in pleadings. Place an "X" in one of the boxes. If there is more than one basis of jurisdiction, precedence is given in the order shown below.

United States plaintiff. (1) Jurisdiction based on 28 U.S.C. 1345 and 1348. Suites by agencies and officers of the United States are included here.

United States defendant. (2) When the plaintiff is suing the United States, its officers or agencies, place an "X" in this box.

Federal question. (3) This refers to suits under 28 U.S.C. 1331, where jurisdiction arises under the Constitution of the United States, an amendment to the Constitution, an act of Congress or a treaty of the United States. In cases where the U.S. is a party, the U.S. plaintiff or defendant code takes precedence, and box 1 or 2 should be marked.

Diversity of citizenship. (4) This refers to suits under 28 U.S.C. 1332, where parties are citizens of different states. When Box 4 is checked, the citizenship of the different parties must be checked. (See Section III below; federal question actions take precedence over diversity cases.)

**III. Residence (citizenship) of Principal Parties.** This section of the JS-44 is to be completed if diversity of citizenship was indicated above. Mark this section for each principal party.

**IV. Nature of Suit.** Place an "X" in the appropriate box. If the nature of suit cannot be determined, be sure the cause of action, in Section IV above, is sufficient to enable the deputy clerk or the statistical clerks in the Administrative Office to determine the nature of suit. If the cause fits more than one nature of suit, select the most definitive

**V. Origin.** Place an "X" in one of the seven boxes.

Original Proceedings. (1) Cases which originate in the United States district courts.

Removed from State Court. (2) Proceedings initiated in state courts may be removed to the district courts under Title 28 U.S.C., Section 1441. When the petition for removal is granted, check this box.

Remanded from Appellate Court. (3) Check this box for cases remanded to the district court for further action. Use the date of remand as the filing date.

Reinstated or Reopened. (4) Check this box for cases reinstated or reopened in the district court. Use the reopening date as the filing date.

Transferred from Another District. (5) For cases transferred under Title 28 U.S.C. Section 1404(a). Do not use this for within district transfers or multidistrict litigation transfers.

Multidistrict Litigation. (6) Check this box when a multidistrict case is transferred into the district under authority of Title 28 U.S.C. Section 1407. When this box is checked, do not check (5) above.

Appeal to District Judge from Magistrate Judgment. (7) Check this box for an appeal from a magistrate judge's decision.

**VI. Cause of Action.** Report the civil statute directly related to the cause of action and give a brief description of the cause.

**VII. Requested in Complaint.** Class Action. Place an "X" in this box if you are filing a class action under Rule 23, F.R.Cv.P.

Demand. In this space enter the dollar amount (in thousands of dollars) being demanded or indicate other demand such as a preliminary injunction.

Jury Demand. Check the appropriate box to indicate whether or not a jury is being demanded.

**VIII. Related Cases.** This section of the JS-44 is used to reference related pending cases if any. If there are related pending cases, insert the docket numbers and the corresponding judge names for such cases.

**Date and Attorney Signature.** Date and sign the civil cover sheet.