Thomas M. Melton (4999)
meltont@sec.gov
Daniel J. Wadley (10358)
wadleyd@sec.gov
Lindsay McCarthy (5216)
mccarthyl@sec.gov
Attorneys for Plaintiff
Securities & Exchange Commission
15 West South Temple Street, Suite 1800
Salt Lake City, Utah 84101
Tel. 801-524-5796
Fax: 801-524-5262

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

SECURITIES AND EXCHANGE COMMISSION, PLAINTIFF, v. PREMCO WESTERN, INC., a Texas Corporation, and RODNEY SCOTT RATHEAL, an individual, DEFENDANTS.	**COMPLAINT** Civil No.: 2:12-cv-01120-BSJ Judge Bruce S. Jenkins

Plaintiff, Securities and Exchange Commission (the "Commission"), for its Complaint against Defendants Premco Western, Inc., and Rodney Scott Ratheal (collectively, "Defendants") alleges as follows:

INTRODUCTION

1. This matter involves the sale of fraudulent and unregistered undivided fractional working interests ("working interests") in two oil and gas wells by Premco Western, Inc. ("Premco"), and its sole-owner, president and CEO, Rodney Scott Ratheal ("Ratheal").

2. By selling working interests on behalf of Premco, Ratheal raised over $4.1 million from approximately 100 investors in an offering fraud. Ratheal, on behalf of Premco, perpetrated this fraud from June 2001 through April 2012.

3. Ratheal promised investors large returns and told investors that geologists had discovered that Premco's oil and gas wells were comparable in size and production capability to the oil and gas fields located in Kuwait and Saudi Arabia.

4. Ratheal omitted to disclose to investors that the geologists Ratheal quoted as endorsing Premco's oil and gas wells were in fact not connected to Premco nor did they endorse the wells. Ratheal further omitted to disclose to investors that the wells were "dry:" without oil or gas.

5. Ratheal represented to investors that their investment proceeds would be used to drill the two oil and gas wells and that no more than 10% would be used to support Ratheal. Instead of using investor funds as he represented he would, Ratheal misappropriated $2.9 million (or approximately 70% of investor funds) for his personal use.

JURISDICTION AND VENUE

6. This Court has subject matter jurisdiction by authority of Sections 20 and 22 of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. §§ 77t and 77v] and Sections 21 and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. §§ 78u and 78aa].

7. Defendants, directly and indirectly, singly and in concert, have made use of the means and instrumentalities of interstate commerce and the mails in connection with the transactions, acts and courses of business alleged herein, certain of which have occurred within the District of Utah.

8. Venue for this action is proper in the District of Utah under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and under Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain of the transactions, acts, practices, and courses of business alleged in this Complaint took place in this district.

9. Defendants, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and course of business alleged herein and in transactions, acts, practices, and courses of business of similar purport and object.

10. Defendants' conduct took place in connection with the offer, purchase and/or sale of working interests, which are securities under Section 2(a)(1) of the Securities Act [15 U.S.C. §§ 77b(a)(1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

DEFENDANTS

11. **Premco Western, Inc.** ("Premco"), is a Texas corporation with its principal place of business in St. George, Utah. Premco is solely-owned and solely-controlled by Ratheal. It was formed in 1978 by an English oil and gas company named Premier Consolidated Oil Fields ("Premier") to locate oil and gas prospects on state or federal mineral leases in the western U.S. In January 2001, Premier discontinued Premco's operations in the U.S. due to lack of operating capital. In June 2001, Ratheal acquired Premco and appointed himself president and CEO of the company.

12. **Rodney Scott Ratheal** ("Ratheal"), age 51, is a resident of Henderson, Nevada. He claims to have a degree in business management from Wayland Baptist University in Plainview, Texas. In July 1987, he became a registered representative and worked for Taxakoma Financial, Inc. He was terminated three months later for "selling away" while working at the

firm. From 1987 to 2001, Ratheal worked on oil and gas rigs as a "roughneck" in Texas and New Mexico. Since 2001, Ratheal has been the sole-owner, president, and CEO of Premco.

STATEMENT OF FACTS

Background

13. Ratheal acquired Premco in June 2001 for the purpose drilling for oil and gas at wells located along the Utah/Arizona border.

14. Premco leased land from the Bureau of Land Management (the "BLM") where it set up drilling sites. The two site were approximately 25 miles away from one another.

15. Premco, through Ratheal, offered working interests in two oil and gas wells known as the Dutchman 18-1 ("Dutchman") and the Ft. Pierce 10-1 ("Ft. Pierce").

16. Ratheal made all business decisions for Premco and all decisions regarding the use of investor funds.

17. Ratheal solicited investors to purchase working interests through marketing seminars in investors' homes, cold-calling, and by posting Premco's Private Placement Memorandum ("PPM") on the company's Internet website.

18. Ratheal conducted approximately ten marketing seminars in investor homes throughout Southern California and New York.

19. Investors were provided with a copy of Premco's PPM, a subscription agreement and an investor accreditation form prepared by Ratheal.

20. The subscription agreement stated that Premco was willing to sell a 1% working interest in each well for $25,000. Ratheal advised investors to pool their money in order to make a 1% working interest more affordable.

21. The subscription agreement also stated that Premco's sale of working interests in the wells was exempt from registration pursuant to Section 4(2) of the Securities Act.

22. Ratheal never obtained audited financial statements for Premco.

23. Ratheal also assured investors that their money would be used to drill the two wells immediately; therefore, they should expect a quick return on their investment.

24. Ratheal told investors for every 1% interest they purchased in the wells, they should expect to receive net income of at least $20 million.

25. Ratheal told investors he was providing them with an investment opportunity of a lifetime to obtain financial security for themselves and their children by investing in the oil and gas industry with Premco.

26. Ratheal told investors he had an extensive background working as a petroleum geologist and had worked for several of the major oil and gas companies in the U.S.

27. Ratheal also claimed his employment background made him an expert in operating drilling equipment and locating oil and gas reserves based upon his ability to interpret complex geological and seismic data.

28. In addition, Ratheal promised investors he would take no more than 10% of their investment proceeds to cover his living expenses.

29. Ratheal also told investors that Premco's alleged "in-house" geologist and a geologist working for the U.S. Geological Survey ("USGS"), had discovered and verified that a "Super Giant" oil and gas field was under Premco's federal mineral leases which included the Dutchman and Ft. Pierce drilling sites.

30. The term "Super Giant" refers to an oil and gas field that meets certain requirements. Three main requirements are that: (1) the field must be able to produce

approximately 5 to 10 billion barrels of oil that has been proven to exist after conducting an extensive exploratory drilling program over a majority of the leases held by the lease holder; (2) at least 90% of the oil or gas within a "Super Giant" field can be recovered with existing technology; and (3) the well can produce income.

31. Ratheal told investors that the USGS geologist had scientifically confirmed Premco's in-house geologist's discovery that a "Super Giant" oil and gas field existed under Premco's mineral leases which included the Dutchman and Ft. Pierce well drilling sites.

32. Ratheal informed investors that the USGS geologist told him because samples from both drilling sites had the same organic composition it meant a "Super Giant" oil and gas field had been discovered.

33. Ratheal further informed investors that the USGS geologist told him the oil field was similar in size, if not bigger than, the oil and gas fields found in Kuwait and Saudi Arabia.

34. Ratheal told investors that the USGS geologist was so excited by the discovery, the USGS geologist asked if he could conduct a USGS study describing the size and economic value of the oil and gas field to the country.

35. Ratheal gave investors a draft of the USGS study which allegedly supported Premco's in-house geologist's and the USGS's geologist's findings.

36. Ratheal also provided investors a twenty-page colored well log that was supposedly prepared by a petrophysicist employed by Schlumberger, Ltd. ("Schlumberger"), the world's largest oilfield service company, that verified a "Super Giant" oil and gas field had been discovered under Premco's mineral leases.

37. Ratheal told investors that they were prohibited from contacting Premco's in-house geologist, the USGS geologist, and Schlumberger as they were continuing to do "confidential" work for Premco.

The Dutchman Well

38. In March 2002, Ratheal began drilling the Dutchman well.

39. Almost immediately, Ratheal began sending daily emails to investors claiming that he was hitting multiple oil and gas pockets while drilling the well.

40. In those emails, Ratheal also told investors they should expect to see a return on their investment within weeks because refineries in Utah and Arizona had already agreed to purchase all the oil and gas production from the well.

41. An oil and gas geologist for the BLM (the "BLM's geologist") conducted weekly site visits to the Dutchman.

42. In the second week of drilling, the BLM's geologist instructed Ratheal that he had the wrong drilling equipment.

43. In the fourth week of drilling, Ratheal confessed to the BLM's geologist that the drill bit had snapped off and plugged the dry hole at a depth of 3,617 feet.

44. Ratheal told the BLM's geologist that he would abandon the Dutchman because he did not have the funds to retrieve the drill bit.

45. In June, 2002, the BLM terminated Premco's drilling permit for the Dutchman well for lack of active drilling operations.

46. The BLM also fined Premco $50,000 for polluting the ground water with high concentrations of diesel fuel and toxic drilling fluids. Premco would not be allowed to resume drilling the Dutchman well without first paying the fine and conducting remediation work.

47. Within days of the BLM terminating the drilling permit on the Dutchman well, Ratheal told investors by email that he would finish drilling the Dutchman well once Premco had the investment capital necessary to complete the well.

48. Ratheal continued to solicit new investors at marketing seminars and by asking prior investors to encourage family and friends to invest in Premco if they hoped to see a return on their investment.

The Ft. Pierce Well

49. In April 2008, Ratheal told investors because Premco had not been able to raise enough operating capital for Premco to purchase its own drilling rig and equipment, he had no choice but to hire another company to drill the Ft. Pierce well.

50. In May 2008, Premco signed an agreement with Wind River Resources, Corp. ("Wind River"), a small Utah drilling company, to drill the Ft. Pierce well.

51. Wind River and its partners agreed to drill a shallow exploratory well provided they were given 51% ownership in the well and all the company's leases, plus 2% of the wells production income for the life of the well.

52. On November 15, 2008, Wind River began drilling the Ft. Pierce well.

53. Once Wind River began drilling, Ratheal began sending daily emails to Premco investors claiming Wind River's on-site geologist was seeing oil and gas returns being brought to the surface in rock cuttings.

54. On November 22, 2008, Wind River told Ratheal that no oil or gas returns were brought to the surface while drilling the well.

55. On December 8, 2008, Wind River and its partners decided to stop drilling because no oil or gas had been discovered.

56. On December 12, 2008, Wind River hired Schlumberger to log the well to ensure there was no oil or gas in the Ft. Pierce well his company had failed to detect.

57. Schlumberger's staff concluded the Ft. Pierce well was a "dry hole."

58. On or about December 12, 2008, Wind River told Ratheal of Schlumberger's conclusions and that Wind River would be removing its drilling rig from the well site.

59. Wind River abandoned the Ft. Pierce well on December 14, 2008.

60. On December 31, 2008, the BLM revoked Premco's drilling permit and lease for abandonment and fined Premco an additional $50,000 for polluting the ground water with high concentrations of diesel fuel and toxic drilling fluids. Again, Premco would not be allowed to resume drilling the Dutchman well without first paying the fine and conducting remediation work.

61. In January, 2009, Ratheal told investors that Wind River removed its drilling rig because it had filed bankruptcy, not for a lack of discovering oil and gas.

62. From 2009 through April 2012, Ratheal continued to tell investors that a "Super Giant" oil and gas field had been discovered while drilling the Dutchman and Ft. Pierce wells but he still need their money to put the wells into production.

63. Ratheal sold approximately $4,182,885.29 in working interests between the two wells to approximately 100 investors from June 2011 to April 2012.

Misrepresentations and Omissions

64. Ratheal made a number of misrepresentations and omissions in connection with the sale of the working interests.

65. Ratheal misrepresented to investors he had an extensive background as a petroleum geologist, worked for major oil and gas companies, and this made him an expert in

drilling for and locating oil and gas reserves. In reality, Ratheal's oil and gas experience is limited to being a "roughneck," a far cry from a "petroleum geologist."

66. Ratheal claimed that Premco had an in-house geologist who discovered the "Super Giant" oil and gas field under Premco's federal mineral leases. However, since Ratheal acquired Premco, Premco never had an in-house geologist. Further, the geologist Ratheal claimed had discovered the oil and gas field had no connection to Premco and told Ratheal to stop using his name.

67. Ratheal claimed a USGS geologist had verified the other geologist's findings and gave investors draft copies of the USGS geologist's study. However, the USGS geologist's study did not support the finding of a "Super Giant" oil and gas well under the Dutchman and Ft. Pierce drilling sites, and the study was never completed or published.

68. Ratheal claimed the USGS geologist was excited about the finding of a "Super Giant" oil and gas field and wanted to conduct a full study. In reality, USGS geologist's only connection to Ratheal was providing Ratheal a draft copy of the cancelled study because Ratheal was supposedly interested in learning more about it. The USGS geologist was unaware that Ratheal used the draft to promote Premco.

69. Ratheal provided copies of a twenty-page colored well log to investors prepared by Schlumberger. Ratheal misrepresented to investors that the well log verified the existence of a "Super Giant" oil and gas well under the Dutchman and Ft. Pierce drilling sites.

70. Ratheal also misrepresented that the well log represented either the Dutchman or the Ft. Pierce, because Schlumberger could not identify what well the log purportedly represented. Further, Schlumberger was not involved with Premco until Wind River's involvement with the Ft. Pierce well, six years later.

71. Ratheal told investors not to contact the discovering geologist, the USGS geologist, or Schlumberger, because they were continuing to do "confidential" work for Premco. None of them had any connection to Premco.

72. Ratheal told investors that the Dutchman drill hit oil and gas pockets. No such oil or gas was discovered.

73. Ratheal told investors that Premco had contracts with refineries to purchase all the oil and gas from the Dutchman. No such contracts existed.

74. Ratheal failed to tell investors that he had the wrong drilling equipment, that the drill bit had broken, and that he had abandoned the Dutchman.

75. Ratheal also failed to tell investors that the BLM had revoked Premco's lease on the Dutchman well.

76. Ratheal failed to tell investors that Premco would not be allowed to resume drilling the Dutchman well without first paying a $50,000 fine and remediating the damage caused by the pollutants Premco used in its operations.

77. Ratheal failed to tell investors that Premco did not "hire" Wind River and its partners to drill the Ft. Pierce well. Indeed, Ratheal failed to tell investors that Wind River and its partners agreed to drill the well to only an exploratory depth in exchange for an ownership interest plus royalties.

78. Ratheal misrepresented that Wind River's geologist had seen oil and gas returns at the Ft. Pierce well. No such oil or gas was discovered.

79. Ratheal failed to disclose to investors that Wind River had decided to stop drilling because no oil or gas had been discovered.

80. Ratheal failed to disclose that Schlumberger, hired by Wind River, concluded that the Ft. Pierce well was a "dry hole."

81. Ratheal misrepresented the circumstances surrounding Wind River's withdrawal from Ft. Pierce, stating that it had filed for bankruptcy. In fact, Wind River has never filed for bankruptcy and instead abandoned the Ft. Pierce well because it was a "dry hole."

82. Ratheal also failed to tell investors that the BLM had revoked Premco's lease on the Ft. Pierce.

83. Ratheal failed to tell investors that Premco would not be allowed to resume drilling the Ft. Pierce well without first paying a $50,000 fine and remediating the damage caused by the pollutants Premco used in its operations.

84. After obtaining investor funds by misrepresentations and omissions, Ratheal claimed he would only take 10% of investor funds to cover his personal living expenses. However, he misappropriated approximately 70% of investor funds (or approximately $2,927,037.68) for his personal use.

85. Specifically, Ratheal failed to disclose to investors that he would use investor funds to pay for gambling debts of $81,110.72, to purchase imported cars in the amount of $73,971.55, to pay $48,818.97 in legal fees and fines arising from his drug and assault convictions, and to spend $29, 608.22 for vacations to the Caribbean and Hawaii.

86. The misrepresentations and omission detailed above are material to a reasonable investor.

87. Ratheal acted with scienter. He controlled Premco. He made all business decisions for Premco. He also knew that the representations he made to investors regarding the

use of investor funds and the representations he gave of oil and gas prospects at the Dutchman and Ft. Pierce wells were false.

FIRST CAUSE OF ACTION
FRAUD IN THE OFFER AND SALE OF SECURITIES
Violations of Section 17(a)(2) [15 U.S.C. § 77q(a)(2)]

88. The Commission realleges and incorporates by reference the allegations contained in the paragraphs above.

89. Defendants, and each of them, by engaging in the conduct described above, directly and indirectly, in the offer and sale of securities, by the use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, obtained money or property by means of untrue statements of material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

90. By reason of the foregoing, Defendants, and each of them, directly or indirectly, violated, and unless restrained and enjoined will continue to violate, Section 17(a)(2) [15 U.S.C. §§ 77q(a)(2)].

SECOND CAUSE OF ACTION
FRAUD IN CONNECTION WITH THE PURCHASE AND SALE OF SECURITIES
Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and
Rule 10b-5(b) thereunder [17 C.F.R. § 240.10b-5(b)]

91. The Commission realleges and incorporates by reference the allegations contained in the paragraphs above.

92. Defendants, and each of them, by engaging in the conduct described above, directly or indirectly, by the use of means or instrumentalities of interstate commerce or use of the mails, in connection with the purchase or sale of securities, with scienter, made untrue

statements of material fact or omitted to state a material fact necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.

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

THIRD CAUSE OF ACTION
OFFER AND SALE OF UNREGISTERED SECURITIES
Violation of Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)]

94. The Commission realleges and incorporates by reference the allegations contained in the paragraphs above.

95. Defendants, and each of them, by engaging in the conduct described above, directly or indirectly, through use of the means or instruments of transportation or communication in interstate commerce or the mails, offered to sell or sold securities or, directly or indirectly, carried such securities through the mails or in interstate commerce, for the purpose of sale or delivery after sale.

96. No registration statement has been filed with the Commission or has been in effect with respect to these securities.

97. By reason of the foregoing, Defendants, directly or indirectly 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)].

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court:

I

Issue findings of fact and conclusions of law that Defendants committed the violations charged herein.

II

Issue in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure orders that temporarily, preliminarily and permanently enjoin Premco and Ratheal and their officers, agents, servants, employees, attorneys, and accountants, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from engaging in transactions, acts, practices, and courses of business described herein, and from engaging in conduct of similar purport and object in violation of Sections 5(a), 5(c) and 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III

Enter an order directing Defendants, and each of them, to pay civil money penalties pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act.

IV

Enter an order directing Defendants to disgorge all ill-gotten gains received during the period of violative conduct and pay prejudgment interest on such ill-gotten gains.

V

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and

decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

Dated December 10, 2012.

Respectfully submitted,

/s/Thomas M. Melton
Thomas M. Melton (Utah Bar No. 4999)
meltont@sec.gov
Daniel Wadley (Utah Bar No. 10358)
wadleyd@sec.gov
Lindsay McCarthy (Utah Bar No. 5216)
mccarthyl@sec.gov
Attorneys for Plaintiff
Securities and Exchange Commission
15 West South Temple, Suite 1800
Salt Lake City, Utah 84101
Tel: 801-524-5796
Fax: 801-524-5262