



IN THE DISTRICT COURT OF TULSA COUNTY
STATE OF OKLAHOMA

MARK CHANG, an individual;)
ALAN KWOK WAI WONG, an)
individual; LIM HONG BENG, an)
individual; HUIOS ENERGY, LLC,)
an Oklahoma limited liability)
company; and OILPODS)
SINGAPORE PTE LTD.,)
a Singapore private limited company,)

Plaintiffs,)

vs.)

POWDER RIVER PETROLEUM)
INTERNATIONAL, INC., an Oklahoma)
corporation; and BRIAN FOX, an)
individual,)

Defendants.)

DISTRICT COURT
FILED

JUL 14 2008

SALLY HOWE SMITH, COURT CLERK
STATE OF OKLA: TULSA COUNTY

Case No. CJ 2008 04855

J. MICHAEL GASSETT

PETITION

Plaintiffs, Mark Chang (“Chang”), Alan Kwok Wai Wong and Lim Hong Beng, as individuals and on behalf of other investors similarly situated (“Investors”), HUIOS Energy, LLC (“Huios”) and OilPods Singapore Pte Ltd. (“OilPods”) (collectively “Plaintiffs”), for their Petition against Defendants, Powder River Petroleum International, Inc., an Oklahoma corporation and successor in interest by merger to Powder River Basin Gas Corp., a Colorado corporation (collectively “Powder River”), and Brian Fox, an individual (“Fox”), allege and state as follows:

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INTRODUCTION

1. Plaintiffs bring this action to prevent Defendants from continuing to defraud investors through a fraudulent pyramid scheme primarily targeting the Asian community, and for damages resulting from their misconduct and for other equitable relief. For more than four years, Fox, a recidivist violator of Canadian, federal and state securities laws, and his company Powder River, have offered securities in the form of fractionalized working interests in oil and gas leases in violation of the registration and anti-fraud provisions of the Oklahoma Securities Act, 71 O.S. §1-101 *et seq.* (the "Oklahoma Act") and in contravention of Oklahoma common law.

2. Defendants have violated the Oklahoma Act by offering and selling un-registered securities and investment contracts. Powder River purports to be a company engaged in the business of acquiring and selling working interests in oil and gas wells to investors and represents that it has a program to review and evaluate geological and other technical data to determine the viability and profitability of commencing and completing multiple well drilling programs.

3. In reality, the working interests structured by Defendants and sold to investors are securities within the meaning of the Oklahoma Act and the "program" of the Defendants is nothing more than an illegal pyramid scheme utterly dependent on an ever increasing number of new investors to pay existing ones.

4. To date, Powder River and Fox have sold, directly or indirectly, more than \$30 million of these working interests to at least 2,000 unsuspecting and unsophisticated

Investors from at least 3 countries. As of this date, their scheme is on the brink of collapse and destined to leave the Investors and the Plaintiffs with substantial losses.

5. In connection with the offer and sale of these securities, the Defendants have never filed a registration statement of any kind and have violated the anti-fraud provisions of the Oklahoma Act by making numerous material misrepresentations and omissions. In addition, the Defendants have employed schemes, artifices and practices of business which have operated as a fraud and deceit upon the Plaintiffs and the investing public.

6. The Plaintiffs bring this action to redress injuries that have been, and if not stopped will continue to be, suffered by Plaintiffs as a result of Defendants unlawful investment scheme. Because Defendants hold investors' funds and to prevent further dissipation of investors' assets, Plaintiffs also seek the immediate appointment of a receiver, temporary restraining order and preliminary injunction, as well as other equitable relief.

JURISDICTION AND VENUE

7. This Court has jurisdiction over the action and venue is proper because many of the Defendants' acts and transactions occurred in Tulsa County, and Tulsa County is the location of a principal place of business of the Defendant, Powder River.

PARTIES

A. Plaintiffs

8. Plaintiff, Mark Chang, is an individual resident of Singapore, the Manager of HUIOS, the Chief Executive Officer of OilPods, and a current shareholder of the Defendant, Powder River.

9. Plaintiffs Alan Kwok Wai Wong and Lim Hong Beng are individual residents of Singapore, and an unsophisticated investors in the fractional working interests offered and sold by Defendants.

10. Plaintiff, OilPods Singapore Pte, Ltd., is a Singapore private limited company with its principal place of business in Singapore. OilPods was formed by Chang and was the entity used by Defendants to market and sell the fractional working interests that are the subject of this action.

11. Plaintiff, HUIOS Energy, LLC, is an Oklahoma limited liability company with its principal place of business in Tulsa, Oklahoma. Huios was formed by Chang in March 2008, at the time when Defendants' fraudulent investment scheme started to unravel. In March 2008, during the time Chang first began to reasonably discover the Defendants' fraud, Fox and Powder River attempted to assign all their interest and transfer all liabilities for Investor claims to Huois in certain of the oil properties located in Texas.

B. Defendants

12. Defendant, Brian Fox, is an individual resident of Alberta, Canada, and is the President and Chief Executive Officer of Powder River. Fox was also the President, Chief Executive Officer and sales director of Powder River Basin Gas Corp. until its merger into Powder River. In March 2000, the Alberta Securities Commission enjoined Fox from selling or trading securities based on another fraudulent and unregistered offering of securities in a company he controlled, Renco Energy Corp., and further barred Fox from being or acting as a director or officer of a securities issuer for at least 18 months.

13. Defendant, Powder River Petroleum International, Inc., is an Oklahoma corporation with its principal place of business in Tulsa, Oklahoma. Powder River is the successor in interest by merger to Powder River Basin Corp., a Colorado corporation. Powder River is a penny stock company publicly traded on the OTCBB under the symbol "PWDR."

OTHER RELEVANT PERSONS AND ENTITIES

14. Renco Energy, Inc. ("Renco") is another corporation owned and controlled by Fox that does business with Powder River. As of December 31, 2007, Renco owes Powder River the sum of \$653,927.00, and to date this receivable remains unpaid and uncollected.

15. John N. Ehrman ("Ehrman"), is an individual resident of Houston, Texas, and is the founder, owner and chairman of Magnus Oil and Gas Corporation formerly known as Transcontinental Minerals Corporation. In June 1990, the United States District for the Southern District of Texas permanently enjoined Ehrman from violating the registration and anti-fraud provisions of the federal securities laws based on another fraudulent and unregistered offering of securities (this time in the form oil and gas limited partnerships) where he misappropriated a substantial portion of the offering proceeds for his personal use. Also, in July 1991, the Securities and Exchange Commission barred Ehrman from association with any broker, dealer, investment company, investment adviser or municipal securities dealer. Later, in August 2003, the United States District for the Southern District of Texas again permanently enjoined Ehrman from violating the federal securities laws based on another fraudulent scheme and permanently enjoined Ehrman from aiding and

abetting any future violations. And even more recently, in July 2007, the United States District for the Southern District of Texas indicted Erhman again on 10 more counts of securities fraud. Erhman, who was previously convicted of federal fraud charges in 1990, is currently awaiting trial on these “new” charges.

16. Magnus Oil and Gas Corporation (“Magnus”) is a Texas corporation that serves as the operator of one of Powder River’s oil and gas properties known as the Biamonte, Brookshire and Weesatche leases in Goliad County, Texas. Many of the securities sold by Defendants to the investors were for working interests in the Biamonte, Brookshire and Weesatche leases. Currently, Magnus through Erhman is attempting to foreclose on these leases and strip Powder River of any remaining valuable assets to the further detriment of the Investors and Plaintiffs.

17. Texoma Oil Field Services, Inc. (“Texoma”) is a Nevada corporation purchased by Powder River in 2007, which was owned by Mark Cook prior to the acquisition by Powder River.

FACTS

A. The Defendants’ Fraud.

18. In May 2002, Fox first met with Chang and explained to him Fox’s business of investing in oil and gas leases. Fox advised Chang on how working interests in oil and gas leases could be fractionalized and sold to individual investors and proposed that Chang should become involved with Fox in marketing these working interests to investors in the Asian community.

19. In November 2003, Chang came to Tulsa, Oklahoma and met with Fox to discuss the particulars of a marketing program for such individual working interest investments. During this meeting, Fox knowingly made numerous false and misleading statements of material fact to Chang with the intent that Chang would rely on those statements, and upon which Chang did in fact rely to his detriment. The particulars of Fox's misleading statements to Chang are detailed below. As a result, it was agreed between Fox and Chang that OilPods, a marketing and investment firm operating in Singapore, would become the exclusive marketing agent for Powder River's working interest investments.

20. Beginning in May, 2004, and continuing to March, 2008, the Defendants, Fox and Powder River, offered and sold securities in the form of fractional working interests in oil and gas leases to thousands of investors in violation of the registration and anti-fraud provisions of the Oklahoma Act.

21. The working interests offered and sold by Defendants were marketed to foreign investors in Malaysia, Singapore and Indonesia through OilPods.

22. To induce Chang to enter into an agreement on behalf of OilPods to market the working interests to foreign investors, the Defendants made certain false and misleading statements and representations of material fact to Chang and OilPods. Both Chang and OilPods relied on the false and misleading statements of Defendants in agreeing that OilPods would participate and market the working interests to the investing public, and but for these false and misleading statements and representations, OilPods and Chang would not have entered into any such agreement with Defendants. The false

and misleading statements of Defendants to Chang and OilPods include, but are not limited to:

- (i). oral and written assurances that the working interests to be offered and sold were not securities and registration of the same was not required;
- (ii). oral and written assurances that Powder River was a viable business entity capable of sustaining itself from oil and gas production;
- (iii). oral and written assurances that the working interests sold to investors were almost certain to achieve payout based on historic levels of production and/or anticipated production;
- (iv). oral and written assurances that the Defendants' guarantee of a minimum return of at least 9% to an investor beginning six months after the purchase of a fractional working interest was a practical reality and in no way reckless or un-warranted; and
- (v). oral and written assurances that Powder River had acquired all necessary drilling equipment to begin and/or increase and sustain the oil and gas production necessary to pay interests.

23. During this same time frame, and to induce Chang to enter into an agreement on behalf of OilPods to participate in marketing the working interests to investors, the Defendants also omitted to state certain material facts to Chang and OilPods that were necessary to make the statements made to Plaintiffs by Defendants not misleading under the circumstances. These materially misleading omissions include, but are not limited to:

- (i). failure to include past performance information that would have permitted an evaluation of Defendants' representations concerning production;
- (ii). failure to disclose the existence of a prior cease and desist order that prohibited Fox from selling unregistered securities in Canada;
- (iii). failure to disclose that the Defendant's operator, Magnus, was controlled by Ehrman, a convicted felon with multiple injunctions and cease and desist

orders for violating the registration provisions and anti-fraud standards of federal and state securities laws.

24. As a proximate result of the Defendants false and misleading material statements and materially misleading omissions to Plaintiffs, fractionalized working interests in various oil and gas properties were sold by the Defendants to over 2000 foreign investors who invested in excess of Thirty Million Dollars (\$30,000,000.00).

25. The securities sold included fractionalized working interests in a percentage of the following:

- (i). a 15% working interest in 960 acres in Lincoln County, Oklahoma (“Lincoln Lease”);
- (ii). a 65% working interest in a 1,220 acre tract in Goliad County, Texas (“Weesatche Lease”);
- (iii). a 70% working interest in a 647-acre tract in Walker County, Texas (Brookside Salt Dome Lease”);
- (iv). a 60% working interest in 960-acre tract in Acadia Parish, Louisiana (“Leonard Heirs Lease”); and
- (v). a 75% working interest in 594 acres in Webster Parish and Bossier Park Parish, Louisiana (“Springhill Lease”).

B. Misrepresentations and Omissions

26. Powder River is a fraudulent Ponzi Scheme, which is dependent on the recruitment of new investors, and which by definition, will fail and leave a significant majority of investors with substantial losses. Neither Fox nor Powder River disclosed this material risk to the Investors or the Plaintiffs.

27. The Defendants knew or should have known, or were extremely reckless in not knowing, that the only way Investors were going to make money is if new investors are recruited because of the high price charged for such small working interests and the historic lack of substantial production from the wells assigned to the working interest owners. Both Fox and Powder River knowingly misrepresented or omitted these facts from Plaintiffs.

28. The Defendants also materially misrepresented to Plaintiffs that Investors were guaranteed to receive a 9% return on their investment beginning six months after the purchase of a fractional working interest. Defendants knew or should have known, or were extremely reckless in not knowing, that the 9% return guarantee was false and misleading.

29. In 2007, the Defendants further misrepresented to Plaintiffs and the investors that Powder River had acquired 100% control over a full well service and drilling company. Defendants knew or should have known, or were extremely reckless in not knowing, that this representation was false.

30. The Defendants failed to disclose to Investors, that is the Plaintiffs, that Fox had been enjoined by the Alberta Securities Commission from selling or trading securities because of another fraudulent and unregistered securities offering in a company he controlled, Renco Energy Corp., and that Fox was previously barred from being or acting as a director or officer of a securities issuer for at least 18 months.

31. The Defendants also did not disclose to Investors the fact that the operator of one of its major lease assets, that is Erhman, was a known recidivist in violating federal

and state securities laws with an extensive negative history with regulators, as well as a convicted felon.

C. Defendants' Receipt of Investor Funds

32. Between 2006 and 2007, Defendants' sales of the working interests to investors generated revenue in excess of \$27,000,000, which amount was received by the Defendants. During the course of the offering between 2004 and 2008, the Defendants have received more than 30 million dollars from investors from the sale of the working interests.

D. Defendants' Mismanagement and Current Distressed Status

33. As a result of the sales of the working interest investments, the Defendants are obligated to make total future interest payments to the Investors in an amount exceeding \$33,000,000.00.

34. As a result of the sales of the working interest investments, the Defendants are now obligated to make annual payments to the Investors in excess of \$6,000,000.00 per year beginning in 2008, and in each year thereafter until fully paid.

35. During 2007 and 2008, the Defendants' oil and gas production revenue was less than \$5,000,000. Since 2008, Defendants have failed to make, nor are they able to make, the required interest or principal payments to the Investors.

36. Defendants have failed to ever realize profitable revenues from oil and gas production and do not have the ability to pay the Investors without using funds fraudulently solicited and induced from other investors.

37. Defendant Fox has intentionally used his authority, control and official capacity as an officer and director of Powder River to further his own private interest in opposition to the interest of Powder River and has and continues to commit gross mismanagement of Powder River to the detriment of the company.

38. For example, in 2007 Fox caused Powder River to make misleading disclosures and omissions to the Plaintiffs and in reports filed with regulators, in order to allow transfers of money and property from Powder River to Fox and others that were outside the ordinary course of business and/or made without receiving reasonably equivalent value in exchange for the transfers.

39. In addition, in 2007 Fox caused Powder River to misrepresent the terms of an agreement to acquire three drilling rigs and related equipment of Texoma, and has omitted disclosing the terms of a subsequent settlement with Texoma and its owner Mark Cook regarding that acquisition.

40. In addition, Fox has caused or allowed Powder River to fail to pay invoices from Magnus resulting in the filing of a multi-dollar lien on the Weesatche Lease properties, thereby placing valuable assets of Powder River at unreasonable risks of loss. Fox and Powder River intentionally failed to disclose the existence of these unpaid invoices to Plaintiffs and Investors.

41. In addition, Fox has caused and/or allowed Powder River to commence or continue drilling operations in certain projects (including the Weesatche Lease) long after any reasonably prudent operator would have ceased operations.

42. Finally, during this mismanagement of Powder River, Fox received a salary, bonuses and reimbursement from Powder River in excess of \$1.4 million dollars annually.

43. Fox continues to grossly mismanage Powder River to the detriment of its shareholders, creditors and working interest investors. Powder River is currently insolvent.

CLAIMS FOR RELIEF

COUNT I

BREACH OF CONTRACT and FRAUDULENT INDUCEMENT/CONCEALMENT

44. Paragraphs 1 through 43 are incorporated by reference.

45. Defendants materially breached its contractual obligations to Plaintiffs.

46. Plaintiffs have been injured by Defendants' breach and are entitled to recover damages related thereto.

47. Defendants made material misrepresentations and failed to disclose material information they had a duty to disclose to Plaintiffs, knowing such misrepresentations and failures to disclose were materially misleading and intending that Plaintiffs rely upon the misrepresentations and failures to disclose in deciding to enter into contracts with Defendants and/or invest in the working interests sold by Defendants. Plaintiffs relied upon Defendants misrepresentations and failures to disclose, thereby causing damages to Plaintiffs and giving rise to a right of rescission or equivalent measure of damages.

COUNT II

SALE OF UNREGISTERED SECURITIES IN VIOLATION OF SECTION 301 and 408(a)(1) OF THE OKLAHOMA SECURITIES ACT

48. Paragraphs 1 through 47 are incorporated by reference.

49. Fox, in accepting the consideration from the Plaintiffs as outlined above and investing that money in the fractional working interests described above, sold the Plaintiffs securities as defined by §1-102 of the Oklahoma Securities Act, 71 Okla. Stat. §1-102.

50. The sale of these securities took place in Oklahoma by virtue of the Defendant Fox contacting the Plaintiffs from and within the State of Oklahoma.

51. These securities were not registered with the Oklahoma Department of Securities and such failure to register is and was a violation of § 1-301 of the Oklahoma Securities Act, 71 O. S. § 301.

52. Defendant Powder River was both the issuer and seller of these securities in that it was the entity which caused such securities to be issued and passed title to such securities to Plaintiffs. As such, Powder River is liable to the Plaintiffs under 71 O. S. § 1-509(B) of the Act.

53. Defendant Fox was also a "seller" of these securities in that he was the individual who solicited the sale and caused these securities to be sold and is also liable to Plaintiffs under 71 Okla. Stat. § 1-509(B).

54. In the alternative and in addition, Fox acted as Powder River's common law agent in the sale of these securities. Thus Powder River is liable as a "seller" of securities under the common law doctrine of *respondeat superior*.

55. In the alternative and in addition, the Defendant, Fox was a “control person” of Defendant Powder River such that Fox is liable to the Plaintiffs for Powder River’s violation of 71 Okla. Stat. § 1-509(G).

56. Pursuant to Section 1-509(B) of the Oklahoma Act, the Plaintiffs are entitled to rescind all transactions involving sales of the unregistered securities and recover from the Defendants, jointly and severally, all sums paid by the Plaintiffs in connection with the sale of such securities, together with interest thereon at the statutory rate per annum from the date of payment, plus the costs and reasonable attorneys fees incurred by Plaintiffs upon tender of the securities.

COUNT III

MISREPRESENTATION AND OMISSIONS IN VIOLATION OF THE OKLAHOMA SECURITIES ACT SECTION 408(a)(2).

57. Paragraphs 1 through 56 are incorporated by reference.

58. Defendant Fox sold Plaintiffs securities in the form of the working interests as outlined above.

59. Such sales were made through the use of material misrepresentations and omissions within the meaning of Section 1-509(B) of the Oklahoma Act as outlined above.

60. Plaintiffs, at the time of their purchase of these securities, were unaware of the true facts surrounding these misrepresentations and omissions.

61. Defendant Powder River was both the issuer of these securities and their “seller” in that it was the entity which caused such securities to be issued and passed title

to such securities to Plaintiffs. As the seller of the aforementioned securities Powder River is liable to the Plaintiffs under 71 Okla. Stat. § 408(a) (2) of the Oklahoma Act.

62. In addition, Defendant Fox was also a “seller” of these securities in that he was the individual who solicited the sale and caused these securities to be sold and is also liable to Plaintiffs under 71 Okla. Stat. § 408(a) (2).

63. In the alternative and in addition, Defendant Fox was acting as Powder River's common law agent in the sale of these securities. Thus Powder River is liable as a “seller” of securities under the common law doctrine of *respondeat superior*.

64. In the alternative and in addition, the Defendant Fox was a “control person” of Defendant Powder River such that Defendant Fox is liable to the Plaintiffs for Fox' s violation of 71 Okla. Stat. § 1-509(B)

65. Pursuant to Section 408(a) of the Oklahoma Securities Act, the Plaintiffs are entitled to recover from these Defendants, jointly and severally, the consideration paid by Plaintiffs, together with interest thereon at the statutory rate per annum from the date of Plaintiffs' payment of consideration, plus the costs and reasonable attorneys fees incurred by the Plaintiffs.

COUNT IV

COMMON LAW FRAUD

66. Paragraphs 1 through 65 are incorporated by reference.

67. Defendants are liable to Plaintiffs for fraud under Oklahoma common law.

68. The false and misleading acts, statements, and omissions of the Defendants were made with knowledge of their falsity and with the intent that they be relied upon by the Plaintiffs.

69. Plaintiffs reasonably relied to their detriment upon the false and misleading statements and omissions of the Defendants in purchasing the working interests or entering into agreements to market the same as described herein. As a result of such reliance, the Plaintiffs have suffered damages in the amount of the consideration paid to Defendants.

70. The Plaintiffs are entitled to recover from the Defendants, jointly and severally, a sum equaling the value of consideration paid to Defendants.

71. Additionally, and by way of example for the conduct of the Defendants, the Plaintiffs are entitled to recover exemplary damages in a substantial sum to punish the Defendants for their conduct, and actual damages as set forth under the Request for Relief.

COUNT V

STATUTORY FRAUD

72. Paragraphs 1 through 71 are incorporated by reference.

73. This cause of action is for fraud and arises under 76 Okla. Stat. § 2 et seq. as a result of the representations and omissions made by the Defendants to Plaintiffs.

74. These representations were made with the intention that the Plaintiffs rely on such representations and the Plaintiffs did so rely. Such conduct constitutes statutory fraud under the law of the State of Oklahoma as defined in 15 Okla. Stat. § 58.

75. The statements were made willfully and intentionally to the Plaintiffs by the Defendants, and the Plaintiffs relied to their detriment upon these representations.

76. As a result of the conduct of the Defendants, the Plaintiffs have suffered damages in the amount of the consideration paid for the working interest securities. Plaintiffs are entitled to recover these damages from the Defendants, jointly and severally.

77. Additionally, and by way of example for the conduct of the Defendants, the Plaintiffs are entitled to recover exemplary damages in a substantial sum to punish the Defendants for their conduct, and actual damages as set forth under the Request for Relief.

COUNT VI

CONSTRUCTIVE FRAUD UNDER 15 O.S. §59

78. Paragraphs 1 through 77 are incorporated by reference.

79. Defendant Powder River, acting in coordination with its agent Fox, entered into a contractual relationship with Plaintiffs which created duties between and among the parties.

80. Defendants Powder River and Fox breached these duties by attempting to alter the contract provisions with Plaintiffs regarding, among other things, the required interest payments to Investors.

81. Powder River's purported assignment of the Weesatche Lease property to Huiois and/or Chang, was made after Defendants Powder River and Fox misled Huiois

and/or Chang into believing that the production issues associated with the Weesatche Lease property were the result of the operator, Magnus and/or Erhman's conduct.

82. Defendants Powder River and Fox gained advantage over Huois, Oilpods and/or Chang by attempting to shift responsibility for the mandatory interest payments to Investors to Huois and/or Chang and by convincing Oilpods to make some payments to the Investors on Powder River's behalf.

83. The actions of Defendants Powder River and Fox amount to constructive Fraud resulting in prejudice and damages to Plaintiffs.

COUNT VII

BREACH OF FIDUCIARY DUTY TO CORPORATION

84. Paragraphs 1 through 83 are incorporated by reference.

85. This cause of action is derivative in nature as is brought on behalf of Powder River for Fox's breach of fiduciary duty owed by him in his capacity as a director to and officer of Powder River.

86. At all times material to Fox's conduct constituting this breach of fiduciary duty, Plaintiff Chang was a shareholder of the Defendant Powder River.

87. Fox is a member of the board of directors, president and majority shareholder of Powder River. As such, he has a fiduciary duty owed to the corporation.

88. The acts of Fox, outlined above, constitute a breach of Fox's fiduciary duty to the corporation in his capacity as a director of the corporation and breach of Fox's fiduciary duty to the corporation in his capacity as an officer of the corporation. In his

capacity as President of Powder River, Defendant Fox has a fiduciary duty to the corporation. Such duty includes, among others, the obligation to not engage in self dealing. As a result, the conduct of Fox in withholding accounts receivable in the amount of \$653,957 from Renco, was a breach of his fiduciary duty to the corporation. Further, transferring stock from the corporation for little or inconsequential value to Texoma and Mark Cook also constitutes a breach of his fiduciary duties. Such breaches caused the corporation to suffer damages and Fox is liable therefore. Further, the transfers of stock to persons without adequate consideration are injurious to the corporation and should be set aside.

89. By converting corporate funds for personal use, transferring corporate stock for little or no consideration, and the grossly negligent manner in which he has handled corporate affairs, Fox breached his fiduciary duties to Powder River.

90. As a result of the Fox's breach of fiduciary duty, Powder River has suffered substantial damages and is entitled to recover from Fox therefore. Further, as a result of Fox's conduct, it is no longer appropriate or in the best interests of the corporation that he be involved in the management of the corporation and the appointment of a receiver is appropriate, as well as, an injunction preventing Fox from committing any such breaches in the future, dissipating corporate funds, or destroying or secreting corporate records.

91. Plaintiffs have made efforts to have their concerns for the corporation addressed by Fox and he has refused to provide any meaningful response.

92. In that Fox exercises control over Powder River as Director, is President, Chief Executive Officer and majority shareholder, and the acts and failures to act

complained of are his own, it would be futile for Plaintiffs to request that he have the corporation bring this action in its own right.

COUNT VIII

NEGLIGENCE AND GROSS NEGLIGENCE

93. Paragraphs 1 through 92 are incorporated by reference.

94. Plaintiffs' forth cause of action is derivative in nature being brought on behalf of the corporation Powder River for the negligent and grossly negligent actions of the Fox during his tenure as President of Powder River

95. At all times material to Powder River and Fox's conduct constituting said negligence, Plaintiff Chang was a shareholder of the Powder River.

96. In his capacity as President of Powder River, Fox was acting as a common law agent for the corporation. As an agent of the corporation Powder River, Fox has a duty to not act negligently, and to manage the affairs of the corporation as a reasonable person under like or similar circumstances.

97. The actions of Fox during his tenure as president constitute a breach of his obligations to the corporation and are so far removed from the standards of normal care to constitute negligence on the part of Fox and he should be held liable therefore.

98. Further, Fox's actions constituting the breach of his duty to Powder River were either intentional or so utterly reckless and an extreme departure from the standards of ordinary care as to constitute willfulness and malice and, as a result, amount to gross negligence.

99. As a result, Powder River is entitled to recover exemplary damages in a substantial sum to punish Fox for his conduct, and actual damages as set forth under the Request for Relief. Because Fox exercises control over Powder River, is the majority shareholder, and the acts and failures to act complained of are his own, it would be futile for Plaintiffs to request that he have the corporation bring this action in its own right.

COUNT IX

DECLARATORY JUDGMENT

100. Paragraphs 1 through 99 are incorporated by reference.

101. An actual controversy has arisen and now exists between Plaintiffs (Chang, OilPods and Huois) and the Defendants relative to the respective rights and duties between the parties as a result of the March 2008 assignment of the oil and gas leases by Powder River to Huois. Plaintiffs contend that the assignment is invalid and unenforceable whereas Defendants contend that the assignment has legal effect,

102. Plaintiffs desire a declaration as to the validity of the assignment at issue, both facially and as applied to the parties.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for the following relief:

A. With respect to Count I, entry of Judgment in favor of Plaintiffs and against Defendants awarding actual damages, a measure of damages based on rescission and/or in the alternative, rescission.

B. With respect to Count II and III, entry of Judgment in favor of Plaintiffs and against the Defendants, jointly and severally, in the amount of the consideration paid by the Plaintiffs for the securities, together with interest thereon at the statutory rate per annum from the date of payment of all sums paid by the Plaintiffs, plus costs and reasonably attorney fees incurred by the Plaintiffs.

C. With respect to Count IV, V and VI, entry of Judgment in favor of Plaintiffs and against Defendants for all actual damages and punitive damages in amounts proven at trial, plus costs, interests and attorneys' fees.

D. With respect to Counts VII and VIII, entry of a judgment in favor of the Plaintiffs for the benefit of the corporation and against Defendant Brian Fox for actual and punitive damages; cancellation of the stock certificate issued to Texoma and Mark Cook and for any other relief deemed appropriate.

E. Issuance of a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys and all persons in active concert or participation with them, and each of them, from violating the Oklahoma Securities Act.

F. Issuance of an Order appointing a Receiver of Defendants to marshal and safeguard all of said assets, and any other duties the Court deems appropriate, and to

prepare a report to the Court and the Plaintiffs detailing the activities of the Defendants and the whereabouts of investor funds.

G. Issuance of Order temporarily freezing the assets of the Defendants and prohibiting the transfer of any funds or assets until further order of the Court and requiring sworn accountings by the Defendants

H. Issuance of an Order requiring the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert with them, and each of them, to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

I. Entry of a declaratory judgment declaring the respective rights and duties to the Investors between Plaintiffs and Defendants as a result of the assignment in question between Powder River and Huois.

J. An award of prejudgment and post-judgment interest on all sums awarded and for any other further relief, at law or in equity, deemed appropriate by the Court.

Respectfully submitted,



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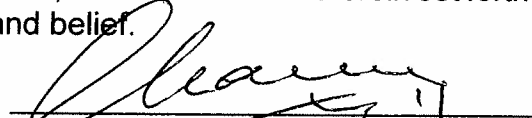
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**JURY TRIAL DEMANDED
ATTORNEY LIEN CLAIMED**

VERIFICATION


_____))
_____)) ss:
_____)

Mark Chang, of lawful age, being first duly sworn upon oath, states: that he is a Plaintiff above named; that he has read the foregoing Petition and understands the same and has personal knowledge of the matters asserted therein, and that the facts therein set forth are true and correct to the best of his information and belief.



Mark Chang

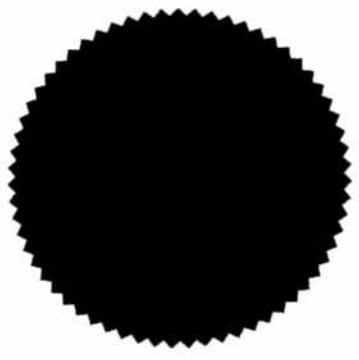
Subscribed and sworn to before me this 3 day of July, 2008.



Notary Public

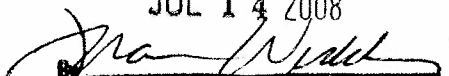
My Commission Expires: UNTIL DEATH
Commission # _____

**PETER J GRIFFIN
NOTARY PUBLIC
WESTERN AUSTRALIA**



I, Sally Howe Smith, Court Clerk, for Tulsa County, Oklahoma, hereby certify that the foregoing is a true, correct and full copy of the instrument herewith set out as appears on record in the Court Clerk's Office of Tulsa County, Oklahoma, this

JUL 14 2008



Deputy