

CAUSE NO. 06-01547-H

OMDA OIL AND GAS, INC.	§	IN THE DISTRICT COURT OF
	§	
<i>Plaintiff,</i>	§	
	§	
V.	§	
	§	
YOUNG OIL CORPORATION,	§	DALLAS COUNTY, TEXAS
YOUNG OPERATING COMPANY,	§	
ANTHONY L. YOUNG,	§	
CHRIS JEFFRIES, AND	§	
DOUBLE G ENERGY, INC.	§	
	§	
<i>Defendants.</i>	§	160 <sup>TH</sup> JUDICIAL DISTRICT

**PLAINTIFF’S FIRST AMENDED PETITION AND REQUEST FOR DISCLOSURE**

TO THE HONORABLE JUDGE NANCY THOMAS:

COMES NOW OMDA Oil and Gas, Inc. (“Plaintiff”) and files this its first amended petition against and request for disclosure to Young Oil Corporation, Young Operating Company, Anthony L. Young, Chris Jeffries, and Double G Energy, Inc. (hereinafter collectively referred to as “Defendants”) and in support thereof would respectfully show the Court the following:

**I. FIRST AMENDED PETITION**

**A. DISCOVERY CONTROL PLAN**

1. Plaintiff intends to conduct discovery under Level 2 of Texas Rule of Civil Procedure 190.

**B. PARTIES**

2. Plaintiff, OMDA Oil and Gas, Inc. (“OMDA”) is a corporation that does business in Texas.

3. Defendant, Young Oil Corporation (“Young Oil”) is a Kentucky corporation that was served with process on February 21, 2006 by serving its President, Anthony L. Young, at 154 A. Young Road, Knob Lick, Kentucky 42154.

4. Defendant, Young Operating Company (“Young Operating”) is a Kentucky corporation that was served with process on February 21, 2006 by serving its President, Anthony L. Young, at 154 A. Young Road, Knob Lick, Kentucky 42154.

5. Defendant, Anthony L. Young (“Young”), was served with process on February 21, 2006 at 154 A. Young Road, Knob Lick, Kentucky 42154.

6. Defendant, Chris Jeffries (“Jeffries”), was served with process on February 21, 2006 at 154 A. Young Road, Knob Lick, Kentucky 42154.

7. Defendant, Double G Energy, Inc. is a Texas corporation that may be served with process by serving its registered agent, Max L. Golden, at 2112 Menton Drive, Carrollton, Texas 75006.

### **C. STATEMENT OF FACTS**

8. During the late spring of 2005, Glenn Grider (“Grider”), an independent consultant for OMDA, found Young Oil on the internet and contacted Jeffries to begin the due diligence process and to inquire about the cost of investing. Jeffries sent a standard Young Oil investor package to Grider, who provided it to William Dion (“Dion”) and Art Porcari (“Porcari”), also independent consultants for OMDA.

9. Defendants did not comply with the applicable state and federal securities laws in their equity offering to OMDA, even though they are clearly aware of such laws. On September 6, 2005, the State of Wisconsin Department of Financial Institutions Division of Securities issued Orders prohibiting Anthony L. Young and Young Oil from offering

or selling unregistered securities. Moreover, the Young Oil web site, at [www.youngoilcorp.com](http://www.youngoilcorp.com), contains the following statements that further show that Defendants are aware that they are regulated by securities law.

“This website may include projections of future results and "forward-looking statements" as that term is defined in section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). All statements that are included in this website, other than statements of historical fact, are forward-looking statements. although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations are disclosed in this website, including without limitation in conjunction with those forward-looking statements contained in this website.”

10. On May 20, 2005, Jeffries sent an email to Dion in which Jeffries wrote,  
“It was good talking with you today. After we hung up I realized I do have a portion of a 6 well project now that might fit your strategy and budget perfectly. This consists of 3 oil and 3 gas wells I have 20% NRI left that I would sell for \$150,000 and we are ready to drill immediately. These are very good locations most of the program was purchased by an investment group that we very much plan on being a big success for if

you understand what I am getting at...this would be a perfect opportunity to maximize your success chances. Let me know what you think.”

11. For two days in Knob Lick, Kentucky and in Tennessee, Dion met with Jeffries and the Young Oil sales staff, secretary, and another executive, who showed maps and geologic formations to Dion, including the 46,000 acres supposedly leased by Young Oil in North Central Tennessee in Overton, Pickett, Fentress, Morgan, Scott and Clay (the “Young Leases”) on which Young Oil was supposedly drilling for oil and gas.

12. Jeffries also presented an investor package to Dion promoting a gas pipeline deal structured by Young Oil broker Max Golden (“Golden”), a director of Double G Energy, Inc. (“Double G”). Jeffries told Dion that Young Oil would be able to control the gas sales in the area if Young Oil bought the supposedly extensive and well-positioned pipeline, which would enable Young Oil to sell its gas at a competitive advantage in conjunction with an intensive gas sales campaign to other companies and to end users.

13. During a field trip to allow Dion to visually inspect the wells on the Young Leases, Jeffries and the other Young Oil executive told Dion about the extensive drilling they had been doing and described the formations that supposedly contained oil and gas. Jeffries and the other Young executive offered the opportunity to Dion to invest in an oil well that already supposedly had approximately 90 feet of oil in it. Jeffries told Dion that there was actually 120 feet of oil in the well because the drill string was not touching the bottom; therefore, by adding the height from the bottom of the well to the wet drill pipe, there would actually be 120 feet of standing oil in the well.

14. They visited an oil well where Young Oil was supposedly drilling the second well on the Young Leases that Defendants were offering for investment to Dion. Jeffries and another Young Oil executive described the shows the driller had reported. When Dion asked how they knew the well contained oil, Young said, "Can't you smell it in the air?"

15. They visited numerous other supposed Young Oil wells on the Young Leases. When they drove by other operators' wells, Jeffries and the other Young Oil executive badmouthed most of them, calling one operator "a real jerk who didn't care about what his investors thought." Jeffries and the other Young Oil executive said that they could not understand how he was able to get investors by operating that way.

16. They also visited the visibly high producing oil well on the Young Leases known as Lucy Newberry, one of the highest producing oil wells in Tennessee that Young claimed to Dion to personally own with another individual. The Tennessee Oil & Gas Association described the Lucy Newberry online in October 2004.

**“YOUNG OIL CORP. HITS A 1,728 BOD OVERTON COUNTY**

**WELL-**The Young Oil Corporation drilled in Trenton well in Overton County that was flowing at a rate of 1,728 barrels of oil a day (BOD) in its second week of production. Now in it's third week, the well has produced more than 10,000 barrels of oil and is still flowing more than 500 BOD. The Lucy Newberry #11, located seven miles northeast of Livingston, Tennessee, in Section 22, Township 1S, Range 52 E, began flowing oil when drilling reached the Trenton formation. "The well came in so strong, we were unable to move the drilling rig off the hole," explained Anthony

Young, CEO, Young Oil Corp. "Initially, we choked the well back and produced it at a rate of about 700 BOD through the blow out preventer on the drilling rig. Then we opened it up to try to get it to load up and stop flowing so we could get the rig off the hole. But that hasn't helped so we are continuing to flow it through the bop and the rig is still on the well," Young reported on Thursday, September 30th."

17. Jeffries and the other Young Oil executive told Dion that they had invested their own money in the wells on the project that they were offering for investment to Dion, including the first well that supposedly had 120 feet of oil in it and the second well, which they visually inspected, which supposedly had many shows including a show they were supposedly drilling when Dion was there. They also visited the Gernt lease, where Young Oil planned to drill the three gas wells Young Oil was offering for investment to OMDA. There Dion observed gas wells producing with no water. Jeffries and the other Young Oil executive claimed to Dion that Young Oil had supposedly not drilled a dry hole on the entire Gernt lease.

18. A day or two later, Dion requested the proposed contracts from Jeffries for OMDA to purchase a 20% working interest in six wells Young Oil would drill on the Young Leases. OMDA and Young Oil entered into contract negotiations. Jeffries faxed the following letter to OMDA Chairman Adam Barnett, and a revised participation agreement (the "Contract") on or about May 31, 2005.

"Mr. Barnett,

As per my conversation and visit with William Dion I am pleased to forward to you the participation contract for this spectacular 6 well

venture. I will be calling you to speak with you directly soon. However if you have any questions do not hesitate to call on me. You can reach me by phone at my office 1-866-453-3208 or my cell phone at 270-590-3418, also my email is [kyoilman2000@yahoo.com](mailto:kyoilman2000@yahoo.com). I am sure William told you that we already have the first well drilled, it has over 120' of oil standing in the bore. The second well will be finished today it also has had multiple shows of oil. We will have both of these wells evaluated by the geologist and treated within the next 7 - 10 days. Since the project is under way and we already are showing you some success it is very important that we close right away. Thank you and welcome aboard, I look forward to a long and profitable relationship for all of us.

Respectfully,

s/Chris Jeffries

Chris Jeffries

Vice President"

19. In the Contract, OMDA agreed to pay \$150,000.00 in exchange for Young Operating's conveyance to OMDA of a 20% net revenue interest in each of the six wells completed as a well capable of producing oil and/or gas in paying quantities, turnkey completion costs, meaning completion either to the tanks, to the pipeline, or to both. In the Contract, Young Operating also conveyed to OMDA a right of first refusal to participate in any development project on Young Oil leases in Overton, Pickett, Fentress, Morgan, Scott, and Clay counties amounting to approximately 46,000 acres, including direct offsets to the wells covered by the Contract; however, Young Oil may not have had

the legal right to convey this right of first refusal. **OMDA fully performed under the Contract by paying \$150,000.00 to Young Oil.**

### **THE 3 OIL WELLS – REPORTEDLY DRY**

20. Before receiving OMDA’s \$150,000.00, Young Oil either knew that the first two oil wells were already plugged, or probably knew that the first two oil wells were dry. The third oil well was also dry.

21. After Young Oil received OMDA’s \$150,000.00, Young delegated all Young Oil communication with Dion to Jeffries, who provided little information to Dion or to OMDA from that point forward. Dion called Young Oil’s field man, Russell Smith (“Smith”), who told Dion that the first and second wells had already been plugged because they were not commercially viable, and that the oil in the first well had just been a spray from a small fracture adjacent to the place on the drill pipe that was wet with oil. Dion called Jeffries and asked Jeffries why he had not told him that the first two oil wells had already been plugged. Jeffries was upset and asked Dion, “Who told you this?” After Dion responded that Smith told him, Jeffries told Dion, “That will never happen again.”

22. In violation of the Contract, Young Oil drilled the third oil well outside the original stated sites of “the 6 well project” and got a dry hole. Moreover, contrary to Jeffries’s promises, OMDA has not received status reports every week and has not received its right of first refusal. Jeffries’s status reports to Dion have been infrequent and vague at best, and Jeffries has generally responded to status report requests in anger.

### **THE 3 GAS WELLS – REPORTEDLY PRODUCING**

23. Young and Jeffries claimed that they had drilled no dry gas wells on the Gernt lease, where Young Oil would supposedly drill the three gas wells in which OMDA had invested. Young Oil would supposedly own the gas pipeline with Golden and/or Double G and ensure that the gas would be sold. Dion saw flowing gas wells that were very impressive. Jeffries told Dion that he and another individual had personally invested money in this gas drilling program, and specifically described to Dion how they would stimulate the wells with acid and possibly a fracturing job until they had at least a 60 MCF well (MCF = one thousand cubic feet). They also talked about hydraulic drilling with one inch equipment to cut into the shale for better flow into the well bore. Dion later discovered that Young Oil never acidized all of the wells, which would be important for production considering Young Oil's 120 gas well drilling plan, and never fractured the wells.

24. Jeffries ultimately claimed to Dion that the gas wells were producing and hooked into the gas pipeline in November 2005 and Jeffries promised that OMDA would receive royalty money for November 2005 and December 2005 in Young Oil's December 2005 payment to OMDA; however, Jeffries back-peddled and told Dion that the gas wells were not on line when Dion told him that he was on his way to see them. Jeffries further back-peddled by claiming that the other investor in the well wanted to meter the wells separately, which indicates that, contrary to Jeffries's prior statement, Jeffries and the other individual may not have had an interest in the gas wells.

25. When Dion personally inspected the gas wells, the wells appeared to have never flowed. Dion observed that the pipe threads on top of the well were clean and there was a gap of about 10 feet from the gas wells to the pipeline.

## OMDA'S RIGHT OF FIRST REFUSAL

26. In violation of the Contract, Young Operating drilled several other gas wells prior to drilling OMDA's three gas wells without providing the agreed upon right of first refusal to OMDA. Late in 2005, OMDA received an investor package promoting the only right of first refusal Young Operating has provided to OMDA to date. The final cost quote for the project was almost three times the amount of Young Operating's original quote to OMDA.

27. Moreover, Dion found a multi-colored computer generated information sheet in the Young Oil investor package labeled "Satellite Image," which Dion noticed related to the Gernt lease rather than the lease in the Young Oil investor package. Dion showed the information sheet to Bill Goodwin, an independent operator in Tennessee, who pulled a file from his records containing the identical sheet and explained to Dion that the information sheet was generated by a company that places kevlar in shallow wells on the Young Leases for a few days to absorb the oil and gas for purposes of analyzing the hydrocarbons. **In fact, the "Satellite Image" in the Young Oil advertising package to OMDA has nothing to do with satellite imaging.**

28. As recently as February 12, 2006, Young Oil proclaimed on its web site, "Young Oil is still developing in Overton, Pickett and Fentress Counties, Tennessee with great success;" however, Young Operating has wholly failed and refused to provide OMDA with its right of first refusal, which has prevented OMDA from reviewing additional Young Oil investment opportunities for development projects on the Young Leases either for itself or as a broker for other investors, which could have been very

lucrative for both Young Oil and OMDA. Moreover, Young Oil may not have had the legal right to convey this right of first refusal.

### **OMDA'S REQUESTS FOR DOCUMENTS**

29. Because of OMDA's total loss of trust for Young Oil Corporation, Young Operating Company, Anthony L. Young, and Chris Jeffries, OMDA rejected Young Oil's offer to invest further and shifted its focus to obtaining records from Young Oil to determine the status of the six wells in which OMDA had already invested \$150,000.00. After months of stalling by the Defendants, on Friday, February 10, 2006 at 8:36 a.m. Central Time, OMDA litigation attorney Andrew L. Jones sent an email demand for information with a Tuesday, February 14, 2006 deadline to Young Oil's attorney, Hunter Durham, requesting records of 1. monthly production since 2005; 2. plugging (date, depth, explanation, etc.); 3. well logs, drilling, completion (dates, elevation, total depth, deepest formation, completion method, etc.); 4. well locations (coordinates in latitude/longitude); and 5. geology.

30. After receiving the following email from Mr. Durham on Friday, February 10, 2006 at 10:52 a.m. Central Time and re-confirming during a telephone conversation the same day beginning at 2:02 p.m. Central Time that Mr. Durham would not produce the Young Oil records by the Tuesday, February 14, 2006 OMDA deadline, OMDA litigation attorney Andrew L. Jones prepared this lawsuit to recover at least \$3,275,000.00 damages for OMDA:

“i met with some of the people at Young Oil and they are getting the final reports of the closing and completion from the companies so that we would have a complete file. i will be gone next week but we get it to you as soon as i get back. thanks. Hunter”

#### **D. COUNT 1 – BREACH OF CONTRACT**

31. OMDA realleges and incorporates by reference all allegations and facts set forth herein.

32. Young Operating Company breached the Contract with OMDA, as detailed above, by failing to drill wells, failing to report regularly to OMDA, failing to provide a consistent right of first refusal to OMDA, failing to pay OMDA for the gas wells that Defendants reported to OMDA to be producing, and by wholly failing to comply with the “Time is of the Essence” provision as to all of Young Operating Company’s above duties. **OMDA fully performed under the Contract by paying the \$150,000.00 to Young Oil.**

33. As a direct and proximate result of Young Operating Company’s multiple breaches, OMDA has been damaged in an amount that exceeds the minimum jurisdictional limits of the Court.

#### **E. COUNT 2 – INTENTIONAL MISREPRESENTATION AND FRAUD**

34. OMDA realleges and incorporates by reference all allegations and facts set forth herein.

35. Through the countless false representations to OMDA detailed above, Defendants fraudulently induced OMDA to invest \$150,000.00. Defendants either knew

that their representations to OMDA were false when they made them, or made their representations to OMDA recklessly without any knowledge of the truth and as positive factual assertions. Defendants made their false representations with the intention that OMDA rely and act on them, which caused OMDA to suffer injury.

### **F. COUNT 3 – NEGLIGENT MISREPRESENTATION**

36. OMDA realleges and incorporates by reference all allegations and facts set forth herein.

37. In the alternative, OMDA relied on the countless false and material representations Defendants made to OMDA in the course of Defendants' business, which Defendants supplied for the guidance of OMDA in its business. OMDA suffered substantial pecuniary loss by justifiably relying upon Defendants' representations.

### **G. COUNT 4 – FRAUD IN A STOCK TRANSACTION**

38. OMDA realleges and incorporates by reference all allegations and facts set forth herein.

39. In the alternative, OMDA pleads a cause of action against Defendants for fraud in a stock transaction under section 27.01 of the Texas Business and Commerce Code. OMDA entered into the Contract with Young Operating Company. Defendants made false representations to OMDA, upon which OMDA relied in executing the Contract. Defendants' acts or omissions, singularly or in combination with others, constitute statutory fraud by Defendants. Defendants' failure to provide a consistent right of first refusal to OMDA, a material inducement for OMDA to sign the Contract, constitutes

further securities fraud. As a direct and proximate consequence of Defendants' fraud, OMDA has suffered actual damages within the jurisdictional limits of this Court, for which OMDA sues.

40. OMDA will further show that Defendants made these misrepresentations with actual awareness of their falsity; therefore, OMDA is entitled to recover exemplary damages to deter such conduct. Accordingly, OMDA also asks that exemplary damages be awarded against Defendants resulting from Defendants' fraud in a sum within the jurisdictional limits of this Court.

41. Because of Defendants' fraud, OMDA was required to retain attorneys to prosecute this action and agreed to pay the retained attorneys a reasonable fee. Pursuant to Tex. Bus. & Com. Code § 27.01 *et seq.*, OMDA seeks its reasonable and necessary attorneys' fees.

#### **H. COUNT 5 – CONSPIRACY TO COMMIT FRAUD**

42. OMDA realleges and incorporates by reference all allegations and facts set forth herein.

43. Pursuant to Texas law, OMDA pleads a cause of action against Defendants for conspiracy to commit fraud. Defendants were members of a combination of two or more persons whose object of the combination was to defraud OMDA by inducing OMDA to sign the Contract and pay \$150,000.00 to Defendants.

44. Defendants had a meeting of the minds on the object or course of action and at least one of the Defendants committed fraud against OMDA to further the object or course of action. Defendants' acts, singularly or in combination with others, constitute conspiracy to commit fraud by Defendants.

45. As a direct and proximate consequence of Defendants' conspiracy to commit fraud, OMDA has suffered actual damages in excess of the minimum jurisdictional limits of this Court, for which OMDA sues. OMDA also asks that exemplary damages be awarded against Defendants resulting from Defendants' conspiracy to commit fraud in a sum within the jurisdictional limits of this Court.

### **I. CONDITIONS PRECEDENT**

46. OMDA has performed all conditions precedent as required by Tex. R. Civ. P. 54.

### **J. ATTORNEY FEES**

47. OMDA is entitled to recover reasonable and necessary attorney fees under Tex. Civ. Prac. & Rem. Code §§38.001, *et seq.* and Tex. Bus. & Com. Code § 27.01 *et seq.*

### **K. DEMAND FOR JURY**

48. OMDA demands a jury trial and tenders the appropriate fee.

### **L. PRAYER**

49. WHEREFORE PREMISES CONSIDERED, OMDA asks that Defendants be cited to appear and answer and that OMDA have judgment against Young Operating Company for breach of contract and against Young Oil Corporation, Young Operating Company, Anthony L. Young, Chris Jeffries, and Double G Energy, Inc., jointly and severally, for intentional misrepresentation and fraud, negligent misrepresentation, fraud in a stock transaction, and conspiracy to commit fraud. OMDA hereby prays for:

- a. Economic damages within the jurisdictional limits of this Court;
- b. Exemplary damages;

- c. Attorney fees;
- d. Prejudgment and post-judgment interest as allowed by law;
- e. Costs of suit; and
- f. All other relief, in law and in equity, to which OMDA may be entitled.

## **II. REQUEST FOR DISCLOSURE**

50. Pursuant to Rule 194, Defendants, Young Oil Corporation, Young Operating Company, Anthony L. Young, and Chris Jeffries are requested to disclose, within 50 days of the service of Plaintiff's Original Petition and Request for Disclosure on February 21, 2006, the information or material described in Rule 194.2.

51. Pursuant to Rule 194, Defendant, Double G Energy, Inc. is requested to disclose, within 50 days of the service of this request, the information or material described in Rule 194.2.

Respectfully submitted,

TIPTON JONES LLP



By: \_\_\_\_\_

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**ATTORNEY FOR PLAINTIFF  
OMDA OIL AND GAS, INC.**

**CERTIFICATE OF SERVICE**

I certify that, on February 24, 2006, I served a true and correct copy of Plaintiff's First Amended Petition and Request for Disclosure on each person listed below in accordance with the Texas Rules of Civil Procedure.

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**ATTORNEY FOR DEFENDANTS, YOUNG  
OIL CORPORATION, YOUNG OPERATING  
COMPANY, ANTHONY L. YOUNG, AND  
CHRIS JEFFRIES**



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Andrew L. Jones