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State wants to pursue North American suit

By Michael McCullar
American-Statesman Staff

Texas Attorney General Jim Mattox has filed an amended petition in a civil lawsuit involving North American Oil & Gas Inc. signaling that the office wants to go to trial with the suit, which originally was filed a year ago.

The latest petition, filed Feb. 8 in Travis County District Court, seeks an injunction against all six defendants in the case and the forfeiture of the charters of two of the

corporate defendants. It also includes more specific allegations, particularly against two of the individual defendants.

The suit, originally filed in Feb. 1988, claims that North American, Austin investment promoter Jerry Pettiet and four other defendants caused investors to lose hundreds of thousands of dollars through fraud and misapplication of funds.

The filing of the amended petition means the attorney general's office "is ready to go ahead and

See Suit, C2

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"SUIT" in hands with*

Austin American-Statesman

Saturday, February 18, 1989



Suit From C1

try to get this case tried," said assistant attorney general Edna Ramon Butts, who estimated that the trial would probably take place sometime in the fall.

Other defendants in the case are Sarita Energy Corp.; Southwest Resources Inc.; Bill Crabb, an officer of North American; William Driscoll, an officer and director of Sarita; and W. Lee Choate, an officer of Sarita and Southwest. Pettiet is the director and sole shareholder of North American.

Butts said the suit lost its sense of urgency when North American filed Chapter 11 bankruptcy in February and Pettiet was sentenced in August to 10 years in prison for securities fraud.

Butts said Choate and Driscoll are believed to still be in Austin and Sarita and Southwest remain legal corporate entities in Travis County. The amended petition enjoins all defendants from dealing in oil and gas securities in a fraudulent manner, seeks the forfeiture of Sarita and Southwest's charters and charges Choate and Driscoll with fraud in connection with activities of North American, Sarita

and Southwest.

While the original petition referred to the defendants "in general," Butts said, the amended version identifies individuals and links them with specific allegations. For example, Choate and Driscoll are said to have raised approximately \$20,000 from 34 investors to drill a well in Colorado. Instead of using the money to drill the well, the petition charges, they turned the money over to North American, even though they knew North American had misapplied investor funds.

"We have given a whole lot more facts detailing what we said the first time around," Butts said.

In Sept. 1987, the State Securities Board issued a cease and desist order against North American, charging that the company was selling unregistered securities and that securities were being sold by representatives who were not registered.

After the order was issued, North American transferred its sales force to Southwest Resources, which Choate and Driscoll had

formed in late 1986 or early 1987, according to investigators. Sarita, which the two had formed that September, assumed North American's exploration and production role. The companies were all headquartered in the same complex on Loop 360, called The Reserve.

Butts said the attorney general's office had been negotiating with lawyers representing Choate and Driscoll and at one point were close to a settlement but talks broke down.

A Travis County grand jury in June indicted Pettiet on eight counts of securities fraud in connection with a real estate investment firm he operated in 1985 and 1986 called Realty Based Investments Inc.

Pettiet closed the company after state securities investigators began making inquiries in 1986. The Travis County district attorney, with the cooperation of the State Securities Board, filed criminal charges against Pettiet for his activity with Realty Based Investments.

Pettiet had incorporated North American in Oct. 1985. The company was a highly promoted oil and gas drilling venture that attracted an estimated \$12 million from 1,360 investors before shifting its operations to Southwest and Sarita

*This poor clown
was a "Friend"
they got in for
a couple days to
act as president*

Jim McKee

Trying to untangle their
successors: Moffitt Partners,
its shipping up as bad a case
of worms as these guys.

Tom Pegg

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5433 So. Prescott

Littleton, Colo. 80120

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