



*Office of the United States Attorney
Eastern District of Kentucky
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Oil and Gas Company Geologist Pleads Guilty to Role in Million Dollar Fraud Conspiracy

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LEXINGTON, Ky. — The first member of an alleged scheme to defraud oil and gas investors in Kentucky and other states out of millions of dollars pleaded guilty today to his role in the conspiracy.

West Virginia geologist Ray Garton, 59, of Barrackville, W.Va. pleaded guilty today to conspiracy to commit mail and wire fraud.

In his plea agreement, Garton admitted that during his employment with Target Oil and Gas, Inc. and Kentucky Indiana Oil and Gas Co. Inc. in Albany and Danville, Ky. he prepared or approved others to prepare drilling program brochures for potential investors under the direction of co-defendant Michael D. Smith. Smith was the president of Target Oil and Gas and the controlling interest holder of Kentucky Indiana Oil and Gas.

Garton acknowledged that from 2003 to 2008 these brochures included misrepresentations and false statements to inspire potential investors to purchase shares in the oil and gas drilling programs offered by the company.

Garton admitted that the brochures included false geological reports prepared by himself or others. The reports claimed that Garton individually assessed the proposed drilling sites and offered geological information based on these assessments. However, the plea agreement states that Garton didn't perform the individualized assessments and prepared or approved geological reports that were applicable only to the general region that included the proposed drilling site.

According to the plea agreement, Garton also met with potential investors in West Virginia at proposed drilling locations and misrepresented the potential of the drilling sites and the past success of other projects to encourage the investors to make additional investments into the company's drilling projects.

Garton was one of six people indicted in December for conspiring to defraud investors out of \$3.1 million. The indictment alleged that from 2003 to 2008 the companies collected \$3,192,793.50 from investors while only distributing \$37,882.00 in royalties.

The indictment also charged Michael Smith of Lancaster, Ky., his brother and vice president of Target Oil Christopher C. Smith of Prestonsburg, Ky., Christopher's son Shaun Smith of Cookeville, Tenn., Joshua Scott Harris of Hustonville, Ky. and Mark Irwin of Cookeville, Tenn. with one count of conspiracy, 20 counts of mail fraud, and two counts of wire fraud. Michael Smith, Christopher Smith Harris, and Irwin were also charged with selling securities without a license.

A trial for those individuals is scheduled for November 4.

James A. Zerhusen, United States Attorney for the Eastern District of Kentucky, and Michael D. Galuppo, Special Agent in Charge of the United States Postal Service (USPS) jointly made the announcement today after the arraignment.

The case was investigated by the USPS and the Kentucky Department of Financial Institutions. The United States was represented by Assistant United States Attorney Frances Catron.

United States Senior District Court Judge Joseph Hood announced that Garton's sentence won't take place until next year. Garton left on his own recognizance . He faces up to 20 years in prison.