

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333

IN RE:

Matrix Petroleum, Inc., Thomas R. Watkins,
and Brock Watkins

NOTICE OF INTENT TO ISSUE A
CEASE AND DESIST ORDER AND
IMPOSE A CIVIL PENALTY

06-049

ALLEGATIONS

1. Matrix Petroleum, Inc. (“Matrix”) was incorporated in Nevada in 2004 and has a principal place of business at 207 East Reynolds Drive, Suite C, Lexington, Kentucky 40517. Matrix also used 129 Industrial Park Drive, Livingston, Tennessee 38570, as an alternative business address.
2. Thomas R. Watkins is an individual who has been at all relevant times the president of Matrix and whose last known business address is 207 East Reynolds Drive, Suite C, Lexington, Kentucky 40517.
3. Brock Watkins is an individual who has acted at all relevant times as a sales representative of Matrix and whose last known business address is 207 East Reynolds Drive, Suite C, Lexington, Kentucky 40517.
4. In late 2004 and early 2005, a resident of Southwest Harbor, Maine (“the Maine resident”) received telephone calls from a man identifying himself as Brock Watkins, who indicated that he represented Matrix and solicited the Maine resident to purchase investments in oil and gas drilling projects in Tennessee. At different times he solicited the Maine resident to purchase investments in four separate Matrix projects.
5. In discussing these investments with the Maine resident, Brock Watkins touted the company’s past successes, claimed that Matrix was the top producer of oil in Tennessee, suggested that the new projects would be successful, and, with respect to at least one project, claimed that he needed to know immediately whether the Maine resident would invest because Matrix was about to start drilling. These representations were false.
6. On at least one occasion, during the period of these solicitations, the Maine resident had a telephone conversation with Thomas Watkins, who also touted the company’s successes

- and referred to Matrix as the top oil producer in Tennessee. The Maine resident understood at the time that Thomas Watkins was the company's president.
7. Between January and May 2005, and as a result of these telephone solicitations, the Maine resident invested a total of \$58,000 in three of the four proposed Matrix oil and gas drilling projects. The Maine resident first invested in the "Joe Pile #19, and Haval Davis Etal #1 and #2" project, sending Matrix a check for \$14,500 in January 2005. Next, in February 2005, he invested in the "Ora May Grace #6 & #7, and Denny Padgett #3" project, sending Matrix a check for another \$14,500. Finally, in April 2005, he invested in the "Kendall Smith #1 & #2, and Denny Padgett #4" project, sending Matrix a check for \$29,000.
 8. Each investment was memorialized by a Joint Venture Subscription Agreement signed by Thomas Watkins. Although Matrix Petroleum, Inc., is listed in these agreements as the offeror of the investments, each agreement has the words "Matrix/Basin Petroleum Incorporated" at the top of the first page.
 9. These investments were not registered as securities in Maine and neither Thomas Watkins nor Brock Watkins was licensed to offer or sell securities in Maine.
 10. The Maine resident received three letters signed by Thomas Watkins and dated May 31, 2005, in which it is alleged that dry holes had resulted from the drilling performed in connection with the first of the three projects in which the Maine resident had invested. The Maine resident learned later from Matrix that the drilling performed in connection with the other two projects had also allegedly resulted in dry holes.
 11. The Maine resident has not received any funds back from Matrix in connection with any of his three investments.
 12. Brock Watkins called the Maine resident again in fall 2005 and solicited him to invest in another oil and gas drilling project. The Maine resident declined.
 13. Thomas Watkins is also the president of Basin Oil & Gas Corporation ("Basin"), which was incorporated in Kentucky in 1998 and uses the same Kentucky business address as Matrix.
 14. Between 2001 and 2005, securities regulators in at least seven other states issued administrative orders against Basin and Thomas Watkins for violations of state securities laws, including sales of unregistered securities, unlicensed conduct, and fraud in connection with the offer and sale of securities. The securities involved in these cases were investments in oil and gas projects.
 15. The respondents did not disclose to the Maine resident that Thomas Watkins and Brock Watkins were not licensed to offer or sell securities in Maine. Further, the respondents did not disclose to the Maine resident the existence of the administrative orders that had been issued against Basin and Thomas Watkins.

16. On or about February 17, 2006, the Office of Securities (“the Office”) sent certified letters to Matrix and Thomas Watkins, including one sent to their Kentucky business address. That letter was received on February 21, 2006. In the letter, the Office requested that, within seven days, Matrix and Thomas Watkins provide a written statement (a) listing the identity of all Maine persons whom Matrix had solicited or who had purchased investments and (b) agreeing to refrain from further solicitations and sales in Maine. The Office received no response to the letter.
17. The investments that Matrix offered and sold to the Maine resident are securities under section 10501(18) of the Revised Maine Securities Act, 32 M.R.S.A. §§ 10101-10713 (“the Act”).
18. With respect to the securities offered and sold to the Maine resident, Matrix is an “issuer” under section 10501(9) of the Act.
19. With respect to the offers and sales of securities to the Maine resident, Thomas Watkins and Brock Watkins acted as “sales representatives” in Maine under section 10501(16) of the Act.
20. Pursuant to section 10401 of the Act, a person may not offer and sell any security in Maine unless the security is registered under the Act.
21. Respondents violated section 10401 of the Act because the securities that they offered and sold to the Maine resident were not registered under the Act.
22. Pursuant to section 10301(1) of the Act, a person may not transact business in Maine as a sales representative unless licensed under the Act.
23. Thomas Watkins and Brock Watkins violated section 10301(1) of the Act because they were not licensed as sales representative in Maine when they offered and sold securities to the Maine resident.
24. Pursuant to section 10301(2) of the Act, it is unlawful for any issuer to employ or contract with a person as a sales representative in Maine unless the sales representative is licensed under the Act.
25. Matrix violated section 10301(2) of the Act by employing or contracting with Thomas Watkins and Brock Watkins as unlicensed sales representatives in Maine.
26. Pursuant to section 10201 of the Act, in connection with the offer or sale of any security, a person shall not, directly or indirectly: (a) employ any device, scheme or artifice to defraud; (b) make any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or (c) engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

27. Respondents violated section 10201 of the Act by making false representations to the Maine resident about, among other things, the past success of Matrix drilling projects, the likelihood of success with respect to the proposed drilling projects, and the need for the Maine resident to invest quickly.
28. Respondents also violated section 10201 of the Act by failing to disclose, among other things, that Thomas and Brock Watkins were not licensed to offer and sell securities in Maine and by failing to disclose that Thomas Watkins was the subject of several administrative orders issued by securities regulators in other states.
29. Pursuant to section 10601(3) of the Act, “[i]t is unlawful to fail to provide promptly any written statement if requested” by the administrator.
30. By failing to provide the written statement requested by the administrator, Matrix and Thomas Watkins violated section 10601(3) of the Act.
31. As an officer of Matrix, Thomas Watkins is a “control person” of Matrix pursuant to 32 M.R.S.A. § 10602(3). He is thus liable for the securities law violations of Matrix.
32. Pursuant to section 10602(1) of the Act, the administrator may issue a cease and desist order if he reasonably believes that any person has engaged, is engaging or is about to engage in any act or practice constituting a violation of any provision of the Act.
33. Pursuant to section 10602(1) of the Act, the administrator may issue an order imposing a civil penalty that may not exceed \$1,500 for a single violation if he reasonably believes that any person has engaged, is engaging or is about to engage in any act or practice constituting a violation of any provision of the Act.
34. In this matter, each respondent is liable for at least five violations of section 10401 of the Act, five violations of section 10301 of the Act, and five violations of section 10201 of the Act. In addition, Matrix and Thomas Watkins are each liable for one violation of section 10601(3) of the Act.
35. Effective December 31, 2005, the Maine Uniform Securities Act, Title 32, Chapter 135, superseded the Act and governs conduct occurring after December 31, 2005.

NOTICE

Pursuant to 32 M.R.S.A. § 10708(6), notice is hereby given that the Securities Administrator intends to issue an Order to Cease and Desist and Impose a Civil Penalty against Matrix, Thomas Watkins and Brock Watkins pursuant to section 10602(1) of the Act.

Pursuant to 32 M.R.S.A. § 10708(2), interested parties have thirty (30) calendar days from the entry of this Notice of Intent to file a written request for a hearing.

Date: March 16, 2006

s/Michael J. Colleran
Michael J. Colleran
Securities Administrator

Reviewed by:

Date: March 16, 2006

s/Bonnie E. Russell
Bonnie E. Russell
Assistant Securities Administrator

Presented by:

Date: March 16, 2006

s/Michael W. Atleson
Michael W. Atleson
Staff Attorney