Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **INDIAN OIL, INC.** **MICHAEL LES KESLER** **RESPONDENTS.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-09-0008 **Docket No.** SD-09-0009

It appears to the Director of the Utah Division of Securities (Director) that Indian Oil, Inc. and Michael Les Kesler have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate because the Division alleges that they violated §§ 61-1-1 (securities fraud) and 61-1-7 (sale of unregistered securities) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Indian Oil, Inc. (Indian Oil) is a Utah corporation. Indian Oil registered on November 28, 1986, but its corporate status expired on February 24, 2005 for failure to file a renewal. Indian Oil's corporate status was reinstated later in 2005, but it again expired on February 28, 2008, for failure to file a renewal. Michael Kesler was the president and registered agent of Indian Oil from February 1994 to February 2008. At all times relevant to the matters asserted herein, Indian Oil's principal place of business was in Utah County, Utah.

3. Michael Les Kesler (Kesler) is a resident of Utah County, Utah.

GENERAL ALLEGATIONS

4. From approximately August 2005 through January 2007, Indian Oil and Kesler offered and sold Indian Oil stock to at least eight investors in or from Utah, and collected a total of at least $920,500. A detailed narrative of the investments made by three of the eight investors is included below.

5. Indian Oil's stock is a security under the Act.

6. Respondents told investors that Indian Oil owned exclusive technology that could make diesel fuel from such things as used motor oil, used jet fuel, coal tar, and oil shale, just to name a few.

7. Respondents also told investors they could get their money back within a few months or within a year for larger investments.

8. Investors lost all of their principal investments.

Investor JT

9. In 2004, Kesler introduced JT to an investment opportunity in Indian Oil at a meeting at the company's facility in Utah County, Utah.

10. Kesler told JT that Indian Oil had the only equipment in the world that could process used motor oil to make diesel fuel, and that the diesel fuel produced would be an off-road grade for construction equipment.

11. Kesler told JT he invented the equipment and built it himself. Kesler said he had already lined up a more than adequate supply of feedstock[1] and also had buyers lined up to buy the diesel they produced. Kesler said all he needed to make it happen was working capital and permits to process used oil.

12. On August 3, 2005 JT borrowed $60,000 from his sister and purchased stock in Indian Oil. JT also agreed to become vice president of the company and help Kesler get the company operating by securing the necessary permits while Kesler was preparing the equipment for production.

13. In return, JT received 72 shares of Indian Oil stock.

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[1]The "feedstock" was used motor oil and used vegetable oil.

14. Prior to selling Indian Oil stock to JT, Kesler failed to tell JT, among other things, that Indian Oil had been issued several Warning Letters and Notices of Violation and Order for Compliance by the Utah Division of Solid and Hazardous Waste, for violations of Department of Environmental Quality (DEQ) rules; and that Indian Oil had entered into a Stipulation and Consent Order with the Division of Solid and Hazardous Waste, agreeing to pay a penalty of $14,485.

15. After investing, JT tried to secure the necessary permits from the DEQ, purchase a load of vegetable oil used in the production of biodiesel, hire an accountant to prepare and maintain company accounts, and compile a basic business plan for the company.

16. In the process, JT discovered that Indian Oil had a history with the DEQ, that Kesler was incapable of producing biodiesel from vegetable oil, that nobody was maintaining the books and records of the company even though Kesler's wife was supposedly handling the finances, and that Kesler had no disclosure documents for Indian Oil.

17. To date, JT has received no return from his investment with Indian Oil and Kesler.

DH and SH, Husband and Wife

18. In June 2006, Kesler discussed an investment opportunity in Indian Oil with DH and SH at the company's facility in Utah County, Utah.

19. Kesler gave DH and SH a tour of the Indian Oil facility. He showed them the offices, a laboratory and the refining area. Kesler showed them all the refining equipment, including the machine he claimed he invented to refine diesel fuel from used motor oil.

20. Kesler told DH and SH this was the only machine in the world that could process used motor oil into diesel fuel.

21. Kesler had a beaker of refined oil and a bucket of refined tar sands which he said were the finished product from his unique process.

22. Kesler also showed DH and SH the yard containing the storage tanks which were surrounded by a cement wall. Kesler explained the wall was required by state rules to contain any spillage.

23. When DH and SH asked Kesler how their money would be used if they invested, Kesler said it would be used to buy an oil tanker truck which would help increase oil production.

24. Kesler told DH and SH there was no risk to their investment because it was secured by the company and all its assets. Kesler specifically enumerated the land and buildings, the equipment, the product and the accounts of the company as securing all investments.

25. Prior to selling Indian Oil stock to DH and SH, Kesler failed to tell them, among other things, that Indian Oil had been issued several Warning Letters and Notices of Violation and Order for Compliance by the Utah Division of Solid and Hazardous Waste, for violations of Department of Environmental Quality (DEQ) rules; and that Indian Oil had entered into two separate Stipulation and Consent Orders with the Division of Solid and Hazardous Waste, agreeing to pay penalties totaling $25,525.

26. On July 10, 2006, DH and SH purchased seven shares of Indian Oil Inc. at $10,000 per share, for a total of $70,000. For their investment, they received stock certificate number

13 dated August 28, 2006.

27. As time passed and Indian Oil had one set-back after another resulting in no product being produced, DH and SH asked for their money to be refunded.

28. DH and SH were informed that there was no money with which to pay them back.

Investor LW

29. LW first heard about the opportunity to invest in Indian Oil in July 2006 from a friend and investor.

30. In July 2006, LW met with Kesler at the Indian Oil facility in Utah County, Utah, to learn more about the investment opportunity in Indian Oil.

31. Kesler gave LW a tour of the facility and showed her what he claimed was the only technology in the world that could convert used motor oil to diesel fuel.

32. Kesler told LW, if she invested in Indian Oil, her money would be used to buy an oil tanker to transport oil.

33. Kesler told LW that the company would pay dividends to shareholders.

34. Kesler told LW there was no risk to an investment in Indian Oil because investments were secured by the land, building and equipment of the company.

35. Prior to selling Indian Oil stock to LW, Kesler failed to tell her, among other things, that Indian Oil had been issued several Warning Letters and Notices of Violation and Order for Compliance by the Utah Division of Solid and Hazardous Waste, for violations of Department of Environmental Quality (DEQ) rules; and that Indian Oil had entered into

two separate Stipulation and Consent Orders with the Division of Solid and Hazardous Waste, agreeing to pay penalties totaling $25,525.

36. On July 10, 2006, LW purchased five shares of Indian Oil stock for $50,000. LW was issued a stock certificate on August 28, 2006.

37. As time passed and Indian Oil failed to produce any product, LW asked for the return of her investment.

38. LW was informed that there were no funds with which to repay her.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act

39. The Division incorporates and re-alleges paragraphs 1 through 38.

40. The stock offered and sold by Respondents is a security under § 61-1-13 of the Act.

41. In connection with the offer and sale of a security, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

    a. That Kesler had invented and built the only machine in the world that could convert used motor oil to off-road grade diesel fuel, when in fact there was other equipment in operation that could accomplish this conversion and the process has been around at least since the 1960s;

    b. That the equipment was ready to begin production immediately, when in fact it was not;

c. That since his equipment was the only equipment that could produce diesel fuel from used oil there was no competition for the product when in fact other companies had equipment and were producing diesel from used oil;

d. That the equipment could produce off-road grade diesel fuel when in fact the quality of the diesel was very poor, not rising to the level of off-road grade;

e. That the used oil processing permits could be obtained from the state very quickly, when in fact Kesler and Indian Oil had an extensive record of violations with the Division of Solid and Hazardous Waste and they were reluctant to issue the permits;

f. That Kesler had the knowledge to produce biodiesel when in fact he did not;

g. With respect to several investors, including DH, SH, and LW, the investment in Indian Oil was secured by the property and equipment of the company, when in fact Indian Oil did not own the property or equipment until March 2006;

h. Investors could get their money back within a few months, or for the larger amounts invested, within a year.

42. In connection with the offer and sale of a security, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. That Indian Oil and Kesler had a history of civil litigation;

b. That Michael Kesler had two tax liens filed against him;

c. That Indian Oil, Inc. had been issued two Warning Letters by the Division of Solid and Hazardous Waste for violations of DEQ rules;

d. That Indian Oil, Inc. had been issued four Notices of Violation and Order for Compliance by the Division of Solid and Hazardous Waste for violations of DEQ rules;

e. That Indian Oil entered into a Stipulation and Consent Order with the Division of Solid and Hazardous Waste, agreeing to pay a penalty of $14,485;

f. With respect to several investors, including LW and DH and SH, that Indian Oil entered into a second Stipulation and Consent Order with the Division of Solid and Hazardous Waste, agreeing to pay a penalty of $11,040;

g. Some or all of the information typically provided in an offering circular or prospectus regarding Indian Oil, such as:

    i. The identity of Indian Oil's principals along with their experience in refining oil;

    ii. Indian Oil's financial statements;

    iii. The market for Indian Oil's service(s);

    iv. The nature of the competition for the service(s);

    v. The track record of Indian Oil to other investors;

    vi. The number of other investors;

    vii. The risk factors for Indian Oil's investors;

viii. Discussion of pertinent suitability factors for the investment;

ix. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

x. Agent commissions or compensation for selling the investment;

xi. Any involvement of Indian Oil or its principals in certain legal proceedings, including bankruptcy or prior violations of state or federal securities laws;

xii. Whether the investment is a registered security or exempt from registration; and

xiii. Whether the person selling the investment is licensed.

43. Based upon the foregoing, Indian Oil, Inc. and Michael Les Kesler violated § 61-1-1 of the Act.

COUNT II
Sale of Unregistered Securities under § 61-1-7 of the Act

44. The Division incorporates and re-alleges paragraphs 1 through 43.

45. The stock offered and sold by the Respondents is a security under § 61-1-13 of the Act.

46. The securities were offered and sold in this state.

47. The securities offered and sold by the Respondents were not registered under the Act, and Respondents did not file any claim of exemption relating to the investment opportunity.

48. Based on the foregoing, Indian Oil, Inc. and Michael Les Kesler violated § 61-1-7 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Tuesday, March 3, 2009, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondents may show cause, if any they have:

a. Why Indian Oil, Inc. and Michael Les Kesler should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Indian Oil, Inc. and Michael Les Kesler should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Indian Oil, Inc. and Michael Les Kesler should not be ordered to pay a fine, jointly and severally, of one million dollars ($1,000,000) to the Division of

Securities, which may be reduced by restitution paid to the investors.

DATED this 3rd day of February, 2009.

KEITH WOODWELL
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

S. J.

Division of Securities
Utah Department of Commerce
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:	NOTICE OF AGENCY ACTION
INDIAN OIL, INC.	Docket No. SD-09-0008
MICHAEL LES KESLER	Docket No. SD-09-0009
Respondents.	

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

A hearing date has been set for Tuesday, March 3rd, 2009, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Pursuant to U.C.A. Subsection 63-46b-2(1)(h), Mr. Eklund is hereby designated as presiding officer for the purpose of conducting this formal administrative proceeding. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 3rd day of February, 2009.

KEITH WOODWELL
Director, Division of Securities

Certificate of Mailing/Service

I certify that on the 4TH day of FEBRUARY, 2009, I mailed, via certified and regular mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Michael Les Kesler
325 West 400 South
Lindon, UT 84042

Certified Mailing # 70041160000301958645

Indian Oil, Inc.
1155 West 135 South
Lindon, UT 84042

Certified Mailing #70041160000301958652

PAMELA RADZINSKI
Executive Secretary

Certificate of Service

I certify that on the 4TH day of FEBRUARY, 2009, I hand-delivered a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Indian Oil, Inc.
C/O Utah Division of Corporation, Registered Agent
160 E. 300 S., 2nd Floor
Salt Lake City, UT 84111

PAM RADZIKOW
Executive Secretary