

June 16, 2010

**Certified Mail- Return Receipt Requested**

Richard Miller  
Treasure Resources, Inc.  
1298 Main St. PMB 4206  
Windsor, CO 80550

RE: Application for Payment of Proceeds  
Codell/Wattenberg and Other Producible Formations  
Well Names: Roth #24-21, Peppler 24-32  
Section 24: A portion of W/2, more fully described in Exhibit "A" of the lease, containing  
114.7 acres more or less.  
Weld County, CO

Interested Parties,

Enclosed is an application for the payment of proceeds in the above described lands. The following documents are attached.

- Reference Map
- The Application
- Verification of Application
- Certificate of Mailing
- List of Parties to be noticed
- Draft Hearing Notice

Thank you in advance for your cooperation, and we look forward to a speedy resolution of this matter.

Sincerely,

James F. English

**Red Lines**

**OIL AND GAS WELLS**

- Oil and Gas Wells
- ✕ Temporary Point

**CITIES TOWNS PLACES**

- Cities
- Towns and Places

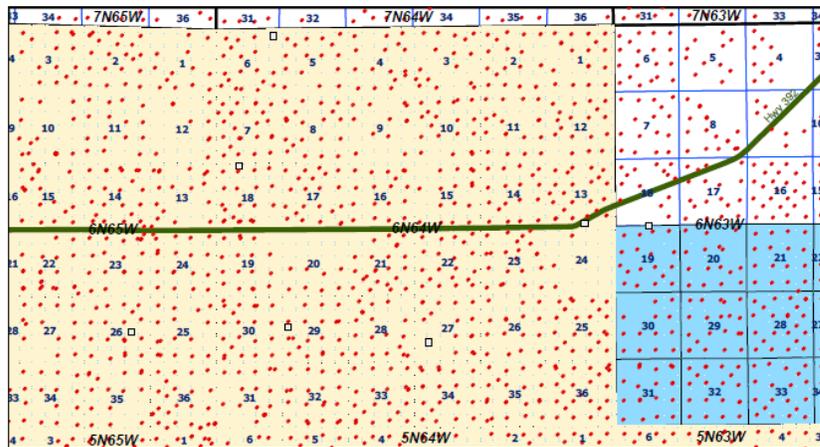
**ROADS AND RRS**

- Major Highways

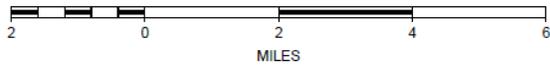
**COGCC SPACING**

- Spacing Not Mapped
- SPACING ORDERS

**SAN JUAN BASIN**



SCALE 1 : 127,646



COLORADO OIL AND GAS CONSERVATION COMMISSION

Matter No.

Cause No. 1

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APPLICATION

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TREASURE RESOURCES INC., a Colorado corporation,

Applicants,

v.

NOBLE ENERGY INC., a Delaware corporation, and PETRO-CANADA RESOURCES, INC., a Colorado corporation,

Defendants.

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TREASURE RESOURCES, INC., a/k/a TRI (“Applicant”), through its attorney James English, Martin, Lubitz & Hyman, LLC, respectfully submits this Application to the Colorado Oil and Gas Conservation Commission (“the Commission”), and requests an Order directing NOBLE ENERGY INC. a/k/a NEI and PETRO-CANADA RESOURCES USA INC. f/k/a PETRO-CANADA to pay certain amounts past due with respect to certain leased mineral interests owned by the Applicants. In support of this Application, Applicant states as follows:

A. The Original Lease and First Two Extensions

1. On or about August 15, 1992, an Oil and Gas Lease was signed between Florence E. Dodd, f/k/a Florence Row and Randall Taylor, a local oil and gas producer. The lease was recorded on August 26, 1992 at Reception #02301297 of the Weld County Clerk and Recorder (COGCC Classification- Weld County, WATTENBERG - #90750, CODELL). The lease was for a duration of five years and covered the following lands (hereafter referred to as “the lands”):

Township 6 North, Range 64 West, 6<sup>th</sup> P.M.

Section 24: A portion of W/2, more fully described in Exhibit “A” of the lease, containing 114.7 acres more or less.

2. A copy of the lease (“original lease”) has been attached as **Exhibit 1**, and more fully describes “the lands” currently the subject of this dispute.

3. On or about August 11, 2000 the “original lease” was extended for a term of three years for “the lands,” and was recorded on September 1, 2000 at Reception # 2791427 of

the Weld County Clerk and Recorder. The extension prolonged the term of the "original lease" through August 15, 2003. This extension was signed by Florence E. Dodd, the original holder of the lease. A copy of the extension ("First Extension") is attached as **Exhibit 2**.

4. On or about June 25, 2003, the "original lease" was extended for an additional three year term for "the lands" and was recorded on July 17, 2003. The extension prolonged the term of the "original lease" through August 15, 2006. This extension was signed by Timothy Blaine Row, Personal Representative of the Estate of Florence E. Dodd because the Lessor was now deceased. A copy of the extension ("Second Extension") is attached as **Exhibit 3**.

#### B. The Personal Representatives Deeds

5. On or about September 15, 2004, Timothy Blaine Row, as personal representative of the Estate of Florence E. Dodd, made a distribution pursuant to the Colorado Probate Code in the form of a Personal Representatives Deed ("PR Deed"). The "PR Deed" was recorded September 29, 2004 and named "William B. Row, Timothy B. Row, John M. Row, and Gary L. Row" as the Grantees. The property granted was "All of the Decedents' oil, gas and minerals in and appertaining to a portion of the W/1/2 of Section 24, T.6N., R.64 W. of the 6<sup>th</sup> P.M., containing 114.47 acres, more or less, Weld County, Colorado." The oil, gas and mineral rights described in this distribution are identical to "the lands" previously described in the original lease and extensions. A copy of the "PR Deed" is attached as **Exhibit 4**.

6. Due to an error in the first distribution, a corrective Personal Representatives Deed ("Corrective PR Deed") was executed on October 21, 2004. The only change was the replacement of "William B. Row" with "Thomas W. Row," because William B. Row was deceased and Thomas W. Row was his son. A copy of the "Corrective PR Deed" is attached as **Exhibit 5**.

7. According to Colorado law, once a distribution by deed is made by the personal representative, it is "conclusive evidence that the distributee has succeeded to the interest of the estate in the distributed assets, as against all persons interested in the estate." C.R.S.A. §15-12-908. Thus, all subsequent transfers made by the personal representative of those assets, unless it was to correct an "improper" distribution are without authority and therefore void. C.R.S.A. §15-12-910 affirms this intent by specifically stating that the subsequent "purchaser" or "lender" will take title "free of rights of any interested person in the estate." An oil and gas lease meets this standard, because the buyer is purchasing rights from the fee mineral interest holder, and thus should be protected.

#### C. The Third Extension

8. Two years after the "PR Deed" and the "Corrective PR Deed" were recorded, and the property was clearly outside the power of the Personal Representative, Timothy B. Row as Personal Representative of the Estate of Florence E. Dodd, attempted to grant a third lease extension to Randall Taylor ("Third Extension"). This extension was granted May 19, 2006 and recorded June 23, 2006 for a term of three years. It is TRI's contention that due to the aforementioned facts, this instrument has no effect, as Timothy B. Row did not have the authority or capacity to grant such an extension. All the mineral rights had transferred to the four fee simple owners in the "PR Deed" and "Corrective PR Deed". The intended effect of the "Third Extension" was to prolong the primary lease term until August 14, 2009. A copy of the extension is attached as **Exhibit 6**.

#### D. The Treasure Leases and Stipulations of Cross Conveyance

9. On or about March 14, 2007, TRI signed four leases with the beneficiaries of the "PR Deed" and "Corrective PR Deed". The parties appeared on the leases as follows:

"Timothy B. Row, aka Timothy Blaine Row, a married man dealing in his sole and separate property."

"John M. Row, aka John Martin Row, a single man."

"Thomas W. Row, aka Thomas Wayne Row, a married man dealing in his sole and separate property."

"Gary L. Row, aka Gary Lee Row, a married man dealing in his sole and separate property."

10. Each of the Oil & Gas Leases state above ("The 2007 Leases") were recorded on May 5, 2007, and included "the lands" described in the "Original Lease". The duration of "The 2007 Leases" was five years, giving a primary term through and including March 14, 2012. TRI took "The 2007 Leases" without notice of any conflicting rights, and was assured that the Lessor would "defend the title" in section 14 of the "The 2007 Lease". Thus, even if it can be construed that "Timothy Blaine Row" transferred his own 25% interest in "the lands," these documents suggest that it is more likely he was curing his past void transfer by leasing in his own capacity. As to the other three parties, however, the personal representative had no power to lease on their behalf after the distribution was made. Copies of the "The 2007 Leases" are attached as **Exhibits 7,8,9 & 10**.

11. On or about March 14, 2007, a Stipulation of Ownership and Cross-Conveyance of Mineral Interest was signed confirming ownership in Timothy B. Row, John M. Row, Thomas W. Row, and Gary L. Row, and was subsequently recorded on May 2, 2007.

#### E. Events Following the TRI Leases

12. After "The 2007 Leases" were signed, TRI held the leases for later participation in production.

13. By a chain of assignments the "Original Lease" between Randall Taylor and Florence E. Dodd was transferred to NEI and/or Petro-Canada Resources USA Inc. Petro-Canada was then acquired by NEI.

14. NEI through Petro-Canada then began operations on the subject property by drilling the Roth #24-21 well (API # 05-123-24578) and the Peppler 24-32 well (API# 05-123-26192). The well was spud February 25, 2007 and no notification or contracts for signature were sent to TRI for approval. Petro-Canada did, however, file a declaration of pooling, stating the "Original Lease" between Florence E. Dodd and Randall Taylor.

15. Following several years of production (Roth #24-21-10,666 barrels of oil, 13,564 mcf of gas; Peppler 24-32- 8,446 barrels of oil, 47,780 mcf of gas), upon normal inspection of TRI's leased properties, Richard Miller, the President of TRI, discovered this intrusion on the companies' rights. In response to TRI's attempts to bring the problem to the attention of both Petro-

Canada and NEI, they were met with only false promises and constant delay. Initially, in compliance with C.R.S. §34-60-118.5, a certified letter was mailed outlining the entire issue, and was accepted by Dennis Gustafson of Petro-Canada on August 20, 2009. In further compliance, the same letter was also sent to NEI and was indeed accepted by Debbie Wietke on October 13, 2009. During the following months, phone calls were placed, and on several occasions recognition that a problem existed was admitted by several of the Noble staff. With that recognition followed promises of action that only resulted in months of inaction before the next phone call was placed by TRI. Copies of the certified letters are attached as **Exhibit 11 & 12**.

F. Non-Payment of Proceeds

16. More than 20 days have now passed since the certified letters were mailed, no payment has been received, no interest payment has been received, and no explanation or reason for non-payment has been forwarded to TRI. Therefore, all conditions precedent for this action have been met. Additionally, the wells has been producing and selling product for more than six months, the normal period at which the operator has to prepare for payment of monthly proceeds. No agreement states a modified payment structure, as there is no contractual relationship between TRI and NEI.

17. The Colorado Oil and Gas Conservation Commission (COGCC) has jurisdiction over this non-payment, because no contractual dispute exists. TRI has no contract with NEI, and thus a breach of contract action or other action in contract as to payment method would be improper. This dispute is precisely the type of dispute that is well suited for COGCC review, as the operator recognizes the problem but will not communicate with TRI. Additionally, the chain of title is clear and unambiguous and any challenge to the validity of any of the documents would be frivolous and not represent a valid dispute. It would also be patently unfair to TRI to allow an operator to deflect errors in their title analysis by removing COGCC review as a possible option in the interest owners arsenal.

18. While NEI and Petro-Canada have been owners or operators of the Oil and Gas wells on “the lands,” NEI and Petro-Canada have failed to:

a. Account to the applicant for all proceeds received by NEI or Petro-Canada from the Marketing of Oil and Gas from “the lands” in an amount equal to a 87.5% of 25% gross revenue interest, i.e. the unassigned share of production TRI is entitled to.

b. Deliver to the Applicant, on a monthly basis, a cash payment equal to 87.5% of 25% of the gross proceeds for the marketing of Oil and Gas produced from “the lands,” less permissible deductions.

c. Pay applicant interest and penalties on delinquent and unpaid proceeds payments as required under C.R.S. §34-60-118.5.

19. In light of there failures, NEI requests that the COGCC take the following action pursuant to C.R.S. §34-60-118.5(5a-c):

- a. Determine the date on which payment of proceeds was due, or will be due;
- b. Determine if there is valid reason for a delay in payment; and

c. Determine the amount of proceeds due to TRI plus interest in light of the 19,112 barrels of oil, and 61,344 mcf of gas production and require a full and proper accounting be provided by NEI.

20. Because of NEI's failure to make payments to the Applicant according to C.R.S. §34-60-118.5(4), NEI is obligated to pay Applicant interest at two times the discount rate at the federal reserve bank of Kansas City.

21. NEI is also obligated to pay all costs and attorneys' fees incurred by Applicant in the prosecution of this action as provided in C.R.S. §34-60-118.5(6).

**WHEREFORE**, Applicant respectfully requests that this matter be scheduled for a hearing to determine the matters set forth herein, with the understanding that it may be necessary to continue the hearing from time-to-time, until NOBLE ENGERGY INC. and/or PETRO-CANDA RESOURCE INC. provide Applicant with a full and proper accounting for all Oil and Gas related proceeds and expenses generated in connection with the operation of the Subject Lease and Subject Lands.

DATED this 8<sup>th</sup> day of June, 2010.

Respectfully submitted,

Martin, Lubitz & Hyman, LLC

By: \_\_\_\_\_  
James F. English (#41077)  
370 Seventeenth Street, Suite 4400  
Denver, Colorado 80202  
(303) 382-1200

ATTORNEY FOR APPLICANT

CERTIFICATE OF MAILING

I hereby certify that on this 8<sup>th</sup> day of June, 2010, a true and correct copy of the foregoing APPLICATION was deposited in the U.S. mail, postage prepaid, and addressed to the following:

Noble Energy Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

Petro-Canada Resources, Inc.  
999 18th Street  
Denver, CO 80202-2422

Richard Miller  
Treasure Resources, Inc.  
1298 Main St. PMB 4206  
Windsor, CO 80550

James English  
Martin, Lubitz & Hyman  
370 17<sup>th</sup> St., Suite 4400  
Denver, CO 80202

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## LIST OF PARTIES

Noble Energy Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

Richard Miller  
Treasure Resources, Inc.  
1298 Main St. PMB 4206  
Windsor, CO 80550

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999 18th Street  
Denver, CO 80202-2422

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Denver, CO 80202

**VERIFICATION**

STATE OF COLORADO            )  
  )  
CITY AND COUNTY OF DENVER    )            ss.

Richard Miller, of lawful age, being first duly sworn upon oath, deposes and says that he is President for Treasure Resources, INC. and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

Richard Miller

Subscribed and sworn to before me this 16 day of June, 2010.

Witness my hand and official seal.

My commission expires:

\_\_\_\_\_  
Notary Public