

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS

PROOF OF CLAIM

Indicate Debtor against which you assert a claim by checking the appropriate box. (Check only one Debtor per claim form.)

- Cano Petroleum, Inc. (Case No. 12-31549)
- Cano Petro of New Mexico (Case No. 12-31550)
- Ladder Companies, Inc. (Case No. 12-31551)
- Square One Energy, Inc. (Case No. 12-31552)
- Tri-Flow, Inc. (Case No. 12-31553)
- W.O. Energy of Nevada, Inc (Case No. 12-31554)
- W.O. Operating Company, Ltd. (Case No. 12-31556)
- W.O. Production Company, Ltd. (Case No. 12-31557)
- WO Energy, Inc. (Case No. 12-31555)

NOTE: Do not use this form to make a claim for an administrative expense that arises after the bankruptcy filing. You may file a request for payment of an administrative expense according to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property):  
KRUSE CHILDREN TRUST KC, RICHARD B. KRUSE, TRUSTEE

Name and address where notices should be sent:  
RICHARD B. KRUSE, TRUSTEE  
KRUSE CHILDREN TRUST KC  
139 DIAMOND A RANCH ROAD  
CARBONDALE, COLORADO 81623-9117

RECEIVED  
APR 12 2012  
BMC GROUP

If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again.  
**THIS SPACE IS FOR COURT USE ONLY**

Creditor Telephone Number 970 963-3779 email: dickkruse@comcast.net

Name and address where payment should be sent (if different from above):  
AS ABOVE

Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Check this box to indicate that this claim amends a previously filed claim.  
Court Claim Number (if known): \_\_\_\_\_  
Filed on: \_\_\_\_\_

Payment Telephone Number ( ) email:

1. AMOUNT OF CLAIM AS OF DATE CASE FILED \$1,000 MORE OR LESS AND GROWING ASSUMING THAT THE OIL AND GAS WELLS ARE CONTINUING TO PRODUCE.  
If all or part of your claim is secured, complete item 4.  
If all or part of your claim is entitled to priority, complete item 5.  
 Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

2. BASIS FOR CLAIM: ROYALTY INTEREST IN OIL AND GAS PRODUCTION DOCUMENTATION IS ATTACHED HERETO.

3. LAST FOUR DIGITS OF ANY NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR: 5224  
3a. Debtor may have scheduled account as: \_\_\_\_\_  
3b. Uniform Claim Identifier (optional): \_\_\_\_\_  
(See instruction #3a) (See instruction #3b)

4. SECURED CLAIM: (See instruction #4)  
Check the appropriate box if your claim is secured by a lien on property or a right of set off, attach required redacted documents, and provide the requested information.  
Amount of arrearage and other charges, as of time case filed, included in secured claim, if any: \$ \_\_\_\_\_  
Nature of property or right of setoff:  
Describe:  
 Real Estate  Motor Vehicle  Other \_\_\_\_\_  
Basis for Perfection: \_\_\_\_\_  
Value of Property: \$ \_\_\_\_\_  
Amount of Secured Claim: \$ \_\_\_\_\_  
Amount Unsecured: \$ \_\_\_\_\_  
Annual Interest Rate: \_\_\_\_\_ %  Fixed or  Variable (when case was filed)

5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any part of the claim falls into one of the following categories, check the box specifying the priority and state the amount.  
Amount entitled to priority: \$ \_\_\_\_\_  
You MUST specify the priority of the claim:  
 Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).  
 Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8).  
 Up to \$2,600\* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use -11 U.S.C. § 507(a)(7).  
 Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).  
 Wages, salaries, or commissions (up to \$11,725\*), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4).  
 Other - Specify applicable paragraph of 11 U.S.C. § 507(a) ( \_\_\_\_\_ ).



\* Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

6. CREDITS: The amount of all payments on this claim has been credited for the purpose of making this proof of claim. (See instruction #6)

**7. DOCUMENTS:** Attached are redacted copies of documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. If the claim is secured, box 4 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached. (See instruction #7, and definition of "redacted").  
**DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.**  
If the documents are not available, please explain:

**DATE-STAMPED COPY** To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.  
**The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is actually received on or before 5:00 pm, prevailing Central Time on May 7, 2012 for All Entities and Persons including Governmental Units.**

<b>BY MAIL TO:</b> BMC Group, Inc. Attn: Cano Petroleum, Inc. Claims Processing PO Box 3020 Chanhassen, MN 55317-3020	<b>BY MESSENGER OR OVERNIGHT DELIVERY TO:</b> BMC Group, Inc. Attn: Cano Petroleum, Inc. Claims Processing 18675 Lake Drive East Chanhassen, MN 55317
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**\*You are encouraged to E-File your proof of claim directly by logging onto <http://www.bmcgroup.com/Cano/ClaimFiling>**

**8. SIGNATURE:** (See instruction #8)

Check the appropriate box.

<input type="checkbox"/> I am the creditor.	<input checked="" type="checkbox"/> I am the creditor's authorized agent. (Attach copy of power of attorney, if any.)	<input type="checkbox"/> I am the trustee, or the debtor, or their authorized agent. (See Bankruptcy Rule 3004.)	<input type="checkbox"/> I am a guarantor, surety, indorser, or other codebtor. (See Bankruptcy Rule 3005.)
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I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information, and reasonable belief.

Print Name: RICHARD B. KRUSE  
Title: TRUSTEE  
Company: KRUSE CHILDREN TRUST KC  
Address and telephone number (if different from notice address above):  
SAME AS NOTICE ADDRESS  
  
Telephone number: 970-340-963-3779 email: dickkruse@comcast.net

*Richard B. Kruse*      04/09/2012  
(Signature)      Trustee      (Date)

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.

# Kruse Children Trust KC

Schedule of Oil & Gas Wells  
Operated by WO Operating Company, Ltd.

Owner # 10003263

<u>Property Number</u>	<u>DOI #</u>	<u>Property Name</u>	<u>Legal Decimal</u>	<u>County</u>
00105017	00004	Cooper G	0.00781250	Carson
00105018	00005	Cooper E	0.01562500	Hutchinson
00105019	00002	Cooper H	0.01562500	Hutchinson
00105019	00005	E Cooper NCT A	0.01562500	Hutchinson
00105025	00004	E Cooper NCT B	0.01562500	Carson
00105043	00004	Olive Cooper	0.01562500	Carson
00105044	00004	Phillips Cooper C	0.01562500	Carson

**2011 CARSON COUNTY TAX OFFICE TAX STATEMENT**

STATEMENT/RECEIPT NUMBER  
**3296**

**EXHIBIT B**

**Make Check or Money Order Payable:**  
**CARSON COUNTY TAX OFFICE**  
 JACKIE MOORE, Tax Assessor/Collector  
 P.O. Box 399  
 501 Main St.  
 Panhandle, TX 79068  
 Phone: (806)537-3412  
 Fax: (806)537-3795  
**A 2.5% Fee Applies to ALL Debit & Credit Transactions**

Owner ID/Roll	IF PAID IN	PAY THIS AMOUNT
M-713872	OCT.	459.54
MIN	NOV.	464.27
	DEC.	469.00
	JAN.	473.74
	FEB.	506.90
	MAR.	516.39
	APR.	525.82
	MAY	535.32
	JUN.	544.82
<b>AMOUNT OF YOUR REMITTANCE</b>		



KRUSE CHILDREN TRUST KC  
 % RICHARD B KRUSE  
 139 DIAMOND A RANCH RD  
 CARBONDALE CO 81623 9117

CIRCLE TYPE OF CARD: Mastercard - Visa - Discover - American Express  
 Card # \_\_\_\_\_ 3-Digit Security Code: \_\_\_\_\_  
 Name on Card: \_\_\_\_\_  
 Billing Address: \_\_\_\_\_ ZIP CODE \_\_\_\_\_  
 Phone Number: \_\_\_\_\_ Card Exp. Date: \_\_\_\_\_

**PLEASE DETACH AND RETURN THIS PORTION WITH YOUR PAYMENT**

**2011 CARSON COUNTY TAX OFFICE TAX STATEMENT - STATEMENT NUMBER 3296**  
**PHONE NUMBER: (806)537-3412**

M-713872  KRUSE CHILDREN TRUST KC % RICHARD B KRUSE 139 DIAMOND A RANCH RD CARBONDALE CO 81623 9117	DISCOUNT AMOUNT	IF PAID IN	PAY THIS AMOUNT
	-14.20	- 3% OCT 2011	459.54
-9.47	- 2% NOV 2011	464.27	
-4.74	- 1% DEC 2011	469.00	
0.00	0% JAN 2012	473.74	
* Jurisdiction grants discount Total Taxes Used to Calculate Discount: \$473.74		PENALTY AND INTEREST APPLIES IF NOT PAID BY JAN 31, 2012	
	33.16	7% Feb 2012	506.90
	42.65	9% Mar 2012	516.39
	52.08	11% Apr 2012	525.82
	61.58	13% May 2012	535.32
	71.08	15% Jun 2012	544.82

TAXES DELINQUENT FEBRUARY 1, 2012. DEBIT AND CREDIT CARDS ACCEPTED-2.5% FEE  
 FOR RECEIPT - ENCLOSE SELF-ADDRESSED STAMPED ENVELOPE.  
 OVER 65 PAYMENT OPTION AND PARTIAL PAYMENTS ACCEPTED.

PROPERTY DESCRIPTION	TAXING UNIT	EXEMPTIONS	VALUE	TAX RATE	TAXES	
COOPER 'B' OIL REAL SEC 5 BLK 9 SUR I&GN N/60 AC E/2NE/4 Operator: WO OPERATING CO	Acct: 0713872-1-0046800 Lease #: 46800 Par/Seq: 9938976/1 Own Int./Type: 0.031250 / RI JUR: 00-01-31-61	Cat Code: G1 RRC# 138 Acres: 0.000	GEN FUND 0 GEN FUND I&S 0 LATERAL ROAD 0 SP RD & BRDG 0	1,710 1,710 1,710 1,710	0.349362 0.070190 0.033728 0.051513	5.97 1.20 0.58 0.88
<b>Parcel Total Taxes:</b>					<b>8.63</b>	
COOPER 'A' OIL -901600 REAL SEC 4 BLK 9 SUR I&GN NW/4 SE/4 & SW/4NE/4 Operator: WO OPERATING CO	Acct: 0713872-1-0047300 Lease #: 47300 Par/Seq: 9938997/1 Own Int./Type: 0.007813 / RI JUR: 00-01-31-61	Cat Code: G1 RRC# 87 Acres: 0.000	GEN FUND 0 GEN FUND I&S 0 LATERAL ROAD 0 SP RD & BRDG 0	2,200 2,200 2,200 2,200	0.349362 0.070190 0.033728 0.051513	7.69 1.54 0.74 1.13
<b>Parcel Total Taxes:</b>					<b>11.10</b>	
COOPER UNIT OIL REAL SEC 6 BLK 9 SUR I&GN PART Operator: KODIAK OPERATING	Acct: 0713872-1-0092200 Lease #: 92200 Par/Seq: 9938999/1 Own Int./Type: 0.015625 / RI JUR: 00-01-31-61	Cat Code: G1 RRC# 159 Acres: 0.000	GEN FUND 0 GEN FUND I&S 0 LATERAL ROAD 0 SP RD & BRDG 0	7,630 7,630 7,630 7,630	0.349362 0.070190 0.033728 0.051513	26.66 5.36 2.57 3.93
<b>Parcel Total Taxes:</b>					<b>38.52</b>	

CARSON COUNTY TAX OFFICE  
 JACKIE MOORE, Tax Assessor/Collector  
 Phone: (806)537-3412  
 Fax: (806)537-3795

CARSON COUNTY TAX OFFICE

STATEMENT NUMBER

3296

2011 TAX STATEMENT

OWNER ID NUMBER

M - 713872

PROPERTY DESCRIPTION		TAXING UNIT		EXEMPTIONS	VALUE	TAX RATE	TAXES
COOPER 'G' OIL -901600	Acct: 0713872-1-0047100	Cat Code: G1	GEN FUND	0	4,800	0.349362	16.77
REAL	Lease #: 47100	RRC# 87	GEN FUND I&S	0	4,800	0.070190	3.37
SEC 4 BLK 9 SUR I&GN	Par/Seq: 9939004/1	Acres: 0.000	LATERAL ROAD	0	4,800	0.033728	1.62
SE/4NE/4 & NE/4SE/4	Own Int./Type: 0.007813 / RI		SP RD & BRDG	0	4,800	0.051513	2.47
Operator: WO OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							24.23
COOPER, OLIVE	Acct: 0713872-1-0084000	Cat Code: G1	GEN FUND	0	29,310	0.349362	102.40
REAL	Lease #: 84000	RRC# 118	GEN FUND I&S	0	29,310	0.070190	20.57
SEC 4 BLK 9 SUR I&GN	Par/Seq: 9939005/1	Acres: 0.000	LATERAL ROAD	0	29,310	0.033728	9.89
S/2SE/4	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	29,310	0.051513	15.10
Operator: W O OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							147.96
COOPER, E NCT-B/C OIL	Acct: 0713872-1-0047400	Cat Code: G1	GEN FUND	0	32,480	0.349362	113.47
REAL	Lease #: 47400	RRC# 3185	GEN FUND I&S	0	32,480	0.070190	22.80
SEC 1,4,5,BLK 9 SUR I&GN	Par/Seq: 9939021/1	Acres: 0.000	LATERAL ROAD	0	32,480	0.033728	10.95
SW/4-1 SW/4-4 SW/4-5	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	32,480	0.051513	16.73
Operator: WO OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							163.95
COOPER 'H' OIL	Acct: 0713872-1-0047200	Cat Code: G1	GEN FUND	0	600	0.349362	2.10
REAL	Lease #: 47200	RRC# 3184	GEN FUND I&S	0	600	0.070190	0.42
SEC 5 BLK 9 SUR I&GN	Par/Seq: 9939023/1	Acres: 0.000	LATERAL ROAD	0	600	0.033728	0.20
E/2NW/4	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	600	0.051513	0.31
Operator: WO OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							3.03
COOPER 'B'	Acct: 0713872-1-0083800	Cat Code: G1	GEN FUND	0	1,460	0.349362	5.10
REAL	Lease #: 83800	RRC# 116	GEN FUND I&S	0	1,460	0.070190	1.02
SEC 3 BLK 9 SUR I&GN	Par/Seq: 9939033/1	Acres: 0.000	LATERAL ROAD	0	1,460	0.033728	0.49
W/2SW/4	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	1,460	0.051513	0.75
Operator: W O OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							7.36
COOPER 'C'	Acct: 0713872-1-0083900	Cat Code: G1	GEN FUND	0	11,470	0.349362	40.07
REAL	Lease #: 83900	RRC# 117	GEN FUND I&S	0	11,470	0.070190	8.05
SEC 5 BLK 9 SUR I&GN	Par/Seq: 9939074/1	Acres: 0.000	LATERAL ROAD	0	11,470	0.033728	3.87
SE/4 & W/2NE/4	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	11,470	0.051513	5.91
Operator: W O OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							57.90
COOPER NCT A	Acct: 0713872-1-0207902	Cat Code: G1	GEN FUND	0	760	0.349362	2.66
REAL	Lease #: 207902	RRC# 3184	GEN FUND I&S	0	760	0.070190	0.53
SEC 1,4,5 BLK 9 SUR I&GN	Par/Seq: 9939090/1	Acres: 0.000	LATERAL ROAD	0	760	0.033728	0.26
SW/4-1 SW/4-4 SW/4-5	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	760	0.051513	0.39
Operator: WO OPERATING	JUR: 00-01-31-61						
Parcel Total Taxes:							3.84
COOPER 'E' OIL	Acct: 0713872-1-0046900	Cat Code: G1	GEN FUND	0	1,430	0.349362	5.00
REAL	Lease #: 46900	RRC# 138	GEN FUND I&S	0	1,430	0.070190	1.00
SEC 4 BLK 9 SUR I&GN	Par/Seq: 9939091/1	Acres: 0.000	LATERAL ROAD	0	1,430	0.033728	0.48
NW/4	Own Int./Type: 0.015625 / RI		SP RD & BRDG	0	1,430	0.051513	0.74
Operator: WO OPERATING CO	JUR: 00-01-31-61						
Parcel Total Taxes:							7.22

# Kruse Children Trust KC

139 Diamond A Ranch Road  
Carbondale, Colorado 81623-9117

March 27, 2012

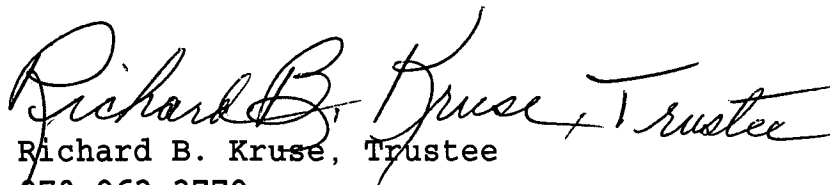
Mr. William T. Neary, United States Trustee  
Office of the United States Trustee  
1100 Commerce Street, #976  
Dallas, Texas 75242

RE: Cano Petroleum, Inc., case # 12-31549  
WO Operating Company, Ltd., case # 12-31556

Sir:

Kruse Children Trust KC owns royalty interests in fourteen oil and gas wells in Carson County and Hutchinson County, Texas. Exhibit A attached hereto lists seven properties identified by WO Operating Company, Ltd., a subsidiary of Cano Petroleum, Inc., as properties they operate, from which they sell the gas production, and on which they pay royalties to the Trust. Exhibit B attached hereto is the Carson County tax roll of properties owned by the Trust that identifies additional properties owned by the Trust that are operated by WO Operating Company, Ltd., apparently for working interest owners other than WO Operating.

Respectfully,

  
Richard B. Kruse, Trustee  
970-963-3779  
[dickkruse@comcast.net](mailto:dickkruse@comcast.net)

**Kruse Children Trust KC**  
139 Diamond A Ranch Road  
Carbondale, Colorado 81623-9117

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE  
**CERTIFIED MAIL™**



7009 0080 0002 0600 5096

**RECEIVED**  
APR 12 2012  
BMC GROUP

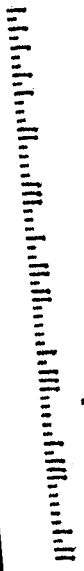
BMC Group, Inc.  
Attn: Cano Petroleum, Inc. Claims Processing  
P. O. Box 3020  
Chanhassen, Minnesota 55317-3020



1400 55317

U.S. POSTAGE  
PAID  
CARBONDALE, CO  
81623  
APR 09 12  
AMOUNT  
**\$5.75**  
00021558-07

553173020 B030



**RETURN RECEIPT  
REQUESTED**



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