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Attorney for Defendants and Cross-complainants TEARLACH RESOURCES LIMITED, a Canadian Corporation; TEARLACH RESOURCES (CALIFORNIA), LTD., a California Corporation; MALCOLM FRASER, an individual; and CHARLES E. ROSS, an individual

SUPERIOR COURT OF CALIFORNIA, COUNTY OF KERN

METROPOLITAN DIVISION

WESTERN STATES INTERNATIONAL, INC., a Delaware corporation; and UNITED PACIFIC ENERGY CORPORATION, a Delaware corporation, (formerly known as GAS AND OIL TECHNOLOGIES, INC.), Plaintiffs, vs. TEARLACH RESOURCES LIMITED, a Canadian Corporation; TEARLACH RESOURCES (CALIFORNIA) LTD., a California corporation; MALCOLM FRASER, an individual; CHARLES E. ROSS, an individual, and DOES 1 through 10, inclusive, Defendants.	Case No. S-1500-CV-266707, SPC *(Consolidated with S-1500-CV-264931-DRL)* **CROSS-COMPLAINT OF DEFENDANTS AND CROSS-COMPLAINANTS TEARLACH RESOURCES LIMITED, TEARLACH RESOURCES (CALIFORNIA) LTD., MALCOLM FRASER, AND CHARLES E. ROSS.** ***[Filed concurrently with Answer to Complaint.]*** **DEPARTMENT: 7** *(Complaint Filed March 16, 2009)* *Hon. Judge David R. Lampe*
TEARLACH RESOURCES LIMITED, a Canadian Corporation; TEARLACH RESOURCES (CALIFORNIA) LTD., a California corporation; MALCOLM FRASER, an individual; CHARLES E. ROSS, an individual, Cross-complainants,	

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vs.

WESTERN STATES INTERNATIONAL, INC., a Delaware corporation; and UNITED PACIFIC ENERGY CORPORATION, a Delaware corporation, (formerly known as GAS AND OIL TECHNOLOGIES, INC.), INGRID ALIET-GASS, an individual; DAVID SMUSKEVIETCH, an individual; GLENN MORINAKA, an individual; and ROES 1 through 100, inclusive;

Cross-defendants.

Cross-Complainants TEARLACH RESOURCES LIMITED, TEARLACH RESOURCES (CALIFORNIA) LTD., MALCOLM FRASER, and CHARLES E. ROSS (hereafter occasionally referred to as "Cross-Complainants") allege as follows:

ALLEGATIONS COMMON TO ALL CAUSES OF ACTION

THE PARTIES.

1. Cross-Complainant TEARLACH RESOURCES (CALIFORNIA) LTD. is a California Corporation, authorized to do business in the State of California.

2. Cross-Complainant TEARLACH RESOURCES LTD. (hereafter occasionally referred to as "TEARLACH" or the "Company") is a public company whose shares are listed on the TSX Venture Exchange ("TSX-V") in Canada. TEARLACH is engaged in the business of exploration and development of natural resource properties directly and through its wholly owned subsidiary TEARLACH Resources (California) Ltd. ("TEARLACH California").

3. Cross-complainants are informed and believe and thereon allege that Cross-defendant WESTERN STATES INTERNATIONAL, INC., is a Delaware corporation doing business in the State of California, County of Kern.

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4. Cross-complainants are informed and believe and thereon allege that Cross-defendant UNITED PACIFIC ENERGY CORPORATION, is a Delaware corporation, (formerly known as GAS AND OIL TECHNOLOGIES, INC.), doing business in the State of California, County of Kern.

5. Cross-complainants are informed and believe and thereon allege that Cross-defendant INGRID ALIET-GASS (hereafter occasionally referred to as "ALIET-GASS") is an individual, residing in the State of California.

6. Cross-complainants are informed and believe and thereon allege that Cross-defendant DAVID SMUSKEVIETCH (hereafter occasionally referred to as "SMUSKEVIETCH") is an individual, residing in the State of California.

7. Cross-complainants are informed and believe and thereon allege that Cross-defendant GLENN MORINAKA (hereafter occasionally referred to as "MORINAKA") is an individual, residing in the State of California.

8. In doing the acts described herein, Cross-Defendants, and each of them, acted as the agents, servants, and/or employees of one another, and all of the things alleged to have been done by said Cross-Defendants were done in the capacity of an agent of the other Cross-Defendants.

9. Cross-complainants are ignorant of the true names and capacities of Cross-Defendants sued herein as ROES 1 through 100, inclusive, and therefore sue these Cross-Defendants by such fictitious names. Cross-complainants will amend this Cross-Complaint to allege their true names and capacities when ascertained.

ALTER-EGO ALLEGATIONS

10. Cross-complainants are informed and believe and thereon allege that some of the corporations, limited liability companies, and entities named as Cross-Defendants herein, including but not limited to WESTERN STATES INTERNATIONAL, INC., UNITED PACIFIC ENERGY

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CORPORATION; and ROES 1 through 100, (hereinafter occasionally collectively referred to as the "ALTER EGO CORPORATIONS") and each of them were at all times relevant to the alter ego corporations of individual Cross-Defendants ALIET-GASS and ROES 1 through 100, and by reason of the following:

(a) Cross-complainants are informed and believe and thereon allege that said individual Cross-Defendant, at all times herein mentioned, dominated, influenced and controlled each of the ALTER EGO CORPORATIONS and the officers thereof as well as the business, property, and affairs of each of said corporations.

(b) Cross-complainants are informed and believe and thereon allege that, at all times herein mentioned, there existed and now exists a unity of interest and ownership between said individual Cross-Defendant and each of the ALTER EGO CORPORATIONS, the individuality and separateness of said individual Cross-Defendant and each of the ALTER EGO CORPORATIONS has ceased.

(c) Cross-complainants are informed and believe and thereon allege that, at all times since the incorporation of each, each ALTER EGO CORPORATION has been and now is a mere shell and naked framework which said individual Cross-Defendant used as a conduit for the conduct of their personal business, property and affairs.

(d) Cross-complainants are informed and believe and thereon allege that, at all times herein mentioned, each of the ALTER EGO CORPORATIONS was created and continued pursuant to a fraudulent plan, scheme and device conceived and operated by said individual Cross-Defendant ALIET-GASS and DOES 1 through 100, whereby the income, revenue and profits of each of the ALTER EGO

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CORPORATIONS were diverted by said individual Cross-Defendants to themselves.

(e) Cross-complainants are informed and believe and thereon allege that, at all times herein mentioned, each of the ALTER EGO CORPORATIONS was organized by Cross-Defendant as a device to avoid individual liability and for the purpose of substituting financially irresponsible corporations in the place and stead of said individual Cross-defendants, and each of them, and accordingly, each ALTER EGO CORPORATION was formed with capitalization totally inadequate for the business in which said corporation was engaged.

(f) Cross-complainants are informed and believe and thereon allege that each ALTER EGO CORPORATION is insolvent.

(g) By virtue of the foregoing, adherence to the fiction of the separate corporate existence of each of the ALTER EGO CORPORATIONS would, under the circumstances, sanction a fraud and promote injustice in that Cross-complainants would be unable to realize upon any judgment in their favor.

FACTUAL BACKGROUND

11. TEARLACH Resources Limited ("TEARLACH" or "the "Company") is a Canadian public company whose shares are listed on the TSX Venture Exchange ("TSX-V"). TEARLACH is engaged in the business of exploration and development of natural resource properties directly and through its wholly owned subsidiary TEARLACH Resources (California) Ltd. ("TEARLACH California").

12. Commencing in early 2006, the Company entered into discussions with Cross-Defendant Western States International, Inc. ("WESTERN STATES," a Plaintiff and Cross-defendant herein) and its affiliate company, Cross-defendant Gas & Oil Technologies, Inc. ("GAS AND OIL

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TECHNOLOGIES," the other Plaintiff in this case), represented by their senior officers and principal shareholders (collectively, "Western States").

13. TEARLACH was represented by Malcolm Fraser ("FRASER," a Defendant herein, who resides in Canada) and Chuck Ross ("ROSS," another individual Canadian Defendant in this action), both of whom are directors and officers of TEARLACH, and the Company's legal counsel, Leschert & Company, represented by Allen D. Leschert, an individual who resides in Canada as well.

14. Cross-defendant WESTERN STATES, by and through the individual Cross-defendants named herein, represented that they were developing a number of resource projects in the United States, Russia and Indonesia, including an oil and gas project located near Bakersfield, California known as the "Kern Front Property" (the "Property") with a value U.S. $10 to $60 million, and wanted to find a Canadian public company such as TEARLACH to acquire the properties in exchange for public company shares.

15. As a result of various inducements and false representations by the Cross-defendants herein, TEARLACH entered into an agreement (hereafter, the "Letter Agreement") dated for reference April 21, 2006 among TEARLACH, as purchaser, WESTERN STATES, GAS AND OIL TECHNOLOGIES as vendors (the "Vendors") and certain direct or indirect principal shareholders of WESTERN STATES and GAS AND OIL TECHNOLOGIES as covenanters (the "Shareholders") which provided for the purchase and sale of a 60% working interest in the Property in exchange for the issuance by TEARLACH of 7,500,000 common shares of TEARLACH and a royalty on the Property convertible into up to 30,000,000 additional common shares on and subject to the conditions set out in the agreement including approval of the TSX-V, a copy of which is attached to the Plaintiffs' complaint as Exhibit "B".[1]

16. Various disputes and differences arose between the Cross-defendants herein and TEARLACH (and the other defendants in this action). This Cross-complaint sets forth causes of action based on various breaches of contracts and frauds committed by the Cross-defendants, and each of them.[2]

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[1] There were at least two amendments to the Letter Agreement.

[2] Essentially, as detailed herein, TEARLACH maintains that the Cross-defendants herein deliberately and fraudulently:

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a. Mislead TEARLACH to believe WESTERN STATES had wells in production on the Property when they did not;

b. Purported to cause WESTERN STATES and GAS AND OIL TECHNOLOGIES to sell an interest in three leases – Judkins, Witmer B East and Sentinal B – which they knew they did not then own;

c. Grossly overstated oil production from the Property;

d. Grossly understated lifting costs and management costs on the Property;

e. Concealed the fact that WESTERN STATES had received formal notice of termination on the Judkins lease and had received formal notice of cancellation of the Witmer B East and Sentilal B leases prior to Closing;

f. Concealed the fact that WESTERN STATES did not have proper surface rights or access agreements on the Property sufficient to authorize the work required to be done thereon;

g. Concealed the fact that the agreements WESTERN STATES did have were all ready in default due to serious arrears in payments;

h. Concealed the fact that they were not were not able to produce oil from the Property on an economic basis using the methods they were employing;

i. Concealed the fact that they had not met the requirements for maintaining the Snow lease and were in danger of losing the lease, until after it had already been lost;

j. Withheld accurate accounting and production information from TEARLACH, in spite of repeated requests, in order to prevent or delay TEARLACH in its attempts to discover the true state of affairs with respect to the Property;

k. Misrepresented their level of skill and experience in operating oil fields like the Property or at all.

TEARLACH also maintains, that the Plaintiffs/Cross-defendants in this case engaged in gross mismanagement of the Property, as evidenced by, among other things:

a. Failing to prepare and deliver accounting and production reports;

b. Failing to consult with TEARLACH prior to commencing operations on the Property;

c. Failing to prepare and deliver any AFE's for proposed or completed work on the Property;

d. Failing to file required reports with government authorities;

e. Failing to achieve economic production;

f. Failing to maintain good title to the Property;

g. Failing to obtain surface rights and access agreements that permitted the type of operations carried on by them on the Property and failing to maintain such agreements;

h. Failing to keep equipment in proper repair;

i. Failing to advise TEARLACH of pending difficulties, including potential loss of leases due to non-payment or other action or inaction by them;

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17. As detailed herein, this California Superior Court has already ruled, in a separate action (*Susan Lee Judkins Gibson, etc., Plaintiffs, vs. Western States International, Inc., Defendant*, Kern County Superior Court case number S-1500-CV-259949 WDP) that the Plaintiffs herein did not have key property interests purportedly assigned to defendant TEARLACH.

FIRST CAUSE OF ACTION

FOR BREACH OF WRITTEN CONTRACTS

(AGAINST ALL CROSS-DEFENDANTS, AND DOES 1 THROUGH 100)

18. Cross-complainants incorporate Paragraphs 1 through 17, inclusive of this Cross-Complaint as though set forth in full herein.

19. Commencing in early 2006, the Company entered into discussions with Cross-defendant WESTERN STATES INTERNATIONAL, INC. ("WESTERN STATES") and its affiliate company, Cross-defendant GAS & OIL TECHNOLOGIES, INC. ("GAS AND OIL TECHNOLOGIES"), represented by their senior officers and principal shareholders, Cross-defendants INGRID ALIET-GASS ("ALIET-GASS"), DAVID SMUSKEVIETCH ("SMUSKEVIETCH") and GLENN MORINAKA ("MORINAKA") (collectively occasionally referred to as, "WESTERN STATES").

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j. Failing to make government rental payments including, in particular, a $420 payment that resulted in the termination of an important lease which, but for corrective action taken by TEARLACH and it staff, would have been lost permanently;

k. Failure to pay operating expenses as and when due;

l. Conducting themselves in a manner so as to attract litigation affecting, not only WESTERN STATES and its principals, but the Property and TEARLACH and its principals also;

m. Selecting production methods they knew or ought to have know would be uneconomic for the type of hydrocarbons and oil bearing formations located on the Property;

n. Continuing to focus substantially all of the efforts and expenditures on the Property on the Judkins lease even after receiving formal notice of termination, resulting in a complete loss of the work, effort and expenditures, including TEARLACH's share thereof, and continuing to do so (and attempting to coerce TEARLACH to contribute to the cost of such efforts) even after final judgment confirming effectiveness of that termination had been granted.

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20. TEARLACH was represented by Malcolm Fraser ("MALCOLM FRASER") and Chuck Ross ("CHUCK ROSS"), both of whom are directors and officers of TEARLACH, the Company's legal counsel, Leschert & Company, represented by Allen D. Leschert.

21. WESTERN STATES and its representatives represented that they were developing a number of resource projects in the U.S., Russia and Indonesia, including an oil and gas project located near Bakersfield, California known as the "Kern Front Property" (the "Property") with a value U.S. $10 to $60 million, and wanted to find a Canadian public company such as TEARLACH to acquire the properites in exchange for public company shares.

22. On or about March, 2006, WESTERN STATES provided several reports on the Property which claimed it had strong economic prospects with an estimated 40 million barrels of oil ("BO") with 4 million BO recoverable and the prospect of increasing reserves by up to 50%. Cross-Defendant ALIET-GASS, on or about March 16, 2006, sent a communication to TEARLACH respecting the Property claiming variously, that:

a. WESTERN STATES had spent "a considerable amount of money" on the Property (ALIET-GASS March 16, 2006 e-mail);

b. WESTERN STATES knew "everything there was to know" about the Property (ALIET-GASS March 16, 2006 email);

c. The Property had produced 70-80 BOPD from 9-10 wells;

d. There was 4000 BO in tanks on the Property;

e. The Property contained 30+ million BO of proven reserves;

f. The historical infrastructure and development cost on the Property was about U.S. $21.6 million

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23. If the above representations had been true, the Property would have been worth from US $10 to $60 million, as WESTERN STATES claimed.

24. Cross-Defendant WESTERN STATES and its representatives also claimed they had access to certain proprietary oil and gas recovery technology which could significantly enhance production on the Property, and had significant experience and technical expertise in the development and operation of oil and gas properties such as the Property.

25. In addition, in order to induce TEARLACH to enter into an agreement, Cross-Defendant WESTERN STATES prepared and delivered a number of documents and made a number of other representations respecting the Property. One example was an email from Erik Davtian, Vice President of WESTERN STATES, referencing a number of documents which had been prepared by WESTERN STATES and placed on a web-accessible "file transfer protocol" or "ftp" website, including a cash flow statement and accompanying notes. These documents claimed, among other things, that WESTERN STATES had produced an average of 6 barrels of oil per day ("BOPD") from each of 10 wells on the Property, with an average lifting cost of $9.00 per barrel of oil ("BO") and an average administration/management cost of $2.00 per BO. These statements also showed that, if TEARLACH acquired the Property, it would be receiving revenue from production in the first quarter ending June 30, 2006 and would be in net positive cash flow the next quarter.

26. As a result of these and other inducements and representations, TEARLACH entered into an agreement, dated for reference April 21, 2006, among TEARLACH, as purchaser, WESTERN STATES, GAS AND OIL TECHNOLOGIES as vendors (the "Vendors") and certain direct or indirect principal shareholders of WESTERN STATES and GAS AND OIL TECHNOLOGIES as covenanters (the "Shareholders") which provided for the purchase and sale of a 60% working interest in the Property in exchange for the issuance, by TEARLACH, of 7,500,000 common shares

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of TEARLACH and a royalty on the Property convertible into up to 30,000,000 additional common shares on and subject to the conditions set out in the agreement including approval of the TSX-V.

27. Subsequent to entering into the agreement, the parties began to discuss expenditures which would be required on the Property to place it into production. Since TSX-V rules did not permit TEARLACH to expend any significant funds on the Property prior to TSX-V approval and closing, GAS AND OIL TECHNOLOGIES offered to fund TEARLACH's share of expenses after the April 21, 2006 reference date but prior to closing which would be repaid from its share of production revenues or, if the transaction did not close, would be absorbed by GAS AND OIL TECHNOLOGIES on its own account. A total of US $300,000 was advanced by GAS AND OIL TECHNOLOGIES and returned to WESTERN STATES in three separate installments on May 9, June 14 and July 28, 2006.

28. After various communications with the TSX-V, it became apparent that certain changes to the Agreement would be required in order to obtain TSX-V acceptance. Accordingly, the parties agreed to amend the agreement and entered into an amended and restated agreement as of May 30, 2006.

29. One of the items required for TSX-V approval was an independent technical evaluation and report on the Property complying with Canadian Securities Administrator's National Instrument 51-101 ("NI 51-101"). TEARLACH engaged Petrotech Engineering Ltd. (John Yu) to prepare this report and requested WESTERN STATES provide it with well data and other information. MALCOLM FRASER sent an e-mail to SMUSKEVIETCH dated May 31, 2006 requesting this information, with a subsequent request by CHUCK ROSS to provide additional information. In response, SMUSKEVIETCH sent an e-mail to MALCOLM FRASER dated June 15, 2006, setting out production data for 10 wells on the Property. This information, together with other information

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provided by WESTERN STATES, was used by Petrotech (John Yu) in preparing their report (the "Report").

30. The Report valued TEARLACH's 60% share of the proved oil and gas reserves on the Property, assuming production of 63 BOPD from 10 wells at a cost of U.S. $13.42 per BO (including lifting costs, management and other variable costs) of US $3,256,000. Mr. Yu advised that the actual commercial value of the Property was likely significantly higher, but that, because of TSX-V and NI 51-101 requirements, his Report was limited to valuing only oil and gas accumulations that met the NI 51-101 requirements for "proved"' reserves.

31. After further discussions with the TSX-V, the Agreement was amended on or about November 14, 2006 and the parties entered into a further amended and restated agreement, to replace the amended agreement, which is the final form of agreement that governed TEARLACH's purchase of the Property (the "Agreement").

32. Under the Agreement, TEARLACH agreed to purchase and the Vendors agreed to sell, free and clear of all liens, a 60% working interest in the Property and certain other related assets (together, the "Purchased Assets"), all as set out in the Agreement, including:

a. The following oil and gas leases comprising the Property

i. Snow Lease;

ii. Mitchel Lease;

iii. Witmer B West Lease;

iv. Witmer A Lease;

v. Sentinel A Lease;

vi. Witmer B East Lease;

vii. Sentinel B Lease; and

viii. Judkins Lease;

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b. 5,000 barrels of saleable crude oil stored in on-site tanks;

c. Wells, equipment and physical assets on the leases.

33. The Agreement contained a number of representations, warranties and covenants of the Vendors and Shareholders effective as at the time of completion of the purchase and sale ("Closing") on the closing date, including the following:

a. they have provided a complete written list of all Purchased Assets and rights (together with a complete description of any material limitations, rights of third parties, restrictions on use or ownership by the Vendors, or encumbrances on such rights);

b. the Vendors are the absolute and beneficial owners of and have the right to dispose of and to give good and marketable title to the Purchased Assets, free and clear of all Liens, charges and encumbrances whatsoever; and

c. none of the Vendors is a party to or threatened with any litigation action, suit or proceeding in any court or before any administrative tribunal which affects or may affect the Purchased Assets or the Vendors' ability to duly complete the transactions contemplated herein nor, to the knowledge of the Vendors or the Shareholders after due inquiry, is any such action, suit or proceeding pending or threatened nor is there any basis therefore; and

d. There are no agreements by the Vendors or their subsidiaries with third parties which entitle such persons to use or in any manner obtain any benefit from the Purchased Assets.

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34. TEARLACH filed the Agreement, the Report and supporting documents with the TSX-V in order to obtain their acceptance for the transaction.

35. The TSX-V provided a number of comments including that the amount of share consideration contemplated by the Agreement was less than the reserve valuation set out in the Report.

36. In order to address this deficiency, WESTERN STATES and GAS AND OIL TECHNOLOGIES agreed that, instead of requiring TEARLACH to repay the US $300,000 that GAS AND OIL TECHNOLOGIES had advanced as its share of pre-closing development costs from future production revenue, the amount would be absorbed by WESTERN STATES as part of the transaction and GAS AND OIL TECHNOLOGIES would instead receive some of the special warrant consideration WESTERN STATES would otherwise be entitled to receive under the Agreement.

37. TEARLACH and GAS AND OIL TECHNOLOGIES also agreed, on or about September 20, 2006, that GAS AND OIL TECHNOLOGIES would prepare and deliver an authorization for expenditure ("AFE") for each proposed expenditure on the Property and, once approved, would then cover TEARLACH's share of such expenditures under the foregoing arrangement. TEARLACH also provided a form of AFE to assist GAS AND OIL TECHNOLOGIES, but no AFE's were ever actually prepared or delivered with respect to any proposed or actual work done on the Property, in spite of numerous requests for same.

38. TEARLACH and GAS AND OIL TECHNOLOGIES subsequently agreed, on or about January 24, 2007, that the Advance Payment Agreement and TEARLACH's obligation to repay the U.S. $300,000 advanced by GAS AND OIL TECHNOLOGIES thereunder had been extinguished as of November 14, 2006.

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39. The Agreement also provided that TEARLACH's obligations would be subject to "successful completion on or before Closing of one or more private placements of common shares or other securities of TEARLACH with minimum net proceeds of US $1,000,000, at a price of $1.00 per common share or at such other price and on such terms as the Vendors and the Directors of TEARLACH may agree to and as may be acceptable to the TSX-V (the "Financing")". The Agreement provided further that "the Vendors and Shareholders shall use reasonable commercial efforts to assist TEARLACH in the completion of the Financing."

40. Prior to the Closing, WESTERN STATES advised Cross-complainants that they did not want TEARLACH to raise these funds at this price because it would create unacceptable dilution for WESTERN STATES. They represented that the Property would be in net positive cash flow shortly, and there would be more than sufficient funds available from production on Property and from other sources of funding that WESTERN STATES would bring to TEARLACH so that the Financing would not be necessary. Instead, WESTERN STATES offered to fund all of TEARLACH's share of development costs on the Property, which would be repaid from TEARLACH's share of future production from the Property.

41. In late October, 2006, ALIET-GASS and SMUSKEVIETCH became dissatisfied with the transaction and threatened to terminate the transaction unless they could get 3,000,000 more TEARLACH shares personally. In response, TEARLACH arranged for ALIET-GASS and SMUSKEVIETCH to purchase an additional 3,000,000 TEARLACH shares on very favorable terms from private TEARLACH shareholders, after which ALIET-GASS and SMUSKEVIETCH agreed to proceed with the transaction.

42. In late November, 2006 the parties completed a closing in escrow in anticipation of TSX-V approval, and WESTERN STATES and GAS AND OIL TECHNOLOGIES, among other things, delivered a closing certificate and warranty dated November 27, 2006, containing various provisions

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including a certification that the representations and warranties made by them in the Agreement were "true and correct in all respects at and as the Closing." TSX-V approval was finally granted on December 5, 2006.

43. Closing of the purchase and sale of the Purchased Assets and Property (the "Closing") took place on or about December 13, 2006. At the Closing, WESTERN STATES and GAS AND OIL TECHNOLOGIES delivered, among other things:

a. A closing warranty and certificate in the same form as the Nov 27, 2006 certificate;

b. Transfers of each of the Federal leases included in the Property to TEARLACH's California subsidiary, TEARLACH RESOURCES (CALIFORNIA) LTD. ("TEARLACH CALIFORNIA");

c. An assignment and Bill of Sale for all of the Property, in favor of TEARLACH CALIFORNIA which included a number of additional representations and warranties including that all of the leases comprising the property were 100% owned by WESTERN STATES and GAS AND OIL TECHNOLOGIES (section 5(a)), were in "good standing and effect", that there were no "defaults or asserted defaults" thereunder (section 5(e) and that there was no "legal or administrative proceeding threatened or pending" against WESTERN STATES or the Property (section 5(h); and

d. A declaration of trust, granted by WESTERN STATES in favor of TEARLACH CALIFORNIA with respect to the Property.

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44. In consideration for the Property and Purchased Assets, TEARLACH agreed to issue 7,500,000 common shares of TEARLACH at a deemed price of $0.50 per share (the "Vend-In Shares") and 30,000,000 pre-paid convertible special warrants each of which will entitle the holder to acquire on conversion one additional common share of TEARLACH, at no additional cost, (the "Special Warrants"), with total deemed value of $18,750,000 (the "Share Consideration").

45. The closing price of TEARLACH's common shares at Closing on December 12, 2006 was $0.48 per share.

46. At the Closing, TEARLACH, WESTERN STATES and GAS AND OIL TECHNOLOGIES also signed an agreement to adopt an operating agreement designating GAS AND OIL TECHNOLOGIES as operator of the Property "substantially in the form attached hereto," but no form of agreement was attached or signed at that time.

47. Shortly after Closing, TEARLACH noted some minor discrepancies in WESTERN STATES's statement of the size of leases comprising the Property and, on or about December 27, 2006, asked MORINAKA for clarification.

48. On or about January 8, 2007, TEARLACH requested that ALIET-GASS provide an update on the status of the various agreements with TEARLACH and provide accounting and land file information for the Property. No information was provided, nor was any reason given for the failure to do so at that time, or since then.

49. In the second or third week of January, 2007, TEARLACH discovered that the United States Bureau of Land Management ("BLM") had cancelled the Witmer B East and Sentinel B leases sometime prior to July 14, 2006. Numerous representations were made by ALIET-GASS and SMUSKEVIETCH following discovery of the BLM cancellation, to the effect that the BLM was in

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error and that WESTERN STATES and/or GAS AND OIL TECHNOLOGIES were taking corrective measures by way of appeal to reacquire the area (201.28 acres).

50. On or about March 21, 2007, TEARLACH, WESTERN STATES and GAS AND OIL TECHNOLOGIES entered into an agreement appointing GAS AND OIL TECHNOLOGIES operator of the Property, and adopting the CAPL operating procedures and accounting standards (the "CAPL Agreement"), a copy of which is attached to the Plaintiffs' first amended complaint in this action.

51. Under the various sections of the CAPL Agreement, the operator is required, among other things, to:

a. Consult with TEARLACH with respect to decisions to be made from the exploration, development and operation of the Property (Article 301(a));

b. Conduct all joint operations 'diligently, in a good and workmanlike manner, in accordance with good oilfield practice" (Article 304);

c. Keep and maintain "true and correct books, records and account" (Article 305);

d. Comply with the terms and conditions of all title documents including the payment of rentals, encumbrances and the "performance of all things necessary to maintain the title documents in good standing and in full force and effect" (Article 309);

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e. Initially advance and pay all costs and expenses incurred for the joint account (Article 502);

f. Submit an "authority for expenditure" or AFE for each proposed joint operation on the Property (Articles 701, 503(a) and 301);

g. Refrain from making or committing to any expenditures over $25,000 for any single operation without an approved AFE from TEARLACH, other than events endangering life or property or resulting in prosecution (Article 301(b);

h. Acquire and maintain for the joint account all necessary surface rights (Article 308);

i. Keep the property free from liens and encumbrances (Article 306);

j. Cause all accounts of contractors and claims for wages and salaries for services rendered or materials supplied to be paid as and when they become due (Article 306);

k. Provide on or before the 25th day of each month a statement showing production, inventories, sales and deliveries in kind to the parties of petroleum substances (Article 310);

l. Upon request by TEARLACH, provide a copy of each report filed with any governmental agency (Article 504);

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m. Provide, at TEARLACH's request, a written forecast outlining all operations proposed to be conducted for a forecast period of not less than 3 months and not more than 12 months together with estimated costs (Article 504);

52. GAS AND OIL TECHNOLOGIES has been in material breach of some or all of the foregoing provisions since shortly after adoption of the CAPL Agreement and continues to be in material breach of some or all of such requirements.

53. Cross-complainants have performed all of the conditions, covenants, and promises required to be performed in accordance with the terms and conditions of the above contracts.

54. Cross-complainants have been damaged as a result of the breaches of the foregoing agreements by the Cross-Defendants, in a sum in excess of many millions of dollars, according to proof. These damages include funds advanced for the benefit of the Cross-Defendants, attorneys' fees, lost revenue, and other sums attributable to the actions of the Cross-Defendants as alleged throughout this Complaint.

SECOND CAUSE OF ACTION

FOR BREACH OF IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING

(BY CROSS-COMPLAINANTS AGAINST ALL CROSS-DEFENDANTS, AND ROES 1 THROUGH 100)

55. Cross-complainants hereby reallege and incorporate by reference Paragraphs 1 through 54, inclusive, of this Cross-complaint as though set forth in full.

56. In every contract there is an implied covenant of good faith and fair dealing. Cross-Defendants, and each of them, have breached this covenant in that they specifically agreed to abide by their agreements, including but not limited to the terms and conditions of the various agreements detailed in the first cause of action of this Cross-complaint.

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57. Cross-Defendants, and each of them, have further breached this covenant by misusing and misappropriating funds and resources provided to them by Cross-complainants.

58. From before the date of the signing of the agreements described in the First Cause of Action until the present, the Cross-Defendants committed various acts and omissions constituting breaches of their implied covenants of good faith and fair dealing.

59. Among other things, Cross-Defendants made false and fraudulent representations concerning the agreements detailed in the first cause of action and other agreements mentioned above, they have misappropriated and misused funds, and have failed and refused to pay and repay those amounts owed to Cross-complainants, as described herein.

60. Cross-complainants have been damaged as a result of the breach of the implied covenant of good faith and fair dealing by Cross-Defendants in a sum in excess of many millions of dollars, according to proof.

THIRD CAUSE OF ACTION

FOR FRAUD

(AGAINST ALL CROSS-DEFENDANTS)

61. Cross-complainants and incorporate by reference every allegation contained in paragraphs 1 through 60 of this Cross-Complaint as though fully set forth at length herein.

62. On or about June 10, 1007, TEARLACH was advised of the existence of a lawsuit against WESTERN STATES and certain related parties in which TEARLACH was named which was represented by Alex Gendelman (the "*Gendelman Lawsuit*").

63. The plaintiffs in the action referenced in the preceding paragraph, entitled *United Pacific Energy Operations and Consulting, Inc., And Paul Giller vs. Gas And Oil Technologies, Inc., et al,* (United States District Court, Central District of California, (Case No.: CV 07-04436 CJC) claimed, among other things, that OIL & GAS TECHNOLOGIES, operating under the name, United Pacific

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Energy Corp. ("UPEC") entered into an agreement with a Mr. Gendlman's wife, Tatiana Grukhina whereby Gruhkina made an investment of U.S. $500,000 in UPEC and agreed to provide certain services including supervision and overseeing oil field development and production on the Property in consideration for certain payments, which were never made.

64. TEARLACH was unaware of any agreement between Gruhkina and OIL & GAS TECHNOLOGIES or WESTERN STATES prior to learning of same through this lawsuit, and WESTERN STATES did not disclose the existence of same at or prior to the Closing;

64. As a result, TEARLACH was required to engage counsel to defend against the *Gendelman Lawsuit* and incurred other costs and expenses, all of which were occasioned by the actions of WESTERN STATES and its principals, the Cross-Defendants herein.

65. TEARLACH also discovered that GAS AND OIL TECHNOLOGIES, ALIET-GASS and MORINAKA had previously been subject to proceedings by the United States Securities and Exchange Commission (the "SEC") arising from preparation of misleading disclosure documents resulting in various sanctions, including cease and desist orders against each of GAS AND OIL TECHNOLOGIES, ALIET-GASS and MORINAKA and termination of MORINAKA's right to appear or practice as an accountant before the SEC.

66. On or about June or August, 2007, WESTERN STATES advised TEARLACH that they had lost their appeal to re-acquire the Witmer B East and Sentinel B leases.

67. On or about August 20, 2008, a the United States Bureau of Land Management (BLM) notice was filed confirming cancellation of the Snow lease.

68. In September, 2007, BLM put the Witmer B East and Sentinel B leases up for auction. ALIET-GASS advised Chuck Ross of TEARLACH that she intended to bid on the leases, and requested that TEARLACH contribute to the cost. Chuck Ross replied that it was clearly WESTERN STATES's responsibility to re-purchase the leases, and not TEARLACH's, and stated

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further that, while he might be able to help find a third party investor to fund the bid for these leases, TEARLACH had already paid for these leases and it would not and could not pay to purchase a property it had already paid for.

69. On or about September 20, 2007, TEARLACH's consulting engineer, John Yu traveled to California at TEARLACH's request to visit the Property and WESTERN STATES's operations prior to discussing possible investment by third parties.

70. Cross-complainants are informed and believe and thereon allege that, during John Yu's visit, WESTERN STATES and the other cross-defendants gave John Yu well data for the period from December 2006 to June 2007, but no meaningful accounting data.

71. Cross-complainants are further informed and believe and thereon allege that, when John Yu investigated further, he found that WESTERN STATES was not maintaining accounting records and procedures and he provided certain assistance in setting up proper oil and gas accounting records to Merry Tunga, Executive Assistant to the CEO of WESTERN STATES, who was the WESTERN STATES employee who was responsible for bookkeeping.

72. Cross-complainants are further informed and believe and thereon allege that Kiki Smith of TEARLACH had been trying to get accounting information from WESTERN STATES and the other cross-defendants, including ALIET-GASS and MORINAKA for some months prior and after this time and experienced considerable difficulty and delay in getting such information. WESTERN STATES eventually provided this accounting information to Ms. Smith, which she then compiled and provided to Mr. Yu.

73. After receiving the compiled WESTERN STATES accounting information, on or about September 24, 2007, Mr. Yu advised that, based on his calculations, WESTERN STATES's production costs were the equivalent of U.S. $179.20 per BO produced and $169.44 per BO sold—

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prices significantly higher than the historical high price for oil—concluding "This field is definitely uneconomical."

74. On or about September 25, 2007, after further enquiry by Len Guenther, TEARLACH's corporate secretary, Mr. Yu advised that it would be necessary to conduct a steam flood program on the Property, which would require an experienced operator and a reservoir study.

75. The production data provided by WESTERN STATES was significantly divergent from the production represented by WESTERN STATES prior to closing. The production data provided by WESTERN STATES as of June 12, 2006, which Mr. Yu had relied on in preparing his initial report, claimed an average daily production of 89 BOPD from 10 wells. The actual well data provided for December 2006 to June 2007 showed production from seven (7) wells, only two of which were among the ten previously identified, with total production of 2,065 BO and sales of 2,184 BO for an average of 9.74 BOPD. The water cut (being the percentage of water in the crude oil extracted from underground), rather than declining, as was represented in the initial June 12, 2006 WESTERN STATES report, had also increased from 99.04 % to 99.51%.

76. On or about September 27, 2007, ALIET-GASS advised Chuck Ross of TEARLACH that she was negotiating a $38 million dollar financing, but she needed TEARLACH's help in raising $500,000 to repurchase the Witmer B East and Sentinel B leases that WESTERN STATES had lost.

77. In the course of preparing for TEARLACH's 2007 audit, TEARLACH was advised by the TEARLACH auditor and John Yu that because the operating results on the Property had proven the property to be non-economic, TEARLACH's declared reserves for the Property would have to be downgraded from "proven" to "unproven" and the entire amount booked by TEARLACH for oil and gas reserves on the Property on its financial statements would have to be written down. Also, TEARLACH's auditor advised TEARLACH that because it now knew there was substantial concern over ownership of a portion of the Property, TEARLACH would be required, in any event, to record

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a substantial financial impairment against the Property. As a result, TEARLACH wrote down the amount recorded in its financial statements for the Property by $5,983,145 to $650,000.

78. Also, in conjunction with preparation of the 2007 Audit, TEARLACH asked for and received a written acknowledgement from WESTERN STATES as to the amount of expenditures on and production from the Property and TEARLACH's share of same. The acknowledgement also provides that the amount owing by TEARLACH will be payable from TEARLACH's share of future production revenue from the Property (section 4).

79. On or about December 20, 2007, TEARLACH's Canadian corporate legal counsel received a phone call from a person who identified himself as Nile Kinney, attorney for the Judkins family, who advised they had an ongoing dispute with WESTERN STATES which was or would soon be the subject of litigation and he would be providing a "courtesy copy" of the pleadings in due course. This was the first time TEARLACH had been advised of this dispute.

80. In early January, 2008, TEARLACH directors CHUCK ROSS and MALCOLM FRASER, along with their Canadian corporate legal counsel, met with ALIET-GASS, SMUSKEVIETCH and certain other individuals in California to discuss the Property and related concerns. ALIET-GASS and SMUSKEVIETCH advised TEARLACH, among other things, that WESTERN STATES, ALIET-GASS and SMUSKEVIETCH were being sued by various parties, and were being threatened with additional lawsuits by other parties. They stated that WESTERN STATES, ALIET-GASS and SMUSKEVIETCH were out of funds, and consequently WESTERN STATES and GAS AND OIL TECHNOLOGIES could not pay necessary expenses on the Property.

81. WESTERN STATES, ALIET-GASS and SMUSKEVIETCH agreed with TEARLACH that, due in large part to the existence of the lawsuits and other issues affecting the Property, TEARLACH was not in a position to raise funds for the Property and, since WESTERN STATES, not TEARLACH, held all of the bonds required to operate the Property, TEARLACH was not in a

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position to assume operatorship of the Property either. The parties collectively agreed that the best course of action would be to complete a reserve report on the Property and find a third party to fund operations on the Property in exchange for a joint venture interest.

82. ALIET-GASS also told TEARLACH that there were a number of urgent unpaid bills that would have to be met in order to preserve the Property and to avoid further litigation. TEARLACH contacted a prospective investor who expressed interest in providing a small amount of emergency funding, provided that another party arranged by WESTERN STATES contributed equally. The parties discussed a possible solution for the immediate cash needs involving WESTERN STATES and TEARLACH principals jointly arranging for private investors to take down $250,000 of outstanding TEARLACH warrants (with half of the investors coming from each group), so TEARLACH would be in a position to advance these funds to cover urgent expenses.

83. This financing never happened. WESTERN STATES and other parties never did arrange any investors and the prospective investor TEARLACH had spoken with, who had insisted on equal participation by WESTERN STATES or persons arranged by them, do did not agree to do so either. On January 17, 2008, ALIET-GASS sent an e-mail alleging TEARLACH was in default of an agreement to "put up money" for the field and purporting to unilaterally terminate TEARLACH's 60% interest in the Property.

84. Commencing in early 2008, TEARLACH began receiving invoices for Property expenses directly from WESTERN STATES and TEARLACH began making small payments to GAS AND OIL TECHNOLOGIES/WESTERN STATES's various creditors in order to preserve the Property and TEARLACH's interest in it.

85. On or about January 27, 2008, TEARLACH received a copy of an e-mail sent from MORINAKA to ALIET-GASS, which includes a copy of a legal notice of litigation on the Judkins Lease, referenced in paragraphs 17, 32, and 79, above.

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86. In late January/ early February, 2008, TEARLACH's counsel received and reviewed a copy of a Complaint and other court documents filed by the Judkins' as against WESTERN STATES. Among other things, the Complaint included as an exhibit a letter to WESTERN STATES dated June 7, 2006 purporting to terminate the Judkins Lease effective December 17, 2003, almost three years before WESTERN STATES purported to sell a 60% interest in it to TEARLACH. This was the first time TEARLACH had seen this letter.

87. On or about March 5, 2008, TEARLACH received an e-mail from Erik Davtian, Vice-president of WESTERN STATES, apparently addressed to various WESTERN STATES shareholders, alleging numerous concerns with WESTERN STATES and ALIET-GASS business practices.

88. On or about March 14, 2008, Cross-defendant MORINAKA delivered to TEARLACH a breakdown of production on the Property for the period from Dec 13, 2006 to Sept 30, 2007.

89. On or about March 18, 2008, TEARLACH was advised that WESTERN STATES had not paid a lease payment in the amount of $420 for Witmer A. Witmer B West and Sentinal A leases which was due on March 1, 2008, resulting in automatic termination of the lease.

90. On or about March 31, 2008, the Superior Court of The State of California for the County of Kern – Metropolitan North Central District decided against WESTERN STATES in the Judkins Action, effectively confirming prior termination of their entire interest in the Judkins Lease. Among other things the Court ordered that:

(a) WESTERN STATES had been given notice of termination of the Judkins lease on June 7, 2006;

(b) The Lease was effectively terminated on December 7, 2003;

(c) A lease filed by MORINAKA on behalf of WESTERN STATES on or about January 26, 2006 was not an effective lease.

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(d) WESTERN STATES's cross complaint was dismissed.

91. On or about March 31, 2008, TEARLACH obtained a reservoir study on the Property from Petrotech Engineering Ltd. The study recommended completion of pilot steam flood projects on the Property at a cost of about U.S. $6 Million.

92. On or about mid April, 2008, MORINAKA admitted to TEARLACH that the payments had not been made under the Howard surface lease, for about three years, (an amount of about $30,000) thereby adversely affecting all or a portion of the Witmer A, Witmer B West and Sentinal A Leases.

93. On or about May 14, 2008, Michael Ledbetter confirmed he was preparing and filing regulatory reports on the Property, but that there was an "8 month backlog mess" he was trying to clean up. Michael Ledbetter advised TEARLACH he was not able to adequately prepare and file reports because of his other responsibilities as a student and suggested that MORINAKA do the reports.

94. On or about May 15, 2008, MORINAKA advised he would not prepare any reports because he was not being paid by WESTERN STATES.

95. On or about May 22, 2008, ALIET-GASS wrote to CHUCK ROSS of TEARLACH citing various complaints and requesting, among other things, that TEARLACH take legal action in the Judkins litigation, which, at this point, had already been decided. TEARLACH and CHUCK ROSS responded citing a number of the issues and defects affecting the Property and the ability to deal with it. ALIET-GASS responded by thanking CHUCK ROSS for his response, but gave no explanation for any of WESTERN STATES's actions or failures to act.

96. On or about May 30, 2008, TEARLACH received an e-mail from ALIET-GASS airing various complaints, including that TEARLACH was not taking legal action to recover the Judkins Lease and asking for help raising money or seeking a joint venture partner. TEARLACH responded

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by e-mail on or about June 4, 2008, again pointing out numerous defects in title and reporting which needed to be corrected, including recovery of the Witmer/Sentinel leases.

97. An e-mail from ALIET-GASS dated May 30, 2008 was given in response to an earlier e-mail from Len Guenther wherein she admitted that the BLM would no longer accept WESTERN STATES checks because the U.S. $500,000 check she had written to pay for WESTERN STATES's bid to repurchase the Witmer B East and Sentinel B leases had been refused by WESTERN STATES's bank for insufficient funds.

98. On or about June 10, 2008, TEARLALCH received a letter from the law firm of Clifford Brown (Daniel T. Clifford, Esq.) who identified himself as legal counsel for Weatherford Artificial Lift Systems. He advised that GAS AND OIL TECHNOLOGIES had not paid his client (Weatherford) for pump rentals on the Judkins lease and that they would have to take legal action to recover if they were not successful.

99. Subsequently, Weatherford commenced legal action (the "*Weatherford* action") against GAS AND OIL TECHNOLOGIES for breach of written contract, open book account, account stated, and as against both GAS AND OIL TECHNOLOGIES and TEARLACH for foreclosure of an oil and gas lease and recovery of possession of personal property (Kern County Superior Court case number S-1500-CV-264931, DRL, related to this action). GAS AND OIL TECHNOLOGIES subsequently responded by filing a cross-complaint against TEARLACH claiming, among other things, that it is liable for breach of contract with Weatherford, even though Weatherford itself made no such claim.

100. As a result, TEARLACH was required to engage counsel to defend against the *Weatherford* action and incurred other costs and expenses, all of which were occasioned by the actions of WESTERN STATES and its principals.

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101. On or about June 24, 2008, TEARLACH obtained a copy of WESTERN STATES's production reports to the California Department of Oil Gas and Geothermal Resources ("DOGGR"). The reports showed WESTERN STATES had not reported any production since April 30, 2007, and had reported production during the first 4 months of 2007 of only 1,043 BO from the Judkins Lease and 43 BO from the Mitchel Lease. During 2006, it showed production of only 319 BO from Judkins and 25 BO from Mitchell. These amounts are substantially lower that the 60+BOPD claimed by WESTERN STATES both prior to execution of the Agreement and again prior to Closing. They are also substantially lower than the amount of production reported to TEARLACH by WESTERN STATES.

102. A letter dated July 24, 2008 was sent from TEARLACH to WESTERN STATES citing numerous concerns and defects in the surface lease agreements affecting the Property, along with numerous prior requests for clarification, which had gone unanswered and remain so.

103. On or about July 22, 2008, TEARLACH was informed that the Witmer A, Witmer B West and Sentinal A leases had been reinstated in the name of WESTERN STATES.

104. As a result of the loss and reinstatement of Witmer A, Witmer B West and Sentinal A leases, the royalty rates increased automatically from 12.5.% to 16.66%, resulting an average projected revenue loss U.S. $400,000. In addition, the loss of the property caused a delay of 3 to 4 months during the period where it was most critical to either raise money or secure a joint venture for the Property. This delay contributed in part to TEARLACH being unable to deal with the Property until after the price of oil had significantly declined from U.S. $101 BO on March 31, 2008 to around U.S. $56 BO in July 2008, causing a significant loss of opportunity and further damage to TEARLACH.

105. On or about September 29, 2008, TEARLACH received an independent third party offer to purchase 100% of the Property, including WESTERN STATES's share, for US $2,000,000,

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a copy of which is attached as Exhibit "XX". Attached as Exhibit "XX-1" is a copy of an e-mail from our legal counsel to counsel for WESTERN STATES and ALIET-GASS advising them of the existence of this offer together with his response rejecting same.

106. On or about October, 2008, TEARLACH was informed by its California land consultant, Fred Rapplay, that the *Judkins* lease had been sold to a third party about a month earlier.

107. On or about November 10, 2008, TEARLACH received a letter from its California litigation counsel, enclosing a letter from LeBeau Thelen, counsel for the Judkins family, confirming, among other things, that they were in possession of a judgment respecting the Judkins lease in favor of their clients and confirming that their clients had entered into a new lease with parties who had already taken possession. A copy of that letter is attached as Exhibit "YY"

108. None of WESTERN STATES, GAS AND OIL TECHNOLOGIES, SMUSKEVIETCH, ALIET-GASS, MORINAKA or any other party connected with Western States disclosed any concerns with respect to any encumbrances, disputes or defects in title in the Property or with any other deficiencies in or affecting the Purchased Assets in spite of the prior notice of termination of the Judkins Lease and the cancellation of the Witmer B East and Sentinal B leases at or prior to Closing and the subsequent cancellation of the Snow lease until discovered subsequently by TEARLACH.

109. Cross-defendants WESTERN STATES, GAS AND OIL TECHNOLOGIES, SMUSKEVIETCH, ALIET-GASS and MORINAKA deliberately and fraudulently:

a. Misled TEARLACH to believe WESTERN STATES had wells in production on the Property when they did not;

b. Purported to cause WESTERN STATES and GAS AND OIL TECHNOLOGIES to sell an interest in three leases – Judkins, Witmer B East and Sentinal B – which they knew they did not then own;

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c. Grossly overstated oil production from the Property;

d. Grossly understated lifting costs and management costs on the Property;

e. Concealed the fact that WESTERN STATES had received formal notice of termination on the Judkins lease and had received formal notice of cancellation of the Witmer B East and Sentinal B leases prior to Closing;

f. Concealed the fact that WESTERN STATES did not have proper surface rights or access agreements on the Property sufficient to authorize the work required to be done thereon;

g. Concealed the fact that the agreements WESTERN STATES did have were all ready in default due to serious arrears in payments;

h. Concealed the fact that they were not were not able to produce oil from the Property on an economic basis using the methods they were employing;

i. Concealed the fact that they had not met the requirements for maintaining the Snow lease and were in danger of losing the lease, until after it had already been lost;

j. Withheld accurate accounting and production information from TEARLACH, in spite of repeated requests, in order to prevent or delay TEARLACH in its attempts to discover the true state of affairs with respect to the Property;

k. Misrepresented their level of skill and experience in operating oil fields like the Property or at all.

110. The Cross-Defendants, in acting as alleged in this cause of action, committed fraud and material misrepresentation.

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111. The actions of the Cross-Defendants, including the statements made by Cross-Defendants to Cross-complainants and others to induce Cross-complainants to continue to expend time and resources, as described herein, were false, and Cross-Defendants knew, or should have known, them to be false when made. The statements were false, in that Cross-Defendants did not intend to abide by their agreements and compensate Cross-complainants as represented. To the contrary, Cross-Defendants, and each of them, planned to disregard their contractual obligation and engage in continuing misrepresentations to the Cross-complainants as described in this cause of action.

112. Cross-complainants, at the time said representations were made by Cross-defendants, were ignorant of their falsity, but believed them to be true.

113. By reason of said misrepresentations and fraudulent concealment as alleged herein, Cross-complainants have been damaged in an amount presently unascertained, but within the jurisdiction of this Court. Cross-complainants will seek leave of this Court to amend this Cross-Complaint when the sum has been ascertained.

114. In doing the acts herein alleged, Cross-Defendants' conduct was willful and intentional, and done in reckless disregard of the possible results. Cross-Defendants' conduct evidenced a conscious disregard of the Cross-complainants' rights, and exhibited a particularly malicious intent in light of the Cross-Defendants' knowledge of Cross-complainants' activities and efforts. By reason thereof, Cross-complainants are entitled to exemplary and punitive damages against Cross-Defendants, and each of them.

FOURTH CAUSE OF ACTION

FOR NEGLIGENCE AND NEGLIGENT MISREPRESENTATION

(BY CROSS-COMPLAINANTS AGAINST ALL CROSS-DEFENDANTS)

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115. Cross-complainants hereby reallege and incorporate by reference Paragraphs 1 through 114, inclusive, of this Complaint as though set forth in full.

116. At all times herein mentioned, the named Cross-Defendants were the agents, employees, and/or legal representatives of the Cross-Defendant companies and entities with which they were associated, and were authorized to make statements and representations as alleged herein, concerning the subject transactions.

117. GAS AND OIL TECHNOLOGIES and WESTERN STATES engaged in gross mismanagement of the Property, as evidenced by, among other things:

a. Failing to prepare and deliver accounting and production reports;

b. Failing to consult with TEARLACH prior to commencing operations on the Property;

c. Failing to prepare and deliver any AFE's for proposed or completed work on the Property;

d. Failing to file required reports with government authorities;

e. Failing to achieve economic production;

f. Failing to maintain good title to the Property;

g. Failing to obtain surface rights and access agreements that permitted the type of operations carried on by them on the Property and failing to maintain such agreements;

h. Failing to keep equipment in proper repair;

i. Failing to advise TEARLACH of pending difficulties, including potential loss of leases due to non-payment or other action or inaction by them;

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j. Failing to make government rental payments including, in particular, a $420 payment that resulted in the termination of an important lease which, but for corrective action taken by TEARLACH and it staff, would have been lost permanently;

k. Failure to pay operating expenses as and when due;

l. Conducting themselves in a manner so as to attract litigation affecting, not only Western States and its principals, but the Property and TEARLACH and its principals also;

m. Selecting production methods they knew or ought to have know would be uneconomic for the type of hydrocarbons and oil bearing formations located on the Property;

n. Continuing to focus substantially all of the efforts and expenditures on the Property on the Judkins lease even after receiving formal notice of termination, resulting in a complete loss of the work, effort and expenditures, including TEARLACH's share thereof, and continuing to do so (and attempting to coerce TEARLACH to contribute to the cost of such efforts) even after final judgment confirming effectiveness of that termination had been granted.

118. When Cross-Defendants made said representations, they had no sufficient or reasonable grounds for believing that the representations were true, in that they had information or data concerning the subject matter of the representations and were well aware that they were planning to behave in the manner that they did, and their representations of loyalty and honesty were absolutely false.

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119. Cross-complainants, at the time the said representations were made by Cross-Defendants, were ignorant of their falsity, but believed them to be true. In reliance thereon, Cross-complainants were induced to and did transact business with the Cross-Defendants and perform as described herein.

120. By reason of said misrepresentations and concealment as alleged herein, Cross-complainants have been damaged in an amount presently unascertained, but within the jurisdiction of this Court. Cross-complainants will seek leave of this Court to amend this Cross-Complaint when the sum has been ascertained.

FIFTH CAUSE OF ACTION

FOR DECLARATORY RELIEF

(AGAINST ALL CROSS-DEFENDANTS)

121. Cross-complainants incorporate Paragraphs 1 through 120, inclusive of this Cross-Complaint as through set forth in full herein.

122. An actual controversy has arisen and now exists between the Cross-complainants and Cross-Defendants concerning their respective rights in and concerning the rights in connection with the contracts, leases, and the assets which are the subject of this litigation, as well as concerning the legal status of the parties and their positions in connection with the oil and gas properties. In addition, an actual controversy has arisen and now exists between the Cross-complainants and Cross-Defendants concerning rights in connection with various assets, and the obligation to make payments to the Cross-complainants, as detailed herein, including but not limited to remuneration, attorneys' fees, and expense reimbursements.

123. A judicial determination is necessary and appropriate at this time under the circumstances in order that Cross-complainants may establish their rights and status and obligations.

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Because of the unique nature of this dispute, and the methods being employed by the Cross-Defendants, as described herein, Cross-complainants may have no other adequate remedy at law.

SIXTH CAUSE OF ACTION

FOR AN ACCOUNTING

(AGAINST ALL CROSS-DEFENDANTS)

124. Cross-complainants hereby incorporate by reference each and every allegation made in paragraphs 1 through 120 as though fully set forth herein.

125. California *Corporations Code* § 1601 (a) provides: "The accounting books and records and minutes of proceedings of the shareholders and the board and committees of the board of any domestic corporation, and of any foreign corporation keeping any such records in this state or having its principal executive office in this state, shall be open to inspection upon the written demand on the corporation of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a shareholder or as the holder of such voting trust certificate. The right of inspection created by this subdivision shall extend to the records of each subsidiary of a corporation subject to this subdivision."

126. Cross-complainants have never received a complete, accurate, or detailed accounting from the Cross-Defendants as to where and how their funds and corporate revenues have been spent, despite Cross-complainants' requests for them. Cross-complainants are informed and believe and thereon allege that Cross-Defendants have misrepresented their financial condition and the records concerning the oil and gas properties described herein. The sole means of ascertaining such information and documentation are within the control of the Cross-Defendants.

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127. An accounting is necessary and appropriate under the circumstances since the precise amount of money due from Cross-Defendants is unknown to Cross-complainants and cannot be ascertained without an accounting.

128. Cross-complainants have demanded a full and proper accounting. Cross-Defendants have failed and refused, and continue to fail and refuse, to render a full and proper accounting and pay Cross-complainants all amounts due.

SEVENTH CAUSE OF ACTION

FOR DECLARATION OF CONSTRUCTIVE TRUST

(AGAINST ALL CROSS-DEFENDANTS)

129. Cross-complainants hereby incorporate by reference each and every allegation made in paragraphs 1 through 120 as though fully set forth herein.

130. Cross-complainants are informed and believe and thereon allege that of the sums misappropriated, converted, and taken from Cross-complainants, as aforesaid, substantial portions thereof, in an amount in excess of the jurisdictional minimum of this Court, were paid to or on behalf of and received by the Cross-Defendants and others, presently unknown to Cross-complainants, who knew at the time of the receipt of said funds that the same were not the funds and property of the person or persons paying the same to said Cross-Defendants, but rather were the funds and property of the Cross-complainants.

131. By reason of the foregoing, Cross-Defendants and others, presently unknown to the Cross-complainants, own and hold the funds so received by them as constructive trustees for Cross-complainants.

EIGHTH CAUSE OF ACTION

FOR CONVERSION

(AGAINST ALL CROSS-DEFENDANTS)

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132. Cross-complainants hereby reallege and incorporate by reference Paragraphs 1 through 120, inclusive, of this Complaint as though set forth in full.

133. Cross-complainants were the owners of and entitled to the possession of substantial amounts of the funds on deposit in the Cross-Defendants' accounts which were maintained and supervised by the Cross-Defendants, and elsewhere.

134. The funds and property interests held by the Cross-Defendants on behalf of the Cross-complainants included those funds invested by the Cross-complainants for interests as described in this Cross-complaint, as well as income related and traceable to those investments, which were to have been held for the benefit of the Cross-complainants.

135. From time to time, and in furtherance of the wrongdoing, conspiracy, and other actions as alleged herein, the Cross-Defendants, and each of them, took funds from Cross-complainants, and converted the same to and for the use and benefit of the Cross-Defendants, and each of them. Cross-complainants are informed and believe and thereon alleges that the sums of money wrongfully converted exceeds the jurisdictional minimum of this Court, including the funds initially invested by the Cross-complainants, benefits attributable to the commercial exploitation of said funds, and accrued interest income.

136. Between the time of conversion of the above-mentioned property and the date of filing this action, Cross-complainants have expended substantial sums of money in pursuit of the funds converted by the Cross-Defendants, and each of them. Cross-complainants are unaware of the correct amount of the funds so expended, but will seek leave of Court to insert the same when ascertained.

137. In doing the acts herein alleged, Cross-Defendants' conduct was willful and intentional, and done in reckless disregard of the possible results. Cross-Defendants' conduct evidenced a conscious disregard of the Cross-complainants' rights, and exhibited a particularly

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malicious intent in light of the Cross-Defendants' knowledge of Cross-complainants' financial status, activities, and efforts. By reason thereof, Cross-complainants are entitled to exemplary and punitive damages against Cross-Defendants, and each of them.

PRAYER FOR RELIEF

WHEREFORE, Cross-complainants pray for judgment against Cross-Defendants as follows:

ON EVERY CAUSE OF ACTION, AS AGAINST ALL CROSS-DEFENDANTS:

1. That the Cross-Defendants, and each of them, be ordered to pay, jointly and severally, to Cross-complainants the following sums:

(a) The consideration paid by Cross-complainants in a sum according to proof, with interest thereon at the legal rate from the date of each investment;

(b) All sums paid by Cross-complainants to protect their investments, plus interest at the legal rate from the date of each such expenditure;

(c) Any and all sums according to proof, which will make Cross-complainants whole, plus interest thereon at the legal rate from the date of each expenditure.

2. For general and special damages in an amount according to proof at time of trial;

3. For exemplary and punitive damages in an amount subject to the discretion of this Court, but not less than an amount which will punish the Cross-Defendants for their actions and omissions to act;

4. For a judicial declaration that all amounts invested by the Cross-complainants and attributable to the exploitation of Cross-complainants' efforts are held by the Cross-Defendants as constructive trustees for Cross-complainants, and for a judicial declaration that Cross-complainants hold all right, title, and interest in stock interests which are disputed in this matter;

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5. That the Court declare improper contracts with the Cross-Defendants to have been rescinded;

6. That the Cross-Defendants, and each of them, be ordered to pay, jointly and severally, to Cross-complainant, the following sums:

(a) The consideration paid by Cross-complainants in a sum according to proof, with interest thereon at the legal rate from the date of each investment;

(b) All sums paid by Cross-complainants to protect their investments, plus interest at the legal rate from the date of each such expenditure;

(c) All amounts found owing to Cross-complainants, including but not limited to expense reimbursement, invested amounts, attorneys' fees and costs, and associated expenses;

(d) Any and all sums according to proof, which will make Cross-complainants whole, plus interest thereon at the legal rate from the date of each expenditure.

7. For costs of suit incurred herein;

8. For attorneys' fees; and;

9. For such other and further relief as the Court may deem just and proper.

DATED: December 16, 2009

LAW OFFICES OF RICHARD D. FARKAS

By: _____
RICHARD D. FARKAS,
Attorneys for Defendants
TEARLACH Resources Limited, TEARLACH Resources (California) Ltd., a California Corporation, Malcolm Fraser, an individual, and Charles Ross, an individual

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Western States International, Inc. vs. TEARLACH Resources, (California) Ltd. etc., et al.
Superior Court Case No. S-1500-CV-266707, SPC

PROOF OF SERVICE

I am a resident of the State of California, I am over the age of 18 years, and I am not a party to this lawsuit. My business address is Law Offices of Richard D. Farkas, 15300 Ventura Boulevard, Suite 504, Sherman Oaks, California 91403. On the date listed below, I served the following document(s):

MOTION TO QUASH SERVICE OF SUMMONS AND COMPLAINT OF DEFENDANTS AND CROSS-COMPLAINANTS TEARLACH RESOURCES LIMITED, TEARLACH RESOURCES (CALIFORNIA) LTD., MALCOLM FRASER, AND CHARLES E. ROSS.

_ by transmitting via facsimile the document(s) listed above to the fax number(s) set forth below on this date before 5 p.m. Our facsimile machine reported the "send" as successful.

XX by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Los Angeles, California, addressed as set forth below.
I am readily familiar with the firm's practice of collecting and processing correspondence for mailing. According to that practice, items are deposited with the United States mail on that same day with postage thereon fully prepaid. I am aware that, on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after the date of deposit for mailing stated in the affidavit.

_ by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, deposited with Federal Express Corporation on the same date set out below in the ordinary course of business; that on the date set below, I caused to be served a true copy of the attached document(s).

_ by causing personal delivery of the document(s) listed above to _____ at the address set forth below.

_ by personally delivering the document(s) listed above to the person at the address set forth below.

Edward A. Rose, Jr., Esq. 1550 Sixth Avenue San Diego, CA 92101 Fax: 760-432-6102	

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated: December __, 2009

_____
KERRI CONAWAY

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