REDMOND & NAZAR, L.L.P.
245 North Waco, Suite 402
Wichita, KS 67202
(316) 262-8361 / (316) 263-0610, facsimile

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS

IN RE:	)	
	)	
CENTRAL KANSAS CRUDE, LLC,	)	Case No. 09-13798
	)	Chapter 11
Debtor-in-Possession	)	

DISCLOSURE STATEMENT DATED OCTOBER 21, 2010

I. INTRODUCTORY STATEMENT

On November 17, 2009, the Debtor (hereinafter "Central Kansas Crude, LLC," "the Company," or the "Debtor) filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Kansas ("Court"). On October 21, 2010, the Debtor filed its Plan of Liquidation ("Plan").

Pursuant to the terms of the Bankruptcy Code, acceptance of the Plan by holders of Claims or interests may not be solicited unless, at the time of or before such solicitation, there is transmitted to the holder, a copy or summary of the Plan and a written disclosure statement approved by the Court as containing adequate information. The Debtor has prepared this Disclosure Statement to disclose that information which, in its opinion, is necessary to make an informed evaluation of the Plan. Defined terms not defined herein shall have meaning given to them in the Plan. This Disclosure Statement, including the summary of the Plan contained herein, has been presented to and approved by the Court. The Court's approval does not constitute a judgment by the Court as to the desirability of the Plan, but only that the Disclosure Statement contains information sufficient to enable a typical Creditor to make an informed judgment about the Plan.

Provided that at least one (1) Class of Impaired Claims vote in favor of the Plan, if any Class or Classes of Creditors whose Claims are Impaired fails to accept the Plan, it may still be confirmed under the "cramdown" provisions of §1129(b) of the United States Bankruptcy Code. These provisions require that the Plan be fair and equitable as to the objecting Class. As to a Class of Unsecured Creditors, this means that the Class must be paid in full before any junior Class of Claims or interests receive anything of value under the Plan. This principle is sometimes referred to as the "Absolute Priority Rule."[1] As to secured Creditors, the fair and equitable rule requires that they receive the indubitable equivalent of their Claim or that they retain their lien on and receive deferred cash payments equal to the value of their interest in property of the Estate. The Debtor believes that the Plan meets these requirements and hereby requests confirmation under §1129(b) if one or more Class fails to accept the Plan.

In order to vote on a Plan, a Creditor or holder must have filed a proof of claim or interest prior to the expiration of the "Claim Bar Date" established, unless the Claim is scheduled by the Debtor and it is not stated in the schedules as disputed, unliquidated, or contingent. An order establishing a Claim Bar Date was entered by the Court on November 30, 2009 [Docket #32], establishing a Claim Bar Date on March 19, 2010 for all creditors and parties in interest. No further filed proofs of claim are to be accepted after March 19, 2010, without order of the Court. Any Creditor scheduled as undisputed, liquidated, and not contingent, is to the extent scheduled, deemed

[1] *Collier on Bankruptcy* (15th Ed.) at ¶1129.04[4][a][I] summarizes the "Absolute Priority Rule" as follows:
> "a plan of reorganization may not allocate any property whatsoever to any junior Class on account of the member's interest or Claim in a debtor unless all senior Classes consent, or unless such senior Classes receive property equal in value to the full amount of their Allowed Claim, or the debtor's reorganization value, whichever is less."

to have filed a Claim. In order for the Plan to be accepted by Creditors, a majority in number and two-thirds (2/3) majority in amount of Claims filed, allowed (for voting purposes), and voting in each Impaired Class of Creditors must vote to accept the Plan. In order for the Plan to be accepted by interest holders, a two-thirds (2/3) majority in amount of interest allowed (for voting purposes) and voting in each Impaired Class of interests must vote to accept the Plan. If the Debtor is unable to obtain the requisite acceptances, it may be able to obtain confirmation of the Plan, despite the non-acceptance of one or more Classes pursuant to 11 U.S.C. §1129(b) as discussed more fully above.

The Debtor is a Kansas for-profit limited-liability company. THE DEBTOR'S MEMBERS BELIEVE THAT THE PLAN OF LIQUIDATION PROPOSED HEREIN BY THE DEBTOR IS IN THE BEST INTERESTS OF ALL CREDITORS. AS SUCH, THE DEBTOR STRONGLY URGES ALL CREDITORS TO VOTE IN FAVOR OF THE PLAN BY THE VOTING DEADLINE SET BY THE BANKRUPTCY COURT

A Creditor or interest holder may vote on the Plan by filling out and mailing the enclosed ballot which the Court has provided. The ballots must be returned by the deadline set by the Court; no vote received after such time will be counted nor included in the tally in any manner. Whether a Creditor or interest holder votes on the Plan or not, such Claim holder will be bound by the terms of the Plan if the Plan is confirmed. You are, therefore, urged to complete, date, sign, and promptly mail the ballot to Nicholas R. Grillot, Redmond & Nazar, L.L.P., 245 North Waco, Suite 402, Wichita, Kansas 67202-1117.

NO REPRESENTATIONS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT CONCERNING THE DEBTOR OR THE PLAN IS AUTHORIZED BY THE DEBTOR. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE INFORMATION CONTAINED IN THIS STATEMENT AND THE ATTACHED EXHIBITS HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. DUE TO THE COMPLEXITY OF THE DEBTOR'S FINANCIAL MATTERS, THE DEBTOR IS UNABLE TO WARRANT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DOCUMENT UNLESS ANOTHER DATE IS SPECIFIED HEREIN AND THE DELIVERY OF THIS DOCUMENT DOES NOT IMPLY THAT THERE HAVE BEEN NO CHANGES IN THE INFORMATION SET FORTH HEREIN SINCE SUCH DATE.

THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW OF THE PLAN BY EACH HOLDER OF A CLAIM. THIS DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT SUCH REVIEW. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO

THE PLAN. THE PLAN IS THE OPERATIVE CONTROLLING LEGAL DOCUMENT. AS SUCH, IF THERE IS ANY INCONSISTENCY BETWEEN THE TERMS AND PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE PLAN, THE TERMS AND PROVISIONS OF THE PLAN SHALL CONTROL.

REDMOND & NAZAR, L.L.P. ("R&N") COMMENCED REPRESENTATION OF THE DEBTOR IMMEDIATELY PRIOR TO THE PETITION DATE AS ITS BANKRUPTCY COUNSEL. ALL COUNSEL TO THE DEBTOR HAVE RELIED UPON INFORMATION PROVIDED BY THE DEBTOR IN CONNECTION WITH PREPARATION OF THIS DISCLOSURE STATEMENT. R&N HAD NO INVOLVEMENT WITH THE DEBTOR OR ITS MEMBERS PRIOR TO ITS ENGAGEMENT FOR THE FILING OF THIS BANKRUPTCY AND ANY PRE-PETITION CONSULTATION.

FORWARD-LOOKING STATEMENTS: THIS DISCLOSURE STATEMENT INCLUDES FORWARD-LOOKING STATEMENTS BASED LARGELY ON THE CURRENT EXPECTATION OF THE DEBTOR AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE DESCRIBED BELOW UNDER THE CAPTION "RISK FACTORS." IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE

STATEMENT MAY NOT OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. NEITHER THE DEBTOR, NOR ITS COUNSEL UNDERTAKE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

II. HISTORY OF THE DEBTOR

The Debtor was a crude broker located in Pratt, Kansas. The Debtor contracted with oil-and-gas lease operators in Kansas, Oklahoma, and Colorado (collectively "producers") to purchase crude from the wellhead, and then sell the same crude to SemCrude LP and its subsidiaries ("SemCrude") under contract on a margin. Based on the Debtor's records, that margin fluctuated between seven (7) to ten (10) percent per load depending largely on the price of crude at the time of purchase and resale.

The Debtor owned and maintained its own trucking fleet for the purpose of hauling the crude it purchased from the well to certain injection or delivery points in SemCrude's pipeline. The Debtor owned and operated between 20 to 24 trucks during its financially successful days.

Once the Debtor contracted with a producer to purchase crude, the Debtor would send its truck to the well to pickup the crude. The Debtor also maintained its own injection or delivery points in the SemCrude pipeline by either leasing ground from land owners or purchasing the ground in fee. The Debtor mixed its own gas at a plant it owned in Pratt County, Kansas and employed various mechanics and other professionals to maintain its truck fleet. The Debtor had carved out its own market in Kansas, Oklahoma, and Colorado.

SemCrude did not pay the Debtor immediately upon the injection or delivery of the crude to the SemCrude pipeline. Rather, the Debtor would submit an invoice to SemCrude for the amount of barrels injected into the pipeline at the end of each month, and the Debtor would receive payment from SemCrude shortly thereafter. For example, the Debtor would bill SemCrude for all the crude delivered in May at the end of May, and the Debtor would not receive payment from SemCrude until June. The Debtor would then pay the operators, or the interests holders if the Debtor receive division orders, on or about the 22nd of the month - in our example June 22nd. The viability of the Debtor's operation was contingent upon the prompt payment of SemCrude on the crude sold.

When the Debtor severed the crude from the lease and delivered it to the SemCrude pipeline, the Debtor incurred two major payment obligations. First, the Debtor agreed to pay the producer, and in essence the interest holders of each lease, a set price for the crude severed from the lease and was obligated to remit payment for the crude taken from the lease. The second obligation incurred when the Debtor severed the crude from the lease was severance taxes. Under Kansas law, anyone who owned an interest in a well was obligated to pay approximately eight (8) percent tax on crude taken from the ground. This tax is paid in the normal course of the industry by the individual or company who severs the crude from the ground and sells it on the open market, called a first purchaser. The first purchaser withholds this tax from the proceeds of the sale for the interest owners benefit and is obligated to remit that tax to the State where the crude was severed from the lease. Therefore, when the Debtor severed the crude from the lease, the Debtor became obligated under Kansas, Oklahoma, and Colorado law to pay that severance tax, regardless of whether SemCrude paid for the crude.

In the spring of 2008, the Debtor's operations were booming. The Debtor was purchasing approximately $10,000,000 of crude a month and selling it to SemCrude with a profit margin. The Debtor's profit margins were exceedingly high and it employed numerous drivers and other oil-industry professionals. The Debtor had little to no debt and purchased most of the necessary operating materials with cash. The Debtor had substantial equity, including almost $3.5 million in its trucking fleet. However, the Debtor maintained little cash reserve from the margin received.

This successful operation came to an abrupt halt in July 2008 when SemCrude filed for Chapter 11 bankruptcy relief in the United States Bankruptcy Court for the District of Delaware. At the time SemCrude filed for bankruptcy, the Debtor was owed approximately $25 million for the crude is sold to SemCrude in June and July 2008. The Debtor's operation was devastated and it could not pay the operators for the crude purchase in June and July 2008 or the severance taxes owed in Kansas, Colorado, and Oklahoma.

Desperate to move forward and continue business, the Debtor obtained a loan from the Peoples Bank of Pratt (the "Peoples Bank") and attempted to settle with producers for the money owed. The Debtor proposed to pay the producer twenty-five (25) percent of the money owed, and quarterly payments over the next five years to settle the debt. In turn, each producer needed to agree to provide a percentage of the crude it provided the Debtor in April and May 2008. The Debtor sent letters to each producer outlining this position. A copy of that letter is attached as Exhibit 1. Many producers agreed to the proposal; others, however, did not.

One such producer that agreed to the proposal was AGV Corporation ("AGV"). However, in addition to the terms proposed by the Debtor in Exhibit 1, AGV requested and the Debtor agreed

to execute a security agreement that granted AGV a security interest in all proceeds from the lease operated by AGV, certain personal property, and other general intangibles of the Debtor. AGV then perfected its interest in those assets by filing a UCC-1 financing statement with the Kansas Secretary of State.

In addition to the loan from the Peoples Bank, the Debtor hired Delaware counsel, Kevin J. Mangan of Womble, Carlyle, Sandridge & Rice, PLLC, to pursue the Debtor's $25 million claim it had against SemCrude for the money it was owed for the crude delivered to SemCrude in June and July 2008 . The Debtor hoped to utilize any money received on this claim to help satisfy the Debtor's outstanding debt owed to the producers.

The Debtor asserted two separate claims in the SemCrude bankruptcy, one for the crude provided to SemCrude in July 2008, and the other claim for the crude provided to SemCrude in June 2008. First, the Debtor asserted an administrative claim under 11 U.S.C. § 503(b)(9) of the Bankruptcy Code (the "Section 503(b)(9) claim") for the crude it delivered to SemCrude in July 2008. If allowed under that section, SemCrude would have been required to pay the Debtor before any secured claim, priority unsecured claim, and general unsecured claim asserted against SemCrude. Section 503(b)(9) states:

> (b) After notice and a hearing, there shall be allowed administrative expenses, other than claims allowed under section 502(f) of this title, including -
>
> > (9) the value of any goods received by the debtor within 20 days before the date of commencement of a case under this title in which the goods have been sold to the debtor in the ordinary course of such debtor's business.

The Debtor claimed to have delivered approximately $8.5 million in crude to SemCrude in July 2008. The Debtor's second claim was for the remaining portion of the $25 million owed to the Debtor for crude delivered in June 2008.

Meanwhile, producers who did not agree to the proposed settlement began to file lawsuits immediately. Diversified Holdings, LLC and Grynberg filed lawsuits in Colorado. Several Kansas producers filed lawsuits in Pratt, Ellis, and other surrounding counties. The Debtor attempted to settle these claims, but only with minimal success.

An additional problem arose with the contract the Debtor had with Nexen Marketing USA, LLC ("Nexen"). The Debtor entered into a take-it-or-pay contract, where the Debtor agreed to buy a set amount of natural gas from Nexen at a set price every month. Under the contract, the Debtor had to pay Nexen the monthly amount regardless whether the Debtor actually took delivery fo the gas. The Debtor used the natural gas to blend with crude, and to resell that crude on the open market. However, when natural gas prices rose dramatically, the Debtor could not no longer afford to provide crude using this method, and the Debtor ceased taking receipt of any natural gas from Nexen. This caused Nexen to claim a default and attempt to accelerate the contract payments. Nexen claimed that approximately $3 million was due under the contract. Unable to pay, Nexen filed a lawsuit against the Debtor in United States District Court in Delaware.

In the interim, several operators had obtained judgments for the amounts due and started collection procedures to recover money. Unable to afford another major interruption in operations, the Debtor filed for Chapter 11 Bankruptcy relief.

III. LEGAL ACTIVITY SUBSEQUENT TO FILING BANKRUPTCY

The Debtor filed bankruptcy on November 17, 2009. Immediately upon filing, the Debtor filed a series of motions to continue operations as a going concern. These motions included:

a. Application for the engagement of the law firm Redmond & Nazar, L.L.P. as counsel for the Debtor [Docket #3];

b. Motion to Utilized Cash Collateral of the Peoples Bank, N.A. [Docket #7];

f. Motion for Authorization to Pay Wages, Compensation and Employees Benefit Obligations [Docket #13];

g. Motion for Authorization to Honor Certain Pre-Petition Customer Programs and continue to Honor Credit Card Transactions [Docket #14];

h. Motion for Prohibiting Utilities From Altering, Refusing or Disconnecting Services [Docket #15];

The Court granted these motions at an expedited hearing conducted on November 25, 2009 at 10:00 a.m.

The Debtor continued to operate as a going concern, including the assumption of certain executory contract with Professional Secretarial Services, Inc. to providing ongoing billing and support-staff services, and Corporate Resource Services, Inc. to continue to payroll and retirement account maintenance. The Debtor also rejected unnecessary leases for uniforms with Unifirst Corporation (Docket # 113) and leases for unnecessary trailers with The Jack Olsta Company. The Debtor also engaged special counsel, Kevin Mangan of Womble, Carlyle, Sandridge & Rice, PLLC, to prosecute the Debtor's claims in the SemCrude bankruptcy.

The purpose of the continuation of the business was to sell the Debtor's operations as a going concern, rather than in a piece-meal liquidation as the Debtor believed this would have the most value to its creditors.

In June 2010, the Debtor received an offer to purchase its assets from Parnon Gathering, Inc. for $3,563,201.66. The Debtor filed a Motion to Establish Bidding Procedures on June 4, 2010, which the Court granted on June 17, 2010. The Debtor filed a Notice of the Sale to Parnon on June 18, 2010. An order approving the sale was entered by the Court on June 30, 2010 and the sale to Parnon was closed on July 13, 2010. With the proceeds from the Parnon sale, the Debtor paid off its loan to the Peoples Bank in the amount of $3,448,432.86, paid the United Trustee fees on the sale in the amount of $10,400.00, paid Redmond & Nazar, L.L.P. $10,000.00, and retained $94,128.95 after the sale.

In the interim, the Debtor continued to negotiate with Bank of America in the SemCrude bankruptcy to resolve the Debtor's claims. Bank of America objected to the Debtor's 503(b)(9) claim on two grounds: (1) the Debtor could not prove that SemCrude actually received approximately $4,000,000.00 of the crude the Debtor claimed to have delivered, and (2) a portion of the Debtor's 503(b)(9) claim included crude delivered on July 1, 2010, which was outside the 20-day period required by Section 503(b)(9). Ultimately a settlement was reached and the Debtor receive $7,279,532.37 on its $8.5 million claim, which represents the proceeds from the crude delivered from July 2 to July 21, 2008 (the "July Production").

The Debtor's remaining unsecured claim in the SemCrude Bankruptcy is approximately $15,000,000.00. Under the Plan approved in SemCrude, the Debtor will receive stock from SemCrude on the calculated, unsecured amount. The stock's value is anticipated to be approximately $90,000.00.

During the pendency of the bankruptcy, three adversary proceedings were filed against the Debtor, and other parties.

The first adversary was filed by Chesapeake Exploration, L.L.C. and Chesapeake Operating, Inc. ("Chesapeake") against the Debtor, The Peoples Bank, and AGV, to determine each parties respective priorities in moneys to be paid the Debtor under 11 U.S.C. § 503(b)(9) in the SemCrude bankruptcy. Chesapeake asserted that 52 Okla. Stat. §570.10 provided it and other Oklahoma producers an implied trust in the Section 503(b)(9) funds that were identified proceeds from the July Production those producers provided the Debtor.

The second adversary was filed by Wallace Energy, Inc., Craig Oil Company, Messenger Petroleum, Inc., and Redland Resources, Inc. (collectively, "Wallace *et al*") against the same defendants identified in Chesapeake's lawsuit and for the same purpose. Wallace Energy *et al* asserted that under KAN. ANN. STAT. § 84-9-334 they and other Kansas producers held a purchase-money security interest in certain amounts of the Section 503(b)(9) money the Debtor recovered as crude proceeds from the July Production delivered to the Debtor.

After the Debtor paid the Peoples Bank from the Parnon sale proceeds, both Chesapeake and Wallace Energy *et al* dismissed the Peoples Bank from their respective adversaries. The Debtor ultimately settled these two adversaries with Chesapeake, Wallace Energy, *et al*, and AGV for the

treatment identified Article IV of the Debtor's Plan. A Notice of Compromise and Settlement has been filed in this case notifying all creditors of this settlement, with an objection deadline of October 20, 2010.

AGV filed the third adversary in this case. AGV asserted that it was entitled to a refund from severance taxes paid in 2007 by the Debtor on AGV's behalf because of a retroactive exemption it received from the State of Kansas. The Debtor denied that position and asserted the refund was estate property. The Debtor has settled that adversary in principle with AGV. The Debtor has agreed to file an amended return for the severance taxes paid in 2007, and allow the Kansas Department of Revenue ("KDOR") to pay the refund directly to AGV. The Debtor ultimately agreed to AGV's payment because of the security interest AGV took in the Debtor's general intangibles, which in this instance would include any refund to which the Debtor would be entitled. This settlement will be noticed out to all creditors.

IV. LIQUIDATION ANALYSIS

Pursuant to Section 1129(a)(7) of the Bankruptcy Code, if each Class of Impaired Claims does not vote unanimously to accept the Plan, then the "best interests of Creditors test" requires the Bankruptcy Court to find that the Plan provides to each holder of a Claim in each Impaired Class a recovery on account of such holder's Claim that has a value at least equal to the value of the distribution that each such holder would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

The Debtor's operations have ceased since the sale of all its assets to Parnon and a majority of the Debtor's assets have been converted to cash. If the Debtor's Chapter 11 case was converted

to a Chapter 7 liquidation proceeding, then the Debtor's remaining assets would be liquidated by a Chapter 7 trustee, which would incur substantial administrative claims further depleting the Debtor's finite cash holdings and impact both unsecured creditor's claims and producer claims as well. The Debtor has formulated a plan of distribution as described below, which does not provide for future estate assets, with the exception of the small amount of stock the Debtor will receive from its unsecured claim in the SemCrude bankruptcy. As a result, the Debtor has not included a liquidation analysis to this Plan.

The Debtor's tangible assets consisted of real property, leasehold-estates, inventory, equipment and rolling stock. All such assets have been liquidated. The Debtor believes that the approximate sum of $7,373,661.21 million on hand as of October 18, 2010, is sufficient to pay Kansas and Oklahoma producers all of the money owed for crude they provided the Debtor in July 2008, fund the settlement of AGV's secured claim, and all unsecured, priority creditors. After those cash reserves are distributed, any remaining cash, proceeds from the sale of SemCrude stock, and Chapter 5 avoidance actions will be used to make a *pro rata* distribution to the general, unsecured creditors.

Upon confirmation of the Debtor's Plan, any remaining assets that have not been liquidated or converted to cash and any causes of action shall be vested with the Liquidating Trustee. Edward J. Nazar shall be appointed the Liquidating Trustee. Mr. Nazar is currently acting as the Court appointed bankruptcy counsel for the Debtor. Mr. Nazar will be compensated as the Liquidating Trustee as his current hourly rate of $275.00 per hour.

The function of the Liquidating Trustee shall be to collect any outstanding accounts receivable, prosecute any Chapter 5 avoidance actions, and to liquidate the Debtor's interest in the Reorganized SemCrude, LP. In addition, the Liquidating Trustee shall be empowered to distribute funds post-confirmation to Creditors.

V. MANAGEMENT

The Debtor is a for-profit, Kansas limited-liability company. Charles ("Chuck") A. Touchstone and Rhonda Touchstone are the members of the Debtor, with Chuck Touchstone having management responsibilities. Because the Debtor has ceased operations, the need for day-to-day management is unnecessary and unduly costly. To the extent necessary, Chuck Touchstone will continue to make management decision and if compensation is necessary for his future participation, the Liquidating Trustee will seek court approval of that compensation. At the time of the filing of this disclosure statement, the Debtor does not anticipate providing any compensation to Chuck Touchstone from this point forward.

VI. FINANCIAL INFORMATION

Attached hereto as **Exhibit 2** are the cash receipt and cash disbursement portions of the post-petition monthly reports of the Debtor substantiating the receipt of funds and distributions in accordance of the funds on hand. Because the Debtor is no longer operating, the need for future projections are unnecessary.

VII. SUMMARY OF CLAIMS

A total of 232 Claims have been filed as of October 18, 2010. These Claims include only one priority claim in the sum of $350,196.90 filed by the Kansas Department of Revenue ("KDOR"). All other claims filed were listed as secured, unsecured, or unknown.

1. Claim #1 of the KDOR is a claim in the sum of $350,196.90 for priority taxes. The KDOR has additionally alleged an Unsecured Claim in the amount of $32,277.90.
2. The remaining claims filed are attached as Exhibits 3a, 3b, and 3c. These claims include unsecured claims in the amount of $7,389,526.33 (Exhibit 3a), unknown claims in the amount of $1,786,607.65 (Exhibit 3b), and secured claims in the amount of $11,940,926.51 (Exhibit 3c), for a total amount of $21,117,060.49.
3. A list of the scheduled claims for which no proof of claims was filed is attached hereto as Exhibit 4.

The Debtor reserves the right to object to any proof of claim filed, together with any Claims scheduled in the Debtor's bankruptcy schedules to the extent that they have been separately satisfied.

Administrative Claims

The Debtor estimates that there will administrative expenses due to the following:

1. Redmond & Nazar, L.L.P., Debtor's counsel, in the estimated amount of $25,000.00;
2. Busby, Reimer & Smith, in the estimated amount of $ 315.00 as of the filing of the Plan;

3. Don Albers, CPA in the estimated amount of $1,500.00 as of the filing of the plan; and

4. Carlye, Womble, Sandridge & Rice, PLLC in the estimated amount of $4,188.90 as of August 31, 2010.

Secured Claims

The Debtor's secured creditors fall into two categories: (1) creditors who held a secured interest in the Debtor's assets through a security agreement and corresponding UCC-1 financing statements filed with the Kansas Security of State; and (2) producers who hold a secured interest in the 503(b)(9) proceeds as a result of specific state statutes.

Category 1

Only two creditors filed financing statements with the Kansas Secretary of State and claimed an interest in the Debtor's assets, the Peoples Bank of Pratt, N.A. and AGV Corporation ("AGV"). The Debtor's sale of its assets to Parnon paid Peoples Bank in full and therefore, Peoples Bank no longer has a secured claim to any of the Debtor's assets.

AGV asserts it has a claim to the remaining proceeds of the Parnon sale and in any moneys the Debtor received from its 503(b)(9) claim.

Category 2

The Debtor collected crude from producers in three states: Kansas, Oklahoma, and Colorado. Kansas and Oklahoma have statutes that provide producers of those states to retain a lien or interest in proceeds of crude those producers provide the initial purchaser of a producer's crude. As a result,

Kansas and Oklahoma producers retained an interest in the 503(b)(9) money recovered by the Debtor for July Production and are to be treated as secured creditors.

Unlike Kansas and Oklahoma, Colorado does not have a statute that provides a producer with a lien or an interest in crude sold to first purchasers and beyond. Therefore, Colorado producer claims are not secured claims, but rather, unsecured, non-priority claims.

Unsecured Priority Claims

The KDOR filed a Claim (Claim #1) in the sum of $382,474.08, of which $350,196.60 is a priority claim, and $32,277.18 as an Unsecured Claim.

The Debtor scheduled an unsecured, priority debt owed to the State of Oklahoma for unpaid severance tax in the amount of $133,681.00. The State of Oklahoma did not file a proof of claim, and therefore this amount is the presumptive tax owed.

Unsecured Non-priority claims

Attached as Exhibit 5 is a list of the unsecured, non-priority creditors. These creditors include certain trade creditors, Kansas and Oklahoma producers who provided the Debtor crude in June 2008, individuals or entities that hold either working or royalty interest in leases from which the Debtor took crude, and all Colorado producers who provided the Debtor crude during June and July 2008 because Colorado statutes do not provide a Colorado producer a lien or an interest in crude provided to a first purchaser.

To the extent that any creditor is shown in the bankruptcy schedules as holding a contingent, unliquidated, or disputed Claim, the Liquidating Trustee will not distribute any funds to these Creditors unless their Claim is subsequently allowed by the Bankruptcy Court. These Creditors will

not participate as an Unsecured Creditor, unless its Claim is allowed. The Debtor reserves the right to object to the allowance of any Claim until appointment of the Liquidating Trustee. Thereafter, the Liquidating Trustee may object to the allowance of any Claim for a period of sixty (60) days.

VIII. SUMMARY OF ASSETS

The Debtor has liquidated all its assets and converted those assets to cash holdings, with one exception noted below.

The Debtor currently has $94,128.95 in an interest bearing account at Intrust Bank. These funds are the remaining proceeds from the Parnon sale.

The Debtor has $7,279,532.37 in an interest bearing account at Emprise Bank. These funds are the proceeds from the Debtor's settlement with Bank of America on the Debtor's 503(b)(9) claim in the SemCrude bankruptcy.

Finally, the Debtor has or will be awarded shares in the reorganized SemCrude under SemCrude's Fourth Amended Disclosure Statement and Plan. The Debtor intends to liquidate that stock and convert it to cash to be distributed under the provisions of its Liquidation Plan.

The Debtor does not have any other assets other than those listed above.

IX. SUMMARY OF THE PLAN

A. The entire text of the Plan has been provided, with this Disclosure Statement, to all Creditors and all interest holders known to the Debtor. The following is a brief summary of the Plan and should not be relied on for voting purposes. The Plan should be read carefully and independently of this Disclosure Statement. Creditors are further urged to consult with counsel, or with each other, in order to fully resolve any questions concerning the Plan.

B. The specific treatment of each Class of Creditor is as follows:

ADMINISTRATIVE CLAIMS

On the Effective Date, each Administrative Claim, that is an Allowed Claim, shall be paid in full. The following constitute Administrative Claims:

1. Unpaid attorney's fees to the law firm of Redmond & Nazar, L.L.P. in the estimated sum of $25,000.00.
2. Professional fees to Busby, Reimer & Smith, LLC in the estimated sum of $315.00.
3. Professional fees to Don Albers, CPA in the estimated sum of $1,500.00.
4. Carlye, Womble, Sandridge & Rice, PLLC in the estimated amount of $4,188.90 as of August 31, 2010.

PRIORITY CLAIMS

CLASS ONE: Class One consists of the Debtor's unsecured, priority claims. There are two unsecured priority claims to be paid under this Plan. First, the KDOR filed a Claim (Claim #1) in the sum of $382,474.02, $350,196.90 as a unsecured priority claim, and $32,277.18 as a general unsecured claim. The Debtor intends to pay the KDOR's priority claim of $350,196.90 in full from the proceeds of the Debtor's Section 503(b)(9) claim. The remaining portion of the KDOR's claim will receive the treatment identified in Class Five.

The second unsecured priority claim is that of the Oklahoma Tax Commission ("OTC") in the sum of $133,681. The Debtor scheduled the OTC claim at that amount, and the OTC did not file a claim in this case. Therefore, under Fed. R. Bankr. P. 3003(b)(1) the OTC's claim is $133,681. The Debtor's Plan proposes to pay the OTC priority claim in full.

SECURED CLAIMS

The Secured Claim of the Peoples Bank of Pratt, N.A. (the "Peoples Bank") has been separately satisfied in the bankruptcy case. The Peoples Bank shall not participate in the distribution under this Plan.

CLASS TWO: Class Two consists of the AGV Corporation's ("AGV") claim secured by virtue of the security agreement AGV entered with the Debtor and the UCC-1 financing statement filed by AGV. The Debtor proposes to pay AGV all the remaining funds from the sale of its assets to Parnon in satisfaction of AGV's secured claims, which is $94,128.95. AGV's claim is also entitled to the treatment under Class Three of this Plan and AGV shall receive payment under that Class in addition to the payment stated herein. Any remaining balance of AGV's claim after the payments under this Class and under Class Three will be treated as a general unsecured claim.

CLASS THREE: Class Three consists of the secured claims of Kansas and Oklahoma producers in the funds recovered by the Debtor as a result of its claim under 11 U.S.C. § 503(b)(9) in the SemCrude bankruptcy. The secured status of these Claims result from state specific statutes that provide a security interest or other protected interest in the proceeds of the production each producer sold to the Debtor from July 2 through July 21, 2010, as that was the time frame which compromised the Debtor's Section 503(b)(9) claim in the SemCrude Bankruptcy.

Arguably, the money owed to Kansas and Oklahoma producers for production sold on July 1, 2010 should be an unsecured, non-priority claim and entitled to treatment under this Class. However, this Plan proposes to pay Kansas and Oklahoma producers for all the production sold to

the Debtor in July 2008, including the production sold on July 1, 2010. The reason for this treatment is the Debtor has reviewed its records, including division orders, work tickets, and the like, and has been unable to ascertain what portion of its Section 503(b)(9) claim was attributable to crude sold on July 1, 2010. Therefore, the Debtor cannot provided the Kansas and Oklahoma producers the indubitable equivalent of their secured claims as required by the Bankruptcy Code without paying for all of the July 2008 production.

Kansas Producers

Under KAN. ANN. STAT. § 84-9-334, Kansas producers who provided the Debtor crude maintain a purchase-money security interest in identifiable cash proceeds of that production. The Debtor proposes to pay Kansas producers for all of the July 2008 production sold from the money the Debtor recovered from SemCrude under 11 U.S.C. § 503(b)(9) as provided in Exhibit 6 attached hereto.

Oklahoma Producers

52 Okla. Stat. §570.10 arguably provides a constructive trust over proceeds from crude provided by Oklahoma producers. This trust theory acts much like a security interest and meets the requirements of 11 U.S.C. §1122(a) to allow Oklahoma producers' interests to be classified in this Class. The Debtor proposes to pay Oklahoma producers for all of July 2008 production sold from the money recovered by the Debtor under Section 503(b)(9) in the SemCrude Bankruptcy as provided in Exhibit 7 attached hereto.

Application of Pre-petition Contract Payments

Attached as Exhibit 8 is a list of the Kansas and Oklahoma producers who signed a pre-petition contract with the Debtor for payment of a portion of June and July 2008 production and the amounts owed by the Debtor to that producer, after the application of the payments made by the Debtor under those pre-petition contracts.

Attached as Exhibit 9 is a list of the Kansas and Oklahoma producers who did not sign the pre-petition contract with the Debtor and the amount owed to the producer from the 503(b)(9) money.

Interest Holders

Both the Kansas and Oklahoma statues cited above arguably provide the same security to interest holders as it does producers. However, the Debtor believes that to identify every royalty or working interest holder who holds such a claim and to provide a distribution to those interest holders would be unduly burdensome and could lead to a risk of double payment, thus negatively impacting any distribution to unsecured creditors. Moreover, the Debtor asserts that distributions to producers, who owe a contractual duty to interest holders to distribute funds received on behalf of production sold, provides a more logical and more precise means to make the appropriate distribution to all claims under this Class.

The Debtor will pay the appropriate funds to the producers for the secured claims under this Class, and the producers in turn will be charged with distributing the appropriate funds to the interest holders. To that end, the Debtor will file along with this Disclosure Statement and Plan an omnibus objection to the claims of all interests holders identified in Schedule F and who filed

a proof of claims whether those claims were identified as secured, unsecured, or unknown. A matrix of those interest holders is attached hereto as Exhibit 10 and is also filed with the omnibus objection. The objection proposes to disallow all interest holder claims in this case, and provide for distribution of those claims through each interest holders respective producers.

UNSECURED CREDITORS

CLASS FOUR: Class Four consists of all non-priority, unsecured creditors. This class includes the unsecured portion of the KDOR claim in the amount of $32,277.18.

This class also includes the Debtor's trade creditors; Colorado producers Diversified Corporation, Grynberg Oil, Schneider Oil, and Schneider Energy; and other producers who provided the Debtor with crude in June 2008, all which are identified in Exhibit 11. A list of June 2008 producers is attached as Exhibit 12. These creditors will receive a *pro rata* distribution of any funds left after the administrative claims, the secured claims, and the unsecured, priority claims are paid in full.

To the extent that the amount of the filed proof of claim differs from the liquidated amount shown on the Debtor's bankruptcy schedules or amendments thereto, the Debtor reserves the right to object to the proof of claim.

CLASS FIVE: Class Five consists of the interest holders listed in the schedules and/or who filed a proof of claim in the leases for which the Debtor purchased crude. Concomitantly with this Disclosure Statement and Plan, the Debtor has filed an omnibus objection against the interest holders. If such objection is granted, the interest holders claims shall be disallowed.

NONETHELESS, INTEREST HOLDERS WILL BE PAID FOR THEIR CLAIM AS PROVIDED FOR IN THIS PLAN BY THEIR RESPECTIVE PRODUCERS.

EQUITYHOLDERS

CLASS SIX: Class Six consists of the equityholders of the Debtor. These include:

Name	**App. Ownership Percentage**	
Charles A. Touchstone	50%	
Rhonda Touchstone	50%	
David A. Lawson	0%	Equity interest only

Any remaining funds will be distributed in accordance with the ownership percentages of the shareholders. However, the Debtor does not anticipate any funds to available to pay the members.

X. COMPENSATION OF INSIDERS

The Debtor has ceased business and all employees have been terminated, therefore, there is no payment of salary to employees or insiders, other than Charles ("Chuck") A. Touchstone as provided in ARTICLE V of the Debtor's Plan.

The Liquidating Trustee will be paid an hourly rate of $275.00, which is consistent with his hourly rate approved by the Court when acting as counsel for the Debtor. The Liquidating Trustee will have the authority to hire third party professionals to assist him in the completion of his duties.

XI. SALE OF NEW EQUITY INTERESTS

Due to the fact that the Debtor is liquidating and no equity shall be retained by any parties, the Debtor will disburse with the sale of new equity interest for "new value" as may be required under the terms of the Bankruptcy Code, or the ruling of *In Re Bank of America National Trust and Savings Association v. 203 North LaSalle Street Partnership*, 526 U.S. 434, 119 S. Ct. 1411 (1999**).**

XII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor has rejected two specific contracts in the bankruptcy proceedings, one with Unifirst Corporation, and the other with The Jack Olsta Company. The Debtor also specific assumed executory contracts with Professional Secretarial Services, Inc. and Corporate Resource Services, Inc. All executory and unexpired leases were assumed and sold to Parnon as part of Sale # 1.

However, the Debtor's Plan provides for the rejection of all executory contracts not previously assumed or rejected.

XIII. PREFERENCES, FRAUDULENT CONVEYANCES, AND OTHER CLAIMS BY DEBTOR

The Debtor has not completed a review of its payments over a period of time covering the ninety (90) days prior to the filing of the petition for relief to non-insiders. Because this is a Liquidation Plan, the Liquidating Trustee may not, at his discretion, bring any Chapter 5 actions. The determination to bring such preference actions or any causes of action under Chapter 5 of the United States Bankruptcy Code will remain that of the Liquidating Trustee.

XIV. TAX ATTRIBUTES AND TAX CONSEQUENCES

The Debtor has not analyzed any tax attributes and tax consequences since it is a limited liability company and the tax liability will fall upon the members.

THE DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY. THE DEBTOR AND ITS COUNSEL AND FINANCIAL ADVISORS ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN, WITH RESPECT TO THE DEBTOR OR HOLDERS OF CLAIMS, NOR ARE THEY RENDERING ANY FORM OF LEGAL OPINION OR TAX ADVICE ON SUCH TAX CONSEQUENCES. THE TAX LAWS APPLICABLE TO CORPORATIONS IN BANKRUPTCY ARE EXTREMELY COMPLEX, AND THE FOLLOWING SUMMARY IS NOT EXHAUSTIVE. HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS REGARDING TAX CONSEQUENCES OF THE PLAN, INCLUDING FEDERAL, FOREIGN, STATE, AND LOCAL TAX CONSEQUENCES.

Federal Income Tax Consequences to Holders of Claims

The federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, upon the origin of the holder's Claim, when the holder's Claim becomes an Allowed Claim, when the holder receives payment in respect of such Claim, whether the holder reports income using the accrual or cash method of accounting, and whether

the holder has taken a bad debt deduction or worthless security deduction with respect to such Claim.

Claims for Accrued Interest

Notwithstanding the general rules described above, holders of Claims who receive any consideration under the Plan in respect of Allowed Claims for accrued but not previously taxed interest must treat the amount of such consideration as ordinary income. A holder of a Claim whose Allowed Claim for accrued and previously taxed interest is not fully satisfied generally may take an ordinary deduction for the unsatisfied portion of such Allowed Claim, even if the underlying Claim is held as a capital asset. The proper allocation, between principal and interest, of consideration to be distributed under the Plan is unclear. The Debtor intends to take the position that such consideration is allocated to principal, to the extent thereof, before any amount is allocated to accrued but unpaid interest. Creditors should be aware, however, that the IRS may take a different position with respect to the proper allocation.

HOLDERS OF CLAIMS SHOULD CONSULT THEIR OWN TAX ADVISORS ABOUT THE PROPER ALLOCATION OF CONSIDERATION BETWEEN PRINCIPAL AND INTEREST.

AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. ACCORDINGLY, EACH HOLDER OF A CLAIM IS URGED TO

CONSULT SUCH HOLDER'S TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

XV. LITIGATION

Prior to the filing of the bankruptcy petition, the Debtor was the subject of substantial collection litigation with its creditors. However, in those cases, the Debtor did not have any counterclaims against the collecting creditors, and therefore the Debtor does not have any active state-court litigation for the Liquidating Trustee to pursue.

The Debtor was actively involved in claims litigation in the SemCrude Bankruptcy with Bank of America. Bank of America was the agent designated to, among other things, litigate issues involving all 11 U.S.C. § 503(b)(9) claims made in the SemCrude bankruptcy. The Debtor continued that claim litigation after it filed bankruptcy, and ultimately resolved its claim and noticed that compromise to all its creditors. That compromise was approved by the Court.

Additionally, during bankruptcy, the Debtor was a defendant in two adversaries filed, *Chesapeake Exploration, LLC, et al v. Central Kansas Crude, el al* and *Wallace Energy, Inc., et al v. Central Kansas Crude, et al.* The purpose of both adversaries was to determine whether Kansas and Oklahoma producers had priority over the Peoples Bank and AGV in the Section 503(b)(9) money received by the Debtor from the Bank of America litigation. These claims have been resolved and a compromise noticed to all creditors.

The final lawsuit involved in the Bankruptcy case was the adversary AGV filed against the Debtor for certain tax refunds due from the retroactive tax exemption AGV received for its 2007

production. The Debtor has resolved that issue with AGV and will notice that settlement to the creditor matrix.

There is no other litigation pending before the Court.

XVI. RISK FACTORS

Introduction

This section summarizes some of the risks associated with the Plan and the Debtor's ability to comply with the terms of the Plan. However, this analysis is not exhaustive and must be supplemented by an evaluation of the Plan and this Disclosure Statement as a whole by each holder of a Claim with such holder's own advisors.

AS SUCH, HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN, ITS IMPLEMENTATION OR ITS SUCCESS.

Bankruptcy Risks

(a) Risks Relating to Confirmation

For the Plan to be confirmed, each Impaired Class of Creditors is given the opportunity to vote to accept or reject the Plan, except for those Classes which will not receive any distribution under the Plan and which are, therefore, presumed to have rejected the Plan. There can be no

assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan.

If one or more of the Impaired Classes vote to reject the Plan, then the Debtor may request that the Bankruptcy Court confirm the Plan by application of the "cramdown" procedures available under Section 1129(b) of the Bankruptcy Code. There can be no assurance, however, that the Debtor will be able to use the cramdown provisions of the Bankruptcy Code to achieve Confirmation of the Plan.

If the Plan, or a Plan determined not to require resolicitation of any Classes of Claims by the Bankruptcy Court, were not to be confirmed, it is unclear what distribution holders of Claims ultimately would receive with respect to their Claims. If an alternative Plan could not be agreed to, it is likely that holders of Claims would receive less than they would have received pursuant to this Plan.

Any objection to the Plan by a member of a Class of Claims could also either prevent Confirmation of the Plan or delay such Confirmation for a significant period of time.

(b) Other Bankruptcy Risks

If Administrative Expense Claims or Priority Claims are determined to be Allowed in amounts greatly exceeding the Debtor's estimates, then there may be inadequate cash or other property available on the Effective Date to pay certain Claims under the Plan, and the Plan would not become effective. The Debtor believes, however, that it will have more than sufficient cash to satisfy such Claims. The major difference between liquidating in Chapter 11 versus converting

to a Chapter 7 is that the creditors will receive their monies quicker and no trustee fees will be paid under 11 U.S.C. §326 to an independent trustee. The payment of trustee fees in a Chapter 7 will dilute or diminish the sums available for creditors and equityholders.

XVII. ALTERNATIVES TO PLAN

If the Plan is not confirmed, then one alternative would be the conversion of this Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code. Since the liquidation of all assets has occurred, Chapter 7 would add only delay to the distribution of funds to Creditors and parties in interest and would result in less, rather than more, being distributed to the Creditors, parties in interest and equityholders because the Chapter 7 trustee would be entitled to statutory trustee fees under 11 U.S.C. §326.

The second alternative to the proposed Plan is the dismissal of the Chapter 11 case. In that event, however, the Creditors and parties in interest would not receive any moneys, as the funds would probably be paid to the members. Certainly, this would lead to additional litigation in state court by irate Creditors and parties in interest and would probably necessitate a subsequent bankruptcy, which would further diminish funds available to pay unsecured creditors.

Collectively, these factors clearly evidence that the Debtor's proposed Plan is superior to a liquidation under Chapter 7 of the Bankruptcy Code or dismissal of the bankruptcy case. The Debtor firmly believes that the Plan results in a fair balancing of all parties' rights, and again urges Creditors to vote to accept the Plan.

XVIII. MISCELLANEOUS PROVISIONS

The Plan also provides that it may be modified by the Debtor or corrected prior to Confirmation Date without additional disclosure, pursuant to §1125 of the Bankruptcy Code, provided that the Court finds that such modification does not adversely affect any Creditor or Class of Creditors and is consistent with the Bankruptcy Code. After the Confirmation Date, the Debtor may, with approval of the Court, and so long as it does not adversely affect the interests of the Creditors, remedy any defect or omission, or reconsider any inconsistencies in the Plan, or in the order of confirmation, in such manner as may be necessary to carry out the purposes and effect of the Plan.

XIX. TERMINATION OF THE PLAN

Upon completion of all the payments provided for in the Plan and recovery of all sums by the Liquidating Trustee, the Plan shall terminate.

XX. DISCHARGE PROVISIONS

Upon confirmation of the Plan, an order of permanent injunction will be entered under 11 U.S.C. §1141. No discharge of the Debtor will occur, as this is a complete liquidation.

XXI. REVESTING OF ASSETS

Since all assets of the Debtor are to be liquidated, the Debtor will not be revested with any assets. To the extent necessary, the Liquidating Trustee will be vested in any remaining assets to complete the liquidation and distribution to creditors and parties in interest.

XXII. RETENTION OF JURISDICTION

The Court, pursuant to the Plan will retain jurisdiction of the case in order to:

A. To consider any modifications of the Plan pursuant to Section 1127 of the Bankruptcy Code;

B. To hear and determine all controversies, suits, and disputes, if any, which may arise in connection with the interpretation or enforcement of the Plan, or which may be required to insure compliance with the provisions of the Plan;

C. To hear and determine any and all requests for compensation and/or reimbursement of expenses, made by application to the Court;

D. To hear and determine all of the controversies, suits, and disputes, if any, that may be pending at the time of the confirmation of the Plan, or that may arise between the Debtor and any Creditor of any Class, including objection to Claims and to determine the extent to which disputed Claims shall be allowed and approved, including, but not limited to the following:

(1) The determination of valid liens and Claims (and amounts) against the Debtor and its property;

(2) This continuing jurisdiction, staying enforcement of any Claims or liens until consummation of this Plan;

(3) The entering of any necessary orders requiring lienholders, judgment holders, and mortgage holders to erase and cancel their liens and mortgages from the conveyance, mortgage or other appropriate records of any county where the real estate or other property of Debtor is located, so that there will be no encumbrances

on the Debtor's properties after confirmation other than Claims and liens consistent with this Plan.

E. To allow the Debtor to enforce, after confirmation, any Claims or Causes of Action which exist in the Debtor's favor as debtor-in-possession and which may not have previously been enforced by the Debtor;

F. To enforce the provisions of Sections 362 and 524(a) of the Bankruptcy Code; and

G. To ensure that the intents and purposes of the Plan are fulfilled.

XXIII. CONCLUSION

This Disclosure Statement is intended to assist each Creditor in making an informed decision regarding the acceptance of Debtor's Plan of Liquidation. If the Plan is accepted, all Creditors will be bound by its terms. You are, therefore, urged to carefully review this statement and the enclosed copy of the Plan. If questions remain after such review, you are urged to make further inquiries as you may deem appropriate to counsel or other Creditors.

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CENTRAL KANSAS CRUDE, LLC

/s/ Charles A. Touchstone
Charles A. Touchstone, Managing-Member

RESPECTFULLY SUBMITTED:

REDMOND & NAZAR, L.L.P.

/s/ Nicholas R. Grillot
Nicholas R. Grillot, #22054
245 North Waco, Suite 402
Wichita, KS 67202-1117
316-262-8361 / 316-263-0610 fax
ngrillot@redmondnazar.com
Attorney for Debtor