IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA

In re:	)	
	)	
LATSHAW DRILLING COMPANY, LLC,	)	**Case No. 09-13572-R**
	)	**Chapter 11**
Debtor.	)	

In re:	)	**Case No. 09-13574-R**
	)	**Chapter 11**
LATSHAW DRILLING AND EXPLORATION COMPANY,	)	
	)	**Administratively Consolidated**
Debtor.	)	**Under Case No. 09-13572-R**

SECOND AMENDED DISCLOSURE STATEMENT FOR THE THIRD AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF LATSHAW DRILLING COMPANY, LLC AND LATSHAW DRILLING AND EXPLORATION COMPANY (DATED JUNE 3, 2010)

Latshaw Drilling Company, LLC, a Texas limited liability company ("*LDC*") and Latshaw Drilling and Exploration Company, a Texas corporation ("*LD&E*"), Debtors and Debtors In Possession herein (jointly the "*Debtors*"), hereby file this Second Amended Disclosure Statement in support of their Third Amended Joint Chapter 11 Plan of Reorganization.

I.
INTRODUCTION

Purpose of this Disclosure Statement and Plan

On the November 11, 2009, Debtors filed a petition herein under Chapter 11 of the Bankruptcy Code, (the "*Code*") in the United States Bankruptcy Court for the Northern District of Oklahoma (the "*Court*"). All statutory citations herein refer to provision of Title 11 of the Code unless otherwise specified. The Debtors have continued in possession of their property. No trustee

has been, nor is one sought, to be appointed. On the 8th day of April, 2010, the Debtors filed their Joint Plan of Reorganization (the "*Original Plan*") and this Disclosure Statement. On May 24, 2010, the Debtors filed their First Amended Joint Plan of Reorganization. On May 27th, 2010, the Debtors filed the Second Amended Joint Plan of Reorganization and the First Amended Joint Disclosure Statement. On June 3, 2010, the Debtors filed the Third Amended Joint Plan of Reorganization (the "Plan") and this Second Amended Disclosure Statement. Before the Plan can be approved by the Court and before solicitations for acceptance of the Plan can be sought, the Debtors are required to submit to the holders of claims or interests in the Estate a document which has been approved by the Court as containing adequate information concerning the Plan. This Disclosure Statement is the document proposed by the Debtors to fulfill this requirement. Accompanying this Disclosure Statement and the attached Plan is an order of the Court approving the sufficiency of this Disclosure Statement and setting various deadlines in this case.

"Adequate information" is a statutory term found in 11 U.S.C. § 1125(a)(1) and is therein defined to mean "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of Debtors' operation and the condition of their books and records that would enable a hypothetical, reasonable investor, typical of holders of claims or interests of the relevant classes, to make an informed judgment about the Plan". The Debtors filed this Disclosure Statement to provide the necessary information to make adequate disclosure to the creditors. The adequacy of the Disclosure Statement of this document will be considered for approval by the Court at a hearing after notice and opportunity for you to object. The Debtors and their counsel have made a sincere effort to provide adequate information in this document. If you believe there is additional information which is critical to your determination of whether or not to vote for this Plan, please

contact the attorneys for the Debtors, MorrelSaffaCraige, P.C., 3501 South Yale Avenue, Tulsa, Oklahoma 74135. The attorney handling this case is Mark A. Craige. The phone number is 918.664.0800, the facsimile number is 918.663.1383, and the e-mail address is mark@law-office.com. The Attorneys will make every effort to supply you with the needed information. If you are still unsatisfied, you may file an objection to the adequacy of the disclosure provided herein as set forth in the order setting the hearing on the disclosure statement and ask the Court to require the Debtors to provide additional information to allow you to make a decision as to whether or not to vote for this Plan.

II.
DEFINITIONS AND RULES OF CONSTRUCTION

The following definitions apply to this Plan and Disclosure Statement exclusively. Any terms used by this Plan defined by 11 U.S.C. § 101 shall mean the same as defined by such section unless otherwise provided herein. Any term or word defined herein shall have the meaning defined herein any time it is used in this Plan or Order Confirming this Plan whether or not such term or word shall be capitalized.

II.A
DEFINITIONS

Unless otherwise defined herein, any terms used in this Disclosure Statement or in the Plan that are defined pursuant to § 101 of the Code, shall have the meaning ascribed to such term by that statute. In addition to such other terms as are defined elsewhere in this Disclosure Statement or in the Plan, the following capitalized terms have the following meanings as used in the Plan:

"506(b) Expense Claim" means a claim for reasonable fees, expenses, costs and other amounts which either of the Debtors agreed to pay or reimburse under the Pre-Petition Credit

Agreement any time from and after the Petition Date to and through the Effective Date including, without limitation, any and all reasonable attorney's fees and expenses incurred any time from and after the Petition Date which either of the Debtors agreed to pay under section 9.5 of the Pre-Petition Credit Agreement or otherwise.

"Ableco" means Ableco Finance LLC and its affiliate A3 Funding L.P, and its successors and assigns.

"Ableco Restructured Credit Agreement" means the credit agreement, dated as of the Effective Date, by and among Reorganized Debtors, as borrowers, Ableco's designee, as administrative agent, and Ableco, as the lender party thereto.

"Administrative Convenience Claim" means an Unsecured Claim in an amount that is less than $35,000, or as to which the holder has voluntarily agreed that the amount shall be no greater than $35,000.

"Administrative Expense Claim" means a Claim for the costs or expenses entitled to priority pursuant to §§ 503(b), 507(a)(2), 507(b) and/or 1114(e)(2) of the Code, including Cure Payments, Ordinary Course Business Expenses, and Professional Fee Claims.

"Allowed" means when used with respect to a Claim, other than an Allowed Professional Fee Claim (as to which the term has the particular meaning indicated in Section IV.B.1.c), Allowed General Administrative Expense (as to which the term has the particular meaning indicated in Section IV.B.1.e) or an Allowed 506(b) Expense Claim (as to which the term has a particular meaning indicated in Section V.A), all or a portion of such Claim to the extent that:

(a) Either: (1) a proof of claim was timely filed; or (2) is deemed allowed under Bankruptcy Rule 3003(b)(1)-(2); and

(b) Either: (1) the claim is not a Disputed Claim or a Disallowed Claim; or (2) the claim is allowed by a Final Order or under the Plan.

Any portion of a Claim that is satisfied or released during the cases is not an Allowed Claim.

"Allowed 506(b) Expense Claim" means a 506(b) Expense Claim awarded pursuant to the 506(b) Expense Claim Allowance Procedures, as defined in Section V.A.

"Ballot" means the ballot to vote to accept or reject the Plan.

"Ballot Tabulator" means Ann Ashley, a legal assistant employed by Debtors' Counsel, or any other person or entity designated by Debtors' Counsel.

"Bankruptcy Code" or **"Code"** means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended, as applicable in the Cases.

"Bankruptcy Court" or **"Court"** means the United States Bankruptcy Court for the Northern District of Oklahoma, or any other court that properly exercises jurisdiction over the Cases; provided, however, for purposes of determining whether the Class 2 Claim and Class 3 Claim of the Lehman Lender is allowed, the references to "Bankruptcy Court" or "Court" shall mean any court that properly exercises jurisdiction over such matter.

"Bankruptcy Rules" means together, (a) the Federal Rules of Bankruptcy Procedure and (b) the Local Rules of the Bankruptcy Court, as applicable in the Cases.

"Business Day" means a day that is not a Saturday, Sunday, or legal holiday, as such term is defined in Bankruptcy Rule 9006(a), on which commercial banks in Tulsa, Oklahoma, are open for business.

"Cases" means the Debtors' cases under Chapter 11 of the Bankruptcy Code; provided, however, for purposes of construing whether the Class 2 Claim of the Lehman Lender has been

allowed by a Final Order of the Bankruptcy Court under this Plan, the reference to "Cases" in the definition of Final Order means, as appropriate to the context, either (x) the Debtors' cases under Chapter 11 of the Bankruptcy Code or (y) the Lehman Lender's case under Chapter 11 of the Bankruptcy Code.

"Claim" means a claim as Bankruptcy Code § 101(5), as supplemented by Bankruptcy Code § 102(2), defines the term "claim" against the Debtors, the Estates or property of the Estates, whether or not asserted.

"Claim Objection Deadline" means unless extended by Order of the Court the later of: (a) 180 days after the Effective Date, and (b) 180 days after the date on which the subject proof of claim was filed.

"Class" means a group of claims or interests as classified in Section IV.A of the Plan.

"Collateral" means any property, or interest in property, of the Estates that is subject to a lien, charge or encumbrance to secure the payment or performance of a Claim.

"Confirmation Hearing" means the hearing by the Bankruptcy Court held pursuant to Bankruptcy Code § 1128(a) regarding confirmation of the Plan.

"Confirmation Date" means the date of entry of the Confirmation Order on the Court's docket.

"Confirmation Objection Deadline" means the date fixed by the Court for the filing of written objections to confirmation of the Plan.

"Confirmation Order" means the Bankruptcy Court order under Bankruptcy Code § 1129 confirming the Plan.

"Core Notice Parties" means the Debtors, the Office of the United States Trustee and all parties requesting special notice in these Cases.

"Cure Payment" means such amount as the Bankruptcy Court determines is necessary to cure any default under, and compensate the non-debtor party to, an executory contract or unexpired lease that is assumed under the Plan, pursuant to Bankruptcy Code § 365.

"Debtors" means Latshaw Drilling Company, LLC, a Texas limited liability company and Latshaw Drilling & Exploration Company, a Texas Subchapter S Corporation. References in the singular to a "Debtor" shall mean either of the Debtors, as appropriate to the context.

"Debtors' Counsel" means MorrellSaffaCraige, P.C.

"Debtors' Professionals" means Debtors' counsel and the other professionals of the Debtors employed at the expense of the Estates pursuant orders of the Court.

"Disallowed Claim" means a Claim, or any portion thereof, that: (a) is not listed on the Schedules, or is listed therein as contingent, unliquidated, disputed, or in an amount equal to zero, and whose holder has failed to timely file a proof of Claim; or (b) the Bankruptcy Court has disallowed pursuant to court order and such order is a final order.

"Disclosure Statement" means this document, the "Second Amended Disclosure Statement for The Third Amended Joint Chapter 11 Plan Of Reorganization Of Latshaw Drilling Company, LLC And Latshaw Drilling And Exploration Company (Dated June 2, 2010)" as amended or modified, filed in connection with the Plan.

"Disputed Claim" means a Claim:

(a) as to which a proof of claim is filed or is deemed filed under Bankruptcy Rule 3003(b)(1); and

(b) (i) that is the subject of a timely filed objection (including an objection based upon Bankruptcy Code § 502(d)) that has not been denied by a Final Order or withdrawn; or (ii) that is listed on the Schedules as disputed, contingent or unliquidated and the Claim Objection Deadline has not occurred.

"Distribution Date" means the date occurring on or as soon as reasonably practicable after the Effective Date, but in no event later than fourteen (14) days following the Effective Date, on which certain distributions shall be made to the holders of Allowed Claims, as specified in the Plan.

"Effective Date" has the meaning specified in Section XI.G of the Plan.

"Equity Funded Loan Prepayments" means the aggregate dollar amount of the principal indebtedness outstanding under the Restructured Credit Agreements which has been voluntarily prepaid by the Reorganized Debtors with cash proceeds generated from the issuance of equity by either or both of the Debtors.

"Escrow Funds" has the meaning specified in Section IX of the Plan.

"Escrow Funds Account" has the meaning specified in Section IX of the Plan.

"Estates" means the estates of the Debtors created under § 541 of the Bankruptcy Code. References in the singular to an "Estate" shall mean either of the Estates, as appropriate to the context.

"File", "Filed", or "Filing" means duly and properly filed with the Bankruptcy Court and reflected on the Bankruptcy Court's official docket.

"Final Order" means an order or judgment of the Bankruptcy Court entered on the Bankruptcy Court's official docket in the cases:

(a) that has not been reversed, rescinded, vacated, stayed, modified, or amended;

(b) that is in full force and effect; and

(c) with respect to which: (1) the time to appeal, petition for certiorari, or move for a new trial, re-argument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, re-argument, or rehearing shall then be pending; or (2) if an appeal, writ of certiorari, new trial, re-argument, or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied or a new trial, re-argument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari, or move for new trial, re-argument, or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause such order not to be a Final Order.

"General Administrative Expense" means an Administrative Expense Claim that is not a Cure Payment, Ordinary Course Business Expense, Professional Fee Claim or U. S. Trustee Fee.

"Impaired" means with respect to any Class of Claims or Interests, a Class of Claims or Interests that is impaired under the Plan pursuant to Bankruptcy Code § 1124.

"Interest" means any equity security as defined in Bankruptcy Code § 101(16), whether or not asserted, of any equity security holder of the Debtor, as defined in Bankruptcy Code § 101(17).

"Lehman Claim Reduction Amount" means the amount by which the full face amount of the proof of claim filed by the Lehman Commercial Paper Inc. for amounts due to the Lehman Lender under the Pre-Petition Credit Agreement *exceeds* the Allowed Amount of the Lehman

Lender's Class 3 Secured Claim *minus* the sum of (x) the amount of post-Petition Date interest accruing on the Allowed Amount of the Class 2 Claim of the Lehman Lender at the non-default contract rate of interest under the Pre-Petition Credit Agreement from the Petition Date to and through the Effective Date that was not paid during the Cases, and (y) any 506(b) Expense Claim of the Lehman Lender.

"Lehman" means Lehman Commercial Paper, Inc.

"Lehman Lender" shall mean Lehman, in its capacity as "Lender" under, and as defined in, Pre-Petition Credit Agreement, and its successors and assigns in such capacity.

"Lehman Lender Restructured Credit Agreement" means the credit agreement, dated as of the Effective Date, by and among Reorganized Debtors, as borrowers, Lehman Commercial Paper Inc., or its designee, as administrative agent, and the Lehman Lender, as the lender party thereto.

"LIBOR" means, with respect to interest provided herein on an Allowed Claim, the offered rate per annum (rounded upwards, if necessary, to the next 1/100%) for deposits of Dollars for a period of three months that is published in The Wall Street Journal, Eastern Edition as the "London Interbank Offered Rate" on the date on which the Bankruptcy Court enters an order determining that such Claim is an Allowed Claim of the type entitled to interest hereunder. If no such offered rate exists, such rate will be the rate of interest per annum, (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits of Dollars in immediately available funds are offered on the date on which the Bankruptcy Court enters an order determining that a Claim is an Allowed Claim of the type entitled to interest at the "LIBOR" rate under this Plan, by major financial institutions reasonably satisfactory to the holder of such Claim and the Reorganized Debtor, in the London interbank market, for a period of three months, for a principal amount approximately equal to the

amount of the Allowed Claim. If the Board of Governors of the Federal Reserve imposes a reserve percentage with respect to LIBOR deposits, then LIBOR shall be the foregoing rate, divided by 1 minus such reserve percentage.

"Lien" has the meaning specified in Bankruptcy Code § 101(37).

"Monthly Plan Payment Due Date" means the first day of the second full calendar month following the Effective Date and the same date of each calendar Month thereafter.

"Ordinary Course Business Expense" means the expenses and obligations of the Debtors that are incurred by each of them in the ordinary course of business, on and after the Petition Date, and that are not disputed by the Debtors.

"Petition Date" means November 11, 2009.

"Plan" means the "Second Amended Joint Chapter 11 Plan Of Reorganization Of Latshaw Drilling Company, LLC And Latshaw Drilling And Exploration Company (Dated May 27, 2010)", including all exhibits and schedules annexed hereto, and all exhibits and schedules referenced herein, as such exhibits and schedules are filed, all as the foregoing subsequently may be modified, supplemented or amended.

"Pre-Petition Administrative Agent" means Lehman in its capacity as the Administrative Agent under, and as defined in, the Pre-Petition Credit Agreement, and its successors and assigns in such capacity.

"Pre-Petition Credit Agreement" means that certain Amended and Restated Credit Agreement by and among Latshaw Drilling Company, LLC, as borrower, Latshaw Drilling & Exploration Company, as guarantor, the several lenders from time to time parties thereto, Lehman Brothers Inc., as Arranger, Lehman Commercial Paper Inc., as Syndication Agent, and Lehman

Commercial Paper Inc., as Administrative Agent, dated as of July 11, 2008, as amended, reaffirmed, modified, restated, renewed and/or supplemented from time to time.

"Pre-Petition Credit Agreement Party" means the Administrative Agent, the Lehman Lender or Ableco.

"Pre-Petition Lender(s)" means Ableco and the Lehman Lender.

"Priority Claim" means a Claim entitled to priority against the Estates under Bankruptcy Code §§ 507(a)(4), 507(a)(5), 507(a)(7), or 507(a)(9). Priority Claims do not include any Claims incurred after the Petition Date. Priority Claims do not include Priority Tax Claims.

"Priority Tax Claim" means a Claim entitled to priority against the Estates under Bankruptcy Code § 507(a)(8). Priority Tax Claims do not include any Claims incurred after the Petition Date, except to the extent provided in Bankruptcy Code § 502(i). Priority Claims do not include Secured Tax Claims.

"Professional Fee Claim" means a Claim under Bankruptcy Code §§ 327, 328, 330, 331, or 503 for compensation for professional services rendered or expenses incurred on behalf of the Estates by one of the Debtors' Professionals.

"Pro Rata" means proportionately so that the ratio of (a) the amount of consideration distributed on account of a particular Allowed Claim to (b) the Allowed Claim, is the same as the ratio of (x) the amount of consideration available for distribution on account of Allowed Claims in the Class in which the particular Allowed Claim is included to (y) the amount of all Allowed Claims of that Class.

"Rejection Damage Claim" means a claim arising under Bankruptcy Code § 365 from the rejection by a Debtor of an unexpired lease or executory contract.

"Reorganized Debtors" mean the Debtors, from and after the Effective Date.

"Restructured Credit Agreements" means the Lehman Lender Restructured Credit Agreement and the Ableco Restructured Credit Agreement.

"Schedules" means the Schedules of Assets and Liabilities filed by the Debtors on or about November 11, 2009, and as they may be further amended subsequently.

"Secured Claim" means a Claim that is secured by a lien on collateral as of the Petition Date. A claim is a Secured Claim under the Plan only to the extent the lien securing such Claim has not been avoided under chapter 5 of the Bankruptcy Code, or is otherwise determined to be invalid under the Bankruptcy Code or applicable law, and, if the preceding is satisfied, only to the extent of the value of the claimholder's interest in the Debtors' interest in Collateral, or to the extent of the amount subject to setoff, whichever is applicable.

"Unimpaired" means, with respect to any Class of Claims or Interest, a Class of Claims or Interests that is not impaired under the Plan pursuant to Bankruptcy Code § 1124.

"Unsecured Claim" means a Claim that is not an Administrative Expense Claim, a Priority Claim, a Priority Tax Claim, or a Secured Claim.

"Voting Deadline" means the deadline established by the Bankruptcy Court for the delivery of executed Ballots to the Ballot Tabulator.

II.B
RULES OF CONSTRUCTION

1. The rules of construction in Bankruptcy Code § 102 apply to this Disclosure Statement or the Plan.

2. Bankruptcy Rule 9006(a) applies when computing any time period under this Disclosure Statement or the Plan.

3. A term that is used in this Disclosure Statement or the Plan and that is not defined in this Disclosure Statement or the Plan has the meaning, if any, attributed to that term in the Bankruptcy Code or the Bankruptcy Rules.

4. The definition given to any term or provision in the Plan supersedes and controls any different meaning that may be given to that term or provision in this Disclosure Statement.

5. Whenever it is appropriate from the context, each term in this Disclosure Statement or the Plan, whether stated in the singular or the plural, includes both the singular and the plural.

6. Any reference to a document or instrument being in a particular form or on particular terms means that the document or instrument will be substantially in that form or on those terms. No material change to the form or terms may be made after the Confirmation Date without the consent of any party materially and negatively affected by the change.

7. Any reference to an existing document means the document as it has been, or may be, amended or supplemented.

8. Any reference to a person or entity includes the successors and assigns of such person or entity.

9. Unless otherwise indicated, the phrase “under the Plan” or “under this Plan” and similar words or phrases refer to this Plan in its entirety rather than to only a portion of the Plan.

10. Unless otherwise specified, all references to Sections or Exhibits are references to this Disclosure Statement’s Sections or Exhibits. Reference to Exhibits that are Exhibits to the Plan shall be referred to as a “Plan Exhibit”.

11. The words “herein”, “hereto”, “hereunder” and other words of similar import refer to this Plan in its entirety rather than to only a particular portion.

12. The terms "includes" or "including" and other forms thereof mean "includes without limitation", "including without limitation", and the like.

II.C
TIME PERIODS AND DEADLINES

Throughout this Disclosure Statement and the Plan, there are various time periods and deadlines by which various actions must be accomplished. After the entry of the Confirmation Order, without the need for Court approval or any notice to any party, the Debtors may agree in writing with the applicable party (or parties) whose rights are affected by such deadlines to extend any such time period and deadline so long as such agreement is memorialized by a document, letter or exchange of email.

III.
SUMMARY OF THE PLAN

There are several exhibits related to this Disclosure Statement and the Plan. The Plan is an exhibit to this Disclosure Statement as Exhibit "A". There are some exhibits that are only exhibits to this Disclosure Statement and others that are only exhibits to the Plan. All of the exhibits to the Plan are incorporated as exhibits of this Disclosure Statement. All references to exhibits that are exhibits to the Plan will so specifically state.

The following summary describes the general approach of the Plan. There are many provisions in the Plan not covered in this summary. The remaining provisions of this Plan should be read carefully to understand all aspects of the Plan. The Plan is an operational reorganization of the Debtors and they will continue in operation in much the same manner as they did prior to the Petition Date. All creditors holding Allowed Claims will be paid in full in cash or deferred cash payment.

Essentially the Plan contains the following elements:

1. Unclassified Claims are administrative expenses. Administrative expenses include all professional fees, including attorney's and accountant's fees and allowed expenses of the foregoing; post-petition rent claims, certain operating expenses, and tax claims which have accrued from the petition date and which can be expected to accrue prior to confirmation. This Class also includes any other allowed administrative expense claim. All claims in this Class will be paid in full in cash at confirmation or as soon as an Order allowing such claims is entered.

2. Classes 1 through 6 provide for allowed secured claims. All Allowed Secured Claims will be paid in full with interest over a commercially reasonable repayment term and shall retain all liens securing their claims. Debtors have negotiated agreed treatment for the claims of Abelco and PeoplesBank, but not for the Lehman Lender.

3. Class 7 includes priority claims owed to taxing authorities by the Debtors. The Debtors do not believe there are any unpaid claims in this class, however, to the extent any such claims are allowed, then such claims will be paid in deferred cash payments or in cash as required by 11 U.S.C. § 1129(a)(9).

4. Classes 8 and 10 include unsecured claims greater than $35,000.00 that will be paid in full in deferred cash payments with interest over a term of 4 months.

5. Class 9 provides for the unsecured creditors of less than $35,000.00 that will be paid in full in cash with 30 days after the Effective Date.

6. Class 11 and 12 include the claims of interest holders of the Debtors. The holders of claims in this class shall retain their interests.

IV.
DISCLOSURE OF INSIDERS

Trent Latshaw ("*Latshaw*") is the managing member of LDC and the president of LD&E. Latshaw will continue to serve in both of these officer/manager roles post-confirmation. Latshaw's compensation will continue at the same level as pre-petition, which is approximately $150,000.00 per year.

LDC pays a management fee of $40,000.00 per month to LD&E. Such payments will continue post-petition.

Other than the transactions described herein, there are no other insider transactions, nor are any such transactions contemplated.

V.
EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The confirmation of the Plan shall constitute the assumption of the Executory Contracts and Unexpired Leases of the Debtors as reflected in the Plan Exhibit "A" for LDC and Plan Exhibit "B" for LD&E. The Debtors do not believe there are any monetary claims which would constitute cure costs pursuant to 11 U.S.C. § 365(b) (1) (A) or any other claims of any kind associated with the assumption of any executory contracts or unexpired leases by the Debtors.

VI.
LITIGATION

The only known litigation as of the date of Petition Date was the suit filed to collect $281,276.00 owed to LDC filed in the District Court of Rusk County, Texas, against Petromax Operating and Zeno Texas, LLC in Cause No. 2007-079. LDC had employed the Texas law firm of Thompson & Knight LLP, to represent it in the prosecution of this case. Such employment was

continued post-petition pursuant to an order of this Court entered on December 11, 2009 [Doc. #84]. On April 29, 2010, Petromax and Latshaw participated in a mediation in Houston, Texas resulting in the settlement of all claims by and between the parties to this lawsuit. Pursuant to Fed. R. Bankr. P. 9019, on May 6, 2010, the Debtors filed a motion with this Court seeking approval of the settlement. Assuming the settlement is approved, the Debtor will receive a one-time cash payment from Petromax of $190,000.00, Petromax will withdraw its Proof of Claim No. 21 filed against LDC and all other claims among the parties to this lawsuit will be released.

The other significant dispute arises from the Debtors' claims against the Lehman Lender arising from its failure to fund the line of credit described below. Both Debtors dispute the Lehman Lender Claims and on the 24th day of February, 2010, filed pleadings with the Court to assert this dispute at Docket entries 148 and 149. This dispute will be pursued to a resolution post-confirmation.

VII.
HISTORY OF THE DEBTOR'S OPERATIONS

The company now known as LDC was originally founded in 1981 in Houston, Texas. Two new rigs were built for $8 million each (Rigs #1 and #2). These rigs originally worked in Oklahoma in the 1981-83 time periods after which they were taken back to Texas.

In 1985 LD&E was incorporated with Trent Latshaw as the sole shareholder. During the industry downturn of the mid-late 1980s LD&E was able to survive not by working rigs but by buying and selling used drilling rigs and equipment at auctions and from financial institutions. From 1985-92 LD&E and some outside investors bought about $100 million worth of land drilling rigs and equipment for approximately $5 million.

In 1996 LD&E and some outside investors started buying into oilfield equipment

manufacturing companies, a couple of which were here in Tulsa.

In the early 2000's as industry conditions improved here in the United States, LD&E started putting some of their rigs back to work. At this point the remaining outside investors in various rigs and equipment still being held in inventory were bought out by LD&E. The company paid approximately $4,578,477 to buy out the ownership interest of outside investors in various rigs and drilling equipment (none of them owned stock in LD&E). This funding was provided by Lehman in the original financing in June, 2005.

After putting Rig #3 to work LD&E negotiated long term contracts with several public independent oil & gas companies including Chesapeake Energy, XTO Energy, Encore Operating, Denbury Resources and Goodrich Petroleum. A total of 13 new rigs were built during 2005-2009, with 11 of them being built in a two year period of 2005-2007, for a total fleet of 14 rigs.

Despite the severe industry downturn starting in September, 2008, the Debtors currently have 11 of their 12 existing rigs contracted for a utilization rate of 92% compared to the current industry average of 63% while many large public drilling contractors have current utilization rates as low as 40 to 50%. Until the market downturn in 2008, the Debtors typically kept all of their rigs working at or near 100% utilization. As a result of the downturn in 2009, the Debtors' utilization was down, although it never fell below 77%. During this same time frame, the industry average utilization was 18 to 40%.

Lehman Brothers had been LD&E's senior debt lender since June, 2005, providing the financing needed to build most of these new rigs. One of LD&E's customers did provide the financing for the construction of two of the new rigs and as a result, a separate entity called Latshaw Drilling Operations, LLC ("LDO") was set up as a separate company. LDO is a wholly owned

subsidiary of LD&E and owns two drilling rigs currently under contract to XTO.

In January, 2006, Lehman Brothers Holdings, Inc. sold 25% of the Debtors' loans to Abelco. Lehman and Abelco are jointly referred to as the "Lenders".

In June, 2008, the Debtors signed a revised Credit Agreement contract with the Lenders to provide an additional $40 million of financing for the construction of 6 new additional rigs. This additional financing was to only provide 50% of the construction costs and LDC was to fund the other 50% out of its cash flow from existing operations. When Lehman filed Chapter 11 on September 15, 2008, LDC had only drawn $3 million of the $40 million credit line.

On September 18, 2008, in accordance with the prior course of dealings between LDC and the Lenders, a Borrowing Notice was faxed to Lehman requesting a draw of the remaining funds available under the Credit Agreement of $37,000,000. Ableco funded their portion of this last draw request, but Lehman never did fund the remaining $27.75 million.

At the same time it requested the funding from Lehman, LDC had commitments from both existing customers and new customers on long term contracts for all 6 of these new rigs. Due to Lehman's default in failing to fund under the Credit Agreement, LDC had to back out of commitments they had made to customers to build new rigs for their drilling programs thereby causing substantial monetary losses to the Debtors. Lehman disputes LDC's contentions regarding these matters.

In what the Debtors believe was an effort to pressure the Debtors into releasing it from its unfunded obligation, Lehman exerted pressure on LDC by claiming numerous technical defaults which the Debtors disputed, sweeping LDC's bank operating account of $5,400,000.00 and

eventually calling and accelerating the debts owed thereby causing the Debtors to file these Chapter 11 cases. Lehman disputes LDC's contentions regarding these matters.

VIII.
PROPOSED OPERATIONS

As of April 1, 2010, LDC had 11 of its 12 rigs working for a 92% utilization rate. It is anticipated that the remaining will be working by the end of the second quarter of 2010 resulting in a 100% utilization rate. The industry average is currently at approx 64% utilization with some companies at only the 45-50% range of utilization rates. Since the beginning of 2010, LDC has acquired three new customers and one of its existing customers has signed contracts for three rigs that had been idle. With 11 of its rigs working, LDC employs 263 people and when all 12 of its rigs are active, it will employ 285 people.

The one new rig that was started over a year ago is approx 98% completed and should be finished in the next couple of months. It is anticipated that this rig will be put to work under contract before the end of 2010. When these rigs go to work, LDC will have a total of 13 rigs working under contract and will have approximately 305 employees.

The Debtors anticipate Plan confirmation by the end of the second quarter of 2010. In light of their ability to utilize all of its available rigs, the Debtors do not contemplate the immediate liquidation of any of its assets.

IX.
THE ASSETS OF THE DEBTORS

IX.A.

LDC Assets

The assets of LDC consist principally of completed oil and gas drilling rigs, oil and gas drilling rigs under construction, spare parts, motors, drill pipe, and drill collars for the drilling rigs, vehicles and yard equipment used for drilling rig operations, accounts receivable, cash on hand and other assets. Attached hereto as Exhibit "D" is a copy of Schedule B filed in this case which shows a summary of LDC's opinion of the value as of the Petition Date of all of its assets, tangible and intangible, totaling approximately $193,500,000. The attached Exhibit "E" is a spreadsheet prepared by J. Bill Koehler providing a detailed analysis of the values of all of the Debtors' assets as of the date of the filing of this Disclosure Statement. Exhibit "E" presents two columns reflecting the Fair Market Value and the Forced Liquidation approaches to value and in the section related to LDC, refers to three categories of assets discussed below for the Completed Rigs, Other Tangible Assets and Intangible Assets. As shown on Exhibit "E," the grand totals for all of LDC assets are estimated and rounded to be:

Fair Market Value: $196,588,000. Forced Liquidation Value: $118,609,00.

Shortly prior to the Petition Date, the LDC requested that Hadco, Inc. ("Hadco") update its appraisal of its primary business assets consisting of eleven (11) completed Drilling Rigs and associated equipment described in the report referred to as "Completed Rigs." The complete updated appraisal report prepared by Hadco detailing its opinions as of October 23, 2009 is 148

pages long (the "*Hadco Report*"). The Debtors have provided a summary of the Hadco Report prepared by Hadco attached hereto as Exhibit "F." A complete copy of the Hadco Report will be provided to any party requesting such by contacting Debtors' Counsel. The Hadco Report values the drilling rigs on two different bases: Forced Liquidation Value and Fair Market Value. "Forced liquidation Value" in this document means the value realized when assets are sold piecemeal, under duress at public auction when one assumes that the buyer is responsible for all costs of removal and is purchasing the assets "as is, where is" with no warrantees or representations as to the condition of the assets being made by the seller. It is further assumed that the assets are properly advertised in a manner considered to be commercially reasonable. "Fair Market Value" is the value of the assets when one assumes that the assets are being used as part of a money making business and the sale is between a willing and able buyer and seller. It is assumed that both the buyer and seller are acting at arm's length in an open and unrestricted market. Furthermore, neither buyer nor seller is under compulsion to buy or sell and both have reasonable knowledge of the relevant facts.

The Debtor also owns other tangible assets that were are not part of the Hadco Report, consisting of six (6) drilling rigs under various stages of construction (one of which has been completed post-petition and is now ready to be placed into service) and various spare parts, motors, drill pipe, drill collars and other equipment used in its contract drilling services plus vehicles and office equipment (the "Other Tangible Assets"). The Fair Market Value of the Other Tangible Assets is the opinion of the Debtors' management considering their experience, in conjunction with the book values and a preliminary value estimate from Hadco, Inc. For purposes of estimating the Forced Liquidation Value of the Other Tangible Assets, LDC discounted all of its other assets, except cash, certificate of deposit, accounts receivable, insurance claim, and retainers to 60% of the

Fair Market Value, which is the same percentage differential as applied in the Hadco Report for Completed Rigs.

Additionally, LDC has other intangible assets consisting of, but not necessarily limited to, cash on hand, accounts receivable, an insurance claim, certificate of deposit, and claims against Lewco and Petromax (the "Intangible Assets"). The current values of the Additional Assets vary from the values of such items on Exhibit "D" and reflect the post-petition operations of the business as well as settlements and negotiations with various parties.

IX.B.

LD&E ASSETS

The assets of LD&E consist of the 100% member interests in two limited liability companies LDC, as discussed in detail immediately above, and LDO, as introduced in §VII above and discussed below, plus three aircraft, discussed below, all as more particularly shown in the attached Exhibit "G." Exhibit "G" is LD&E's Schedule B filed as a part of this Bankruptcy Case on the Petition Date. The values for LD&E's assets utilizing the same Fair Market Value and Forced Liquidation Value approaches discussed above are set forth in the section of Exhibit "E" related to LD&E. As shown on Exhibit "E," the grand totals for all of LD&E's assets are estimated and rounded to be:

Fair Market Value: $124,750,000. Forced Liquidation Value: $43,750,000.

The value of LD&E's member interest in LDC is derived using the total asset values of LDC discussed above, less the total book value of liabilities owed by such entity. The value of LD&E's member interest in LDO is derived using the total asset values determined by the opinion of the

Debtors' management considering their experience, in conjunction with the book value in light of the market values of similar rigs in the Hadco Report, less the total book value of liabilities owed by such entity. LDO owns two drilling rigs worth a total of approximately $15,300,000 at Fair Market Value subject to liabilities of approximately $12,300,000 resulting in an estimated going concern net asset value of $3,000,000 ($15,300,000-$12,300,000). The estimated Forced Liquidation Value of the two LDO rigs is $11,300,000 resulting in an estimated net cash liquidation value of LD&E's member interest of ZERO.

LD&E estimates current estimated fair market values of its aircraft as follows: (1) a *North American P-51D"Mustang" - $2,000,000; (2) Grumman G44A "Widgeon" - $350,000; and (3) a North American AT-6 "Texan" -$150,000 ($2,000,000+$350,000+$150,000=$2,500,000).* The aircraft would have approximately the same value regardless of whether such is considered on a Fair Market Value or Forced Liquidation Value basis. Accordingly, the aircraft constitute an additional $2,500,000 in asset value for LD&E. These aircraft were included in the LD&E's schedules with a total value of $2,200,000. The Debtors believe the aircraft have appreciated in value since the Petition Date.

X.
FINANCIAL ANALYSIS

The Bankruptcy Code in § 1129(a)(11) requires the Court to determine that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. This Section presents an analysis of the Debtors' future cash flow from which they will obtain the funds to pay the financial obligations under the Plan. The projections and analysis below demonstrate that the Plan has a reasonable prospect of success and is workable when viewed from a practical perspective. The Plan provides for all Creditors to be paid in full in deferred

payments over a period of time. The projections shown in the pro forma statements of future income and expenses are derived from assumptions based upon an analysis of the historic and current performance of the Debtors' operations and are not merely speculative. Debtors submit the projections show they have the ability to make the payments proposed.

A summary of the current and future expected operations of the business is attached as Exhibit "H" consisting of pro forma balance sheets, pro forma statements of income and pro forma statements of cash flow and the underlying assumptions. The pro forma statements constituting Exhibit "H" are based upon the Debtors' current method of operations which are expected to remain essentially unchanged post confirmation. The Debtors' ability to perform their obligations under this Plan is dependent upon future cash flow. Therefore, this financial analysis and cash flow projection has been provided.

The Debtors believe the financial analysis is conservative in that the pro forma statements are prepared using rig rates less than rates presently being received by the Debtors. The rig rates used in the pro forma statements are held constant until year 2012 while operating costs are escalated earlier, and the rig utilization is less than presently realized by the Debtors.

While all projections are speculative in nature, the projections are based upon existing circumstances and reasonable expected future events. Statements regarding the Debtors' ability to complete its reorganization and perform the obligations under the Plan are forward looking in nature. The terms "project", "projection(s)", "pro forma", "expect", "estimate", "anticipate", "predict", "may" and similar expressions are also intended to identify forward looking statements. Such statements involve risks, uncertainties and assumptions, including, without limitation, the results of the bankruptcy proceedings, the results of negotiation, market factors, general economic conditions,

and the availability of equipment, materials and supplies. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

The financial analysis clearly demonstrates that the Debtors' operations will generate sufficient cash flow to perform their obligations under the Plan, including making all payments required by the Plan, and that the confirmation of this Plan is not likely to be followed by the need for further reorganization or liquidation. With respect to the Class 2 and 3 claims of Lehman and the Class 1 and 4 claims of Abelco (collectively, the "*Secured Lenders*"), the pro forma statements include debt service at the full remaining outstanding balance only for the purpose of demonstrating that the Debtors' operations can service the entirety of the current outstanding principal balance in the event the Debtors are unsuccessful in their claim objection.

The Plan provides that Secured Lenders become fully due and payable the earlier of (a) the third (3rd) anniversary of Effective Date and (b) May 1, 2013, commonly referred to as a "Balloon Payment". When the Balloon Payment comes due, the Debtors will have paid off all of their unsecured debts under the Plan and will have paid down all of their secured debts to approximately $47,000,000. The Debtors' estimate that they will have no more than $50,000,000 in total debt at the time of the Balloon Payment, resulting in a debt to equity ratio using the current forced liquidation value of all assets is approximately 2.37 ($118,609,000/$50,000,000). The current debt to equity ratio using the forced liquidation value of all assets is approximately 1.58 ($118,609,000/$75,000,000).

LDC projects it will have approximately $5,000,000 cash on hand plus $15,000,000 in annual cash flow available to service the new debt necessary to re-finance the $47,000,000 due as

the Balloon Payment. Assuming the Debtors can obtain re-financing on the terms at least as good as provided in the Plan, the annual payments on $47,000,000 in re-financed debt would be $7,500,000, or about half of the $15,000,000 available to make such payments. The Debtors believe they will be able to obtain financing to pay the Balloon Payment in full as and when the same is due.

The Debtors have the ability to make the payments required by the Plan and the confirmation of this Plan is not likely to be followed by the need for further reorganization or liquidation. While the Debtors' cannot guarantee the Plan will succeed, they believe financial analysis provided in herein demonstrate that there is a reasonable assurance that the Plan will succeed.

XI.
CLAIMS

XI.A.
KNOWN OBJECTIONS TO CLAIMS

The Court set a claims filing bar date of February 16, 2010. Other than the provisions of the Plan and the adjustment of claims provided herein, the Debtors do not anticipate filing any objections to claims except as discussed below. In the event the Debtors elect to file any additional objections to claims, the Debtors will file any and all objections to claims prior to the hearing to consider confirmation of the Plan. Any other party to this case may file objections to any other claims in this case.

XI.A.1
OBJECTIONS TO CLAIMS FILED IN LDC

At present there are no late filed claims in this case except for the unsecured claim of Garcia Industries Proof of Claim No. 23 in the amount of $102,340.00. This claim was filed one day late. LDC does not intend to object to this claim.

Forum Oilfield Technologies U.S., Inc., successor in interest to Forum Repair and Field Service, Inc. filed Proof of Claim No. 24 in the amount of $835,845. This claim arising from an executory contract which LDC has agreed to assume and perform on a re-negotiated basis on the terms set forth on Plan Exhibit "A".

LeTourneau Technologies Drilling Systems, Inc. ("*LeTourneau*") filed Proof of Claim No.22 in the amount of $ 1,455,470.77. This claim arises from a series of contracts for equipment. LDC is currently negotiating with LeTourneau and hopes to reach an agreement to assume and perform these contracts on a re-negotiated basis. If such agreement is achieved prior to confirmation, then the details will be provided in an Amendment to Plan Exhibit "A". If no agreement is reached, then the LDC will object to Proof of Claim No. 22.

PeoplesBank filed Proof of Claim No. 17 in the amount of $961,000 in the LDC case. LDC owes no debt to PeoplesBank, however LD&E does owe a valid debt to PeopleBank as reflected in LD&E's Schedule D. Debtors propose to compromise the claims of PeoplesBank by allowing their claim as a valid secured claim in LD&E and disallow such claim as a claim in LDC. Such claim shall be treated as an Allowed Secured Claim in Class 3.b.3.

Debtors have previously filed an objection to the Lehman Lenders Claim as discussed above.

XI.A.2
OBJECTIONS TO CLAIMS FILED IN LD&E

At present there is one late filed claim in this case. Proof of Claims No. 6 filed by J. Dennis Semler, the Tulsa County Treasurer, in the amount of $537.95 as a priority claim for Business Personal Property Taxes. This claim was paid pursuant to the Court's Order entered authorizing payment of property tax claims.

There are two unsecured claims filed by trade vendors that filed claims in LD&E which

should have been filed in LDC; i.e., Proof of Claim No. 2 in the amount of $92,247.42 filed by Wilson Supply ("*Wilson*") and Amended Proof of Claim No. 3 in the amount of $99,738.97 filed by Sentry Pumping Units International ("*Sentry*"). Sentry also filed Proof of Claim No. 18 in LDC in the same amount as its Proof of Claim No. 3 in LD&E. This is clearly a duplicate claim.

Debtors propose to allow both claims of Wilson & Sentry as claims in the LDC case.

The Debtors have filed objections to Lehman Lender's claims. The Debtors will file any other objections to claims prior to the hearing to consider confirmation of this Plan. Any other party to this case may file objections to any other claims in this case.

XI.B.
CLAIMS ADMINISTRATION

Any claims to which objections have been filed are defined to be Disputed Claims. Any distributions to any such claims will be withheld and escrowed pending resolution of the objections. A detailed discussion of the procedures for dealing with Disputed Claims is found at section IX of the Plan.

XII.
ADDITIONAL PROVISIONS

A. **Reports:** Debtors shall file reports as required by the United States Trustee until the closing of this case.

B. **Retention of Jurisdiction of the Court:** The Plan contains specific provisions regarding the retention of jurisdiction by the Bankruptcy Court in Article XI.A.

C. **Modifications to the Plan:** The Plan may be modified upon application by the Debtors-in-Possession or corrected prior to confirmation without notice and hearing and without additional disclosure pursuant to § 1125 of the Bankruptcy Code, provided that, after notice, the

Court finds that such modification does not materially or adversely affect any creditor or claims of creditors.

D. Confirmation of the Plan Pursuant to §1129: If all requirements for confirmation of the Plan are met pursuant to § 1129(a), except for the requirement of § 1129(a)(8), the Debtors requests confirmation of the Plan pursuant to § 1129(b). The Plan is subject to confirmation pursuant to § 1129(b) as to all classes as set forth in the Plan. All classes of claims are paid in full in cash or deferred cash payments with interest.

This plan pays all classes of creditors at least as much than they would receive under a Chapter 7 or upon a dismissal of this case.

Debtors believe the Plan is subject to confirmation pursuant to § 1129.

E. Post-Confirmation Professional Fees: Fees and expenses of professional personnel and persons employed by the Debtors or the Creditor Trustee subsequent to Confirmation shall not be subject to application to and approval of the Bankruptcy Court.

F. Liquidation Analysis: All of the assets of the Debtors are subject to the valid, perfected, security interests in respect of the Allowed Secured Claims in Classes 1 through 6 (to the extent Allowed). All of the Allowed Secured Claims have priority as to the proceeds of the Debtors' assets over holders of unsecured claims. Based upon the values of the assets of the Debtors set forth in §IX above, Debtors submit that if their assets were liquidated under a Chapter 7, that all claims would be paid in full.

The Plan provides for payment of all classes of claims to be paid in full in deferred cash payments with interest at the Plan Rate of Interest. Therefore, each class of claims will received at least as much as they would receive under a Chapter 7 liquidation performed as of the date of

Confirmation.

G. Effect of Confirmation:

1. Subject to the provisions of the Plan, all property of the Estates shall revest in the Debtors.

2. The provisions of this Plan, when confirmed, will bind all parties to this case, and their heirs, devisees, successors, assigns and trustees.

3. Confirmation of the Plan **will** operate as a discharge of the Debtors pursuant to 11 U.S.C. § 1141(d)(1).

4. The confirmation of the Plan **will not** operate as a termination of all rights of equity security holders related to the Debtors.

H. Deadlines in this Plan: This Plan has several deadlines by which various parties must file papers to assert their claims. The failure of a party to act before a particular deadline will have substantive affect on the legal rights of such party. Please review the deadlines carefully to make sure your rights are not affected by such deadlines. If you believe your rights are affected by a particular deadline, the Debtors advise you to seek the advice of independent counsel and take the necessary actions to meet the particular deadline.

I. Default: The Plan has specific provisions dealing with the unlikely event that the Reorganized Debtors fail to accomplish any particular performance under the Plan after it is confirmed.

J. Tax Matters:

The confirmation of the Plan will have no significant tax consequences to the Debtors. Debtors do not believe such confirmation will have any adverse tax consequences to any other party in interest, however all such parties are urged to consult with their own tax advisor for specific tax advice.

Submitted by the Debtors in Possession this 3d day of June, 2010.

Respectfully Submitted,

MorrelSaffaCraige, PC

/s/Mark A. Craige

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