

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

<b>In re:</b>	)	
	)	
<b>LATSHAW DRILLING COMPANY, LLC,</b>	)	<b>Case No. 09-13572-R</b>
	)	<b>Chapter 11</b>
<b>Debtor.</b>	)	

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

**DISCLOSURE STATEMENT FOR THE  
JOINT CHAPTER 11 PLAN OF REORGANIZATION  
OF LATSHAW DRILLING COMPANY, LLC AND  
LATSHAW DRILLING AND EXPLORATION COMPANY, INC.**

Latshaw Drilling Company, LLC, a Texas limited liability company (“*LDC*”) and Latshaw Drilling and Exploration Company, Inc., a Texas corporation (“*LD&E*”), Debtors and Debtors In Possession herein (jointly the “*Debtors*”), propose the following Disclosure Statement in support of their 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 10<sup>th</sup> day of March, 2010, the Debtors filed their Joint Plan of Reorganization (the “*Plan*”) and this 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.

“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, MorrelSaffaCraig, P.C., 3501 South Yale Avenue, Tulsa, Oklahoma 74135. The attorney handling this case is Mark A. Craig. 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 or portion thereof, 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), to the extent that:

(a) Either: (1) a proof of claim was timely filed; or (2) a proof of claim is deemed timely filed either under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; 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 1 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 1 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 “Disclosure Statement Describing The Joint Chapter 11 Plan Of Reorganization Of Latshaw Drilling Company, LLC And Latshaw Drilling And Exploration Company (Dated April 8, 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, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument, or rehearing shall then be



pending; or (2) if an appeal, writ of certiorari, new trial, reargument, 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, reargument, 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, reargument, 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 1 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 Papers 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.

**“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 Papers 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.

**“Plan”** means the “Joint Chapter 11 Plan of Reorganization of Latshaw Drilling Company, LLC and Latshaw Drilling and Exploration Company (Dated April 8, 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.

**“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. When a reference to an Exhibit that is an Exhibit to the Plan, then such Exhibit 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 Claim 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 “B” for LDC and Plan Exhibit “C” 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]. LDC intends to continue the prosecution of this case post-confirmation.

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 24<sup>th</sup> 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 LDE). 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, LDO was set up as a separate company.

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**

Attached hereto as Exhibit "D" is a copy of Schedule B filed in this case which shows a summary of the LDC's opinion of the value of all of its tangible assets. Shortly prior to the Petition Date, LDC requested Hadco, Inc. update its appraisal report (the "*Hadco Report*"). The complete Hadco Report is 162 pages long, the Debtors have therefore provided a summary thereof prepared by Hadco attached hereto as Exhibit "E". A complete copy of the Hadco Report will be provided to any party requesting such by contacting Debtors' Counsel. As reflected in the Exhibit "E" as of the end of October, 2009, the total value of the Drilling Rigs was \$115,000,000 on a forced liquidation basis (the "*Drilling Rig Liquidation Value*") and \$191,000,000 as an on-going concern basis (the "*Drilling Rig Going Concern Value*").

By category, the estimated going concern value totals are: vehicles \$160,000; office equipment \$15,000; drilling rigs \$191,000,000 and spare parts \$3,400,000; all of which totals \$194,575,000.

For purposes of estimating the forced liquidation values of all of its assets, LDC has discounted all of its other assets to 60%, which is the same percentage differential as Drilling Rigs, i.e., \$114,600,000 is 60% of \$191,000,000. By category, the estimated forced liquidation value totals are: vehicles \$96,000; office equipment \$9,000; drilling rigs \$114,600,000 and spare parts \$2,040,000; all of which totals \$116,745,000 or \$116,500,000 when rounded down.

**IX.B.**  
**LD&E ASSETS**

Attached hereto as Exhibit "F" is a copy of Schedule B filed in this case which shows a summary of the LD&E's opinion of the value of all of its tangible assets. The assets of LD&E consist of the 100% member interest in LDC and LDO plus three aircraft as more particularly shown in Exhibit "F". The values set forth in Exhibit "F" are LD&E's best estimates of the fair market value of such assets determined on a going concern basis which total \$124,500,000 less total liabilities of \$76,400,000 resulting in a net going concern value of \$48,100,000. In a forced liquidation, the member interest of LDC would be the net value of its assets, \$115,000,000 less the total liabilities of \$76,400,000 resulting in a net cash liquidation value of \$38,600,000.

LDO owns two drilling rigs worth approximately \$15,300,000 total subject to debts of approximately \$12,300,000 resulting in an estimated going concern net asset value of \$3,000,000. The estimated liquidation value of the rigs is \$11,300,000 resulting in an estimated net cash liquidation value to LD&E of ZERO. 100% of the \$22,000,000 cost of LDO's rigs was financed by its only customer in 2007. LDO has used its own income to pay down the debt on the rigs by

\$10,000,000 in its three years of existence. These rigs are currently under contract until the summer of 2010. LDO is confident its two rigs will continue to be fully employed beyond the term of the current contract.

LD&E also owns three aircraft having the following estimated fair market values: (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. The aircraft would have approximately the same value regardless of whether such is considered on a going concern or liquidation value, resulting in an additional \$2,500,000 in asset value for LD&E. The Mustang is subject to a secured loan to PeoplesBank in the approximate principal amount of \$905,000, while the other two aircraft are unencumbered resulting in a net value of the aircraft being \$1,595,000.

The total going concern value of LD&E is estimated to be \$49,700,000. The total liquidation value of LD&E is estimated to be \$40,000,000.

## **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 "G" 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 "G" 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 1 and 3 claims of Lehman and the Class 2 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 2.4. The current debt to equity ratio using the forced liquidation value of all assets is approximately 1.56 ( $\$117,000,000/\$75,000,000$ ).

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, then 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.B.

**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 interest of Lenders' Class 3.a.1 and Class 3.b.1 claims. All of the Class 1, 2 and 3 claims have priority over all Class 4 claims. Based upon the values of the assets of the Debtors set forth in §VI.E 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 revert 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)(3).

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.

Submitted by the Debtors in Possession this 8<sup>th</sup> day of April, 2010.

Respectfully Submitted,

**MorrelSaffaCraig, PC**

/s/Mark A. Craige

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**Attorneys for Debtors-in-Possession**

**EXHIBIT “A”**  
**To**  
**DISCLOSURE STATEMENT**

**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.** )

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

**JOINT CHAPTER 11 PLAN OF REORGANIZATION OF  
LATSHAW DRILLING COMPANY, L.L.C. AND  
LATSHAW DRILLING AND EXPLORATION COMPANY, INC.**



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Latshaw Drilling Company, L.L.C., a Texas limited liability company (“LDC”) and Latshaw Drilling and Exploration Company, Inc., a Texas corporation (“LD&E”), Debtors and Debtors-in-Possession herein (collectively, the “Debtors”), propose the following Chapter 11 Plan of Reorganization.

## **I. INTRODUCTION**

### **A. The Debtors and Their Cases.**

On the November 11, 2009, the Debtors filed petitions for relief under Chapter 11 of the United States Bankruptcy Code (the “Code”) in the United States Bankruptcy Court for the Northern District of Oklahoma (the “Court”). All statutory citations herein refer to provisions of the Code unless otherwise specified. The Debtors have continued in possession of their property and have managed their affairs since then, pursuant to Sections 1107 and 1108(a) of the Code. No trustee or examiner has been sought or appointed.

On November 19, 2009 (the “Petition Date”) the Court entered an order providing for the administrative consolidation (*i.e.*, joint administration) of the LDC and LD&E bankruptcy cases pursuant to Federal Rule of Bankruptcy Procedure 2015. Administrative consolidation does not merge or combine the two separate bankruptcy estates of the two companies, therefore, throughout this document, references to the terms “Debtors” shall mean both LDC and LD&E while reference to either LDC or LD&E by name shall refer solely to the separate Debtor and bankruptcy estate of the entity referenced.

Other capitalized terms that are used in the Plan are defined below in the section entitled “Definitions”. See Section III.A.

### **B. The Disclosure Statement and Disclosure Statement Order.**

On March 10, 2010, the Debtors filed this Plan and a separate Disclosure Statement. The

Disclosure Statement provides important information regarding the Debtors, their financial history, the reasons why they are in Chapter 11, the Plan, and the manner in which the Plan will affect restructuring of the Debtors' finances. On March [\_\_\_], 2010, the Court entered its "Order Fixing Time For Filing Objections To Debtors' Joint Chapter 11 Plan Of Reorganization, Approving Disclosure Statement And Fixing Time For Filing Acceptances Or Rejections Of Plan, Combined With Notice Thereof" (the "*Disclosure Statement Order*"). A copy of the Disclosure Statement Order, and the Disclosure Statement which has been approved pursuant thereto, are enclosed herewith.

The Disclosure Statement Order also sets certain deadlines for voting on the Plan, objecting to the Plan and setting a hearing to consider confirmation of the Plan. If you desire to vote on the Plan, object to the Plan or be heard with respect to confirmation of the Plan, you must do so on the dates specified in the Disclosure Statement Order. Finally, if you are entitled to vote on the Plan, there is a Ballot for you to vote on the Plan. You must return the Ballot by the deadline stated therein if you want your vote to be counted.

**BEFORE RETURNING YOUR BALLOT, YOU ARE ENCOURAGED TO READ THIS PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY, AND TO CONSULT YOUR LEGAL AND/OR FINANCIAL ADVISORS REGARDING THE CONSEQUENCES OF THE PLAN.**

**C. Voting on the Plan.**

Court approval of the Plan is referred to as "confirmation" and is determined pursuant to Section 1129 of the Code. This provision of the Code requires a Chapter 11 plan to meet several requirements before the Court can approve it. One of those requirements is that every impaired class under the Plan must be given a reasonable opportunity to vote to either accept or reject the Plan by submitting a Ballot. If you are entitled to vote on the Plan, a Ballot is included with your

copy of the Plan. Only the holders of Claims in Classes 1 through 10 are entitled to vote. See Section IV.A (classification of claims).

**FOR YOUR VOTE TO COUNT, YOU MUST FILL OUT THE ENCLOSED BALLOT AND MAIL IT TO THE BALLOT TABULATOR: ANN ASHLEY, MORRELSAFFACRAIGE, PC, 3501 SOUTH YALE, TULSA, OKLAHOMA 74135. YOU ALSO MAY FAX YOUR COMPLETED BALLOT TO THE BALLOT TABULATOR AT 918.663.1383 OR EMAIL YOUR COMPLETED BALLOT TO THE TABULATOR AT: aashley@law-office.com.**

**PLEASE NOTE THE VOTING DEADLINE SET FORTH IN THE ENCLOSED DISCLOSURE STATEMENT ORDER. BALLOTS MUST BE RECEIVED BY THE BALLOT TABULATOR NO LATER THAN THE VOTING DEADLINE TO BE CONSIDERED BY THE COURT.**

**D. Acceptance of the Plan and Cramdown.**

Pursuant to Section 1126 of the Code, a class will be determined to have voted to accept the plan, and thus be deemed to be an accepting class, if at least a majority of the number of votes and two-thirds (2/3) of the dollar amounts that actually vote have voted to accept the Plan. Only the Ballots that are properly executed and received by the Voting Deadline will be counted. If the Plan is confirmed, any creditor that does not vote will be deemed to have accepted the Plan, although such acceptance does not count for purposes of Section 1126. If the Plan is confirmed, it will be binding upon each and every creditor, member and other party in interest that has been given notice of the Plan, regardless of whether such party voted on the Plan, or how such party voted.

The votes cast by each class must be examined to determine whether the class has either accepted or rejected the Plan. Pursuant to Section 1129(a)(10) of the Code, at least one class of

impaired claims must accept the Plan. Further, pursuant to Section 1129(a)(8) of the Code, every class must accept the Plan, unless the Court finds that with respect to such class the Plan does not discriminate unfairly, and is fair and equitable within the meaning of Section 1129(b) of the Code. The confirmation of a plan notwithstanding the rejection of a class of claims is commonly referred to as “cramdown”.

If the non-accepting class consists of secured claims, the Court can confirm a plan notwithstanding rejection of the plan by such class, if the plan provides that each holder of a secured claim in that class (1) retains the liens securing their claims to the extent of the allowed amount of their secured claim and (2) receives deferred cash payments totaling the present value of the secured claim. Alternatively, the Plan may provide for the sale of the property that secures such claim, as long as the liens securing the claims attach to the proceeds of such sale. As a third alternative, the Court may confirm the Plan with regard to a rejecting class of secured claims if the Court finds that the Plan provides for the secured creditor to realize the “indubitable equivalent” of their claim.

In this instance, the Plan provides that all Allowed Secured Claims shall retain all of the Liens securing such Claims and the full amount of each secured claim is to be paid in full in deferred cash payments with interest, having a present value equal to the Allowed amount of such Secured Claim. In the event there is a non-accepting class of secured claims in this case, the Court will be asked to confirm the Plan notwithstanding the rejection of such class or classes pursuant to Section 1129(b)(2)(A)(i) of the Code.

If there is a non-accepting class of unsecured claims, a plan must either provide for payment in full of all claims in the class with interest or, in the alternative, no holder of a junior claim or interest may receive or retain any property under the plan (*e.g.*, in most cases this means

the holder of the ownership interest in the debtor would not be permitted to retain its ownership interest). In this Plan, the Unsecured Claims are being paid in full with interest. In the event there is a non-accepting class of Unsecured Claims under the Plan, the Court will be asked to confirm the Plan notwithstanding the rejection of such Class or Classes pursuant to Section 1129(b)(2)(B)(i) of the Code.

## II. SUMMARY OF THE PLAN

As set forth in greater detail herein, this Plan proposes that the Debtors will continue to operate their businesses in a manner similar to their prepetition operations, and that they will repay all of the creditors of the Debtors in full, in cash either by a one-time cash payment or in deferred cash payments over time, with interest. The following is a brief summary of the treatment of Claims and Interests under the Plan. However, you are encouraged to read the Plan and the Disclosure Statement in their entirety to understand all of the terms and conditions of the Plan.

DESCRIPTION OF CLAIMS	SUMMARY OF TREATMENT OF ALLOWED CLAIMS
<b>Ordinary Course Business Expenses</b>	Paid in full, as they become due pursuant to their terms, in the ordinary course of business.
<b>U. S. Trustee Fees</b>	Paid in full on the Distribution Date.
<b>Professional Fee Claims</b>	Paid in full on the later of (i) the Distribution Date and (ii) fifteen days after entry of a Final Order allowing such Claim.
<b>General Administrative Expenses</b>	Paid in full on the later of (i) the Distribution Date and (ii) fifteen days after entry of a Final Order allowing such Claim.
<b>Priority Tax Claims</b>	At the election of the Reorganized Debtors: (1) reinstated and paid in full on the date that such allowed Priority Tax Claim first becomes due and payable in accordance with its terms, or (2) paid in full, no later than thirty (30) days following the Effective Date.
<b>Class 1: Secured Claims Of Lehman</b>	Paid in full, over time, with interest, pursuant to the Lehman



<b>Against LDC</b>	Restructured Credit Agreement.
<b>Class 2: Secured Claims of Ableco Against LDC</b>	Paid in full, over time, with interest, pursuant to the Ableco Restructured Credit Agreement.
<b>Class 3: Secured Claims of Lehman Against LD&amp;E</b>	Paid in full, over time, with interest, pursuant to the Lehman Restructured Credit Agreement.
<b>Class 4: Secured Claims of Ableco Against LD&amp;E</b>	Paid in full, over time, with interest, pursuant to the Ableco Restructured Credit Agreement.
<b>Class 5: Secured Claims of Peoples Bank Against LD&amp;E</b>	Paid in full, over time, with interest, as specified in Class 5.
<b>Class 6: Secured Tax Claims</b>	At the election of the Reorganized Debtors: (1) reinstated and paid in full on the date that such allowed Priority Tax Claim first becomes due and payable in accordance with its terms, or (2) paid in full, no later than thirty (30) days following the Effective Date.
<b>Class 7: Priority Claims.</b>	Paid in full on the later of: (i) the Distribution Date, and (ii) fifteen (15) days after such Claims become Allowed Claims pursuant to a Final Order of the Court.
<b>Class 8: Unsecured Claims Against LDC (above \$35,000) Other than Administrative Convenience Claims</b>	Paid in four equal monthly payments totaling the principal amount of such Allowed Class 8 Claim, beginning in the first full month following the Effective Date, plus simple interest at the per annum rate of 7%.
<b>Class 9: Administrative Convenience Claims Against LDC (\$35,000 or less)</b>	Paid in full, without interest, on or before 30 days following the Effective Date.
<b>Class 10: Unsecured Claims Against LD&amp;E</b>	Paid in four equal monthly payments totaling the principal amount of such Allowed Class 10 Claim, beginning in the first full month following the Effective Date, plus simple interest at the per annum rate of 7%
<b>Class 11: Interests in LDC</b>	The interests in LDC shall be retained by the holder thereof.
<b>Class 12: Interests in LD&amp;E</b>	The interests in LD&E shall be retained by the holder thereof.

### III. DEFINITIONS AND RULES OF CONSTRUCTION

#### A. Definitions.

Unless otherwise defined herein, any terms used 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 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 or portion thereof, 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), to the extent that:

(a) Either: (1) a proof of Claim was timely filed; or (2) a proof of Claim is deemed timely filed either under Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; 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 1 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 1 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 MorrelSaffaCraige.

**“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 that certain “Disclosure Statement Describing The Joint Chapter 11 Plan Of Reorganization Of Latshaw Drilling Company, LLC And Latshaw Drilling And Exploration Company (Dated April 8, 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 VI.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 0 of the Plan.

**“Escrow Funds Account”** has the meaning specified in Section 0 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, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument, or rehearing shall then be pending; or (2) if an appeal, writ of certiorari, new trial, reargument, 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, reargument, 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, reargument, 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 1 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 Papers 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.

**“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 Papers 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.

**“Plan”** means this “Joint Chapter 11 Plan Of Reorganization Of Latshaw Drilling Company, LLC And Latshaw Drilling And Exploration Company (Dated April 8, 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.

**“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.

**B. Rules of Construction.**

1. The rules of construction in Bankruptcy Code § 102 apply to this Plan.
2. Bankruptcy Rule 9006(a) applies when computing any time period under the Plan.
3. A term that is used in this Plan and that is not defined in this 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 the Disclosure Statement.

5. Whenever it is appropriate from the context, each term in this 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 Plan's Sections or Exhibits.

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.

**C. Time periods and deadlines.**

Throughout this 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.

**IV.  
DESIGNATION OF CLASSES AND TREATMENT OF CLAIMS AND INTERESTS**

**A. Summary and Classification of Claims and Interests.**

For purposes of voting on the Plan and providing treatment under the Plan, the claims against and interests in the Debtors are categorized into groups referred to as “Classes” pursuant to § 1122 of the Code. This Section of the Plan classifies claims and interests, except for administrative expenses claims and priority tax claims, which are not classified for all purposes, including voting, confirmation, and distributions under the Plan, pursuant to § 1123(a)(1) of the Code.

A claim or interest is classified in a particular Class only to the extent that the claim or interest falls within the Class description. To the extent that part of the claim or interest falls within a different Class description, the claim or interest is classified in that different Class. To the extent the Bankruptcy Court (or an appellate court of competent jurisdiction) determines that a secured claim should not be classified in the same Class with specified other secured claims, such secured claim shall be deemed to be placed in its own separate Class for purposes of the Plan.

The following table summarizes unclassified Claims and the Classes of Claims and Interests under the Plan:

<b>CLASS/ UNCLASSIFIED CLAIMS</b>	<b>DESCRIPTION</b>	<b>IMPAIRED/ UNIMPAIRED</b>	<b>VOTING STATUS</b>
Unclassified Claims	Administrative Expense Claims and Priority Tax Claims	Unimpaired	Not Permitted to Vote
Class 1	Secured Claims Of Lehman Against LDC	Impaired	Permitted to Vote

Class 2	Claims of Ableco Against LDC	Impaired	Permitted to Vote
Class 3	Claims of Lehman Against LD&E	Impaired	Permitted to Vote
Class 4	Claims of Ableco Against LD&E	Impaired	Permitted to Vote
Class 5	Claims of PeoplesBank Against LD&E	Impaired	Permitted to Vote
Class 6	Secured Tax Claims	Impaired	Permitted to Vote
Class 7	Priority Claims	Impaired	Permitted to Vote
Class 8	Unsecured Claims Against LDC	Impaired	Permitted to Vote
Class 9	Administrative Convenience Claims Against LDC	Impaired	Permitted to Vote
Class 10	Unsecured Claims Against LD&E	Impaired	Permitted to Vote
Class 11	Interests in LDC	Unimpaired	Deemed to Accept
Class 12	Interests in LDE	Unimpaired	Deemed to Accept

Except as otherwise expressly provided in this Plan, the treatment in this Plan is in full and complete satisfaction of the legal, contractual, and equitable rights (including any liens) that each person or entity holding an Allowed Claim or an Allowed Interest may have in or against the Debtors, the Estates, the Reorganized Debtors or their respective property. This treatment supersedes and replaces any agreements or rights those persons or entities may have in or against the Debtor, the Estates, Reorganized Debtors, or their respective property. To the extent the Bankruptcy Court determines that one or more secured claims separately classified in the Plan

should be classified together, votes in such separately classified class shall be counted as being cast in the class that the Court determines should be classified in the same Class but the treatment of the holder shall otherwise remain unchanged.

**B. Allowance and Treatment of Unclassified Claims.**

**1. Administrative Expense Claims.**

**a. U. S. Trustee Fees.**

U. S. Trustee fees shall be allowed in accordance with 28. U.S.C. § 1930. The Reorganized Debtors shall pay to the U. S. Trustee all fees due and owing under 28. U.S.C. § 1930 in cash on the Distribution Date.

**b. Cure Payments.**

Cure Payments with respect to executory contracts and unexpired leases assumed pursuant to the Plan shall be paid in accordance with Section 0 of the Plan.

**c. Professional Fee Claims.**

A Professional Fee Claim of one of the Debtors' professionals will be allowed, *i.e.*, constitute an "Allowed Professional Fee Claim" only if:

(a) On or before 30 days after the Effective Date, the entity holding such Professional Fee Claim both files with the Court a final fee application or a motion requesting allowance of the fees and serves the application or motion on and serves the application or motion on Debtor's Counsel, counsel to the Reorganized Debtors, counsel to the Pre-Petition Lenders, and the U. S. Trustee; and

(b) The Court allows the claim pursuant to a Final Order.

A Reorganized Debtor or any other party in interest may file an objection to such application or motion within 20 days of the filing of such application or motion. **Any party holding a Professional Fee Claim that does not timely file and serve a fee application or**

**motion for payment thereof will be forever barred from asserting such Claim against the Debtors, the Estates, the Reorganized Debtors, or their respective property.**

Reorganized Debtors will pay or cause to be paid an Allowed Professional Fee Claim, in cash, within fifteen (15) days after the date on which Claim is allowed by the Bankruptcy Court pursuant to a Final Order.

**d. Ordinary Course Business Expenses.**

The Reorganized Debtors will pay their ordinary course business expenses when due, pursuant to the terms and conditions to which those claims are subject, pursuant to invoices received in the ordinary course of the Debtors' business. The holder of an ordinary course business expense is not required to file a proof of claim or otherwise seek approval of such claim by the Court; provided, however, that if a Debtor or Reorganized Debtor disputes a claim arising after the Effective Date, such claim does not constitute an ordinary course business expense for purposes of the Plan.

**e. General Administrative Expenses.**

A General Administrative Expense shall be allowed, *i.e.*, constitute an "Allowed General Administrative Expense" only if:

- (a) On or before 30 days after the Effective Date, the entity asserting such general administrative expense both files with the Court an application or a motion requesting allowance of such claim, and serves the application or motion on Debtor's Counsel, counsel to the Reorganized Debtors, counsel to the Pre-Petition Lenders, and the U. S. Trustee; and
- (b) The Court allows the claim pursuant to a Final Order.

A Reorganized Debtor or any other party in interest may file an objection to such application or motion within 20 days of the filing of such application or motion. **Any party**



**holding a General Administrative Expense that does not timely File and serve an application or motion for allowance and payment thereof will be forever barred from asserting such Claim against the Debtors, the Estates, Reorganized Debtors, or their respective property.**

Unless otherwise agreed by the holder of an allowed claim in this Class, all Allowed General Administrative Expenses shall be paid in full in cash within 15 days after a Final Order allowing such claim is entered by the Court.

**2. Priority Tax Claims.**

At the election of the Reorganized Debtors, each Allowed Priority Tax Claim will be: (1) reinstated and paid in full on the date that such allowed Priority Tax Claim first becomes due and payable in accordance with its terms, or (2) paid in full, no later than thirty (30) days following the Effective Date.

**C. Allowance and Treatment of Classified Claims.**

**1. Class 1 (Secured Claims of Lehman Against LDC).**

Class 1 comprises: (a) all Claims of the Lehman Lender against LDC under the Pre-Petition Credit Agreement and (b) all 506(b) Expense Claims of the Lehman Lender against LDC. Class 1 is impaired under the Plan and the holder of the Class 1 Claims is entitled to vote to accept or reject the Plan. In full and final satisfaction of the Allowed Class 1 Claims (including Allowed 506(b) Expense Claims) on the Effective Date, the Allowed Lehman Lender Claim shall become the "Lehman Restructured Loan" which shall be satisfied by the Reorganized Debtors pursuant to the terms of the Lehman Restructured Credit Agreement (the material of which are set forth below).

The Class 1 Claims are Disputed Claims. The allowed amount of the Class 1 Claims shall be determined for purposes of the Plan upon the entry of an order determining the allowed

amount of such Claim that becomes a Final Order.

The Lehman Restructured Credit Agreement shall set forth the terms of repayment for the Lehman Restructured Loan. Pursuant to § 1123(a)(5) and other applicable provisions of the Code, the Plan shall be deemed to modify the Pre-Prepetition Credit Agreement and the rights of Lehman thereunder as provided in the Plan. The Lehman Restructured Credit Agreement shall be substantially the same as the Ableco Restructured Credit Agreement and be filed in substantially final form by the commencement of the hearing on approval of the Disclosure Statement.

The Lehman Restructured Credit Agreement shall contain the following principal terms:

- a. Principal Face Amount of Debt: The amount of the Lehman Restructured Loan.
- b. Type of Loan: Term Loan.
- c. Borrowers: The Reorganized Debtors.
- d. Lender: Lehman Lender.
- e. Agent: Lehman Lender's designee (the "Lehman Agent"). The Lehman Agent and the Lehman Lender shall sometimes be collectively referred to as, the "Lehman Secured Parties".
- f. Security: The Restructured Lehman Loan (including any obligations under any Permitted Lehman Loan Refinancing (as defined at the end of this paragraph) in an amount not to exceed the aggregate amount of indebtedness outstanding under the Lehman Restructured Credit Agreement at the time of such refinancing) shall be secured by Liens upon the same Collateral securing the obligations under the Pre-Petition Credit Agreement (other than the Escrow Account Funds), with the same priority existing as of the Petition Date; provided, however, such Liens shall be *pari passu* with any Liens upon the same Collateral in favor of Ableco securing the Reorganized Debtors' obligations to Ableco under the Ableco

Restructured Credit Agreement. A “Permitted Lehman Loan Refinancing” shall mean a refinancing of the obligations under the Lehman Restructured Credit Agreement that does not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that is otherwise on terms and conditions no less favorable to the Reorganized Debtors and the Ableco Secured Parties than the terms of the Lehman Restructured Credit Agreement (in effect as of the date of such refinancing), a determination that is to be made by the Ableco Agent in its reasonable discretion. Proceeds from any Permitted Lehman Loan Refinancing shall be ratably applied to the obligations owing to the Lehman Secured Parties under the Lehman Restructured Loan Agreement and to Ableco under the Ableco Restructured Loan Agreement.

- g. Maturity Date: The earliest of (a) the third (3rd) anniversary of Effective Date and (b) May 1, 2013.
- h. Scheduled Amortization: Equal monthly installments of principal based on a ten (10) year straight-line amortization schedule.
- i. Interest Rate: Same as Ableco Restructured Credit Agreement in Class 2.
- j. Timing of Scheduled Interest and Principal. Same as Ableco Restructured Credit Agreement.
- k. Mandatory Prepayments: Same as Ableco Restructured Credit Agreement. By way of clarification with respect to excess cash flow, such that 50% of the excess cash flow shall be paid ratably to the Ableco Secured Parties and the Lehman Secured Parties.
- l. Voluntary Prepayments: Same as Ableco Restructured Credit Agreement.
- m. Application of Principal and Interest Payments: Any and all payments (including each prepayment) of principal and interest shall be remitted to the Lehman Secured Parties and shall not be subject to disgorgement to the Reorganized Debtors (including any successors in interests) or any other party, and the Lehman

Secured Parties shall not otherwise be required to turnover or surrender any such payments or distributions received on account of its Allowed Claims or be required to remit an equivalent amount thereof to the Reorganized Debtors or any other party.

- n. Financial Covenants: Same as Ableco Restructured Credit Agreement.
- o. Other Covenants: Same as Ableco Restructured Credit Agreement.
- p. Maintenance of Cash Accounts: The cash of Reorganized Debtors shall be maintained in one or more accounts subject to blocked account control agreements in favor of the Lehman Secured Parties and Ableco Secured Parties (other than with respect to the control agreements relating to the account holding the Escrow Account Funds to be used to pay the Allowed Claim of the Lehman Lender, which shall be in favor of the Lehman Lender). For purposes of perfecting its Liens in such accounts, the Lehman Secured Parties shall be a party to such agreements and have control rights with respect to the accounts, subject to the control rights of the Ableco Secured Parties.
- q. Events of Default: Same as Ableco Restructured Credit Agreement (cross-defaulted to Ableco Restructured Credit Agreement).
- r. Rights of Lehman and Ableco in Respect of Collateral: Same as Ableco Restructured Credit Agreement.
- s. Governing Law: Laws of the State of New York without respect to conflicts of laws.

Payments in respect of Class 1 Claims are subject to the Disputed Claims Procedure set forth hereinbelow. That portion of the Class 1 Claim that comprises a 506(b) Expense Claim shall be determined pursuant to the procedure set forth in Section 0.

**2. Class 2 (Secured Claims of Ableco Against LDC).**

Class 2 comprises: (a) all Secured Claims of Ableco under the Pre-Petition Credit

Agreement and (b) all 506(b) Expense Claims of Ableco against LDC. Class 2 is Impaired under the Plan and the holders Class 2 Claims are entitled to vote to accept or reject the Plan. On the Effective Date, Ableco's Claim shall be deemed Allowed as an Allowed Secured Claim in the amount of \$23,824,547.30 (which amount includes Claims under the Pre-Petition Credit Agreement for principal, interest, fees and expenses incurred prior to the Petition Date) *plus* the sum of (a) the amount of post-Petition Date interest accrued on \$23,824,547.30, 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 is not paid during the Cases, and (b) the Allowed 506(b) Expense Claim of Ableco (collectively, the "Allowed Ableco Claim").

In full and final satisfaction of Ableco's Allowed Class 2 Claims, on the Effective Date, the Allowed Ableco Claim shall become the "Ableco Restructured Loan" which shall be satisfied by the Reorganized Debtors pursuant to the terms of the Ableco Restructured Credit Agreement (the material terms of which are set forth below).

The Ableco Restructured Credit Agreement shall set forth the terms of repayment for the Ableco Restructured Loan. Pursuant to § 1123(a)(5) and other applicable provisions of the Bankruptcy Code, the Plan shall be deemed to modify the Pre-Prepetition Credit Agreement and the rights of Ableco as provided in the Plan. The Reorganized Debtors shall enter into the Ableco Restructured Credit Agreement with Ableco, as lender, which agreement shall be in a form acceptable to the Debtors and Ableco and be filed in substantially final form by the commencement of the hearing on the Disclosure Statement.

The Ableco Restructured Credit Agreement shall contain the following principal terms:

- a. Principal Face Amount of Debt: The amount of the Ableco Restructured Loan.
- b. Type of Loan: Term Loan.

- c. Borrowers: The Reorganized Debtors.
- d. Lender: Ableco.
- e. Agent: Ableco's designee (the "Ableco Agent"). The Ableco Agent and the Ableco shall sometimes collectively be referred to as the "Ableco Secured Parties".
- f. Security: The Restructured Ableco Loan (including any obligations under any Permitted Ableco Loan Refinancing (as defined at the end of this paragraph) in an amount not to exceed the aggregate amount of indebtedness outstanding under the Ableco Restructured Credit Agreement at the time of the closing of refinancing) shall be secured by Liens upon the same Collateral securing the obligations under the Pre-Petition Credit Agreement (other than the Escrow Account Funds), with the same priority existing as of the Petition Date; provided, however, such Liens shall be *pari passu* with any Liens upon the same Collateral in favor of the Lehman Secured Parties securing the Reorganized Debtors' obligations to the Lehman Secured Parties under the Lehman Restructured Credit Agreement. A "Permitted Ableco Loan Refinancing" shall mean a refinancing of the obligations under the Ableco Restructured Credit Agreement that does not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and that is otherwise on terms and conditions no less favorable to the Reorganized Debtors and the Lehman Secured Parties than the terms of the Ableco Restructured Credit Agreement (in effect as of the date of the refinance), a determination to be made by the Lehman Agent in its reasonable discretion. Proceeds from any Permitted Ableco Loan Refinancing shall be ratably applied to the obligations owing to Ableco Secured Parties under the Ableco Restructured Loan Agreement and to Lehman under the Lehman Restructured Loan Agreement.

- g. Maturity Date: The earliest of (a) the third (3rd) anniversary of Effective Date and (b) May 1, 2013.
- h. Scheduled Amortization: Equal monthly installments of principal based on a ten (10) year straight-line amortization schedule.
- i. Interest Rate: The principal indebtedness outstanding under the Ableco Restructured Credit Agreement shall bear interest at the rate per annum equal to LIBOR (but no less than 2.5%) plus 7.5% (the "Interest Rate"), provided, however, upon the occurrence of the First Rate Reduction Event (if any), the Interest Rate shall be reduced by 1% (effective upon the occurrence thereof) and upon the occurrence of the Second Rate Reduction Event (if any), the Interest Rate shall be reduced by an additional 1.5% (effective upon the occurrence thereof). For the avoidance of any doubt, any reduction in the Interest Rate as a result of First Rate Reduction Event or Second Rate Reduction Event shall be prospective in terms of its application and shall not be retroactively applied. LIBOR shall be adjusted quarterly commencing with the first full calendar quarter following the Effective Date based on 90-day LIBOR, but shall be subject to a floor of 2.5%. The "First Rate Reduction Event" shall be deemed to occur if and when the sum of the Equity Funded Loan Prepayments and the Lehman Claim Reduction Amount exceeds \$10,000,000. The "Second Rate Reduction Event" shall be deemed to occur if and when the sum of the Equity Funded Loan Prepayments and the Lehman Claim Reduction Amount exceeds \$18,000,000.
- j. Timing of Scheduled Interest and Principal: Interest shall be payable monthly in arrears on the first Business Day of each month commencing with the first month following the Effective Date. Principal shall be paid at the same time as interest.
- k. Mandatory Prepayments: In addition to customary provisions for mandatory prepayments of principal (i.e., debt or equity issuances, out of the ordinary course dispositions, and tax refunds, to be consistent with Pre-Petition Credit

Agreement), on a semi-annual basis, the Reorganized Debtors shall prepay principal in an amount equal to 50% of excess cash flow to the Ableco Secured Parties and the Lehman Secured Parties. The payment of such excess cash flow shall be due 30 days after the last day of each 6-month period. The first payment of excess cash flow shall be paid no later than January 31, 2011 in respect of the 6-month period comprising July 1, 2010 through and including December 31, 2010. The definition of “excess cash flow” shall be specified in the Ableco Restructured Credit Agreement and contain market terms (e.g., EBITDA for the such 6-month period minus the sum of amounts paid during such period for scheduled cash principal payments, repayment obligations imposed under the Plan (other than obligations incurred in the ordinary course of business), taxes (including taxes paid during such period by Latshaw on account of income generated by LDC), taxes, voluntary prepayments actually made and permitted under the Ableco Restructured Credit Agreement, scheduled payments of principal on other indebtedness consented to by Ableco Secured Parties and the Lehman Secured Parties actually made, capital expenditures, cash interest expense). The definition of “excess cash flow” shall include all Escrow Funds and all other funds that have been reserved pursuant to Section 0 of the Plan and that are released following the adjudication of Disputed Claims. All mandatory prepayments shall be ratable as between the Ableco Secured Parties and the Lehman Secured Parties. As used in this Plan, “ratable” or “ratably” means pro rata based upon the aggregate outstanding indebtedness owing to the Ableco Secured Lenders and the Lehman Secured Lenders respectively.

1. Voluntary Prepayments: The principal indebtedness outstanding can be prepaid at any time without penalty or premium. All voluntary prepayments shall be ratable as between the Ableco Secured Parties and the Lehman Secured Parties.



- m. Application of Principal and Interest Payments: Any and all payments (including each prepayment) of principal and interest shall be remitted to the Ableco Secured Parties and shall not be subject to disgorgement to the Reorganized Debtors (including any successors in interests) or any other party, and the Ableco Secured Parties shall not otherwise be required to turnover or surrender any such payments or distributions received on account of its Allowed Claims or be required to remit an equivalent amount thereof to the Reorganized Debtors or any other party.
- n. Financial Covenants: “Minimum EBITDA” and “Total Leverage” to be keyed off projections as specified in the Ableco Restructured Credit Agreement.
- o. Other Covenants: Other affirmative and negative covenants to be based on such affirmative and negative covenants as contained in the Pre-Petition Credit Agreement, modified to reflect the capital structure and operations contemplated under the Plan. All terms to be set forth in Ableco Restructured Credit Agreement.
- p. Maintenance of Cash Accounts: The cash of Reorganized Debtors shall be maintained in one or more accounts subject to blocked account control agreements in favor of the Lehman Secured Parties and Ableco Secured Parties (other than with respect to the control agreements relating to the account holding the Escrow Account Funds (defined below) to be used to pay the Allowed Claim of the Lehman Lender, which shall be in favor of the Lehman Lender). For purposes of perfecting its Liens in such accounts, the Ableco Secured Parties shall be a party to such agreements and have control rights with respect to the accounts, subject to the control rights of the Lehman Secured Parties.
- q. Events of Default: Events of Default in the Ableco Restructured Credit Agreement shall be based on such events of default as contained in the Pre-Petition Credit Agreement, modified to reflect the capital structure and post-

Effective Date operations of the Reorganized Debtors, and shall include an event of default under the Lehman Lender Restructured Credit Agreement (and passage of any applicable cure period). The Ableco Restructured Credit Agreement shall contain provisions as follows concerning Events of Default: the following shall constitute immediate Events of Default: (a) the failure to pay interest or principal when due, (b) voluntary or involuntary bankruptcy that is not dismissed in thirty days, (c) the occurrence of a change of control, (d) the occurrence of a material adverse change, (e) breach of a financial covenant, and (f) the breach of a covenant that cannot by its terms be cured (e.g., merger, sale, winding down of business, disposition of property, use of proceeds or incurrence of indebtedness or liens not permitted under Restructured Credit Agreement, loss of right to conduct business, failure to maintain comprehensive or general property insurance). Other defaults shall be subject to reasonable notice and cure, and exercise of enforcement remedies to be tied to passage of notice and cure period. The Debtors shall have an affirmative duty to promptly advise the Ableco Secured Parties of Events of Default. In addition, it shall be an Event of Default if the Reorganized Debtors alter (or agree to alter) the repayment terms for the Lehman Restructured Loan absent the written consent of the Ableco Secured Parties.

- r. Governing Law: Laws of the State of New York without respect to conflicts of law.
- s. Rights of the Ableco Secured Parties and Lehman Secured Parties in Respect of Collateral: The following provisions shall govern and limit the respective rights of the agents and lenders party to the Restructured Credit Agreements (including, without limitation, their successor and assigns under any Permitted Ableco Loan Refinancing or Permitted Lehman Loan Refinancing):
  - i. Any amendment or other modification to the terms of the Ableco Restructured Credit Agreement or any other agreement, document or

instrument entered into or executed in connection therewith shall require the prior written consent of the Lehman Agent.

- ii. Any amendment or modification to the terms of the Lehman Restructured Credit Agreement or any other agreement, document or instrument entered into or executed in connection therewith shall require the prior written consent of the Ableco Agent.
- iii. The Ableco Agent, or such other party that the Ableco Agent and the Lehman Agent may mutually agree, shall serve as collateral agent (“Collateral Agent”). The Collateral Agent shall record and hold all security interests in and liens upon the Collateral for the ratable benefit of the Ableco Secured Parties and Lehman Secured Parties with respect to the indebtedness owing under the Restructured Credit Agreements and, to the extent the Collateral Agent is in possession or control of any Collateral to perfect or protect an interest therein, the Collateral Agent shall be deemed to serve as gratuitous bailee for, and agent for the perfection and protection of the Collateral for the benefit of, the Ableco Secured Parties and Lehman Secured Parties with respect to the indebtedness owing under the Restructured Credit Agreements (such bailment and agency being intended, among other things, to satisfy the requirements of § § 8-106(d)(3), 8-301(a)(2) and 9-313(c) of the applicable Uniform Commercial Code (the “UCC”). The Ableco Agent and Lehman Agent shall each have reasonable inspection rights with respect to any of the Collateral in the possession of the Collateral Agent. The Collateral Agent shall release its security interests in and liens upon the Collateral (and with respect to any Collateral in its possession, the Collateral Agent shall release any such Collateral) and effectuate any disposition thereof as permitted under the Restructured Credit Agreements and/or any security or any other

agreement executed in connection therewith, or as may be required under the UCC.

- iv. Contemporaneously with the delivery of any notice of default or event of default to the Reorganized Debtors (whether or not it is required to be delivered under the applicable Restructured Credit Agreement) by the Ableco Agent and Lehman Agent (as applicable), such Agent shall furnish a copy thereof to the other Agent. The Restructured Credit Agreements shall contain this requirement and include the necessary information concerning where and how such “notice” should be delivered.
- v. If either of the Agents commences (or directs the Collateral Agent to commence) any foreclosure or enforcement action or proceeding against the Collateral, such Agent shall as soon as is practicable (but in no event more than 24 hours after the commencement or exercise of any such action) furnish written notice thereof to the other Agent and shall be deemed to have consented to the joinder by the other Agent in any such action or proceeding.
- vi. To the extent, in connection with any foreclosure or enforcement action or proceeding, or exercise of any other remedies, the Collateral Agent, the Ableco Secured Parties, or the Lehman Secured Parties (collectively, the “Secured Parties” and each a “Secured Party”) recovers or receives cash or any other “proceeds” or any “products” of any Collateral (as such terms are defined in the UCC), or any other assets or property that constitutes Collateral, such party shall be deemed to hold such recovery or receipt “in trust” for the ratable benefit of the Ableco Secured Parties and Lehman Secured Parties with respect to the indebtedness owing under the Restructured Credit Agreements and shall promptly remit to the Ableco Agent and Lehman Agent (as applicable) a ratable share of such recovery or receipt, net of such Secured Party’s reasonable fees and expenses and any

amounts owing on account of any protective advances made, for application to the respective indebtedness owing under Restructured Credit Agreements. No Secured Party shall have liability for taking any actions contemplated by this subparagraph except for its own gross negligence, recklessness or willful misconduct. No person or entity (other than the Secured Parties) shall be a beneficiary of the provisions of this subparagraph.

- vii. Protective advances by the Ableco Secured Parties and the Lehman Secured Parties to the Reorganized Debtors shall not exceed \$5 million in the aggregate without the prior written consent of the Ableco Secured Parties and the Lehman Secured Parties in their respective sole discretion. Before any of the Ableco Secured Parties or the Lehman Secured Parties make a protective advance to the Reorganized Debtors, the entity proposing to make such advance shall afford the other entity, by written notice, the right to ratably participate in making such advance on the same terms and conditions proposed, and the entity upon whom such notice is delivered shall be deemed to waive the right to participate in making such advance if such entity fails to agree to such participation within twenty four (24) hours after such written notice is dispatched.
- viii. Nothing contained in the Plan and no action taken by any of the Secured Parties pursuant to the terms of the Plan or in connection with the Plan or pursuant to or in connection with Restructured Credit Agreements or any agreements, documents or instruments entered into or executed in connection therewith shall be deemed to constitute any sort of partnership, association, joint venture, or other entity among any of the Secured Parties; and the Ableco Secured Parties, on the one hand, and Lehman Secured Parties, on the other hand, shall be under no obligation to obtain prior approval of the other before exercising any foreclosure or enforcement action or proceeding, or

exercising any other remedies and, for the avoidance of any doubt, Ableco Secured Parties and the Lehman Secured Parties may each issue instructions to the Collateral Agent which the Collateral Agent shall honor subject to the terms hereof.

**3. Class 3 (Secured Claims of Lehman Against LD&E).**

Class 3 comprises: (a) all Claims of the Lehman Lender under the Pre-Petition Credit Agreement against property of LD&E and (b) all 506(b) Expense Claims of the Lehman Lender against property of LD&E. Class 3 is Impaired under the Plan and the holder of the Class 3 Claims is entitled to vote to accept or reject the Plan. The Class 3 Claims comprise the same indebtedness as the Class 1 Claims, and will be treated pursuant to the terms and conditions set forth in Class 1.

**4. Class 4 (Secured Claims of Ableco Against LD&E).**

Class 4 comprises: (a) all Claims of Ableco under the Pre-Petition Credit Agreement against property of LD&E and (b) all 506(b) Expense Claims of Ableco against property of LD&E. Class 4 is impaired under the Plan and the holders of the Class 4 Claims are entitled to vote to accept or reject the Plan. The Class 4 Claims comprise the same indebtedness as the Class 2 Claims. The Class 2 Claims will be deemed allowed against LD&E in the same manner they are deemed allowed against LDC under Class 2, and shall be treated pursuant to the terms and conditions set forth in Class 2.

**5. Class 5 (Secured Claims of PeoplesBank against LD&E).**

Class 5 comprises all claims of PeoplesBank against LD&E, which include those represented by a promissory note and other obligations delivered and payable to the order of PeoplesBank on or about July 13, 2007 collectively, (the "PeoplesBank Note"), plus any and all interest, fees (including, without limitation, legal fees), expenses, and other obligations and

liabilities of LD&E to PeoplesBank to the extent permitted by the Bankruptcy Code and applicable law. Class 5 is impaired under the Plan and the holder of the Class 5 Claim is entitled to vote to accept or reject the Plan.

The Class 5 Claims shall be deemed allowed as of the Petition Date, as an allowed secured claim in the amount of \$961,000, plus interest accrued at the non-default rate under the PeoplesBank Note from the petition date through the effective date, less such interest payments that have been made to PeoplesBank following the petition date. PeoplesBank shall retain the liens and security interests granted in that certain North American P-51D aircraft by LD&E (the "PeoplesBank Collateral"), which liens and security interests shall be deemed to, and shall remain, properly granted by LD&E and perfected by PeoplesBank.

Allowed Class 5 Claims of PeoplesBank will be paid in full, in monthly cash payments in the amount of \$12,000.00 per month, for each the 6 months after the effective date, beginning with the first full month after the effective date. Beginning on the seventh full month after the effective date, the monthly payments shall increase to \$20,000 per month until the maturity date of July 1, 2012, at which time any balance shall be paid in full. Payments shall be made each month on the Monthly Plan Payment Due Date. The other terms of the PeoplesBank Note shall remain in full force and effect. LD&E will execute additional loan documents with PeoplesBank as may be reasonably requested and negotiated in order to implement the foregoing.

**6. Class 6 (Secured Tax Claims).**

Class 6 comprises all secured tax claims against the Debtors. Each such claim constitutes its own subclass of Class 6. At the election of the Reorganized Debtors, each allowed secured tax claim will be: (1) reinstated and paid in full on the date that such allowed priority tax claim first becomes due and payable in accordance with its terms, or (2) paid in full, no later than thirty (30) days following the effective date.

**7. Class 7 (Priority Claims).**

Class 7 comprises all priority claims (which exclude any priority tax claims). Each allowed priority claim will be paid in full on the later of: (i) the distribution date, and (ii) fifteen (15) days after such claims become allowed claims pursuant to a Final Order of the Court.

**8. Class 8 (Unsecured Claims Against LDC).**

Class 8 comprises all unsecured claims against LDC in excess of \$35,000, including any rejection damages claim – unless the holder thereof has agreed in writing to reduce its claim to \$35,000, in which case such claim shall be treated under the Plan as Class 9 Administrative Convenience Claim. Each Allowed Class 8 Claim shall be paid in four equal monthly payments totaling the principal amount of such Allowed Class 8 Claim, beginning in the first full month following the effective date. Each of such payments will be made on the monthly plan payment due date. Additionally, together with the final principal payment, each holder of an Allowed Class 8 Claim shall receive a payment equal to the amount of simple interest accrued at the per annum rate of 7%, calculated on declining principal balance of the Allowed Class 8 Claim from the effective date through the date of payment, plus interest at the federal judgment rate as set forth in 28 U.S.C. § 1961(a), in effect on the Petition Date, from the Petition Date to the Effective Date. Debtor may prepay all or part of any claim in this class at its option.

**9. Class 9 (Administrative Convenience Claims Against LDC).**

Class 9 comprises all Administrative Convenience Claims against LDC, including unsecured claims against LDC in the amount of \$35,000 or less, or as to which the holder of an unsecured claim in a greater amount has agreed in writing to reduce its claim to \$35,000. Each Allowed Class 9 Claim will be paid in full, without interest, on or before 30 days following the effective date.



**10. Class 10 (Unsecured Claims Against LD&E).**

Class 10 comprises all unsecured claims against LD&E. Each Allowed Class 10 Claim shall be paid in four equal monthly payments totaling the principal amount of such Allowed Class 10 Claim, beginning in the first full month following the effective date. Each of such payments will be made on the monthly plan payment due date. Additionally, together with the final principal payment, each holder of an Allowed Class 10 Claim shall receive a payment equal to the amount of simple interest accrued at the per annum rate of 7%, calculated on declining principal balance of the Allowed Class 10 Claim from the effective date through the date of payment, plus interest at the federal judgment rate as set forth in 28 U.S.C. § 1961(a), in effect on the Petition Date, from the Petition Date to the effective date.

**11. Class 11 (Interests in LDC).**

Class 11 comprises the interests in LDC. The holder of the interests in LDC shall retain its interests in LDC.

**12. Class 12 (Interests in LD&E).**

Class 12 comprises the interests in LD&E. The holder of the interests in LD&E shall retain its interests in LDC.

**V.**

**PROVISIONS FOR EXECUTION OF THE PLAN**

**A. 506(b) Expense Claim Allowance Procedures.**

Each Pre-Petition Credit Agreement Party must file and serve (on the Core Notice Parties), five (5) days prior to the Confirmation Hearing, a request for allowance of its 506(b) Expense Claim, accompanied by an invoice setting forth in reasonable detail the fees, expenses, costs and other amounts it seeks to have included in its 506(b) Expense Claim (including an estimate for fees, expenses, costs and other amounts it expects to incur prior to the Effective

Date).

As to each request, if there is no procedurally proper objection filed and served within seven (7) days, the 506(b) Expense Claim shall be deemed allowed in the amount requested without further order from or application to the Bankruptcy Court. As to any request for which there has been a procedurally proper objection to the request generally or for allowance of any particular amount, such dispute(s) shall be determined by the Bankruptcy Court and deemed allowed upon entry of the order of the Court regarding the same and the lapse on any stay of enforcement of any such order. The Debtors have agreed that Ableco shall be entitled to allowance of its 506(b) Expense Claim.

To the extent a 506(b) Expense Claim is allowed pursuant to the 506(b) Expense Claim Allowance Procedures after the effective date, the allowed amount shall be retroactively added to the principal balance owing to the holder thereof as of the effective date and the Reorganized Debtors shall promptly pay principal and interest on the amount that would have been paid had such 506(b) Expense Claim been allowed on the effective date.

**B. Additional Documents.**

The Plan constitutes a new contract between the Debtors and all of the parties to the cases. Pursuant to §1123(a)(5)(F) and except for the Unexpired Leases and Executory Contracts assumed by the Plan, the Plan shall supersede any and all existing contracts, notes, mortgages, security agreements, decrees, judgments and other memorialization of any financial obligation existing between the Debtors and the parties in interest in the Cases. Except as otherwise provided in the Plan with respect to the treatment of Secured Claims under the Plan, it shall not be necessary to execute any additional documentation, nor shall it be necessary to file any additional instruments to perfect the obligations created by the Plan.

**C. Additional Debt.**

At any time after the Effective Date, except as otherwise provided in the Plan, the Lehman Restructured Credit Agreement, and the Ableco Restructured Credit Agreement, Reorganized Debtors shall be authorized to obtain equity funding and/or incur debt and encumber any or all of its assets and, in all instances, without the need for any Court approval.

**D. The Reorganized Debtors' Equity**

The Plan provides for the retention of the interests in each of the Debtors by the existing holders thereof.

**E. Entity Matters**

The operating agreements, by-laws, ownership ledgers and minutes of the Reorganized Debtors shall be amended or supplemented as is necessary and appropriate to recognize the effects of the confirmation of the Plan upon the Reorganized Debtors as legal entities and, further, to the extent necessary to carry out the provisions of the Plan. The Debtors shall amend their charters on the effective date to prohibit the issuance of non-voting securities and as otherwise necessary to comply with § 1123(a)(6) of the Code.

**F. Automatic Perfection of Liens**

Upon entry of the Confirmation Order, the security interests and liens granted to any holder by virtue of this Plan shall be valid, perfected and enforceable against all entities and parties, without regard to applicable federal, state or local filing requirements or statutes calling for filing or recording. No holder shall be required to file financing statements or any other instruments or documents in any jurisdiction, or take any other action in order to validate or perfect the security interests and liens granted to such holder pursuant this Plan or documents contemplated by this Plan. This Plan and the Confirmation Order shall be the means of, and sufficient evidence of, such validation and perfection. If any such holder shall, in their sole

discretion, choose to file such financing statements or mortgages or otherwise confirm perfection of any security interests and liens granted to such holder: (a) the holder is authorized to effectuate such filings and recordings, and any such financing statements, regardless of the time of actual filing or recording, shall be deemed to have been filed or recorded on the Petition Date, at the time the applicable Debtor's petition for relief was filed; and (b) Debtors are authorized and directed to execute and deliver such agreements, instruments and other documents, including (without limitation) pledges and Uniform Commercial Code financing statements. Such filing or recording made to confirm perfection of such security interests and liens shall not be deemed to be a violation of the automatic stay imposed by § 362(a) of the Code, and the automatic stay is modified to permit such filings and recordings to the extent applicable.

**G. U. S. Trustee Fees and Reporting Obligations After The Effective Date.**

After the Effective Date, the Reorganized Debtors shall be responsible for payment and compliance with the obligations owed to the U. S. Trustee. After Confirmation, and until the case is closed by the Court, the Debtors or the Reorganized Debtors shall file with the Court and serve on the U. S. Trustee a quarterly financial report for each quarter (or portion thereof) the case remains open, in a format prescribed by the U. S. Trustee.

**H. Release of Ableco and Prepetition Administrative Agent.**

The Debtors' request for entry of the Confirmation Order shall constitute a motion to compromise claims under Rule 9019 of the Bankruptcy Rules. Pursuant to such compromise, as of the Effective Date, for good and valuable consideration, the adequacy of which is hereby acknowledged, the Debtors (on behalf of themselves and their Estates) shall be, and are hereby, deemed to waive, release and discharge Ableco and the Pre-Petition Administrative Agent (the latter solely in its capacity as the Pre-Petition Administrative Agent and, for avoidance of doubt, not Lehman as the Lehman Lender) and all of their respective affiliates, parents or subsidiary

entities, past and present and all of its respective officers, directors, agents, employees, attorneys, representatives, shareholders, members, partners, predecessors and successors, past and present, of and from any and all claims, obligations, demands, actions, suits, judgments, damages, causes of action, liabilities, costs, expenses and damages of any kind whatsoever, whether known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, in each case, arising out of or otherwise relating to any matter, fact, transaction, act or inaction which first arose prior to the Effective Date. The Debtors (on behalf of themselves and their Estates) waive any rights under any statute or legal or equitable principle that would relieve the Debtors (on behalf of themselves and their Estates) of any such release based upon facts or law not known to the Debtors (on behalf of themselves and their Estates) at the time of such release which, if known, would have materially affected the decision to grant such release.

**I. Limited Covenant Not To Sue, Object or Assert Damages, Rights of Offset, Recoupment, Counterclaim or Damages as to Lehman.**

The Debtors (on behalf of themselves and their Estates) covenant that they shall not sue or assert any damages, objection to claim or any rights of offset, recoupment or counterclaim with respect to the Class 1 Claims and Class 3 Claims of the Lehman Lender (or any objection to the Debtors' claim pending before the U. S. Bankruptcy Court for the Southern District of New York, or any appellate or other court thereof) or against the Lehman Lender individually based upon or relating to the declaration of any defaults or events of default under the Pre-Petition Credit Agreement or the exercise of enforcement remedies thereunder, and further covenant that to the extent any such claim or contention previously has been made or asserted such claim shall be irrevocably withdrawn, provided that subject in all instances to the preceding, the Debtors (on behalf of themselves and their Estates) otherwise fully reserve the right to pursue any objection or challenge to the Class 1 Claims and Class 3 Claims of the Lehman Lender (or any objection to

the Debtors' claim pending before the U. S. Bankruptcy Court for the Southern District of New York, or any appellate or other court thereof) as a result of the Lehman Lender's failure to honor and fund borrowing requests of the Debtors (made in September 2008), and any damages resulting therefrom. The Debtors have agreed that the Debtors shall honor the covenant contained herein pending confirmation of the Plan.

**J. Closure of the Cases.**

The Reorganized Debtors shall file an application to close the cases promptly after the expiration of the deadline to object to, the adjudication (in the event applicable), and payment in full of all Allowed Administrative Expenses, Allowed Priority Tax Claims, Allowed Priority Tax Claim, Allowed Unsecured Claims, and Allowed Administrative Convenience Claims. The entry of a final decree closing each of the Cases shall not be precluded by any continuing obligation under the Plan to make payments on other Allowed Claims, including Allowed Secured Claims.

**VI.  
DISCLOSURE OF INSIDERS AND THEIR COMPENSATION**

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 after the effective date. Latshaw's compensation will continue at the same level as it was prior to the Petition Date, 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 following the effective date. Additional discussion of insider transactions is provided in the Disclosure Statement. Other than the transactions described herein, there are no other insider transactions, nor are any such transactions contemplated following the effective date.

**VII.  
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

The confirmation of the Plan shall constitute the assumption of the executory contracts and unexpired leases set forth on Exhibit “A” hereto with respect to LDC, and on Exhibit “B” hereto with respect to LDE (the “*Assumed Contracts*”). The Debtors do not believe there are any monetary defaults that must be cured or other amounts that must be paid to compensate the non-debtor parties to such contracts and leases in respect of any default as a prerequisite to assumption, as provided in § 365(b)(1) of the Code, or any other Claims of any kind associated with the assumption of any executory contracts or unexpired leases by the Debtors, i.e., Cure Payments.

To the extent modifications have been negotiated between the Debtors and the other party or parties to any of the Assumed Contracts, the re-negotiated terms are set forth in Exhibits “A” and “B”. As of the filing of this Plan, an agreement for re-negotiated terms has been reached with Forum Oilfield Technologies U.S., Inc., successor in interest to Forum Repair and Field Service, Inc. and its Proof of Claim No. 24. LDC is currently negotiating with LeTourneau Technologies Drilling Systems, Inc. (“*LeTourneau*”) regarding its contracts and filed Proof of Claim No.22. If such agreement is achieved prior to confirmation, then the details will be provided in an Amendment to Exhibit “A”. If no agreement is reached, then all of LeTourneau’s contracts will be rejected and LDC will object to Proof of Claim No.22. To the extent these renegotiations constitute a compromise and settlement of a controversy, confirmation will constitute approval thereof.

**THE PARTIES LISTED ON EXHIBITS “A” AND “B” MUST  
FILE AN OBJECTION ASSERTING ENTITLEMENT TO A  
CURE PAYMENT OR OTHERWISE ASSERTING ANY  
OBJECTION TO THE ASSUMPTION OF THE  
EXECUTORY CONTRACT OR UNEXPIRED LEASE TO  
WHICH IT IS A PARTY, IF AT ALL, AT LEAST 5 DAYS**

**PRIOR TO THE COMMENCEMENT OF THE CONFIRMATION HEARING. FAILURE TO FILE SUCH AN OBJECTION SHALL CONCLUSIVELY DETERMINE THAT THERE ARE NO CURE PAYMENTS ASSOCIATED WITH THE ASSUMPTIONS HEREIN.**

In the event the Court determines that any Cure Payment is due to the holder of an executory contract or unexpired lease assumed pursuant to the Plan, such Cure Payment shall be made on the later of: (i) the Distribution Date, and (ii) entry of a Final Order making such determination.

Any executory contract or unexpired lease that is not listed on Exhibit “A” or “B” and that previously has not been assumed or rejected pursuant to a prior order of the Court, shall be deemed rejected as of the effective date. If any party asserts a rejection damage claim resulting from rejection of an executory contract or unexpired lease pursuant to the Plan, it must file such claim no later than 60 days after the effective date or it shall forever be barred from doing so. Any party asserting a rejection damage claim resulting from the rejection of a an executory contract or unexpired lease rejected by prior order of the Court must file such claim by the earlier to occur of (i) the deadline set by the Court for the filing of such claims by separate order, or (ii) if no such deadline was established, 60 days after the effective date.

Unless otherwise provided therein, entry of the Confirmation Order shall constitute a waiver of the stay otherwise provided in Rule 6006(d) of the Bankruptcy Rules.

**VIII.  
OBJECTIONS TO CLAIMS**

Unless otherwise provided in the Plan, any objection to a claim that is not on file as of the effective date, shall be filed no later than 30 days after the effective date (the “*Claims Objection Deadline*”), unless the Court, upon the request of a party in interest, extends the claims objection deadline for cause.



**IX.**  
**DISPUTED CLAIMS PROCEDURE**

All disputed claims shall be treated pursuant to the terms of this Section. To the extent a claim is a disputed claim, any payments or other distributions to be made by the Reorganized Debtors on account of the portion of such claim that is a disputed claim and that would otherwise be made to the holder thereof if such claim were allowed shall be funded into a segregated interest-bearing account, which shall be subject to a first priority lien in favor of the holder thereof. Within two (2) Business Days after such disputed claim becomes an allowed claim, such funds shall be released and remitted to the holder thereof. The Reorganized Debtor shall timely and ratably pay that portion of any claim that is an allowed claim (and not a disputed claim) to the holder thereof in accordance with the Plan. Within two (2) Business Days after any disputed claim becomes a disallowed claim, to the extent thereof, such funds shall be released and remitted to the Reorganized Debtors subject to the *pari passu* liens in favor of the Lehman Lender and Ableco.

Without limiting the generality of the preceding paragraph, and solely as a result of the pending objections to the Class 1 Claims and Class 3 Claims of the Lehman Lender, to the extent such claims are disputed claims, any payments or other distributions to be made by the Reorganized Debtors on account of the portion thereof that is a disputed claim and that would otherwise be made to the Lehman Lender if the full amount of such Class 1 Claims and Class 3 Claims were allowed shall be funded into a segregated interest-bearing account, which shall be subject to a first priority lien in favor of the Lehman Lender (the “*Escrow Funds Account*”, and the funds therein, the “*Escrow Funds*”). Within two (2) business days after that portion of the Class 1 Claims and Class 3 Claims that is a disputed claim becomes an allowed claim, to the extent allowed, the Escrow Funds shall be released and remitted to the Lehman Lender, provided

that any and all funds remaining in the Escrow Funds Account that are not required to satisfy amounts then due on the Allowed Class 1 Claims and Allowed Class 3 Claims of the Lehman Lender in accordance with the terms of the Lehman Restructured Credit Agreement (as of such date) shall be returned to the Reorganized Debtors, free and clear of the first priority lien in favor of the Lehman Lender in the escrow funds and Escrow Funds Account, but still subject to the *pari passu* liens granted under the Plan in favor of the Lehman Lender and Ableco. Thereafter, the Reorganized Debtors shall timely pay the amounts required to pay the Allowed Class 1 Claims and Allowed Class 3 Claims in accordance with the treatment provided for such claims in Class 1 and Class 3 of the Plan. To the extent, during the cases, the Debtors pay interest on any portion of the claims of the Lehman Lender that are a disputed claim, promptly upon the determination that any amount thereof is a disallowed claim, any interest paid on such amount shall be retroactively applied to principal on the remaining Allowed Class 1 and Class 3 Claims of the Lehman Lender, and interest and principal payments thereon shall be adjusted accordingly.

**X.  
UNCLAIMED FUNDS**

In the event the holder of an allowed claim fails to claim any distribution or fails to negotiate any checks distributed under the Plan within six (6) months after (i) the Distribution Date or (ii) such later date upon which a distribution is first made to such entity, such funds shall be retained by the Reorganized Debtors (subject at all times to the *pari passu* liens granted under the Plan in favor of the Lehman Lender and Ableco).

**XI.  
ADDITIONAL PROVISIONS**

**A. Retention of Jurisdiction.**

The Court shall retain jurisdiction pursuant to and for the purposes set forth in § 1127(b) of the Code to ensure that the purpose and intent of the Plan is carried out. Moreover, the Court

shall retain jurisdiction for all purposes, including but not limited to the following matters:

- a. All causes of action arising under or relating to any provision of the Code;
- b. Determination of any dispute respecting claims;
- c. Allowance of Administrative Expense Claims and Professional Fee Claims or other requests for fees, allowances or reimbursements allowable under the Code or the Plan as may be required by the terms of the Plan to be determined by this Court;
- d. To enter and enforce such order as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked or vacated;
- e. To liquidate or estimate any contingent or unliquidated Claim;
- f. To make such orders as are necessary or appropriate to carry out the provisions of the Plan;
- g. To hear and determine matters concerning claims for state, local or federal taxes pursuant to §§ 346, 505 and 1146 of the Code;
- h. To consider and act upon any proposed modifications to the Plan;
- i. To determine any dispute regarding the proper form of any additional documents requested by any holder of an Allowed Secured Claim.

Notwithstanding the foregoing paragraph, when the Confirmation Order becomes a Final Order, the Court shall not have jurisdiction over any proceedings, whether core or non-core, in which the holders of any Allowed Secured Claim seek to enforce their rights under applicable non-bankruptcy law, including, without limitation, foreclosure of their respective liens and security interests in any or all of the collateral securing their respective claims.

If the Court abstains from or otherwise declines to exercise jurisdiction, or determines

that it is without jurisdiction over any matter or proceeding arising out of or related to the cases or the Plan, a Court having competent jurisdiction with respect to such matter shall not be limited or precluded from doing so by the Plan.

**B. Modifications to the Plan.**

The Debtors reserve the right to modify the Plan pursuant to § 1127 of the Code, provided any such modification after the Confirmation Date shall be in a form acceptable to the Debtors and Ableco.

**C. Cramdown Pursuant to Section 1129(b).**

To the extent any Class rejects the Plan, the Debtors hereby request that the Court confirm the Plan notwithstanding such rejection pursuant to § 1129(b) of the Code.

**D. Notices Following the Confirmation Date.**

After the Confirmation Date, notice of proceedings or other matters pertaining to implementation of the Plan shall be given only to the Reorganized Debtors, Lehman, Ableco, PeoplesBank, any party directly affected by such proceedings, and any other party designated by the Court as being entitled to notice.

**E. Post-Effective Date Professional Fees.**

Fees and expenses of professional persons employed by the Debtors subsequent to the Effective Date shall not be subject to application to and approval of the Bankruptcy Court.

**F. Default.**

Unless otherwise specified in the Plan, the Ableco Restructured Credit Agreement, the Lehman Restructured Credit Agreement, or the documents governing the Allowed Secured Claim of PeoplesBank: (1) the non-payment of any distribution for fifteen (15) days after the date on which such amount is due shall constitute a default under the Plan; (2) any holder of an Allowed Claim asserting such default shall serve by certified mail notice of such default on the

Debtors and Debtors' Counsel; (3) if, after five (5) days following receipt of such notice the default is not cured, such holder may proceed to seek relief to enforce its rights with respect to such default. The Ableco Restructured Credit Agreement, the Lehman Restructured Credit Agreement, and the documents governing the Allowed Secured Claim of PeoplesBank shall define, respectively, the events of default thereunder, any requirements for notice thereof, and the terms and conditions governing the exercise of remedies thereunder.

**G. The Effective Date.**

The Plan will not become binding or effective unless and until the effective date occurs. The effective date will be the first business day, as determined by the Debtors, in their reasonable discretion, on which the following conditions have been satisfied:

- (1) At least fourteen (14) days have elapsed following the Confirmation Date;
- (2) The Confirmation Order, in form and substance reasonably satisfactory to Ableco and the Debtors, has been entered and is not stayed;
- (3) All agreements and other documents reasonably necessary to implement the Plan have been executed and delivered in a form acceptable to the Debtors and Ableco.
- (4) Any modifications to the Plan are in a form acceptable to the Debtors and Ableco.

The Debtors, with Ableco's consent (which can be withheld in its sole discretion), shall have the right to waive any of the foregoing conditions.

**H. Successors and Assigns.**

The rights, benefits, and obligations of any entity named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor, or assign of such entity, whether or not such entity's Claim is Impaired under this Plan and whether

or not such entity has accepted this Plan.

**I. Saturday, Sunday or Legal Holiday.**

If any payment or act under the Plan is required to be made or performed on a day that is not a business day, then the payment or act may be completed on the next day that is a business day, in which event the payment or act will be deemed to have been completed on the required day.

**J. Headings.**

The headings used in the Plan are inserted for convenience only and do not constitute a portion of this Plan or in any manner affect the provisions of this Plan or their meaning.

**K. Severability of Plan Provisions.**

If, prior to the Confirmation Date, the Bankruptcy Court holds that any term or provision of the Plan is invalid, void, or unenforceable, subject to the provisions of the Plan governing modification the Plan (including the requirement of consent thereto by the Debtors and Ableco) thereupon may be modified. Notwithstanding any such holding, alteration, or interpretation, the Plan's remaining terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination providing that each Plan term and provision, as it may have been modified is valid, enforceable, and binding as of the effective date.

**L. Plan Embodies Settlement.**

As described in the Disclosure Statement, this Plan constitutes a good faith compromise and settlement of certain claims and interests between and among the parties subject thereto and binding on all other parties in interest in accordance with § 1123(b) of the Code.

**M. Terms of Bankruptcy Injunctions or Stays.**

All injunctions or stays applicable during the Cases under §§ 105 or 362 of the Code, or

otherwise, that are in effect on the Confirmation Date, shall remain in full force and effect until the effective date.

**N. Effect of Confirmation/Discharge and Injunction.**

On and after the effective date:

1. Except as otherwise expressly provided in the Plan, the property of each Estate shall vest in the respective Reorganized Debtor from which such property originally derived.

2. Except as otherwise expressly provided in the Plan, the property of the Estates shall vest in the Reorganized Debtors, free and clear of all claims, liens, encumbrances, charges and other interests of the holders of claims and interests.

3. Except as otherwise expressly provided in the Plan, the Reorganized Debtors may operate their businesses free of any restrictions imposed by the Code or the Court.

4. The Plan shall be binding on the holders of all Claims and Interests (irrespective of whether any such holder submitted a Ballot and, to the extent it did, irrespective of whether such Ballot accepted or rejected the Plan), and all other parties given notice of these Cases.

5. Except as otherwise expressly provided in the Plan or Confirmation Order, as of the effective date, confirmation of the Plan shall discharge the Debtors, and the Confirmation Order shall operate as a permanent injunction against, the commencement or continuation of an action, the employment of process or an act to collect, recover or offset any Claim and any “debt” against (as that term is defined in § 101(12) of the Code) and any Interest in (or Claims or debt related thereto) the Debtors, and any liability of the Debtors in respect thereof shall be extinguished completely, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or not, matured or unmatured, disputed or undisputed, legal or equitable, known or unknown, or arising from any agreement that the Debtors entered into or obligation of any kind of the Debtors incurred before the effective date or

from any conduct of the Debtors prior to the effective date or that otherwise arose before the effective date (including all interest, if any, on any such debts, whether such interest accrued before or after the Petition Date), irrespective of whether or not a proof of claim is filed or deemed filed under § 501 of the Code, such Claim is allowed under § 502 of the Code, or the holder of such Claim has accepted or rejected the Plan. On the effective date, in consideration for, or as part of, the treatment accorded to the holders of Claims and Equity Interests under the Plan, each holder of a Claim or Equity Interest against or in the Debtors shall be deemed to have released the Debtors, the Estates, and the Reorganized Debtors from any and all causes of action and claims, in law or in equity, whether based on tort, fraud, contract or otherwise, which arose prior to the Petition Date in exchange for the rights accorded to such holder pursuant to the Plan.

**O. Transfer Taxes.**

Pursuant to §1146(c) of the Bankruptcy Code, the issuance, transfer or other exchange of a security or the making or delivery of an instrument of transfer under the Plan shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee.

**P. Setoffs.**

The Debtors may, but shall not be required to, offset against any claim (for purposes of determining the allowed amount of such claim on which distribution shall be made), any claims of any nature whatsoever the Debtors may have against the holder of an allowed claim. Neither the failure to set off, nor the allowance of any claim hereunder, shall constitute a waiver or release by the Debtors.

**Q. Post-Effective Date Evidences Of Claims Or Interests.**

Outstanding notes, certificate of member interests and other evidences of claims against or interests in the Debtors shall, effective upon the effective date, represent only the right to participate in the distributions contemplated by the Plan, if any.



**XII.**  
**RECOMMENDATION AND CONCLUSION**

For all of the reasons set forth herein, the Debtors believe that the confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all holders of claims entitled to vote to ACCEPT the Plan and to duly complete and return their ballots so that they will be ACTUALLY RECEIVED on or before the Voting Deadline.

Submitted by the Debtors in Possession this 8<sup>th</sup> day of April, 2010.

Respectfully Submitted,

**MorrelSaffaCraig, PC**

*/s/Mark A. Craig*

**Mark A. Craig**, OBA #1992  
3501 South Yale Avenue  
Tulsa, Oklahoma 74135-8014  
918.664.0800 Telephone Number  
918.663.1383 Facsimile Number  
e-mail address: mark@law-office.com

**Attorneys for Debtors-in-Possession**

**PLAN EXHIBIT "A"**

**LATSHAW DRILLING COMPANY, LLC**  
**ASSUMED EXECUTORY CONTRACTS**

**XTO Energy** – Rig 5 dated 3/24/05 with extension dated 4/20/09  
Rig 15 dated 8/1/08

**Chesapeake Energy** – Rig 6 dated 3/21/05 with extension dated 8/18/08

**Encore Operating Company** – Rig 9 dated 7/1/05 with extension dated 12/9/09

**Denbury Resources** – Rig 12 dated 12/1/05, assigned to and assumed by Talon Oil & Gas, LLC on 8/18/09.

**Goodrich Petroleum Corp** – Rig 16 dated 11/24/08

**International Derrick Services** – Purchase agreement 91866 Rev 3 dated 6/18/08 for the purchase of (3) new mast/subs, one of which has been completed and paid for but has not been delivered yet. The remaining two are partially completed and were put on hold. On these two partials, all the steel had been paid for as was all labor costs incurred to that point when the construction process was put on hold. The outstanding amount owed is to complete these two units.

**Forum Oilfield Technologies U.S., Inc.** successor in interest to Forum Repair and Field Service, Inc. ("Forum") filed Proof of Claim No. 24 ("POC 24") in the amount of \$835,845.00. This claim arising from an executory contract for construction of drawworks for Rig 21 which LDC has agreed to assume and perform on a re-negotiated basis as follows:

- 1) Forum has agreed to amend POC 24 to a reduced amount of \$750,000 ("Amended POC 24").
- 2) LDC will not dispute Amended POC 24.
- 3) Amended POC 24 will be treated and paid as an Allowed Claim in Class 8.
- 4) Until such time as Amended POC 24 is paid, Forum will retain physical possession of the equipment, plus some equipment owned by LDC that is currently installed on the drawworks.
- 5) If the Confirmation Order is not entered by 8/31/10, then the following shall apply:

1. Forum have the right to sell the drawworks only but not any of the equipment owned by LDC.
  2. Forum may Amended POC 24 to its original amount in POC 24.
  3. Forum may sell the drawworks at fair market value and apply the proceeds to POC 24.
  4. If the sale price is more than POC 24, any excess will be paid to LDC and the equipment belonging to LDC returned to LDC.
  5. If the sale price is less than POC 24 then Forum shall have the right to amend POC 24 subject to LDC's right to object thereto.
- 6) If the Confirmation Order is entered by 8/31/10, but Amended POC 24 is not paid in full pursuant to Plan as confirmed, then the following shall apply:
1. Forum have the right to sell the drawworks only but not any of the equipment owned by LDC.
  2. Amended POC 24 shall revert back to the original \$835,845 amount less any Plan payments received by Forum (the "Reversion Amount").
  3. Forum may sell the drawworks at fair market value and apply the proceeds to the Reversion Amount.
  4. If the sale price is more than the Reversion Amount, any excess will be paid to LDC and the equipment belonging to LDC returned to LDC.
  5. If the sale price is less than the Reversion Amount then both parties will enter into discussions as to how to make up the shortfall.

**PLAN EXHIBIT "B"**

**LATSHAW DRILLING & EXPLORATION**  
**ASSUMED EXECUTORY CONTRACTS**

As of the filing of the Plan, LD&E has no known executory contracts or unexpired leases.

**EXHIBITS “B” and “C”  
To  
DISCLOSURE STATEMENT  
ARE INTENTIONALLY OMITTED  
Refer to Plan Exhibits “B” and “C”**

**EXHIBIT “D”**  
**To**  
**DISCLOSURE STATEMENT**

B6B (Official Form 6B) (12/07)

In re Latshaw Drilling Company LLC

Case No. 09-13572

Debtor

**SCHEDULE B - PERSONAL PROPERTY - AMENDED**

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "x" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly identified with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual or a joint petitioner is filed, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

**Do not list interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.**

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." If the property is being held for a minor child, simply state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
1. Cash on hand	X			
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.		<b>Bank of Oklahoma NA P.O. Box 2300 Tulsa, OK 74172 Account No. 209915391</b>	-	<b>20,867.47</b>
		<b>Bank of Oklahoma, N.A. P.O. Box 2300 Tulsa, OK 74172 Account No. 208368637</b>	-	<b>0.00</b>
		<b>Bank of Oklahoma Certificate of Deposit - Collateral for Letter of Credit Issued to Travelers for Workers Compensation Claims</b>	-	<b>1,634,551.37</b>
3. Security deposits with public utilities, telephone companies, landlords, and others.		<b>Security deposit with Debtor's landlord on Debtor's office lease.</b>	-	<b>6,906.00</b>
		<b>Deposit on hangar for airplane.</b>	-	<b>800.00</b>
4. Household goods and furnishings, including audio, video, and computer equipment.	X			
5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles.	X			
6. Wearing apparel.	X			
7. Furs and jewelry.	X			
8. Firearms and sports, photographic, and other hobby equipment.	X			

Sub-Total > **1,663,124.84**  
(Total of this page)

4 continuation sheets attached to the Schedule of Personal Property

B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling Company LLC

Case No. 09-13572

Debtor

**SCHEDULE B - PERSONAL PROPERTY - AMENDED**  
(Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each.		<b>Key man term life policy in amount of \$1,500,000.00 on Trent B. Latshaw; no cash surrender value.</b>	-	<b>0.00</b>
10. Annuities. Itemize and name each issuer.	<b>X</b>			
11. Interests in an education IRA as defined in 26 U.S.C. § 530(b)(1) or under a qualified State tuition plan as defined in 26 U.S.C. § 529(b)(1). Give particulars. (File separately the record(s) of any such interest(s). 11 U.S.C. § 521(c).)	<b>X</b>			
12. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Give particulars.	<b>X</b>			
13. Stock and interests in incorporated and unincorporated businesses. Itemize.	<b>X</b>			
14. Interests in partnerships or joint ventures. Itemize.	<b>X</b>			
15. Government and corporate bonds and other negotiable and nonnegotiable instruments.	<b>X</b>			
16. Accounts receivable.		<b>See attached schedule.</b>	-	<b>5,580,500.33</b>
17. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.	<b>X</b>			
18. Other liquidated debts owed to debtor including tax refunds. Give particulars.	<b>X</b>			
19. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule A - Real Property.	<b>X</b>			

Sub-Total > **5,580,500.33**  
(Total of this page)

Sheet 1 of 4 continuation sheets attached to the Schedule of Personal Property



B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling Company LLC

Case No. 09-13572

Debtor

**SCHEDULE B - PERSONAL PROPERTY - AMENDED**  
(Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
20. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.	<b>X</b>			
21. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.		<i>Insurance claim for flood damage occurring in April 2009 to Rig No. 4. Debtor estimates a recovery of \$950,000 from the insurance carrier.</i>	-	<b>950,000.00</b>
		<i>Lewco provided drilling equipment at a cost of \$1,786,343 which did not perform properly. The Debtor and Lewco have a verbal agreement whereby the Debtor will return the improperly performing piece of equipment and Lewco will issue a credit memo in the amount of \$1,275,145 against currently due invoices and will provide additional equipment with a value of \$504,410 to the Debtor in satisfaction of the Debtor returning the improperly performing equipment.</i>	-	<b>1,786,343.00</b>
22. Patents, copyrights, and other intellectual property. Give particulars.	<b>X</b>			
23. Licenses, franchises, and other general intangibles. Give particulars.	<b>X</b>			
24. Customer lists or other compilations containing personally identifiable information (as defined in 11 U.S.C. § 101(41A)) provided to the debtor by individuals in connection with obtaining a product or service from the debtor primarily for personal, family, or household purposes.	<b>X</b>			
25. Automobiles, trucks, trailers, and other vehicles and accessories.		<b>See attached Exhibit B-25</b>	-	<b>201,500.00</b>
26. Boats, motors, and accessories.	<b>X</b>			
27. Aircraft and accessories.	<b>X</b>			
28. Office equipment, furnishings, and supplies.		<b>Various office equipment. Value based upon Debtor's estimate. See B-28 schedule of assets for detail.</b>	-	<b>15,000.00</b>
			Sub-Total >	<b>2,952,843.00</b>
			(Total of this page)	

Sheet 2 of 4 continuation sheets attached to the Schedule of Personal Property

B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling Company LLC

Case No. 09-13572

Debtor

**SCHEDULE B - PERSONAL PROPERTY - AMENDED**  
(Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
29. Machinery, fixtures, equipment, and supplies used in business.		<b>Eleven (11) completed drilling rigs numbers 3,4,5,6,7,8,9,10,11,12,15 with associated equipment, yard equipment and six (6) drilling rigs under construction. See attached Exhibit B-29 for detail. Values shown are as follows: a) for completed drilling rigs the recent fair market value appraisal prepared by Hadco International - \$137,273,000; b) for drilling rigs under construction preliminary fair market value estimate from Hadco International - \$42,042,464; c) for yard equipment Debtor's estimate of fair market value - \$290,000. The forced liquidation value of the eleven (11) completed rigs is \$79,172,000.00 per Hadco International independent appraisal report and estimated by Debtor to be \$24,384,629 by calculating the ratio of liquidation value to fair market value in Hadco International's appraisal report for the eleven (11) completed rigs and applying such ratio to the fair market value estimate of the six (6) rigs under construction for a total of \$103,556,629 in forced liquidation value of the drilling rigs, exclusive of yard equipment and spare parts inventory. Hadco International will be providing its report of fair market value and forced liquidation value for the six (6) rigs under construction in the near future.</b>	-	<b>179,605,464.00</b>
30. Inventory.	X			
31. Animals.	X			
32. Crops - growing or harvested. Give particulars.	X			
33. Farming equipment and implements.	X			
34. Farm supplies, chemicals, and feed.	X			
35. Other personal property of any kind not already listed. Itemize.		<b>Intercompany receivable from affiliate Latshaw Drilling Operations, LLC</b>	-	<b>91,450.06</b>
		<b>Spare parts, consisting of pumps, motors, drill pipe, drill collars and various supplies used in Debtor's contract drilling operations. Stated at book value, but Debtor believes the fair market value is in excess of book value. See Exhibit B-35 for detail.</b>	-	<b>3,395,979.09</b>
		<b>Prepaid insurance.</b>	-	<b>100,790.00</b>
Sub-Total >				<b>183,193,683.15</b>
(Total of this page)				

Sheet 3 of 4 continuation sheets attached to the Schedule of Personal Property

B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling Company LLC

Case No. 09-13572

Debtor

**SCHEDULE B - PERSONAL PROPERTY - AMENDED**  
(Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
		<i>Advances to various employees for misc. field operating expenses.</i>	-	<b>13,915.00</b>
		<i>Retainer paid to Debtor's counsel Morrel, Saffa, Craige. Retainer will be reduced by amount of prepetition fees and expenses with balance carried forward.</i>	-	<b>50,000.00</b>
		<i>Retainer paid to Debtor's New York special bankruptcy counsel. Retainer will be reduced by amount of prepetition fees and expenses and balance carried forward.</i>	-	<b>75,000.00</b>
		<i>Retainer paid to Debtor's financial advisor Koehler &amp; Associates, Inc.; retainer will be reduced by amount of prepetition fees and expenses and balance carried forward.</i>	-	<b>20,000.00</b>
		<i>Unamortized financing costs incurred re: debt owed to Lehman Commercial Paper, Inc. Net book value of \$373,553.00, but no ongoing value.</i>	-	<b>0.00</b>

Sub-Total > **158,915.00**  
(Total of this page)  
Total > **193,549,066.32**

(Report also on Summary of Schedules)

Sheet 4 of 4 continuation sheets attached to the Schedule of Personal Property

### A/R Aging Summary

As of November 6, 2009

Latshaw Drilling Company, LLC  
Schedule of Accounts Receivable

Exhibit B-16

		Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
America First	325 N. St. Paul Street, Suite 1900 I	0.00	5.69	0.00	0.00	0.00	5.69
Britt Trucking Company, Inc	Drawer 707 Lamesa, TX 79331	0.00	0.00	0.00	4,462.50	0.00	4,462.50
Chesapeake - Rig 6	PO Box 18496 Oklahoma City, OK 7	725,943.51	0.00	246,142.00	228,180.00	0.00	1,200,265.51
Crow Creek Operating Company	2201 South Utica Pl. Tulsa, OK 741	301,920.00	283,050.00	0.00	0.00	0.00	584,970.00
Denbury - Rig 11	Dept #53518 5100 Tennyson Parkwa	0.00	277,974.59	0.00	0.00	0.00	277,974.59
Denbury - Rig 12	Dept #53518 5100 Tennyson Parkwa	0.00	239,310.00	0.00	0.00	0.00	239,310.00
Encore Operating, LP	777 Main Street, Suite 1400 Ft. Wort	208,000.00	0.00	0.00	0.00	0.00	208,000.00
Goodrich Petroleum Corporation	801 Louisiana Suite 700 Houston, T)	568,147.63	308,908.13	0.00	0.00	0.00	877,055.76
Petromax Operating Co., Inc.	603 Main Street, Suite 201 Garland,	0.00	0.00	0.00	0.00	281,275.94	281,275.94
T. K. Stanley, Inc	PO Box 31 Waynesboro, MS 39367	0.00	0.00	0.00	0.00	4,812.50	4,812.50
Talon - Rig 11	12225 Greenville Avenue Suite 900 I	566,346.55	0.00	0.00	0.00	0.00	566,346.55
Talon - Rig 12	12225 Greenville Avenue Suite 900 I	441,935.00	0.00	0.00	0.00	0.00	441,935.00
XTO - Rig 15	6141 Paluxy Drive Tyler, TX 75703	351,927.50	0.00	0.00	0.00	0.00	351,927.50
XTO - Rig 5	6141 Paluxy Drive Tyler, TX 75703	356,975.00	185,183.79	0.00	0.00	0.00	542,158.79
<b>TOTAL</b>		<b>3,521,195.19</b>	<b>1,294,432.20</b>	<b>246,142.00</b>	<b>232,642.50</b>	<b>286,088.44</b>	<b>5,580,500.33</b>

Note: Total accounts receivable includes \$1,039,600.41 checks received for deposit into DIP accounts.

Latshaw Drilling Company, LLC  
 Schedule of Autos & trucks

Exhibit B-25

<u>Motor Vehicles</u>	<u>Cost</u>	<u>Service Date</u>	<u>Life</u>	<u>Book Value</u>
2006 Ford F250-Trent	19,613.66	Dec-06	3	544.96
2007 Chevy Silverado-Ricky	24,621.28	Jun-07	3	4,787.60
2007 Chevy Silverado-Jerry	29,929.75	Aug-07	3	7,482.49
2008 Chevy Siverado-Carl	29,065.50	May-08	3	14,532.66
2008 Chevy Silverado-Sonny	28,219.00	May-08	3	14,109.52
2008 Ford - Ron	37,282.00	Jul-08	3	20,712.24
2008 Chevy Bruce Slover	27,607.63	Aug-08	3	16,104.43
2008 Chevy Slade Phillips	27,607.63	Aug-08	3	16,104.43
2008 Chevy James Bunch	27,607.63	Aug-08	3	16,104.43
2008 Chevy Yard	27,607.63	Aug-08	3	16,104.43
2009 Dodge Travis Hickey	34,348.50	Sep-09	3	32,440.24
<b>Total Motor Vehicles</b>	<b>313,510.21</b>			<b>159,027.43</b>

**Latshaw Drilling Company, LLC**  
**Schedule of Office Furnitue & Fixtures**

**Exhibit B-28**

<u>Fixed Asset Item</u>	<u>Cost</u>	<u>Date in Service</u>	<u>Life</u>	<u>Book Value 10/31/2009</u>	<u>Debtor's Est. of FMV</u>
<b>Furniture &amp; Fixtures</b>					
Scott Rice Furniture	16,857.15	Nov-06	10	11,799.87	
Xerox Copier	10,724.74	Oct-06	3	-	
Scott Rice Furniture	6,029.50	Dec-07	3	2,177.23	
Technology Solutions	9,270.61	Dec-07	4	3,347.65	
Scott Rice Furniture	2,407.82	Jan-08	3	936.46	
Qqest Software	12,723.62	May-08	3	6,361.88	
Scott Rice Furniture	2,488.86	Sep-08	3	1,520.90	
Scott Rice Furniture	8,200.91	Nov-08	3	5,467.31	
Technology Solutions	8,398.70	Nov-08	3	5,599.10	
Technology Solutions	1,251.37	Nov-08	3	834.25	
Scott Rice Furniture	2,455.35	Feb-09	3	1,841.55	
Scott Rice Furniture	2,456.75	Apr-09	4	1,979.07	
<b>Total Furniture &amp; Fixtures</b>	<b>83,265.38</b>			<b>41,865.27</b>	<b>15,000.00</b>

**Latshaw Drilling Company, LLC**  
**Schedule of Drilling Rigs & Yard Equipment**

Exhibit B-29

<u>Fixed Asset Item</u>	<u>Cost</u>	<u>Date in Service</u>	<u>Life</u>	<u>Book Value</u>	<u>FMV</u>
<b>Yard Equipment</b>					
75 International Rigup Truck	44,000	Nov-05	5	9,893	35,000
CAT D9G Crawler Tractor	22,500	Jul-05	5	4,225	15,000
1981 Int'l Payster 5000 - Rigup Truck	60,000	Jul-05	5	11,304	50,000
2001 SkyTrak Fork Truck	50,880	Sep-06	5	18,656	50,000
Compressor	7,683	Oct-06	5	2,945	-
P&H Omega 40 Ton Crane Cherry Picker	87,049	Nov-06	5	34,820	75,000
Terex TB42 Boomlift	15,000	Sep-07	5	8,500	10,000
1998 Skytrak 10042 Forklift	40,660	Jul-08	5	29,140	40,000
1999 Skytrak 6036 Forklift	8,000	Apr-09	5	7,067	15,000
<b>Total Yard Equip</b>	<b>335,772</b>			<b>- 126,549</b>	<b>290,000</b>
<b>Capital Improvements</b>					
Rig #3 - Centrifugal Pump	F/D 6,817	Mar-06	3	-	(1)
Rig #3 - Mud Pump	F/D 39,772	Feb-06	3	-	(1)
Rig #3 - Compressor	10,203	May-06	3	-	(1)
Rig #3 - Pipe Bolster	7,760	Aug-06	3	-	(1)
Rig #3 - HWDP	29,809	Aug-06	3	-	(1)
Rig #3 - Drill String	49,388	Jun-06	3	-	(1)
Rig #3 - Clutch	19,795	Sep-06	3	-	(1)
Rig #3 - Drill Collars	23,381	Sep-06	3	-	(1)
Rig #3 - Drill Collars	20,936	Nov-06	3	-	(1)
Rig #3 - PC	22,574	Nov-06	3	627	(1)
Rig #3 Tongs	23,460	Jan-07	3	1,303	(1)
Rig #3 HB	11,651	Jan-07	3	647	(1)
Rig #3 PC	8,324	Jan-07	3	462	(1)
Rig #3 Pipe Racks	7,452	Jan-07	3	414	(1)

Exhibit B-29

<u>Fixed Asset Item</u>	<u>Cost</u>	<u>Date in Service</u>	<u>Life</u>	<u>Book Value</u>	<u>FMV</u>
Rig #3 Slips/MB/KDB	2,422	Jan-07	3	134	(1)
Rig #3 Mud Pump	3,811	Jan-07	3	212	(1)
Rig #3 Mud Pump	3,255	Feb-07	3	271	(1)
Rig #3 Mud Pump	6,335	Feb-07	3	528	(1)
Rig #3 Air Compressor	5,056	Feb-07	3	421	(1)
Rig #3 Gas Buster	14,700	Feb-07	3	1,225	(1)
Rig #3 Drawworks	24,244	Mar-07	3	2,694	(1)
Rig #3 PC	16,648	May-07	3	2,775	(1)
Rig #3 Drawworks	17,096	May-07	3	3,324	(1)
Rig #3 Drawworks	14,300	May-07	3	2,383	(1)
Rig #3 Kelly Spinner	5,490	May-07	3	915	(1)
Rig #3 Mud Pump	14,375	Jun-07	3	2,795	(1)
Rig #3 Choke Manifold	21,753	Jun-07	3	4,230	(1)
Rig #3 Drawworks	96,319	Jul-07	3	21,404	(1)
Rig #3 Hook/Block	11,674	Oct-07	3	3,567	(1)
Rig #3 Mud Pump	30,500	Oct-07	3	9,319	(1)
Rig #3 Swivel	15,013	Oct-07	3	4,587	(1)
Rig #3 Mud Pump	98,504	Dec-07	3	35,571	(1)
Rig #3 Electrical Circuit Panel	48,077	Dec-07	3	17,361	(1)
Rig #3 Torque Converter	34,000	Jan-08	3	13,222	(1)
Rig #3 Cat Gen Sets	140,584	Jan-08	3	58,577	(1)
Rig #3 Electrical Circuit Panel	27,066	Jan-08	3	11,278	(1)
Rig #3 Rig Mats	21,300	Dec-08	3	14,792	(1)
	<u>953,843</u>			<u>-</u>	
<i>400,496 added to BS</i>				<u>215,040</u>	
Rig #4 Mud Pump	13,889	Sep-06	3	-	(1)
Rig #4 Drawworks	132,208	Aug-07	3	33,052	(1)
Rig #4 Swivel	12,720	Sep-07	3	3,534	(1)
Rig #4 Wichita Brake	22,096	Nov-07	3	7,365	(1)
Rig #4 Wichita Brake	49,482	Dec-07	3	17,869	(1)
Rig #4 Cat Gen Set	37,942	Jan-08	3	14,755	(1)



## Exhibit B-29

Fixed Asset Item	Cost	Date in Service	Life	Book Value	FMV
Total Rig #4	268,337			- 76,574	
Rig #5 Mud Pump	6,528	Feb-07	3	725	(1)
Rig #5 Swivel	20,743	Jan-08	3	8,067	(1)
Rig #5 Mud Pump	8,953	Apr-08	3	4,228	(1)
Rig #5 Rig Mats	7,185	Jan-09	3	5,189	(1)
Total Rig #5	43,409			- 18,209	
Rig #6 Wichita Brake	29,891	Jan-07	3	1,661	(1)
Rig #6 Drawworks	20,918	Oct-07	3	6,392	(1)
Rig #6 Rotary Table	58,713	Jun-08	3	30,987	(1)
Rig #6 Kelly Spinner	19,500	Aug-08	3	11,375	(1)
Rig #6 Drill Pipe Spinner	20,000	Sep-08	3	12,222	(1)
Rig #6 Mud Pump	9,828	Feb-09	3	7,371	(1)
Rig #6 Mud Pump	9,828	May-09	3	8,190	(1)
Total Rig #6	168,678			- 78,198	
Rig #7 Wichita Brake	45,119	Jan-07	3	2,507	(1)
Rig #7 Mud Pump	11,449	Jul-07	3	2,544	(1)
Rig #7 Mud Pump	11,663	Jul-07	3	2,592	(1)
Rig #7 Mud Pump	10,800	Aug-07	3	2,700	(1)
Rig #7 Choke Manifold	19,700	Aug-07	3	4,925	(1)
Rig #7 Wichita Brake	37,034	Oct-07	3	11,316	(1)
Rig #7 Mud Pump	7,200	May-08	3	3,600	(1)
Rig #7 Aux Brake	172,564	Nov-08	3	115,043	(1)
Rig #7 Drawworks	173,887	Jul-09	3	154,566	(1)
Total Rig #7	489,416			- 299,793	
Rig #8 Mud Pump	9,305	Feb-07	3	775	(1)
Rig #8 Hook/Block	10,022	Mar-07	3	1,113	(1)

## Exhibit B-29

<u>Fixed Asset Item</u>	<u>Cost</u>	<u>Date in Service</u>	<u>Life</u>	<u>Book Value</u>	<u>FMV</u>
Rig #8 Mud Pump	4,600	Aug-07	3	1,150	(1)
Rig #8 Mud Pump	4,600	Aug-07	3	1,150	(1)
Rig #8 Mud Pump	9,202	Jan-08	3	3,579	(1)
Rig #8 Baylor Brake	40,556	Feb-08	3	16,898	(1)
Rig #8 Baylor Brake	26,441	Apr-08	3	12,486	(1)
Rig #8 Baylor Brake	59,111	May-08	3	29,556	(1)
Rig #8 Rotating Mousehole	67,883	Feb-09	3	50,912	(1)
Rig #8 Top Drive	1,840,118	Mar-09	3	1,431,203	(1)
Rig #8 Crew Qtrs-Electrical	22,913	Mar-09	3	17,822	(1)
Rig #8 Mud Pump	8,119	May-09	3	6,766	(1)
<b>Total Rig #8</b>	<b>2,102,869</b>			<b>- 1,573,409</b>	
Rig #9 Drawworks	66,500	Jun-07	3	12,931	(1)
Rig #9 Swivel	15,369	Jan-08	3	5,977	(1)
<b>Total #9</b>	<b>81,869</b>			<b>- 18,908</b>	
Rig #10 Drawworks	32,884	Oct-07	3	10,048	(1)
<b>Total Rig #10</b>	<b>32,884</b>			<b>- 10,048</b>	
Rig 15 Drill Pipe Spinners	22,747	May-09	3	18,956	(1)
Rig 15 Elevators	9,408	May-09	3	7,840	(1)
<b>Total Rig #15</b>	<b>32,155</b>			<b>- 26,796</b>	
<b>Total Capital Improvements</b>	<b>4,173,459</b>			<b>- 2,316,974</b>	
Rig #3	4,254,218	Jun-05	20	2,984,147	4,700,000

Exhibit B-29

<u>Fixed Asset Item</u>	<u>Cost</u>	<u>Date in Service</u>	<u>Life</u>	<u>Book Value</u>	<u>FMV</u>
Rig #4	7,318,176	May-06	20	6,037,495	
Rig #4 Drill Pipe/Collars	716,969	May-06	3	-	
	<u>8,035,144</u>			<u>-</u>	<u>6,037,495</u>
					8,907,300
Rig #5	8,510,174	May-06	20	7,020,894	
Rig # Drill Pipe/Collars	788,734	May-06	3	-	
	<u>9,298,909</u>			<u>-</u>	<u>7,020,894</u>
					14,507,300
Rig #6	7,800,818	Jul-06	20	6,500,681	
Rig #6 Drill Pipe/Collars	953,548	Jul-06	3	-	
	<u>8,754,366</u>			<u>-</u>	<u>6,500,681</u>
					9,207,300
Rig #7	8,979,998	Jul-06	20	7,483,331	
Rig #7 Drill Pipe/Collars	1,454,777	Jul-06	3	-	
	<u>10,434,775</u>			<u>-</u>	<u>7,483,331</u>
					14,507,300
Rig #8	9,425,516	Aug-06	20	7,893,870	
Rig #8 Drill Pipe/Collars	1,410,775	Aug-06	3	-	
	<u>10,836,291</u>			<u>-</u>	<u>7,893,870</u>
					17,207,300
Rig #9	9,091,831	Nov-06	20	7,728,056	
Rig #9 Drill Pipe/Collars	859,374	Nov-06	3	-	
	<u>9,951,205</u>			<u>-</u>	<u>7,728,056</u>
					14,507,300
Rig #10	9,168,346	Nov-06	20	7,793,094	
Rig #10 Drill Pipe/Collars	728,158	Nov-06	3	-	
	<u>9,896,504</u>			<u>-</u>	<u>7,793,094</u>
					14,607,300
Rig #11	9,180,639	Mar-07	20	7,956,554	
Rig #11 Drill Pipe/Collars	406,481	Mar-07	3	45,165	
	<u>9,587,120</u>			<u>-</u>	<u>8,001,719</u>
					9,607,300

Exhibit B-29

<u>Fixed Asset Item</u>	<u>Cost</u>	<u>Date in Service</u>	<u>Life</u>	<u>Book Value</u>	<u>FMV</u>
Rig #12	9,343,390	Apr-07	20	8,136,536	
Rig #12 Drill Pipe/Collars	362,744	Apr-07	3	50,381	
	<u>9,706,134</u>			<u>-</u>	<u>8,186,917</u>
					9,607,300
Rig #15	13,286,929	Aug-08	20	12,456,496	
Rig #15 Drill Pipe/Collars	1,267,270	Aug-08	3	739,241	
	<u>14,554,200</u>			<u>-</u>	<u>13,195,737</u>
					19,907,300
<b>Total Rig Equip</b>	<b><u>105,308,866</u></b>			<b><u>-</u></b>	<b><u>82,825,941</u></b>
					<b><u>137,273,000</u></b>
<b>TOTAL FIXED ASSETS IN SERVICE</b>	<b><u>109,818,097</u></b>	<b>-</b>	<b>-</b>	<b><u>-</u></b>	<b><u>85,269,463</u></b>
					<b><u>137,563,000</u></b>
<b>Rigs under construction:</b>					
Rig No. 16	14,260,489			14,260,489	14,260,489
Rig No. 17	10,922,328			10,922,328	10,922,328
Rig No. 18	8,139,225			8,139,225	8,139,225
Rig No. 19	5,321,441			5,321,441	5,321,441
Rig No. 20	2,033,182			2,033,182	2,033,182
Rig No. 21	1,365,800			1,365,800	1,365,800
<b>Total Rigs under construction</b>	<b><u>42,042,464</u></b>			<b><u>42,042,464</u></b>	<b><u>42,042,464</u></b>
<b>TOTAL MACHINERY &amp; EQUIPMENT</b>	<b><u>151,860,561</u></b>			<b><u>127,311,927</u></b>	<b><u>179,605,464</u></b>

(1) FMV included in appraised value of respective rig number listed separately.

Latshaw Drilling Company, LLC  
 Schedule of Spare Parts Inventory

Exhibit B-35

**FORUM/TRI-POINT (LIBERTY, TX)**

Oilwell 860 drwks (SN H38-50) disassembled	77,670
Cont Emsco C2 drwks (SN 52) disassembled	79,663

**TRI-POINT (ON 110UE DRWKS-HOUSTON, TX)**

(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) Baylor 7040 Elmagco brake	-

**CHURCH ENERGY SERVICES (HOUSTON)**

Hydril 13-5/8"-10M# dbl (blind rams only)	35,392
Hydril 13-5/8"-10M# sgl (no rams) SN 162-6/82	-

Cameron 13-5/8"-5M# U dbl (hub) no rams	27,000
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Shaffer 11"-10M# SL dbl studed (S/N 4074) w/rams-Cleary	75,000
Shaffer 11"-10M# SL dbl w/rams	31,900
Shaffer 11"-10M# SL sgl w/rams(used/6357/disassmbld)	31,900

Cameron 13-5/8"-5M# D annular w/5M flg	14,380
Cameron 13-5/8"-5M# D annualr w/10M flg	5,500
Cameron 13-5/8"-5M# D annular w/10M flg	5,500
Cameron 13-5/8"-5M# D annular w/10M flg	5,500
Cameron 13-5/8"-5M# D annular w/10M flg	5,500
Cameron 13-5/8"-5M# D annular (hub conn)	2,000
Cameron 13-5/8"-5M# D annular (hub conn)	2,000
Cameron 13-5/8"-5M# D annular w/5M flg	10,000

Cameron 11"-5M# D annular	2,500
Cameron 11"-5M# D annular	6,000

(2) 13-5/8" - 3M# spools	2,000
(1) 13-5/8"-5M# spool	1,200
(1) 13-5/8"-5M# spool (hub conn)	-

FMC/OCT 4"-10M# ck manf	3,000
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(2) sets 18-3/4"-15M# shear rams	100
(1) set 21-1/4"-10M# shear rams	25
(2) sets 16-3/4"-10M# shear rams	50
(3) set 13-5/8"-10M# shear rams (\$50 ea)	150
(1) set Cameron Type U 13-5/8" - 5" pipe rams	3,000

## Exhibit B-35

**FORUM/TRI-POINT (LIBERTY, TX)**

(1) set Cameron Type U 13-5/8"-4-1/2" pipe rams	2,250
Shaffer 11"-10M#, 2-3/8" rams	150
Shaffer 11"-10M#, 3-1/2" rams	150
(2) 11"-10M# x 11"-5M# DSAs	2,000

**GULF ELECTROQUIP (HOUSTON, TX)**

(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	39,800
(1) GE752 DC motor (remanufactured)	?
(1) GE752 DC motor (remanufactured)	?
(1) GE752 DC motor (remanufactured)	?

**CAMTECH (HOUSTON)**

(1) HDP KDB (unused/Chinese)	3,250
(1) Lot Den-Con KDB bodies	100
(3) Varco KDB bodies	100

**HACKER (HENDERSON, TX)**

Septro SJ 27-1/2" rotary table (rebuilt)	48,000
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**NOV (ODESSA)**

(1) set BJ DB tongs	700
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**LDC RU YARD (TULSA)**

(3) CAT 3512 gen sets (spares)	1,199,172
Skytop Brewster 1,250M# box-box sub	30,000
Skytop Brewster 1,250M# angle leg mast	5,000
Ideco 2100E dwrks w/2 Reliance DC mtrs & front porch	87,500
Oilwell E-2000 drawworks & console	15,000
(2) Mid Cont U1220-EB jack shafts	250

Exhibit B-35

**FORUM/TRI-POINT (LIBERTY, TX)**

GD 400 ton block (1-3/8"-f/combo hook, rebuilt)	34,029
Oilwell PC-500 swivel	30,271
Oilwell PC-500 swivel	31,255
Cont-Emsco L-650 swivel	11,101
Cameron 13-5/8"-5M# U dbl (rebuilt) no rams	152,463
(1) Set NOV HT-100 tongs w/heads	35,550
(1) Set NOV HT-65 tongs w/heads	27,760
(1) Set NOV HT-65 tongs w/heads	27,760
(4) 8' x 13' mats @ \$1800 ea	7,200
(2) 8' x 35' mats @ \$3715 ea	7,430
(4) 8' x 38' mats @ \$3950 ea	15,800

**LDC RU YARD (TULSA)**

(2) 10'H x 24'L box subs (new)	10,000
(2) box subs (10'H x 19'L)	1,600
(2) Box sub/tops (Woolslayer)	2,500
National 650-H-500 block (1-1/4")	600
Web Wilson 500 ton hook	300
National 660-G-500 hook (2782)/block (T2772)	13,000
MH 500 ton hook (unused/refurbished)	33,518
(12) 5" G (YB-Kruse auction)	2,604
(11) 6-1/2 x 2-1/4 DC (MSF) (4)RU yd & (7) Rig 5	59,357
Hercules EB deadline anchor (refurbished w/comp load cell)	3,000
Hercules EB deadline anchor (refurbished w/load cell)	
Hercules EB deadline anchor (refurbished w/comp load cell)	2,000
Hercules EB deadline anchor (refurbished w/no load cell)	
National EB deadline anchor (refurbished w/load cell)	
NSCO/Ideal EB deadline anchor (refurbished w/load cell)	2,000
Hercules D deadline anchor (refurbish w/comp load cell)	3,000
National D deadline anchor (refurbished w/no load cell)	2,500
(National D deadline anchor)	5,250
3-1/2" x 132" links (500 ton)	-
3-1/2" x 132" links (500 ton)	-
3-1/4" x 132" links (500 ton)	500
3-1/2" x 144" links (500 ton)	2,750
3-1/2" x 144" links (500 ton)	2,750
2-3/4" x 109" links (350 ton) f/Rig 12 & took 132" out?	2,400

## Exhibit B-35

**FORUM/TRI-POINT (LIBERTY, TX)**

(1) Drilco See-Flo degasser	1,500
Gorman Rupp cent pump w/elect motor	5,000
Catwalk (Branham mast)	-
(2) section catwalk	1,250
(1) catwalk	1,250
National 4-section comp f/1320	8,000
Sowa 500 ton hook/block	15,000
(1) set catwalks	2,250
Skytop N-12 drwks w/3-section comp	89,100
Cont-Emsco C2 3-section compound	in drwks cost
Oilwell 660-E drwks	25,000
Ideco 2100-E drwks frame	-
drwks front porch w/2-hydromatic water tanks	-
Baylor 5032 Elmagco (7879)	2,250
Baylor 5032 Elmagco (9358)	-
Parmac V-200 brake (OR clutch & sleeve)	1,900
Parmac V-200 brake (OR clutch)	1,900
Parmac V-200 brake	500

**LDC RU YARD (TULSA)**

BJ 500 ton hook (SN 245)	1,400
BJ 500 ton hook	11,500
BJ 500 ton hook	1,250
BJ 500 ton hook (SN 165)	-
BJ 350 ton hook	5,000
Web Wilson 500 ton hook	200
Web Wilson 500 ton hook (w/yoke)	700
Web Wilson 500 ton hook	2,500
Web Wilson 500 ton hook	2,500
Web Wilson 500 ton hook	1,300
Web Wilson 500 ton hook	3,500
Sowa 650 ton hook (unused)	3,100
Sowa 500 ton hook (unused-SN 4060-2)	1,000
Sowa 500 ton hook (unused-SN 4061-1)	8,000
MH 650 ton hook (unused/no bail)	3,500
MH 500 ton hook	9,000
MH 500 ton hook	7,500
National 660-G-500 ton block (1-3/8")	1,000
GD 500 ton block (6-60"/1-1/2")	600
Ideco 525 ton block (1-1/2") pin connection	350
Ideco 525 ton block (1-3/8") pin connection	600



Exhibit B-35

**FORUM/TRI-POINT (LIBERTY, TX)**

Cont Emsco 350 ton block (5-54"-1-3/8") 4,250

National 500 ton hook/block (old, 6-54"-1-3/8"/OWECO hk) 10,000

Oilwell 500 ton block w/BJ 500 ton hook (6-50"/1-3/8") 5,000

Oilwell 500 ton blk (B41144) WW 500 hk (6-50"/1-1/4") 900

CE 650 ton block w/National H-650 ton hook (6-60"/1-3/8") 5,000

Skytop 500 ton block w/WW 500 ton hook (1-1/2") SN 197 3,750

Sowa 250 ton hook/block 2,750

Cont Emsco LB-650 swivel (SN 130) 9,500

Oilwell PC-650 swivel 1,000

National P-650 swivel parts -

(1) Lot suitcases 100

(1) Lot suitcases 150

(4) Suitcases 200

(6) Suitcases 1,500

(1) Lot koomey trays 150

(1) Lot koomey trays 400

(1) Lot koomey trays 100

(12) 42" pipe racks 1,500

(3) Stair platforms 150

(1) Lot raising line sockets (2" x 105'/115') 700

GD 37-1/2" rotary table adapter bushing (1,250)

Cameron 13-5/8"-5" Type U rams 1,750

(1) 2-9/16"-10M# x 4-1/16" DSA 60

Drilco degasser 1,500

Varco 27 HDP 600

Varco 350 elevator (scrap) 300

**LDC RU YARD (TULSA)**

Varco 27HDP KDB housing 350

Varco 27HDP KDB housing 350

Varco 27HDP KDB housing 350

Varco 27HDP KDB housing 350

Varco 27HDP KDB housing 350

Varco 27HDP KDB housing 350

Varco 27HDP KDB housing 350

Varco 4-1/4" square KDB 1,250

Varco 27HDP KDB housing 700

Varco 27HDP KDB housing 700

Varco 27HDP KDB 700

Varco 27HDP KDB 600

Varco 27HDP housing 250

Exhibit B-35

**FORUM/TRI-POINT (LIBERTY, TX)**

Varco 27HDP housing	250
3-1/2" x 136" links	400
2-3/4" x 109" links	300
2-3/4" x 132" links	1,750
2-1/4" x 98" links	500
2-3/4" x 108" links	500
2-3/4" x 96" links	1,500
2-3/4" x 108" links	700
Skytop NE-12 drwks	25,000
GD 3-section compound	27,500
Portable light plant	1,925
Portable light plant	1,925
Portable light plant	1,925
Portable light plant (junker)	1,925
Spool 1-1/2" drill line (new Chinese)	500
(8) 8" DC (used)	53,400
(39) 6-1/2" DC (new Grant Prideco)	117,702
13-5/8"-10,000# drilling spool (new CES)	25,739
King 400 ton swivel (refurbished)	11,382
(2) shackles on SPH annular	1,160
(9) 8" DC (new) - (7) 6-1/2" DC (new)	55,286
Total	3,395,979

**EXHIBIT “E”**  
**To**  
**DISCLOSURE STATEMENT**



*A Distinguished  
Mark Of Excellence*

# Hadco International

APPRAISALS & CONSULTING SERVICES

October 23, 2009

Mr. Trent Latshaw, President  
Latshaw Drilling and Exploration Co.  
4608 S. Garnett Road, Suite 100  
Tulsa, Oklahoma 74146

Phone 918-355-4380

RE: Desktop Appraisal Opinion of Drilling Rigs #3 - #12 & Rig #15 with Drill Pipe & Drill Collars and associated support equipment.

Dear Mr. Latshaw:

In accordance with your request, Hadco representatives have completed an appraisal opinion of drilling rigs #3 - #12 & rig #15 including drill pipe, drill collars and associated equipment with an effective date of October 23, 2009. The purpose of the appraisal is to estimate the Fair Market Value, Orderly Liquidation Value and Forced Liquidation (Auction) Value of the subject drilling rigs with drill pipe & drill collars as described in exhibits of this appraisal opinion report. It is my understanding that the appraisal is to be used for a confidential financial planning matter and may be used as documentation for a loan or similar financial planning or discussions.

I have estimated a total Fair Market Value of **\$137,273,000 US Dollars** for Latshaw Drilling Rigs #3 - #12 & Rig #15 with drill pipe, drill collars and support equipment. I have also estimated a total Orderly Liquidation Value of **\$88,237,000 US Dollars**. Additionally, I have estimated a total Forced Liquidation (Auction) Value of **\$79,182,000 US Dollars**. It is my opinion that there could be a variance of plus or minus 10% to the values estimated due to short term market fluctuations.

The estimated marketing time required for a Fair Market Value sale is six months to one year. The marketing time for the Orderly Liquidation Value is six (6) months. The marketing time for the Forced Liquidation (Auction) Value is 60 days / 2 months

This report has been prepared in compliance with the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of Professional Appraisers and it is my opinion that the report complies with the requirements for Limited Summary, Restricted Use Certified Appraisals of this type of property.



I hereby certify that I have no present or contemplated future interest in the subject of the report and that I have no personal interest or bias with respect to the subject matter of this report or the parties involved, and that the amount of the fee is not contingent upon reporting a predetermined value or upon the amount of the value estimated.

I certify that to the best of my knowledge and belief the analysis, conclusions and opinions stated are true and correct, subject to the assumptions and limiting conditions contained therein. This report has been prepared in conformity with the accepted uniform standards of professional appraisal practice, the accepted methods, principles and procedures for appraisals of this type.

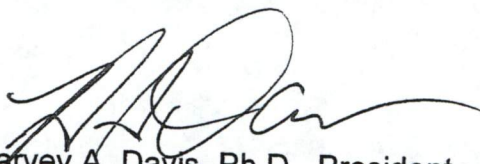
HADCO INTERNATIONAL representatives have completed an on-site inspection of the subject inventory to confirm the inventory and estimate the quality of assets.

**NOTE #1:** This is a "limited summary and restricted use" report because it is a "desktop" appraisal intended for the exclusive use of the client.

**NOTE #2:** The subject rigs were inspected in June of 2009 as part of an appraisal assignment at that time. It is assumed there have been no significant changes to the rigs and equipment since the last on-site inspection by Hadco representatives...

Thank you for the opportunity to be of service to you again. We appreciate your business and look forward to being of service to you in the future.

Respectfully Submitted,



Harvey A. Davis, Ph.D., President  
MSA/BCBA/CBA/CREA/CCRA/AAR/CEI/CEC  
State Certified General Appraiser: TX1325812-G



Duke W. Coon, Vice President  
CEA/MSA/MRA/CREA/CVC  
State Certified General Appraiser: TX 1337530-G

**EXHIBIT “F”**

**To**

**DISCLOSURE STATEMENT**

B6B (Official Form 6B) (12/07)

In re Latshaw Drilling and Exploration Company, Debtor Case No. \_\_\_\_\_

**SCHEDULE B - PERSONAL PROPERTY**

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "X" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly identified with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual or a joint petition is filed, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

**Do not list interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.**

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." If the property is being held for a minor child, simply state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. § 112 and Fed. R. Bankr. P. 1007(m).

Type of Property	N O N E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
1. Cash on hand	X			
2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives.		<b>Bank of Oklahoma, N.A. P.O. Box 2300 Tulsa, OK 74172 Account No. 209915446</b>	-	<b>180,758.33</b>
3. Security deposits with public utilities, telephone companies, landlords, and others.	X			
4. Household goods and furnishings, including audio, video, and computer equipment.	X			
5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles.		<b>Various aviation art work. Stated at book cost.</b>	-	<b>59,923.00</b>
6. Wearing apparel.	X			
7. Furs and jewelry.	X			
8. Firearms and sports, photographic, and other hobby equipment.	X			
9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each.	X			
10. Annuities. Itemize and name each issuer.	X			
			Sub-Total >	<b>240,681.33</b>
			(Total of this page)	

3 continuation sheets attached to the Schedule of Personal Property

B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling and Exploration Company, Debtor  
 Case No. \_\_\_\_\_

**SCHEDULE B - PERSONAL PROPERTY**  
 (Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
11. Interests in an education IRA as defined in 26 U.S.C. § 530(b)(1) or under a qualified State tuition plan as defined in 26 U.S.C. § 529(b)(1). Give particulars. (File separately the record(s) of any such interest(s). 11 U.S.C. § 521(c).)	X			
12. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Give particulars.	X			
13. Stock and interests in incorporated and unincorporated businesses. Itemize.		<b>100 % member interest in Debtor Latshaw Drilling Company, LLC. Value is stated as the fair market value of Latshaw Drilling Company, LLC's assets less its liabilities.</b>	-	<b>115,608,278.00</b>
		<b>100% member interest of Latshaw Drilling Operations, LLC. Value based upon Debtor's estimate which approximates the value of Latshaw Drilling Operations, LLC's assets less its liabilities.</b>	-	<b>6,400,000.00</b>
14. Interests in partnerships or joint ventures. Itemize.	X			
15. Government and corporate bonds and other negotiable and nonnegotiable instruments.	X			
16. Accounts receivable.	X			
17. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars.	X			
18. Other liquidated debts owed to debtor including tax refunds. Give particulars.	X			
19. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule A - Real Property.	X			
20. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust.	X			
			Sub-Total >	<b>122,008,278.00</b>
			(Total of this page)	

Sheet 1 of 3 continuation sheets attached to the Schedule of Personal Property



B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling and Exploration Company, Debtor Case No. \_\_\_\_\_

**SCHEDULE B - PERSONAL PROPERTY**  
(Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
21. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each.		<b>As guarantor of debt owed to Lehman Commercial Paper, Inc., claim for damages against Lehman Commercial Paper, Inc. for breach of contract, equitable subordination and failure to perform which excuses further performance.</b>	-	<b>Unknown</b>
22. Patents, copyrights, and other intellectual property. Give particulars.	X			
23. Licenses, franchises, and other general intangibles. Give particulars.	X			
24. Customer lists or other compilations containing personally identifiable information (as defined in 11 U.S.C. § 101(41A)) provided to the debtor by individuals in connection with obtaining a product or service from the debtor primarily for personal, family, or household purposes.	X			
25. Automobiles, trucks, trailers, and other vehicles and accessories.	X			
26. Boats, motors, and accessories.	X			
27. Aircraft and accessories.		<b>North American P-51D</b>	-	<b>1,750,000.00</b>
		<b>Grumman G44A Widgeon</b>	-	<b>300,000.00</b>
		<b>North American AT-6</b>	-	<b>150,000.00</b>
28. Office equipment, furnishings, and supplies.	X			
29. Machinery, fixtures, equipment, and supplies used in business.	X			
30. Inventory.	X			
31. Animals.	X			
32. Crops - growing or harvested. Give particulars.	X			
33. Farming equipment and implements.	X			
			Sub-Total >	<b>2,200,000.00</b>
			(Total of this page)	

Sheet 2 of 3 continuation sheets attached to the Schedule of Personal Property

B6B (Official Form 6B) (12/07) - Cont.

In re Latshaw Drilling and Exploration Company, Debtor Case No. \_\_\_\_\_

**SCHEDULE B - PERSONAL PROPERTY**  
 (Continuation Sheet)

Type of Property	NON E	Description and Location of Property	Husband, Wife, Joint, or Community	Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption
34. Farm supplies, chemicals, and feed.	<b>X</b>			
35. Other personal property of any kind not already listed. Itemize.		<b>Accrued management fee due from Debtor Latshaw Drilling Company, LLC from November 1, 2009 to petition date; accrual based upon monthly rate of \$40,000.00.</b>	-	<b>10,000.00</b>
		<b>Accrued management fee from affiliate Latshaw Drilling Operations, LLC from November 1, 2009 to petition date; accrued at rate of \$1,200 per day.</b>	-	<b>12,000.00</b>

Sub-Total > **22,000.00**  
 (Total of this page)  
 Total > **124,470,959.33**  
 (Report also on Summary of Schedules)

Sheet 3 of 3 continuation sheets attached to the Schedule of Personal Property

**EXHIBIT “G”**  
**To**  
**DISCLOSURE STATEMENT**

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Exhibit G to Disclosure Statement**

**Financial Forecast**

**2010 - 2020**

<b>Exhibit G-1</b>	<b>Assumptions</b>
<b>Exhibit G-2</b>	<b>Statements of Income</b>
<b>Exhibit G-3</b>	<b>Statements of Cash Flow</b>
<b>Exhibit G-4</b>	<b>Balance Sheets</b>
<b>Exhibit G-5</b>	<b>Tax Payment Calculation</b>
<b>Exhibit G-6</b>	<b>Confirmation Date Cash Requirement</b>

**April 8, 2010**

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Assumptions for Pro Forma Financial Statements  
Exhibit "G-1" to Disclosure Statement**

**Revenue**

- \* Beginning day rates are at or below current rates for the respective rigs.
- \* Day rates are held constant thru year 2011 and then escalated at 2% annually, not to exceed \$20,000/day
- \* Rig utilization is calculated based upon expected days running time for years 2010 and 2011, then reduced by 10% to allow for move time between locations and other down time.
- \* Beginning in year 2012 and thereafter, rig utilization is assumed to be 85%.

**Cost of Goods Sold**

- \* Labor costs are based upon present rates and are escalated at 2.5% annually beginning in year 2011.
- \* Payroll burden is based upon historical costs calculated on a per rig day basis and includes, but is not necessarily limited to, employer payroll taxes, employee benefits, and workers compensation payments.
- \* Repairs and maintenance and supplies includes, but is not necessarily limited to, rig repair items, fuel, and general supplies.
- \* Insurance includes property and casualty insurance, general liability, umbrella liability and vehicle insurance.
- \* Rentals/Other includes rentals of various equipment from third parties necessary for drilling operations, including top-drives on selected drilling rigs, expenses of tool pushers, etc.

**S,G&A Expense**

- \* Salary and wages includes office personnel and Mr. Latshaw. Salary and wages are escalated at 4% annually beginning in year 2011.
- \* Burden is calculated based upon historical costs and includes, but is not necessarily limited to, employer payroll taxes, employee benefits, etc.
- \* Rent expense is for the companies' corporate offices located in Tulsa, OK. The expense shown is pursuant to the existing office lease agreement.
- \* Professional fees for 2010 represents primarily the costs incurred regarding the companies Chapter 11 reorganizations. Beginning in year 2011 and beyond, professional fees represents the Debtors' estimate for professional legal, accounting and tax services.
- \* Travel/Meals/Entertainment - self explanatory.
- \* Postage and Delivery - self explanatory.
- \* Telephone - self explanatory.
- \* SG&A expenses other than salary and wages, office rent and professional fees are escalated at 2% annually beginning in year 2011. Professional fees are escalated at 2% annually beginning in year 2012.
- \* Franchise/Property Tax includes the franchise tax imposed by the State of Texas and personal property taxes levied by various taxing authorities within the State of Texas on drilling rigs and attendant equipment that are located in the State of Texas on January 1st of each year. The franchise tax is calculated as 1% of the estimated gross profit for rigs working in the State of Texas.
- \* Miscellaneous expense for year 2009 includes various accruals made by the Debtor's independent auditors. Such accruals are not made prospectively; therefore, accounting for the difference from 2009 as compared to future years.

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Pro Forma Statements of Income  
Exhibit "G-2" to Disclosure Statement**

	<b>2009 Actual</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Revenue</b>	48,469,597	46,142,874	49,416,305	52,249,239	53,024,511	53,960,901	54,916,019
<b>Cost of Goods Sold</b>							
Labor	10,808,931	13,700,400	15,566,880	16,473,729	16,839,129	17,259,828	17,691,696
Burden	2,493,244	2,877,084	3,269,045	3,459,483	3,536,217	3,624,564	3,715,256
R&M/Supplies	5,099,567	7,840,300	8,675,274	8,982,928	9,131,899	9,305,018	9,482,481
Insurance	973,094	1,087,200	1,229,508	1,370,304	1,392,840	1,419,120	1,445,400
Rental/Other	1,519,967	1,957,200	2,212,992	2,329,392	2,367,828	2,416,227	2,464,626
Depreciation	8,240,511	9,208,140	9,908,807	10,609,473	10,933,473	11,267,807	11,605,140
Total COGS	29,135,314	36,670,324	40,862,506	43,225,309	44,201,386	45,292,564	46,404,599
<b>Gross Profit</b>	<b>19,334,283</b>	<b>9,472,550</b>	<b>8,553,799</b>	<b>9,023,930</b>	<b>8,823,125</b>	<b>8,668,337</b>	<b>8,511,420</b>
Gross Profit %	39.9%	20.5%	17.3%	17.3%	16.6%	16.1%	15.5%
<b>SG&amp;A Expense</b>							
Salary & Wages	602,349	605,900	630,136	655,341	681,555	708,817	737,170
Burden	75,898	72,708	75,616	78,641	81,787	85,058	88,460
Rent	88,253	88,788	88,788	88,788	97,667	97,667	97,667
Professional Fees	521,372	500,000	125,000	128,750	132,613	136,591	140,689
Office Supplies/Maint	19,595	48,000	48,960	49,939	50,938	51,957	52,996
Travel/Meals/Entertainment	95,111	60,000	61,200	62,424	63,672	64,946	66,245
Postage and Delivery	13,530	16,800	17,136	17,479	17,828	18,185	18,549
Telephone	8,544	9,000	9,180	9,364	9,551	9,742	9,937
Franchise/Property Tax	54,490	396,044	389,153	392,679	391,173	390,013	388,836
Miscellaneous Expense	289,405	56,000	57,120	58,262	59,428	60,616	61,829
G&A Allocation to LDO	(156,000)	(170,000)	(170,000)	(170,000)	(170,000)	(170,000)	(170,000)
Depreciation	38,679	16,004	16,004	16,004	16,004	16,004	16,004
Total SG&A Expense	1,651,226	1,699,244	1,348,293	1,387,671	1,432,216	1,469,595	1,508,380
% of Revenue	3.4%	3.7%	2.7%	2.7%	2.7%	2.7%	2.7%
<b>Operating Income</b>	<b>17,683,057</b>	<b>7,773,306</b>	<b>7,205,506</b>	<b>7,636,258</b>	<b>7,390,909</b>	<b>7,198,743</b>	<b>7,003,040</b>
Operating Income %		16.8%	14.6%	14.6%	13.9%	13.3%	12.8%
<b>Other Income/(Expense)</b>							
Amortization Expense	(442,509)	(213,468)	(124,507)	-	-	-	-
Interest Expense, Lehman/Ableco	(4,795,830)	(6,441,530)	(6,348,031)	(5,614,183)	(4,763,832)	(4,048,784)	(3,333,161)
Interest Expense-Peoples Bank	-	(18,185)	(37,807)	(29,376)	(22,361)	(12,179)	(2,154)
UST Fees	-	(40,000)					
Mgmt Fee - LDO	(429,030)	328,500	328,500	328,500	328,500	328,500	328,500
Total Other Income/(Expense)	(5,667,369)	(6,384,682)	(6,181,845)	(5,315,059)	(4,457,692)	(3,732,463)	(3,006,815)
Net Income before Tax Payments	12,015,688	1,388,623	1,023,661	2,321,199	2,933,216	3,466,279	3,996,225

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Pro Forma Statements of Income  
Exhibit "G-2" to Disclosure Statement**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Revenue</b>	56,043,365	56,883,946	57,897,523	58,931,375	59,985,903
<b>Cost of Goods Sold</b>					
Labor	18,183,443	18,588,939	19,054,314	19,530,858	20,072,341
Burden	3,818,523	3,903,677	4,001,406	4,101,480	4,215,192
R&M/Supplies	9,689,715	9,849,197	10,039,070	10,232,666	10,454,985
Insurance	1,480,104	1,506,720	1,537,380	1,568,040	1,603,080
Rental/Other	2,519,775	2,565,147	2,617,269	2,669,391	2,728,823
Depreciation	11,608,140	11,612,140	11,613,140	11,615,140	11,616,140
Total COGS	47,299,700	48,025,820	48,862,579	49,717,575	50,690,561
<b>Gross Profit</b>	<b>8,743,665</b>	<b>8,858,126</b>	<b>9,034,944</b>	<b>9,213,800</b>	<b>9,295,342</b>
Gross Profit %	15.6%	15.6%	15.6%	15.6%	15.5%
<b>SG&amp;A Expense</b>					
Salary & Wages	766,657	797,323	829,216	862,385	896,880
Burden	91,999	95,679	99,506	103,486	107,626
Rent	97,667	97,667	107,433	107,433	107,433
Professional Fees	144,909	149,257	153,734	158,346	163,097
Office Supplies/Maint	54,056	55,137	56,240	57,364	58,512
Travel/Meals/Entertainment	67,570	68,921	70,300	71,706	73,140
Postage and Delivery	18,920	19,298	19,684	20,078	20,479
Telephone	10,135	10,338	10,545	10,756	10,971
Franchise/Property Tax	390,577	391,436	392,762	394,104	394,715
Miscellaneous Expense	63,065	64,326	65,613	66,925	68,264
G&A Allocation to LDO	(170,000)	(170,000)	(170,000)	(170,000)	(170,000)
Depreciation	16,004	16,004	16,004	16,004	16,004
Total SG&A Expense	1,551,559	1,595,386	1,651,037	1,698,587	1,747,120
% of Revenue	2.8%	2.8%	2.9%	2.9%	2.9%
<b>Operating Income</b>	<b>7,192,106</b>	<b>7,262,740</b>	<b>7,383,907</b>	<b>7,515,213</b>	<b>7,548,222</b>
Operating Income %	12.8%	12.8%	12.8%	12.8%	12.6%
<b>Other Income/(Expense)</b>					
Amortization Expense	-	-	-	-	-
Interest Expense, Lehman/Ableco	(2,621,561)	(1,877,591)	(1,122,141)	(349,660)	9,249
Interest Expense-Peoples Bank	-	-	-	-	-
UST Fees	-	-	-	-	-
Mgmt Fee - LDO	328,500	328,500	328,500	328,500	328,500
Total Other Income/(Expense)	(2,293,061)	(1,549,091)	(793,641)	(21,160)	337,749
Net Income before Tax Payments	4,899,045	5,713,650	6,590,266	7,494,054	7,885,971

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Pro Forma Statements of Cash Flow  
Exhibit "G-3" to Disclosure Statement**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>OPERATING ACTIVITIES</b>							
Net Income	1,388,623	1,023,661	2,321,199	2,933,216	3,466,279	3,996,225	4,899,045
Depreciation/Amortization	9,437,612	10,049,318	10,625,477	10,949,477	11,283,811	11,621,144	11,624,144
Net cash provided/(used) by operations:							
Accounts Receivable	(94,416)	(358,732)	(294,814)	(100,606)	(102,618)	(104,671)	(106,764)
Inventory Asset	-	-	-	-	-	-	-
Other Current Assets	164,020	850,000	-	-	-	-	-
Accounts Payable	(3,157,581)	113,342	70,578	34,510	33,640	34,238	35,092
Accrued Sales Tax	(11,267)	(1,240,000)	-	-	-	-	-
Accrued Interest	570,942	(64,444)	(62,130)	(73,158)	(59,577)	(60,891)	(60,395)
Other Current Liabilities	(890,563)	-	-	-	-	-	-
Net cash provided by Operating Activities	<u>7,407,370</u>	<u>10,373,145</u>	<u>12,660,310</u>	<u>13,743,439</u>	<u>14,621,535</u>	<u>15,486,046</u>	<u>16,391,122</u>
<b>INVESTING ACTIVITIES</b>							
Capital Spending	(2,133,000)	(2,102,000)	(2,102,000)	(3,105,000)	(3,105,000)	(3,114,000)	(3,114,000)
Contributed Capital	-	-	-	-	-	-	-
Net cash provided by Investing Activities	<u>(2,133,000)</u>	<u>(2,102,000)</u>	<u>(2,102,000)</u>	<u>(3,105,000)</u>	<u>(3,105,000)</u>	<u>(3,114,000)</u>	<u>(3,114,000)</u>
<b>FINANCING ACTIVITIES</b>							
Lehman - LOC	(2,882,736)	(7,483,834)	(7,215,126)	(8,495,798)	(6,918,567)	(7,071,165)	(7,013,638)
Peoples Bank	(130,565)	(194,193)	(188,723)	(165,076)	(175,258)	(107,184)	-
Net cash provided by Financing Activities	<u>(3,013,301)</u>	<u>(7,678,027)</u>	<u>(7,403,849)</u>	<u>(8,660,874)</u>	<u>(7,093,825)</u>	<u>(7,178,348)</u>	<u>(7,013,638)</u>
Distribution for Income Tax Payment	-	-	-	(2,992,472)	(4,117,515)	(5,003,555)	(5,364,876)
Net cash increase/(decrease) for period	<u>2,261,069</u>	<u>593,118</u>	<u>3,154,462</u>	<u>(1,014,907)</u>	<u>305,196</u>	<u>190,142</u>	<u>898,609</u>
Cash at beginning of period, operating	<u>2,439,103</u>	<u>4,700,172</u>	<u>5,293,289</u>	<u>8,447,751</u>	<u>7,432,845</u>	<u>7,738,040</u>	<u>7,928,182</u>
Operating Cash End of period	<u>4,700,172</u>	<u>5,293,289</u>	<u>8,447,751</u>	<u>7,432,845</u>	<u>7,738,040</u>	<u>7,928,182</u>	<u>8,826,791</u>
Cash at beginning of period, restricted	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>
Cash at end of period	<u><b>6,835,324</b></u>	<u><b>7,428,441</b></u>	<u><b>10,582,903</b></u>	<u><b>9,567,997</b></u>	<u><b>9,873,192</b></u>	<u><b>10,063,334</b></u>	<u><b>10,961,943</b></u>



**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Pro Forma Statements of Cash Flow  
Exhibit "G-3" to Disclosure Statement**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>OPERATING ACTIVITIES</b>				
Net Income	5,713,650	6,590,266	7,494,054	7,885,971
Depreciation/Amortization	11,628,144	11,629,144	11,631,144	11,632,144
Net cash provided/(used) by operations:				
Accounts Receivable	(108,899)	(111,077)	(113,299)	(97,603)
Inventory Asset	-	-	-	-
Other Current Assets	-	-	-	-
Accounts Payable	86,454	3,594	-	(145)
Accrued Sales Tax	-	-	-	-
Accrued Interest	(63,446)	(64,228)	(62,673)	-
Other Current Liabilities	-	-	-	(189,999)
Net cash provided by Operating Activities	<u>17,255,903</u>	<u>18,047,699</u>	<u>18,949,225</u>	<u>19,230,368</u>
<b>INVESTING ACTIVITIES</b>				
Capital Spending	(3,117,000)	(3,117,000)	(3,120,000)	(3,120,000)
Contributed Capital	-	-	-	-
Net cash provided by Investing Activities	<u>(3,117,000)</u>	<u>(3,117,000)</u>	<u>(3,120,000)</u>	<u>(3,120,000)</u>
<b>FINANCING ACTIVITIES</b>				
Lehman - LOC	(7,367,871)	(7,458,724)	(7,278,210)	-
Peoples Bank	-	-	-	-
Net cash provided by Financing Activities	<u>(7,367,871)</u>	<u>(7,458,724)</u>	<u>(7,278,210)</u>	<u>-</u>
Distribution for Income Tax Payment	(5,690,717)	(6,041,364)	(6,402,879)	(6,559,646)
Net cash increase/(decrease) for period	<u>1,080,314</u>	<u>1,430,611</u>	<u>2,148,136</u>	<u>9,550,722</u>
Cash at beginning of period, operating	<u>8,826,791</u>	<u>9,907,105</u>	<u>11,337,716</u>	<u>13,485,852</u>
Operating Cash End of period	<u>9,907,105</u>	<u>11,337,716</u>	<u>13,485,852</u>	<u>23,036,574</u>
Cash at beginning of period, restricted	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>	<u>2,135,152</u>
Cash at end of period	<u><b>12,042,257</b></u>	<u><b>13,472,868</b></u>	<u><b>15,621,004</b></u>	<u><b>25,171,726</b></u>

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Pro Forma Balance Sheets  
Exhibit "G-4" to Disclosure Statement**

	<b>LDE &amp; LDC Consolidated</b>							
	<b>12-31-09</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash, Operating	2,439,103	4,700,172	5,293,289	8,447,751	7,432,845	7,738,040	7,928,182	8,826,791
Cash, Restricted	2,135,152	2,135,152	2,135,152	2,135,152	2,135,152	2,135,152	2,135,152	2,135,152
Accounts Receivable	4,962,337	5,056,753	5,415,485	5,710,299	5,810,905	5,913,523	6,018,194	6,124,958
Inventory Asset	3,411,479	3,411,479	3,411,479	3,411,479	3,411,479	3,411,479	3,411,479	3,411,479
Other Current Assets	1,885,385	1,721,365	871,365	871,365	871,365	871,365	871,365	871,365
<b>Total Current Assets</b>	<b>14,833,456</b>	<b>17,024,921</b>	<b>17,126,770</b>	<b>20,576,046</b>	<b>19,661,746</b>	<b>20,069,559</b>	<b>20,364,372</b>	<b>21,369,745</b>
<b>Fixed Assets</b>								
Capital Improvements	5,021,576	6,521,576	8,521,576	10,521,576	13,521,576	16,521,576	19,521,576	22,521,576
Motor Vehicles	313,510	346,510	448,510	550,510	655,510	760,510	874,510	988,510
Office Equipment	42,369	42,369	42,369	42,369	42,369	42,369	42,369	42,369
Yard Equipment	335,772	335,772	335,772	335,772	335,772	335,772	335,772	335,772
Furniture & Fixtures	100,818	100,818	100,818	100,818	100,818	100,818	100,818	100,818
Aircraft	2,167,000	2,167,000	2,167,000	2,167,000	2,167,000	2,167,000	2,167,000	2,167,000
<b>Rig Investment</b>								
<b>Rig #3</b>	4,254,218	4,254,218	4,254,218	4,254,218	4,254,218	4,254,218	4,254,218	4,254,218
<b>Rig #4</b>	8,035,144	8,035,144	8,035,144	8,035,144	8,035,144	8,035,144	8,035,144	8,035,144
<b>Rig #5</b>	9,298,909	9,298,909	9,298,909	9,298,909	9,298,909	9,298,909	9,298,909	9,298,909
<b>Rig #6</b>	8,754,366	8,754,366	8,754,366	8,754,366	8,754,366	8,754,366	8,754,366	8,754,366
<b>Rig #7</b>	10,434,775	10,434,775	10,434,775	10,434,775	10,434,775	10,434,775	10,434,775	10,434,775
<b>Rig #8</b>	10,836,291	10,836,291	10,836,291	10,836,291	10,836,291	10,836,291	10,836,291	10,836,291
<b>Rig #9</b>	9,951,205	9,951,205	9,951,205	9,951,205	9,951,205	9,951,205	9,951,205	9,951,205
<b>Rig #10</b>	9,896,504	9,896,504	9,896,504	9,896,504	9,896,504	9,896,504	9,896,504	9,896,504
<b>Rig #11</b>	9,587,120	9,587,120	9,587,120	9,587,120	9,587,120	9,587,120	9,587,120	9,587,120
<b>Rig #12</b>	9,706,134	9,706,134	9,706,134	9,706,134	9,706,134	9,706,134	9,706,134	9,706,134
<b>Rig #15</b>	14,554,200	14,554,200	14,554,200	14,554,200	14,554,200	14,554,200	14,554,200	14,554,200
<b>Rig #16</b>	15,171,061	15,171,061	15,171,061	15,171,061	15,171,061	15,171,061	15,171,061	15,171,061
<b>Rig Construction</b>	28,746,862	28,746,862	28,746,862	28,746,862	28,746,862	28,746,862	28,746,862	28,746,862
<b>Total Rig Investment</b>	<b>148,626,789</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>
<b>Total Fixed Assets</b>	<b>156,607,834</b>	<b>158,740,834</b>	<b>160,842,834</b>	<b>162,944,834</b>	<b>166,049,834</b>	<b>169,154,834</b>	<b>172,268,834</b>	<b>175,382,834</b>
Accumulated Depreciation	(26,422,789)	(35,646,933)	(45,571,744)	(56,197,221)	(67,146,698)	(78,430,509)	(90,051,653)	(101,675,797)
<b>Net Fixed Assets</b>	<b>130,185,045</b>	<b>123,093,901</b>	<b>115,271,090</b>	<b>106,747,613</b>	<b>98,903,136</b>	<b>90,724,325</b>	<b>82,217,181</b>	<b>73,707,037</b>
<b>Financing Fees</b>	337,975	124,507	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>145,356,476</b>	<b>140,243,329</b>	<b>132,397,861</b>	<b>127,323,659</b>	<b>118,564,881</b>	<b>110,793,884</b>	<b>102,581,553</b>	<b>95,076,782</b>

	<b>LDE &amp; LDC Consolidated 12-31-09</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>LIABILITIES &amp; EQUITY</b>								
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable	4,691,383	1,533,802	1,647,144	1,717,722	1,752,232	1,785,872	1,820,110	1,855,202
Accrued Sales Tax	1,251,267	1,240,000	-	-	-	-	-	-
Accrued Interest	-	570,942	506,498	444,368	371,209	311,633	250,742	190,347
Other Current Liabilities	1,260,563	370,000	370,000	370,000	370,000	370,000	370,000	370,000
<b>Total Current Liabilities</b>	<b>7,203,213</b>	<b>3,714,744</b>	<b>2,523,642</b>	<b>2,532,090</b>	<b>2,493,441</b>	<b>2,467,505</b>	<b>2,440,852</b>	<b>2,415,549</b>
<b>Long Term Liabilities</b>								
LOC - Lehman & Ableco	69,185,668	66,302,932	58,819,098	51,603,972	43,108,175	36,189,608	29,118,443	22,104,805
Peoples Bank	961,000	830,435	636,241	447,518	282,442	107,184	(0)	(0)
<b>Total Long Term Liabilities</b>	<b>70,146,668</b>	<b>67,133,367</b>	<b>59,455,339</b>	<b>52,051,490</b>	<b>43,390,616</b>	<b>36,296,792</b>	<b>29,118,443</b>	<b>22,104,805</b>
<b>Total Liabilities</b>	<b>77,349,881</b>	<b>70,848,110</b>	<b>61,978,981</b>	<b>54,583,580</b>	<b>45,884,058</b>	<b>38,764,296</b>	<b>31,559,295</b>	<b>24,520,354</b>
<b>Equity</b>								
Common Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Excess Contributed Capital	-	-	-	-	-	-	-	-
Retained Earnings	55,989,907	68,005,595	69,394,218	70,417,880	72,739,079	75,672,295	79,138,574	83,134,800
Net Income	12,015,688	1,388,623	1,023,661	2,321,199	2,933,216	3,466,279	3,996,225	4,899,045
Distr. For Income Tax Payments	-	-	-	-	(2,992,472)	(7,109,987)	(12,113,542)	(17,478,418)
<b>Total Equity</b>	<b>68,006,595</b>	<b>69,395,218</b>	<b>70,418,880</b>	<b>72,740,079</b>	<b>72,680,824</b>	<b>72,029,588</b>	<b>71,022,258</b>	<b>70,556,427</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>145,356,476</b>	<b>140,243,329</b>	<b>132,397,861</b>	<b>127,323,659</b>	<b>118,564,881</b>	<b>110,793,884</b>	<b>102,581,553</b>	<b>95,076,782</b>

**Latshaw Drilling Company, LLC, and  
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	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash, Operating	9,907,105	11,337,716	13,485,852	23,036,574
Cash, Restricted	2,135,152	2,135,152	2,135,152	2,135,152
Accounts Receivable	6,233,857	6,344,934	6,458,233	6,555,836
Inventory Asset	3,411,479	3,411,479	3,411,479	3,411,479
Other Current Assets	871,365	871,365	871,365	871,365
<b>Total Current Assets</b>	<b>22,558,958</b>	<b>24,100,646</b>	<b>26,362,081</b>	<b>36,010,406</b>
<b>Fixed Assets</b>				
Capital Improvements	25,521,576	28,521,576	31,521,576	34,521,576
Motor Vehicles	1,105,510	1,222,510	1,342,510	1,462,510
Office Equipment	42,369	42,369	42,369	42,369
Yard Equipment	335,772	335,772	335,772	335,772
Furniture & Fixtures	100,818	100,818	100,818	100,818
Aircraft	2,167,000	2,167,000	2,167,000	2,167,000
<b>Rig Investment</b>				
<b>Rig #3</b>	4,254,218	4,254,218	4,254,218	4,254,218
<b>Rig #4</b>	8,035,144	8,035,144	8,035,144	8,035,144
<b>Rig #5</b>	9,298,909	9,298,909	9,298,909	9,298,909
<b>Rig #6</b>	8,754,366	8,754,366	8,754,366	8,754,366
<b>Rig #7</b>	10,434,775	10,434,775	10,434,775	10,434,775
<b>Rig #8</b>	10,836,291	10,836,291	10,836,291	10,836,291
<b>Rig #9</b>	9,951,205	9,951,205	9,951,205	9,951,205
<b>Rig #10</b>	9,896,504	9,896,504	9,896,504	9,896,504
<b>Rig #11</b>	9,587,120	9,587,120	9,587,120	9,587,120
<b>Rig #12</b>	9,706,134	9,706,134	9,706,134	9,706,134
<b>Rig #15</b>	14,554,200	14,554,200	14,554,200	14,554,200
<b>Rig #16</b>	15,171,061	15,171,061	15,171,061	15,171,061
<b>Rig Construction</b>	28,746,862	28,746,862	28,746,862	28,746,862
<b>Total Rig Investment</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>	<b>149,226,789</b>
<b>Total Fixed Assets</b>	<b>178,499,834</b>	<b>181,616,834</b>	<b>184,736,834</b>	<b>187,856,834</b>
Accumulated Depreciation	(113,303,941)	(124,933,085)	(136,564,229)	(148,196,373)
<b>Net Fixed Assets</b>	<b>65,195,893</b>	<b>56,683,749</b>	<b>48,172,605</b>	<b>39,660,461</b>
<b>Financing Fees</b>	-	-	-	-
<b>TOTAL ASSETS</b>	<b>87,754,851</b>	<b>80,784,395</b>	<b>74,534,686</b>	<b>75,670,867</b>

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,941,656	1,945,250	1,945,250	1,945,105
Accrued Sales Tax	-	-	-	-
Accrued Interest	126,901	62,673	-	-
Other Current Liabilities	370,000	370,000	370,000	180,001
<b>Total Current Liabilities</b>	<b>2,438,557</b>	<b>2,377,923</b>	<b>2,315,250</b>	<b>2,125,106</b>
<b>Long Term Liabilities</b>				
LOC - Lehman & Ableco	14,736,934	7,278,210	0	0
Peoples Bank	(0)			
<b>Total Long Term Liabilities</b>	<b>14,736,934</b>	<b>7,278,210</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>17,175,492</b>	<b>9,656,134</b>	<b>2,315,250</b>	<b>2,125,106</b>
<b>Equity</b>				
Common Stock	1,000	1,000	1,000	1,000
Excess Contributed Capital				
Retained Earnings	88,033,845	93,747,494	100,337,760	107,831,814
Net Income	5,713,650	6,590,266	7,494,054	7,885,971
Distr. For Income Tax Payments	(23,169,135)	(29,210,499)	(35,613,378)	(42,173,024)
<b>Total Equity</b>	<b>70,579,359</b>	<b>71,128,261</b>	<b>72,219,436</b>	<b>73,545,761</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>87,754,851</b>	<b>80,784,395</b>	<b>74,534,686</b>	<b>75,670,867</b>

**Latshaw Drilling Company, LLC, and  
Latshaw Drilling & Exploration Company  
Debtors-In-Possession  
Case No. 09-013572-R  
Calculation of Income Tax Payments  
Exhibit "G-5" to Disclosure Statement**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Book Net Income	1,388,623	1,023,661	2,321,199	2,933,216	3,466,279	3,996,225	4,899,045
Book Depr.	9,224,144	9,924,811	10,625,477	10,949,477	11,283,811	11,621,144	11,624,144
Regular Tax Depr. Thur 2008	(12,408,865)	(7,680,876)	(2,882,713)	(848,233)	(1,636)	(481)	
2009 Addition Rig #8 Top Drive	(184,000)	(184,000)	(184,000)	(184,000)	(184,000)		
2009 Addition Rig #16	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)		
Capex	(711,000)	(1,411,667)	(2,112,333)	(2,436,333)	(2,770,667)	(3,108,000)	(3,111,000)
NOL Estimate C.F.	(3,681,410)	(7,872,508)	(7,700,578)	(1,432,948)			
Taxable Income	<u>(7,872,508)</u>	<u>(7,700,578)</u>	<u>(1,432,948)</u>	<u>7,481,179</u>	<u>10,293,787</u>	<u>12,508,888</u>	<u>13,412,189</u>
Tax Rate	0.4						
Est. Tax Payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,992,472</u>	<u>4,117,515</u>	<u>5,003,555</u>	<u>5,364,876</u>

**Latshaw Drilling Company, LLC, as  
 Latshaw Drilling & Exploration Co  
 Debtors-In-Possession  
 Case No. 09-013572-R  
 Calculation of Income Tax Paymen  
 Exhibit "G-5" to Disclosure Staten**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Book Net Income	5,713,650	6,590,266	7,494,054	7,885,971
Book Depr.	11,628,144	11,629,144	11,631,144	11,632,144
Regular Tax Depr. Thur 2008 2009 Addition Rig #8 Top Drive 2009 Addition Rig #16 Capex	(3,115,000)	(3,116,000)	(3,118,000)	(3,119,000)
NOL Estimate C.F.				
Taxable Income	<u>14,226,794</u>	<u>15,103,410</u>	<u>16,007,198</u>	<u>16,399,115</u>
Tax Rate				
Est. Tax Payment	<u>5,690,717</u>	<u>6,041,364</u>	<u>6,402,879</u>	<u>6,559,646</u>

**Latshaw Drilling Company, LLC, and  
 Latshaw Drilling & Exploration Company  
 Debtors-In-Possession  
 Case No. 09-013572-R  
 Confirmation Date Cash Requirement  
 Exhibit "G-6" to Disclosure Statement**

<b>Cash Balance at 3-31-10</b>	3,637,005	(1)
Est. of cash generated April	200,000	
Est. of cash generated May	200,000	
Est. of cash generated June	200,000	
Estimated Cash on Hand 6-30-10	<u>4,237,005</u>	
Cash Requirements at Confirmation		
Professional Fees	(500,000)	(2)
Priority Tax Claims	-	(3)
Class 1 & 2	(1,172,313)	
Class 3 & 4 (see classes 1 & 2)	-	
Class 5	(12,000)	
Class 6	-	(3)
Class 7	-	(3)
Class 8	(770,713)	(4)
Class 9	(149,204)	
Class 10	-	
Class 11	-	
Class 12	-	
Total Requirement at Confirmation	<u>(2,604,230)</u>	
Estimated cash on hand over requirement at Confirmation	<u>1,632,775</u>	(1)

- (1) Excludes cash classified as restricted.
- (2) Assumes no interim payments prior to confirmation.
- (3) Paid in full prior to confirmation.
- (4) Estimate of first of four monthly installments.