UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO

In re:
CARBON RESOURCES LLC,
Debtor(s) No. 10-16104-j11

DISCLOSURE STATEMENT DATED OCTOBER 21, 2011

Table of Contents

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement" in the chapter 11 case of Carbon Resources, LLC. ("the Debtor"). This Disclosure and the accompanying Amended Plan are filed by the Debtor. This Disclosure Statement contains information about the Debtor and describes the Amended Chapter 11 Plan (the "Amended Plan" or just the "Plan") filed by the Debtor on 10/21/11. A full copy of the Amended Plan is attached to this Disclosure Statement as **Exhibit A.** The proposed distributions under the Plan are discussed at pages 7 through 9 of this Disclosure Statement.

A. Purpose of This Document

This Disclosure Statement describes:

The Debtor and significant events during the bankruptcy case.

How the Amended Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),

Who can vote on or object to the Amended Plan.

What factors the Bankruptcy Court will consider when deciding whether to confirm the plan.

Why Carbon Resources, LLC believes the Amended Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and

The effect of confirmation of the Amended Plan.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation hearing.

1. Time and Place of the Hearing to Confirm the Plan.

The hearing at which the court will determine whether to confirm the Plan will take place on _____ at _____, in the Sandia Courtroom (thirteenth floor) in the Dennis Chavez Federal Building and United States Courthouse, 500 Gold Ave SW, Albuquerque, NM 87102

2. Deadline for voting to Accept or Reject the Plan.

If you are entitled to vote or accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Philip J. Montoya, Attorney for the debtor, P.O. Box 159, Albuquerque, NM 87103. See Section IV.A below for a discussion of voting eligibility requirements.

Your ballot must be received by _____ or it will not be counted.

3. Deadline for Objecting to the Confirmation of the Amended Plan.

Objections to the confirmation of the Amended Plan must be filed with the Court and served upon the attorney for the Debtor by _____.

4. Identity of Person to Contact for More information.

If you want additional information about the Amended Plan, you should contact Philip J. Montoya, Attorney for the Debtor, P.O. Box 159, Albuquerque, NM 87103, or, Daniel J. Behles, of Moore, Berkson & Gandarilla, P. C., Attorney for the Debtor, PO Box 7459, Albuquerque, NM 87194.

C. Disclaimer

The court has approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

II. BACKGROUND

A. Description and History of the Debtor's Business

NOTICE: The disclosures made below represent only the debtor's opinions. Court approval of this Disclosure does not mean that the Court has accepted either party's interpretation of the events or determined that any party committed any wrongdoing.

The Debtor is a Nevada limited liability company organized in August of 2005 and with its principal place of business in Sandia Park, New Mexico. The Debtor is 100% owned by WRCC, LLC, a Nevada limited liability company. WRCC, LLC's managing member is Western Reserve Coal, Inc., a Utah corporation that owns 1% of the shares of WRCC, LLC. Other owners of WRCC, LLC include Wisco, LLC (owns 5%), Geo Hunt LLC (owns 5%), Triathalon Industries, LTD. (owns 74%), Frank Fornelius (owns 5%), and, Zebra RX, Inc. (owns 10%). The individuals that manage the Debtor include J. H. W. Reeves, the President of the managing member WRCC, LLC and CEO of the Debtor, and Clay Wisdom, its chief financial officer.

The Debtor owns a leasehold interest in an approximately 5,060 acre coal lease near Scofield, Utah. The total lease amount is in several scattered parcels, the primary portion of which is approximately 3,420 contiguous acres which has been drilled and blocked for a coal mine. This lease comprises the principal asset of the Debtor. Adjoining the 3,420 acre parcel, the Debtor also owns surface rights in fee in a tract of land in the approximate size of 15.33 acres, a related entity has a leasehold interest in approximately 22.88 acres of surface, and Debtor owns a fee interest in coal in a 160 acre parcel. These property interests will be referred to, in aggregate, as the "coal mine", although there is no operating coal mine at this time. In total, the coal mine has reserves of approximately 45 to 50 million tons of high quality bituminous steam coal, of which approximately 60% is recoverable. There is adjacent railway access.

1. Carbon County Lease

Carbon County, Utah is the fee owner of the coal subject to this lease. By lease agreement dated March 5, 1997 Carbon County, Utah leased to Western Reserve Coal, Inc. for a term of ten years, with renewal options, for an annual prepaid royalty of $5,620.00, until the mine goes into production. The lease is a mineral extraction lease and provides for royalty payments to lessor in the amount of $0.50 per ton of coal extracted, or 2%of the sales price of the coal at the mouth of the mine, whichever is greater. An amendment was entered into by parties on December 31, 2002 wherein the lease term was changed to 20 years from the date of the original lease, assignment of the leasehold interest was made more flexible, and as consideration Western Reserve Coal, Inc. agreed that another portion of the leased property would be given up. For a legal description, see Exhibit B to Schedule A of the petition. A copy of the lease and amendment is attached as Exhibit B. The lease will be referred to as the Carbon lease.

On December 2, 2005, Western Reserve Coal, Inc. entered into a sub-lease with WRCC, LLC and WRCC, LLC then sub-leased to the Debtor. Each sub-lessee in this chain assumed the same terms and conditions. These sub-leases are attached as Exhibits C and D respectively. The Debtor and WRCC, LLC entered into an agreement in May of 2011 whereby the leasehold interest held by the Debtor was ratified and/or reinstated. A copy of the agreement is attached as Exhibit E.

2. Debtor is fee owner of a 15.33 acre parcel that adjoins the 3,420 acre parcel. The land was purchased in 2007 for $100,000.00. This tract is to be used for the mine's surface facilities. For a legal description, see Exhibit A to Schedule A of the petition.

3. Western Reserve Coal Company, Inc. is lessee of 22.88 acres of land adjoining the 3,420 acre parcel. The lease is for surface rights and this tract is also to be used for the mine's surface facilities. The rental price is currently $3,000.00 per year. Once coal production begins, the annual rental price increases. Attached as Exhibit F is a copy of the lease.

4. Debtor is owner in fee of 160 acres of coal adjoining the 3,420 acre parcel. This coal was acquired over 30 years ago by Bill Reeves and was conveyed to Debtor by Western Reserve Coal, the predecessor of Western Reserve Coal, Inc. For a legal description, see Exhibit C to Schedule A of the petition.

Since late 2005, the Debtor has been engaged in seeking a permit to operate the coal mine from the Utah Division of Oil, Gas and Mining (UDOGM). The permit application has been approved by UDOGM, and the actual permit will be issued upon the posting of a reclamation bond along with a reclamation agreement. A copy of the application decision by UDOGM, dated June 30, 2011 is attached as Exhibit G.

The Debtor intends to sell the coal mine and to pay the creditors in full. The actual conveyances will be accomplished by assignment of leasehold interests and by deed, as appropriate. With respect to the leasehold described in paragraph 3 above, Western Reserve Coal Company, Inc. will, at closing, assign its leasehold interest to Debtor who in turn will assign to Purchaser. Debtor has obtained a title commitment on the coal mine and it will be made available to any party requesting it.

In March of 2011, the Debtor granted a purchase option on the coal mine. Under its terms, the purchase option must be exercised in September of 2011, and the purchase transaction must close soon thereafter. The optionee is Delta Capital Coal Fund Pty Ltd (hereinafter referred to as Optionee), a coal mining operator based in Perth, Australia. A copy of the purchase option is attached as Exhibit H. Optionee has deposited its option fee of $500,000.00 with South Eastern Utah Title Company. A copy of the Escrow Instructions are attached as Exhibit I.

The option agreement contained two conditions precedent: first, that Debtor obtain an approval letter for the mining permit application, and second, that Optionee be satisfied with what it learns from its conduct of due diligence. Those conditions precendent were met, Optionee exercised it option under the option agreement, and Optionee and Debtor have now entered into an asset purchase agreement, subject to Bankruptcy Court approval. The Debtor has received $250,000.00 of the $500,000.00 deposit and these funds are currently on

deposit in the Debtor's bank account. A motion to sell the coal mine free and clear of lien, claims and interests and a motion to assign leases has been filed and noticed out to all creditors and parties in interest. Bankruptcy Court approval of the proposed sale will be required.

The terms of the asset purchase agreement are that the coal mine will be sold to Optionee (now referred to as Purchaser), for the purchase price of $25,000,000.00. The closing date is currently set as no later than December 1, 2011. At closing, Purchaser will pay the sum of $7,000,000.00 which is comprised of the $250,000.00 already received, the remaining $250,000.00 being held in escrow, and new cash of $6,500,000.00. At closing, Purchaser will give Debtor a promissory for the remaining balance of $18,000,000.00, secured by the coal mine. The promissory note will bear interest at the annual rate of 0.37% and will be payable in two installment: the first installment in the amount of $3,000,000.00 is due on or before six months after the closing date; the second installment in the amount of $15,000,000.00 is due on the earlier of 36 months after the closing date, or, Purchaser's completion of a feasibility study that results in a positive decision by its board of directors to commence mining operations.

THE FOREGOING DISCUSSION IS ONLY A BRIEF SUMMARY OF THE PLAN, AND ALL PARTIES SHOULD REVIEW THE FULL TEXT OF THE PLAN.

B. Insiders of the Debtor

The insiders of the Debtor are WRCC, LLC, J.H.W. Reeves and Clay Wisdom. During the pendency of this proceeding, compensation in the amount of $3,800.00 has been paid by the Debtor to Clay Wisdom, but further payments have ceased. The source of funds for payments to Clay Wisdom were loans from Western Reserve Coal, Inc.

C. Management of the Debtor Before and During the Bankruptcy.

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor, were WRCC, LLC, J.H.W. Reeves and Clay Wisdom.

D. Significant Events During the Bankruptcy Case

During the Chapter 11 proceedings, creditor PCMVII, LLC (PCM) filed a motion for relief from stay alleging that the Carbon lease (the lease covering 5,060 acres of coal) has been rejected as a matter of law. This creditor takes the

position that the Carbon lease is a lease of non-residential real estate and that the Debtor's failure to assume or reject the lease within 120 days of the filing of the petition has caused an irrevocable rejection. Debtor believes that the Carbon lease is a mineral extraction lease and is distinguishable from a lease of non-residential real estate. Debtor has provided case law to support its theory. Furthermore, the Debtor assumed all leases in its original plan of reorganization, filed April 18, 2011. For good measure, the Debtor has entered into an agreement with its lessor ratifying and reinstating the Carbon lease. PCM has further alleged that this proceeding was not filed in good faith.

During the Chapter 11 proceedings, Debtor entered into the Option Agreement with Optionee and has obtained approval of its application for a mining permit. This regulatory approval was the last significant requirement for Debtor to complete in order to satisfy the conditions precedent of the Option Agreement with Optionee. The Optionee exercised its rights under the Option and entered into an asset purchase agreement with the Debtor for the purchase of the coal mine (discussed above).

E. Claims Objections

At this time, the Debtor does not anticipate objecting to any claims.

III SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS.

The Debtor has two (2) secured creditors and a general class of unsecured creditors. The Debtor's secured creditors are PCM and Carbon County Treasurer.

The balance owing on the PCM secured debt has been in dispute. The Debtor and PCM have come to agreement on the disputed balance as follows. Assuming a December 1, 2011 closing of sale of the mining interests the total payoff will be $5,537,230.52 plus approximately $58,000.00 in attorneys fees through August 31, 2011, plus additional attorneys fees through closing, less $127,500.00 in adequate protection payments made or scheduled to be made. If closing occurs after December 1, 2011, it is agreed that the principal and interest payoff is significantly higher, with the other expenses and credit as described above. For example, a December 2, 2011 closing will result in $5,831,754.20 of accrued interest and principal.

The Carbon County Treasurer is owed $784.71 on its secured debt.

A. What is the purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims.

Certain types of claims are automatically entitled to specific treatment under the code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan proponent has not placed the following claims in any class.

Administrative expenses are costs or expenses of administering the Debtor-Chapter 11 case which are allowed under 507(A)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

Type	Estimated Amount Owed	Proposed Treatment
Professional Fees	$15,000.00	Paid on Confirmation
US Trustee Fees	$13,975.00	Paid on Confirmation

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan.

Class 2- Priority Claims.

This class includes the claim of the Internal Revenue Service for employment taxes in the approximate amount of $8,176.00. Creditors in Class 2 shall be paid in full on the Effective Date. This class is unimpaired.

Class 3 - Secured Claims.

This class includes the claims of creditor PCM and creditor Carbon County Treasurer. This class is unimpaired.

The claim of creditor PCM arises from a note and accompanying security documents. As described above, . With interest accrued to the anticipated closing of sale date of Decemvber 1, 2011 the claim is estimated to be $5,500,00.00. The note is secured by various collateral of the Debtor.

The claim of Carbon County Treasurer is for property taxes in the amount of $784.71 as of the filing date of the petition. Interest will continue to accrue to the Effective date.

Class 4 - General Unsecured Creditors

General unsecured creditors, except for those insider creditors in Class 5, shall be paid one hundred percent (100%) of their allowed claims on the Effective Date. This class is unimpaired.

Class 5 – Insider Unsecured claims

The claims of unsecured creditors who are insiders will each receive promissory notes, a sample of which is attached as Exhibit K, on the Effective date for the full amount of their claim, payable one year after the Effective Date, bearing simple interest at 4% per year, with all principal and interest due at the end of the term. Other than the aforementioned promissory notes, Debtor shall make no payment to any insider creditor until the claims of all creditors in classes 1 through 4 have been paid in full.

Class 6 – Equity Holders

The only member of this class is WRCC, LLC, who will retain its equity interest in Debtor. This class shall receive an amount sufficient on the Effective date to help offset the capital gains and income tax liabilities of those parties that arise as a direct result of the realization of taxable gain on the sale of the assets. However, no other distribution of income, sales proceeds or any other payment, shall be paid to any member of the Debtor until all of the claims of all creditors in classes 1 through 5 have been paid in full.

D. Means of Implementing the Plan

Payments and distributions under the Plan will be funded by the sale of the Debtor's coal mining interests to Purchaser. The sales price is $25,000.000.00 and is to be paid in three payments over a period of three years. Purchaser is to pay Debtor the cash sum of $7,000,000.00 ($500,000.00 from the Option Fee being held in escrow and $6,500,000.00 from Purchaser) on the closing date. Currently, the closing date is no later than December 1, 2011.

Future funding of promissory notes issued by Debtor to certain claimants will be from a $3,000,000.00 payment due six months after the closing date. At this point, all of Debtor's creditors, other than claims of insiders, will be paid in full. A third and final installment of $15,000,000.00 is due on the third anniversary of the closing date, or sooner.

A pro form cash flow projection has been prepared by Debtor management and is attached as Exhibit J.

E. Post-confirmation Management

After the effective date of the order confirming the Plan, the managers of the Debtor, (collectively the "Post Confirmation Managers") will be WRCC, LLC, J.H.W. Reeves and Clay Wisdom.

F. Risk Factors

The Debtor's plan hinges upon the closing of sale of the coal mine to Purchaser. Purchaser must raise funds in the equity markets and the success of this fundraising should be known by November 15, 2011.

The secured creditors will retain a security interest in all assets until they are sold, so there is very little risk that creditors will not receive, at a minimum, the liquidation value of the mining interests.

G. Executory Contracts and Unexpired Leases

(a) The Debtor proposes to assume the following executory contracts and/or unexpired leases effective upon the date of the entry of the order confirming this Plan:

1) All unexpired leases or rental agreements wherein the debtor is the lessor or lessee.

2) The Option Agreement with Delta Capital Coal Fund Pty Ltd. and any related subsequent agreements to consummate the anticipated,

The Debtor proposes to reject all executory contracts and/or unexpired leases not expressly assumed on before the date of the order confirming this Plan. A proof of a claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than thirty (30) days after the date of the order confirming this Plan.

H. Tax Consequences of Plan

The Debtor is an LLC, and has elected to be treated as a pass-through entity for income tax purposes. The sole member of Carbon Resources LLC is WRCC, LLC, which in turn is a pass-through entity. Taxable gain realized on the anticipated sale to Purchaser will be passed through.

The Plan makes provision for distribution of funds to WRCC, LLC for the capital gains and income tax liabilities of the equity holders arising from the anticipated sale. WRCC, LLC will determine how and to whom to distribute these funds.

Generally, it is likely that the interest component of any plan payment made to a creditor will constitute taxable income to that creditor. The debtor lacks sufficient information to advise creditors as to the tax treatment of the principal portion of any plan payment. Creditors should contact their own tax professionals regarding tax consequences to themselves.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in section 1129(a) or (b) of the code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in section 1129, and they are not the only requirements for confirmation.

A. Who may vote or object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that no classes are impaired and that holders of claims in this class are therefore entitled to vote to accept or reject the Plan.

1. What is an allowed claim or an allowed equity interest?

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. What is an impaired Claim or Impaired Equity Interest

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is impaired under the plan. As provided in section 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is not entitled to vote

The holders of the following five types of claims and equity interests are not entitled to vote: holders of claims and equity interests that have been disallowed by an order of the Court; holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes; holders of claims or equity interests in unimpaired classes; holders of claims or equity interests in classes that do not receive or retain any value under the Plan; administrative expenses.

Even if you are not entitled to vote on the plan, you have a right to object to the confirmation of the plan (and to the adequacy of the disclosure statement).

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a plan in each capacity, and should cast one ballot for each claim. The debtor does not believe there are any such bifurcated claims in this case.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later.

C. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class who vote, cast their votes to accept the Plan and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class who vote, cast their votes to accept the Plan.

D. Treatment of non-accepting classes.

Even if one or more impaired classes reject the Plan, the court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by section 1129(b) of the code. A plan that binds non-accepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of section 1129(a)(8) of the Code, does not "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted to accept the plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

E. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation. It is Debtor's considered opinion that in a Chapter 7 liquidation, all creditors would be paid in full.

A Chapter 7 trustee would liquidate the Debtor in much the same fashion as the Debtor is proposing in its Plan. The Trustee would be bound to perform the Debtor's obligations to optionee, i.e. to sell the coal mine to optionee under the option agreement terms. Assuming that Optionee exercises its option, if Chapter 7 Trustee were to reject the option contract, the estate could be subject to damages.

If a Chapter 7 trustee was required to liquidate Debtor in the absence of an exercised option, the coal mine would be sold to highest and best offer. The process of sale would be relatively long and drawn out because each potential buyer would have to do its own due diligence work.

Debtor estimates that, as a rule of thumb, recoverable coal reserves are valued in the range of $0.50 to $1.00 per ton. Debtor's mining interests consist of approximately 25 million tons of recoverable coal reserves. Debtor is of the opinion that the current sales price of $25,000,000.00 contained in the asset purchase agreement relects market value, inasmuch as operation of this mine opens the door to additional reserves of a similar amount on adjoining federal lands, which along with this mine constitute a "Logical Mining Unit."

L. **Feasibility**

The court must find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

G. Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses that are entitled to be paid on that date.

H. **Ability to Make Future Plan Payments and Operate without Further Reorganization.**

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The attached pro forma cash flow projection shows sufficient cash flow to meet the Plan requirements.

You should consult with your accountant or other financial advisor if you have any questions pertaining to these projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of debtor

On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extend specified in section 1141 (d)(1)(A) of the Code; however, the Debtor shall not be discharged from any debt imposed by the Plan. After the effective date of the Plan, your claims against the Debtor will be limited to the debts imposed by the Plan.

B. Modification of Plan

The Plan proponent may modify the Plan at any time before confirmation of the Plan; however, the court may require a new disclosure statement and/or re-voting on the Plan. The Plan proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. Final Decree

Once the estate has been fully administered as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to Obtain a final decree to close the case. Alternatively, the court may enter such a final decree on its own motion. The debtor intends on applying for a Final decree when cash payments have been made under the Plan and promissory notes have been issued under the plan.

Respectfully submitted,
Carbon Resources, LLC.

By: _____
J.H.W. Reeves, CEO
Debtor/Plan Proponent

By: filed electronically
Philip J. Montoya
Attorney for the Debtor
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The following Exhibits are attached to this Disclosure

A. Copy of the Amended Plan
B. Lease and Agreement (Western Reserve Coal)
C. WRCC Sublease Agreement
D. Carbon Sublease Agreement
E. Agreement (Ratification/Reinstatement)
F. Lease and Easement Agreement
G. UDOGM Decision Letter
H. Option Agreement
I. Escrow Instructions
J. Pro Forma Cash Flow Projection
K. Sample Promissory Note