

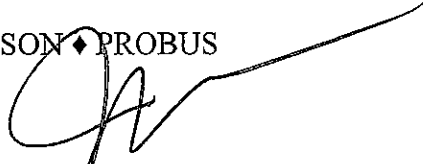
IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

IN RE:	§	
	§	
TRANSMERIDIAN	§	CASE NO. 09-31859-H1-11
EXPLORATION INCORPORATED	§	(Chapter 11)
	§	
TRANSMERIDIAN	§	CASE NO. 09-31864-H5-11
EXPLORATION, INC./ (BVI)	§	(Chapter 11)
	§	
BRAMEX MANAGEMENT, INC.	§	CASE NO. 09-31866-H3-11
	§	(Chapter 11)
Debtors.	§	

**JOINT DISCLOSURE STATEMENT OF DEBTORS IN CONNECTION  
WITH SOLICITATION OF BALLOTS WITH RESPECT TO  
CONSOLIDATED PLAN OF LIQUIDATION UNDER CHAPTER 11  
OF THE UNITED STATES BANKRUPTCY CODE**

WAUSON ♦ PROBUS

By: \_\_\_\_\_



**John Wesley Wauson**

TBA# 20988200 / ID# 1866

One Sugar Creek Center Blvd., Suite 880

Sugar Land, Texas 77498

(281) 242-0303 – Telephone

(281) 242-0306 – Fax

[jwwauson@w-plaw.com](mailto:jwwauson@w-plaw.com) – email

Counsel for the Debtors and Debtors-in-Possession

Dated: Houston, Texas

May 29, 2009

**TABLE OF CONTENTS**

	<u>Page</u>
I INTRODUCTION .....	5
II GENERAL INFORMATION REGARDING THE DEBTORS AND THE EVENTS LEADING TO THE CHAPTER 11 FILING	
A The Debtors and Their Business .....	7
B The Debtors' Assets .....	8
C Significant Events in 2007 – 2008 .....	9
III SUMMARY OF BANKRUPTCY PROCEEDINGS	
A First Day Pleadings .....	10
B Retention of Debtors' Professionals .....	10
C DIP Financing .....	11
D Marketing Efforts / Stock Purchase Agreement .....	11
E Claims Process and Bar Date .....	12
F The Joint Consolidated Plan of Liquidation .....	12
G Schedules / Creditors Claims .....	13
H Investigation of Legal Claims and Avoidance Actions .....	13
IV SUMMARY OF THE PLAN	
A Classification and Treatment of Claims and Interests .....	13
B Effective Date .....	20
C Acceptance of the Plan .....	20
V THE PLAN	
A General Description of the Plan .....	20
B Means for Implementation of The Plan .....	21
C Classification and Treatment of Claims and Interests .....	21
D Contested Claims and Interests .....	23
E Executory Contracts and Unexpired Leases .....	24
F Retention of Jurisdiction .....	24
VI CONFIRMATION AND CONSUMMATION PROCEDURE	
A Confirmation Hearing .....	25
B Disclosure and Solicitation .....	26
C Acceptance of The Plan .....	26
D Classification .....	26
E Confirmation .....	26
VII CERTAIN FEDERAL INCOME TAX CONSEQUENCES .....	28
VIII CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS	
A Litigation Risks .....	29
B Forward-Looking Statements in This Disclosure Statement May Prove To Be Inaccurate .....	29

IX	ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	
A	Liquidation Under Chapter 7 .....	29
B	Alternative Plan(s) of Reorganization .....	30
X	VOTING INSTRUCTIONS	
A	Classes Entitled to Vote .....	30
B	Classes Not Entitled to Vote .....	31
C	Ballots .....	31
D	Voting Multiple Claims and Interests .....	31
E	Incomplete Ballots .....	31
F	Expiration Date .....	31
XI	POST-CONFIRMATION DISCLOSURES .....	32

**EXHIBITS**

- I Joint Consolidated Plan of Liquidation Under Chapter 11 of the Bankruptcy Code, including Exhibits
- II Liquidation Analysis of the Debtors
- III Biography of Liquidating Trustee

I.

**INTRODUCTION**

Transmeridian Exploration Incorporation (a Delaware corporation) (“TMY”) and each of its affiliated debtors, Transmeridian Exploration, Inc./ (BVI) and Bramex Management, Inc. (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”) on March 20, 2009 (“Petition Date”).

The Debtors continue to manage their properties as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code, but there have been no substantial operations in the Debtors themselves. On March 26, 2009 the United States Bankruptcy Court for the Southern District of Texas, Houston Division, entered an Order jointly administering each of the Debtors’ cases under Case No. 09-31859-H1-11 (the “Bankruptcy Cases” or the “Cases”). No Official Committee of Unsecured Creditors has been appointed. No trustee or examiner has been appointed in the Debtors’ jointly administered Bankruptcy Cases.

The Debtors’ proposal for reorganization of their businesses is set forth in the Joint Consolidated Plan of Reorganized Under Chapter 11 of the Bankruptcy Code (the “Plan”).

A copy of the Plan is attached hereto as Exhibit I. This Disclosure Statement is intended to describe the Plan and provide you with adequate information to allow you to make an informed judgment regarding the Plan.

**Capitalized terms used in this Disclosure Statement have the meaning ascribed to them in the Plan unless otherwise defined in this Disclosure Statement.**

The Plan is summarized in Section II below and described in more detail in Section V below. Pursuant to the provisions of the Bankruptcy Code, only Classes of Claims or Interests that are Impaired and that receive or retain property pursuant to the Plan are entitled to vote to accept or reject the Plan. A description of the requirements for acceptance of the Plan is set forth in Section VI below.

**THE DEBTORS BELIEVE THAT THE PLAN PROVIDES EQUAL OR GREATER VALUE TO CREDITORS AND MORE RAPID DISTRIBUTIONS THAN AVAILABLE ALTERNATIVES. A LIQUIDATION ANALYSIS CONTAINING A COMPARISON OF RECOVERIES UNDER THE PLAN VERSUS A CHAPTER 7 LIQUIDATION IS ATTACHED HERETO AS EXHIBIT II. THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF EACH AND EVERY CLASS OF CREDITORS ENTITLED TO VOTE ON THE PLAN AND RECOMMEND THAT EACH CREDITOR VOTE TO ACCEPT THE PLAN. THIS DISCLOSURE STATEMENT CONTAINS GOOD FAITH ESTIMATES AND ASSUMPTIONS WHICH ARE BASED ON FACTS CURRENTLY KNOWN TO THE DEBTORS AND WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS.**

**EACH CREDITOR SHOULD READ THIS DISCLOSURE STATEMENT, THE STOCK PURCHASE AGREEMENT BETWEEN THE DEBTORS AND UFEX ADVISORS, CORP. AND ERLAN SAGADIEV AND THE EXHIBITS THERETO (THE "STOCK PURCHASE AGREEMENT") DATED AS OF MAY 15, 2009 IN THEIR ENTIRETY AND CONSULT WITH ITS LEGAL AND/OR BUSINESS ADVISORS AS IT DEEMS APPROPRIATE BEFORE VOTING ON THE PLAN. THIS DISCLOSURE STATEMENT IS NOT LEGAL ADVICE TO YOU. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN AND EXHIBITS ATTACHED TO THE PLAN BY EACH HOLDER OF A CLAIM ENTITLED TO VOTE THEREON, BUT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW. THE DESCRIPTION OF THE PLAN AND ITS EXHIBITS HEREIN IS ONLY A SUMMARY, AND HOLDERS OF CLAIMS OR INTEREST AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN AND ITS EXHIBITS THEMSELVES FOR A FULL UNDERSTANDING OF THE PLAN, THE STOCK PURCHASE AGREEMENT AND THE LIQUIDATING TRUST AGREEMENT. IF ANY INCONSISTENCY EXISTS BETWEEN (I) THE PLAN OR ITS EXHIBITS AND (II) THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN AND ITS EXHIBITS ARE CONTROLLING. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AGENCY NOR HAS THE COMMISSION OR ANY AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED THEREIN.**

**THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF SEVERAL DOCUMENTS, INCLUDING BUT NOT LIMITED TO, THE PLAN, THE STOCK PURCHASE AGREEMENT, THE LIQUIDATING TRUST AGREEMENT, UFEX DIP FINANCING AND EXHIBITS. THE DESCRIPTIONS CONTAINED HEREIN OF SUCH DOCUMENTS ARE ONLY SUMMARIES AND ARE QUALIFIED ENTIRELY BY REFERENCE TO SUCH DOCUMENTS. COPIES OF SUCH DOCUMENTS ARE ATTACHED HEREIN AND HOLDERS OF CLAIMS OR INTERESTS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW SUCH ATTACHED DOCUMENTS. IF ANY INCONSISTENCY EXISTS BETWEEN THIS DISCLOSURE STATEMENT AND ANY SUCH DOCUMENT, THE TERMS OF SUCH DOCUMENT WILL CONTROL OVER THIS DISCLOSURE STATEMENT.**

General information regarding the Debtors and material events leading to and during these Cases is set forth in Sections III and IV below. Except where otherwise noted, this information is provided by the Debtors and their management. **THE STATEMENTS AS TO THE APPLICABLE DEBTORS' FINANCIAL CONDITION CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF MARCH 20, 2009 (UNLESS ANOTHER TIME IS SPECIFIED), AND THERE IS NO REPRESENTATION OR IMPLICATION THAT THE INFORMATION CONTAINED HEREIN WILL NOT HAVE CHANGED AS OF ANY TIME SUBSEQUENT TO THAT DATE NOR WILL YOU RECEIVE ANY NOTICE OF SUCH CHANGES.**

Alternatives to confirmation and consummation of the Plan are described in Section X below. Certain federal income tax consequences associated with the Plan are described in Section VII below. Certain risk factors and other considerations are described in Section IX below. Biographies of the existing officers and directors, at least some of whom are expected to serve post-confirmation, are attached as Exhibit III hereto.

**BALLOTS WITH RESPECT TO THE PLAN MUST BE RECEIVED AT THE ADDRESS SET FORTH ON THE ENCLOSED BALLOT ON OR BEFORE \_\_\_\_\_, 2009. FOR YOUR CONVENIENCE, A BALLOT AND PRE-ADDRESSED ENVELOPE ARE ENCLOSED. ANY BALLOTS RECEIVED AFTER THE EXPIRATION DATE OR THAT DO NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL NOT CONSTITUTE VALID BALLOTS AND SHALL NOT BE COUNTED IN DETERMINING THE VOTE OF ANY CLASS. FURTHER VOTING INSTRUCTIONS ARE SET FORTH IN SECTION XI BELOW.**

If you have questions concerning the procedure for voting, if you did not receive the appropriate Ballot or Ballots, if you received a damaged Ballot or have lost your Ballot, or if you have any questions concerning the Disclosure Statement and/or the Plan, please call the Debtors' attorney, John Wesley Wauson, Wauson ♦ Probus, (281) 242-0303.

**THIS DISCLOSURE STATEMENT INCLUDES CERTAIN STATEMENTS, ESTIMATES AND PROJECTIONS PROVIDED BY THE DEBTORS AS TO CERTAIN FUTURE MATTERS, WHICH REFLECT VARIOUS ASSUMPTIONS, WHICH ASSUMPTIONS MAY OR MAY NOT PROVE TO BE CORRECT. THE DEBTORS DO NOT UNDERTAKE ANY OBLIGATION TO PROVIDE ADDITIONAL INFORMATION OR TO CORRECT OR UPDATE ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT OR THE EXHIBITS HERETO.**

**THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE HONORABLE MARVIN ISGUR, BANKRUPTCY JUDGE OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON DIVISION. APPROVAL BY JUDGE ISGUR DOES NOT CONSTITUTE A RECOMMENDATION BY THE COURT AS TO THE MERITS OF THE PLAN, BUT INCLUDES A FINDING THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION TO ENABLE YOU TO DECIDE WHETHER TO VOTE FOR OR AGAINST THE PLAN. YOU SHOULD CONSULT WITH COUNSEL AND/OR OTHER ADVISORS REGARDING THE PLAN AS YOU DETERMINE APPROPRIATE.**

## II

### **GENERAL INFORMATION REGARDING THE DEBTORS AND THE EVENTS LEADING TO THE CHAPTER 11 FILING**

#### **A. The Debtors And Their Business**

Transmeridian Exploration Incorporated ("TEI" or "TMY") is an independent energy company engaged in the business of acquiring, developing and producing oil and natural gas. Its activities were primarily focused on the Caspian Sea region of the former Soviet Union. At the



time of the filing of its bankruptcy petition, it had a project in the Republic of Kazakhstan. The primary oil and gas property is a South Alibek Field in the Republic of Kazakhstan covered by License 1557 and the related exploration and production, contracts. The Debtors also include Transmeridian Exploration, Inc. (BVI) ("TEI/BVI"), a British Virgin Island Company and Bramex Management, Inc. ("Bramex"), another British Virgin Island Company. The License and oil and gas production in Kazakhstan is handled through the Debtors' wholly owned subsidiary, JSC Caspi Neft TME ("Caspi Neft"), a joint stock company organized under the laws of the Republic of Kazakhstan. The Debtors' subsidiaries, Bramex and TEI/BVI, each own 50% of the shares of Caspi Neft. Accordingly, the Debtors' ownership interest in Caspi Neft and the License is 100%.

As of December 31, 2007, the Debtors' estimated total net proved reserves were 58,571,296 barrels of oil. All of these reserves were attributable to the South Alibek Field. The Debtors have been in the early stages of developing the South Alibek Field. Accordingly, a substantial amount of the Debtors' outstanding debt was incurred in acquisition of all the ownership interest in the South Alibek Field and in development of the South Alibek Field and the associated infrastructure. For example, a substantial portion of the funds borrowed by the Debtors were used in the drilling of wells in an attempt to produce from the reserves. Beginning in 2007, the Debtors and their businesses began earnest efforts to obtain proposals from parties with respect to potential acquisition of the company and its assets. Since 2007, the operations of the Debtors themselves, excluding the active operations of Caspi Neft in Kazakhstan, have been limited. The Debtors are essentially holding company holding the performing assets consisting of the ownership interest in Caspi Neft.

## **B. The Debtors' Assets**

Transmeridian Exploration, Inc. and its Co-Debtor Subsidiaries, Transmeridian Exploration, Inc. (BVI) and Bramex Management, Inc., have a number of assets, but the most substantial of their assets subject to liquidation is JSC Caspi Neft TME, a joint stock company organized under the laws of Kazakhstan. The Debtors own one-hundred percent (100%) of the interest in Caspi Neft. Caspi Neft is the owner of the License 1557 issued by the Kazakhstan government. The License allows exploration and production in the South Alibek field in Kazakhstan.

At the present time, Caspi Neft continues to suffer cash flow problems. Those problems have been aggravated by the falling prices for oil and gas in the past year or more. The continued exercise of Caspi Neft's rights under the License could be jeopardized in the event of continued financial problems and/or insolvency. Accordingly, a prompt sale of the equity ownership interest held by the Debtors in Caspi Neft is necessary. A history of the efforts by the Debtors over the past few years to finance or sell the significant assets are set forth below.

In addition to the interest in Caspi Neft, the Debtors own an interest in Transmeridian Caspian Ltd., which has an undetermined value at present. It owned rights to a license in Dagestan; the status of that license is unknown. The Debtors also own other non-operating subsidiaries with what is perceived as negligible value.

The Debtors also own rights pursuant to a contract for sale of an existing oil rig to a group consisting of Mike Husser and Dingo Drilling. The sales transaction has been



consummated but funds have not been paid. The value of these contract rights is estimated to be between \$1.6 and \$1.8 million, including invoices to the purchaser that are owed to TMY.

The Debtors also have potential litigation claims for preferential transfers and for possible claims against former directors and officers for malfeasance.

### **C. Significant Events in 2007 – 2008**

Since 2007, the Debtors have been engaged in ongoing efforts to sell the Debtor entities and/or their operating assets. Those attempts have been unsuccessful. During the more recent times, the Debtors' domestic operations in Texas have been skeletal at best. Accordingly, the Debtors have a limited number of unsecured and secured creditors. The Debtors have a large number of equity interest holders.

The Debtors have ceased all of their operations and are primarily engaged in collection of accounts and liquidation of assets, including attempts to negotiate a sale of their ownership of Caspi Neft. The Debtors owe approximately \$300 million dollars to the holders of Senior Secured Bonds. The Senior Secured Bonds are secured by the Debtors' interest in Caspi Neft. The Senior Secured Bond indebtedness is also guaranteed by Caspi Neft.

TEI issued a series of its Junior Preferred stock in summer 2007 to raise funds primarily to prepare to sell the company. Jefferies & Company, Inc. was hired in April 2007 to assist with the sale of the company and sent solicitation materials to over 100 companies. Only two bids were received. One, from an Indian company which later decided not to follow through on the bid, and another from Sino Pac, a Chinese company. The Sino Pac purchase bid of \$2.30 per share was approved by all members of the board at that time, except for the Chairman and CEO, Lorrie Oliver. Approval of the Sino Pac purchase was also recommended by the Special Committee at that time.

Lorrie Oliver instead proposed a transaction at \$3.00 per share and, on December 31, 2007, caused the wholly-owned subsidiaries and TEI to enter into an Agreement and Plan of Merger. As Olivier was not able to meet the financing condition in the Agreement and Plan of Merger by March 31, 2008, the agreement was terminated by TEI.

Discussions between TEI and United Energy Group, Ltd. ("UEG") were initiated in early March 2008. UEG and TEI negotiated through the spring of 2008 for UEG's purchase of Transmeridian by UEG. An Investment Agreement between United Energy Group, Limited (UEG) and TEI was signed, dated June 11, 2008. The transaction was valued at approximately \$400 million and provided for payment of equity holders at every level. Pursuant to the Investment Agreement, UEG agreed to acquire at least 90% of the shares of each of the TEI's outstanding classes of preferred stock and to make a cash infusion to fund TEI's ongoing capital expenditure program and working capital requirements. The Investment Agreement also contemplated an exchange offer for the Senior Secured Bonds. The Board voted unanimously to support the UEG transaction.

The parties negotiated this proposal for months, during which time the prices of oil fell drastically. On September 22, 2008, the Investment Agreement was amended and restated to provide that, among other things, TEI would issue common stock and warrants to purchase

additional shares of common stock in exchange for the surrender of certain debt securities held by UEG and its affiliates and the funding by UEG of certain of TEI's cash payment obligations to the Senior Secured Bonds in connection with the exchange offer for such bonds. Ultimately, the transaction did not close and UEG announced on or about November 17, 2008 that it was terminating the Investment Agreement.

UEG continued to negotiate thereafter. In a letter dated November 19, 2008, UEG sought to restart negotiations and submitted a reduced offer for TEI of approximately \$130 million which sale was to be effected through a chapter 11 bankruptcy process pursuant to either a prepackaged plan or a sale under Section 363 of the Code. In a Term Sheet dated November 24, 2008, UEG confirmed those terms. That offer was ultimately withdrawn in late December 2008.

Since that offer was withdrawn, TEI has continued to entertain various proposals for the sale of Caspi Neft.

### III.

#### SUMMARY OF BANKRUPTCY PROCEEDINGS

##### A. First Day Pleadings

The Debtors filed the following as their First Day Pleadings: (1) Notice of Designation as Complex Chapter 11 Bankruptcy Case, (2) Debtor's Motion for Order Directing Joint Administration of Cases, (3) Debtor's Emergency Motion to Limit Mail Matrix and for Shorten Service List Procedure Pursuant to FRBP 2002(m), (4) Debtor's Motion For Fifteen Day Extension to File Schedules and Statement of Financial Affairs, and (5) Debtor's Motion to Assume Executory Contract for Executive Management / Restructuring Services. All motions were set for hearing on March 25, 2009.

The Court denied the designation of the case as a Complex Chapter 11 Bankruptcy Case, granted the Joint Administration of the three entities under Case No. 09-31859-H1-11, granted the limitation of the mail matrix and shortening of service list and granted the extension to file Schedules and Statement of Financial Affairs on behalf of TEI/BVI and Bramex. The Court did not conduct a first day motion hearing on the Motion to Assume Executory Contract as being untimely. This motion was heard on April 16, 2009 and the court approved the continued engagement of the Debtors' Co-Restructuring Officers, Gary Neus and Fred Zeidman.

##### B. Retention of Debtors' Professionals

At the time of filing the Bankruptcy Petition on March 20, 2009, the Debtors filed their Application for Employment of Wauson ♦ Probus as Attorneys for the Debtor. The Court approved this Application on April 23, 2009. The Debtors anticipate retention, with Court approval of KenWood & Associates, P.C. as the Debtors' accountants to assist with filing of the Debtors' tax returns and Global Hunter Securities, LLC as financial advisors to assist the Debtors with the sale of the Caspi Neft Shares and the evaluation of bid proposals. The Debtors propose to pay the accountants hourly fees, estimated at \$25,000.00, and the financial advisors a (i) 2-1/2% fee calculated on the overbid sales price to any Prevailing Purchaser other than Ufex (on only the difference between Ufex agreement of \$35 million and the overbid price to be paid by a Prevailing Purchaser), (ii) 5% fee of any increase by Ufex in its current bid, if caused by a

higher bid from a bidder provided by the financial advisors, and (iii) if Ufex abandons the purchase, a 2-1/2% fee on the price paid by the Prevailing Purchaser (provided by them). The financial advisors will also be reimbursed for all pre-approved expenses. In both instances, the fees and expenses are subject to approval by the Bankruptcy Court.

### **C. DIP Financing**

In order to fund their post-petition liquidation efforts, on April 2, 2009, the Debtors and Ufex Advisors, LLC ("Ufex") entered into a Term Sheet agreement, under the terms of which Ufex proposed to offer Debtors-in-Possession financing of up to \$700,000.00 for purposes of funding its Chapter 11 cases, subject to a budget. The Term Sheet contains provisions for the post-petition financing as well as the sale by the Debtors of their interest in Caspi Neft. Upon entry by the Court of the Interim Order approving the Motion, approving the financing and granting super priority administrative status to the Ufex financing pursuant to §364(c)(1) of the Bankruptcy Code, \$150,000.00 was released to the Debtors and is being used for post-petition expenses. By the terms of the financing, after entry of the order granting final approval of the Ufex financing, Ufex was to advance an additional \$200,000.00 for post-petition expenses. Ufex has agreed to finance up to the total commitment amount of \$700,000.00. The loan is interest free. The Debtors do not now anticipate that the entire commitment amount will be funded. The Debtors will seek to amend the budget to provide funding for payment of the Debtors' cash obligations on the Effective Date of the Plan, consisting of payments of all of the Debtors' Administrative Expense Claims, including Professional Fees, Priority Wage Claims and Expense Reserves to be funded for post-confirmation litigation expenses of the Liquidating Trustee. Ufex is also the proposed purchaser of Caspi Neft. The Ufex DIP Financing will be repaid to Ufex if there is an over bidding Prevailing Purchaser of the Caspi Neft Shares.

Ufex is an entity owned and controlled by Erlan Sagadiev ("Sagadiev"). Sagadiev has been providing consulting and management services to Caspi Neft pursuant to the Sagadiev Retention Agreement (a copy of which is attached to the Stock Purchase Agreement attached to the Plan). Sagadiev is an insider as defined by the Bankruptcy Code.

### **D. Marketing Efforts / Stock Purchase Agreement**

The most significant asset of the Debtors is their ownership interest in Caspi Neft, the operating entity in Kazakhstan, which owns the License. As noted in the historical perspective above, the Debtors have been attempting to market the sale of this substantial asset for a period beginning in at least 2007. Those efforts prior to the filing of the petition for relief in this case were unsuccessful. Subsequent to the filing of the petition, Ufex, the entity providing the Debtor-in-Possession Financing, proposed a credit purchase of the Debtors' shares of stock in Caspi Neft. The credit purchase is for the sum of \$35 million, less the advances made by Ufex under the Ufex DIP Financing. The Stock Purchase Agreement pursuant to which Ufex would purchase the Debtors' interest in Caspi Neft is attached to the Plan.

The Stock Purchase Agreement provides for a period of time ending June 26, 2009 during which the Debtors may continue to market the sale of Caspi Neft Shares to other interested third parties. In the event that a Prevailing Purchaser (as defined in the Stock Purchase Agreement) provides a bid meeting the minimum requirements in the Stock Purchase Agreement, the Debtors' interest in Caspi Neft may be sold to the Prevailing Purchaser. In that

copies of which are attached to the Plan. Sagadiev provides consulting and management services for Caspi Neft under the Sagadiev Retention Agreement. Zere has committed to loan up to \$2 million for operating expenses to Caspi Neft under the Zere Loan Agreement. The present balance of advances is reported to be \$1,215,000.00. This consists of advances for operating expenses, such as salaries, electricity, rental, tool costs, etc.

The Break Up Fee consists of (a) \$1 million payment to Ufex, plus (b) all amounts owed to Sagadiev under the "Compensation" section of the Sagadiev Retention Agreement, i.e., the Transaction Fee equal to EUR\$3 million plus the Brokerage Fee, if any (each as defined therein), plus (c) all amounts outstanding under the Ufex DIP Financing which would be no more than \$700,000.00. The Break Up Fee shall also include the payment to Zere of all amounts outstanding under the Zere Loan Agreement, which could be as much as \$2 million.

The Debtors executed the Stock Purchase Agreement effective May 15, 2009 with Sagadiev, but have continued attempts to market the sale of the Caspi Neft Shares to interested third parties since the inception of the bankruptcy. At present, the Debtors have qualified five interested third parties who are believed to have the financial wherewithal to meet the requirements of a Prevailing Purchaser under the Stock Purchase Agreement. The Minimum Cash Component of any Qualified Bid requirements for a Prevailing Purchaser, other than Ufex, are intended to recoup most, if not all, of the Break Up Fee.

In furtherance of their efforts at marketing, the Debtors have continued the employment of Jeff Tucker, a prior employee of the Debtors with significant knowledge of the financial and other information available to the Debtors. Through his efforts, the Debtors have prepared an extensive data room with information available to prospective bidders to enhance the potential for sale of the Caspi Neft Shares to a Prevailing Purchaser.

In addition, the Debtors are proposing the engagement of Global Hunter Securities, LLC, financial advisors, to enhance the marketing efforts and to advise the Debtors concerning the evaluation of the bids of potential Prevailing Purchasers to ensure that the Debtors obtain the highest and best price for the Caspi Neft Shares. The engagement of Global Hunter Securities, LLC is on a success fee basis equivalent to two and one-half percent (2½%) of the "overbid price", i.e., the bid price exceeding the \$35 million credit bid already proposed by Ufex.

#### **E. Claims Process and Bar Date**

The Bar Date for filing of proofs of claim is August 18, 2009. The Debtors have filed a Motion to Modify the Bar Date for the filing of Proofs of Claim from August 18, 2009 to June 20, 2009. The Debtors did not request a bar date for filing by interest holders of proofs of interest since they will not be soliciting acceptance or rejection from equity interest holders.

#### **F. The Joint Consolidated Plan of Liquidation**

The Plan provides for the liquidation of the Debtors' assets, including a sale of the Debtors' interest in Caspi Neft, its downstream subsidiary, a joint stock company organized under the laws of the Republic of Kazakhstan. The Bid Procedures set forth in the Stock Purchase Agreement provide for a "go shop" period and overbid procedures. The sale to UFEX Advisors Corp. or the Prevailing Purchaser (if Ufex is not the Prevailing Purchaser under the Bid



Procedures) will be free and clear of all claims and liens. Caspi Neft will also be released from all intercompany debts owed to the Debtors or the Senior Secured Noteholders. The distribution of the consideration from the sale of Caspi Neft (net of certain expenses) will be distributed to the Senior Secured Noteholders, the secured creditors with a security interest/pledge in and to the Caspi Neft Shares. The remaining assets of the Debtors will be transferred to a Liquidating Trustee to be liquidated, including litigation and bankruptcy claims. The net proceeds of the liquidation of the assets, including litigation recoveries and settlements, will be distributed to the creditors and, if applicable, to any equity security holders.

**G. Schedules / Creditors Claims**

On April 20, 2009, the Debtors filed their respective Schedules of Assets and Liabilities and Statement of Financial Affairs with the Bankruptcy Court. The Debtors have subsequently filed the Amended Schedules and Statement of Financial Affairs of TMY on May 28, 2009.

**H. Investigation of Legal Claims and Avoidance Actions**

The Debtors are in the process of investigating various causes of action they may have under applicable state and federal law (including, without limitation, the Bankruptcy Code). The Debtors have investigated potential causes of action against the recipients of releases under the Plan and concluded that there are no viable causes of action against them; except that Non-Released Parties, now consisting of some former officers and directors of the Debtors, related entities and affiliates and those acting in concert with them, whose relationships are currently under investigation, have been or will be identified in a Plan Supplement as Non-Released Parties who will not be released and will not benefit from exculpation under the Plan. The Husser Related Parties are also to be Non-Released Parties. Under the proposed Plan, any potential avoidance action against a Class 2 or Class 4 creditor who votes to accept the Plan is being released. The Debtors do not believe there are any such Bankruptcy claims or causes of action of value except as may exist against Non-Released Parties. All such remaining Bankruptcy claims or causes of action will be transferred to the Liquidating Trust on the Effective Date.

Before the filing of this Disclosure Statement, the Debtors conducted a preliminary investigation of certain claims and causes of action that belong to the Debtors and the estates and possibly certain creditors. Based upon their investigation thus far, the Debtors believe that they may have viable claims against Non-Released Parties that merit further investigation.

**IV.**

**SUMMARY OF THE PLAN**

For a more detailed description of asserted Claims and available assets, see Section V below. **This Section also describes certain other features of the Plan and implementing provisions thereof.**

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

The following table summarizes the classification and treatment of Claims and Interests under the Plan. This summary is qualified in its entirety by reference to the provisions of the Plan. For a more detailed description of the terms and provisions of the Plan, see Section V below.

<u>Class Description</u>	<u>Treatment Under The Plan</u>
<p><b>Allowed Administrative Expenses.</b> Allowed costs of the Cases, including without limitation, professional fees and other expenses of operating during the Cases.</p>	<p><b>Allowed Administrative Expense Claims</b> (including the Ufex DIP Financing, the professional fees of attorneys, accountants and consultants for the Debtors) shall be paid in full in Cash on or promptly after the Effective Date or, where applicable, when otherwise Allowed or due after the Effective Date; provided, however, that such Claim may be satisfied on such other terms as may be agreed to by the holder of such Claim and the applicable Debtor.</p> <p>Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors since the Petition Date including the costs of investigation and sale of the Debtors' assets shall be paid in accordance with the agreed terms between the parties. On the Effective Date, all of the Debtors' Administrative Expenses shall have been paid or funds reserved for payment from the Ufex DIP Financing.</p> <p>Certain administrative claims have been paid during the course of these Cases. Based on a projected Effective Date of July 15, 2009, the Debtors estimate there will be \$650,000.00 of administrative expense claims paid or to be paid (generally from borrowings under the Ufex DIP Financing).</p>
<p><b>Allowed Priority Tax Claims.</b> Claims entitled to priority under Code § 507(a)(8).</p>	<p>Any holder of an <b>Allowed Priority Tax Claim</b> shall receive at the Debtors' option (from funds provided for the Ufex DIP Financing) (i) the amount of the Allowed Priority Tax Claim in one Cash payment on or immediately after the Effective Date or (ii) the amount of the Allowed Priority Tax Claim, with interest at the intermediate federal rate or such other rate as may be determined by the Court at the confirmation hearing, in equal annual Cash</p>

<u>Class Description</u>	<u>Treatment Under The Plan</u>
	<p>payments on each anniversary of the Effective Date, until the last anniversary of the Effective Date that precedes the sixth anniversary date of the date of assessment of the Allowed Priority Tax Claim.</p> <p>A Priority Tax Claim that is a Contested Claim shall not receive any distribution on the Effective Date or thereafter unless and until such Claim becomes an Allowed Priority Tax Claim. Allowed Secured Claims for taxes will be satisfied first as non-classified Priority Tax Claims to the extent they qualify as Priority Tax Claims, but shall retain any collateral for such Claim until the Priority Tax Claim is paid in full. To the extent that some or all of an Allowed Secured Claim for taxes does not qualify as a Priority Tax Claim, but is a valid Allowed Secured Claim, it will be classified in Class 3 as an Other Secured Claim.</p> <p>On the Effective Date, the Debtors will fund the Other Priority Claim Reserve with funds provided from the Ufex DIP Financing.</p> <p>The Debtors estimate that there will be no more than \$29,000.00 of Allowed Priority Tax Claims.</p>
<b>Class 1 – Other Priority Claims</b>	<p><b>Class 1 is unimpaired.</b> Each holder of an Allowed Other Priority Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.</p> <p>Each holder of an Allowed Other Priority Claim shall receive Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Other Priority Claim becomes an Allowed Other Priority Claim by Final Order of the Bankruptcy Court.</p> <p>Any proof of claim filed by the holder of an Other Priority Claim that is filed after the Bar Date shall be deemed disallowed unless such proof of claim is deemed to be timely filed by Final Order of the Bankruptcy Court issued pursuant to motion of such holder filed no later</p>



<u>Class Description</u>	<u>Treatment Under The Plan</u>
	<p>than thirty (30) days after the Effective Date, after notice and a hearing, upon proving excusable neglect.</p> <p>The Debtors estimate that there will be no more than \$48,300.00 of Allowed Other Priority Claims.</p>
<p><b>Class 2 – Senior Secured Noteholders’ Claims</b></p>	<p><b>Class 2 is impaired.</b> The Class consists of three subclasses; (i) Subclass 2A consists of the Allowed Indenture Trustee Fee and Expense Claim; (ii) Class 2B consists of the Allowed Secured Claim of the Senior Secured Noteholders; and (iii) Class 2C consist of the Allowed Senior Secured Noteholder Deficiency Claims. Each holder of a claim in Class 2A and 2B is entitled to vote to accept or reject the Plan.</p> <p>(2) <u>Treatment of Claim.</u> Class 2 Claims shall be paid and satisfied as follows:</p> <p>(a) The Debtors / Liquidating Trustee shall deliver to the Indenture Trustee for the benefit of Class 2 Claimants within five (5) business days of the Closing Date that portion of the consideration received by the Debtors in connection with the Closing of the Stock Purchase Agreement as follows:</p> <p>(i) In the event of a sale to UFEX, the New Notes, or</p> <p>(ii) In the event of a sale to a Prevailing Purchaser, other than UFEX, the consideration received by Sellers thereunder, but less the Break Up Fee and less the amounts outstanding under the UFEX DIP Financing.</p> <p>In the event of a sale to UFEX, and upon receipt by the Liquidating Trust of funds sufficient to pay the UFEX DIP Financing Claim, the Liquidating Trustee will deliver to the Indenture Trustee for the Class 2 Claimants, cash in the amount of the UFEX DIP Financing less the amount of the Debtors Section 506(c) Claims. These deliveries will satisfy in full the Subclass 2A and Subclass 2B</p>

<u>Class Description</u>	<u>Treatment Under The Plan</u>
	<p>Claims.</p> <p>In satisfaction of the Senior Secured Noteholder Deficiency Claim, within one hundred twenty (120) days after the Effective Date, holders Subclass 2C Claimants will receive a distribution of Available Cash, which shall be shared Pro Rata with other holders of Subclass 2C Claims and holders of Class 4 Claims; <u>provided, however</u>, that if Class 4 has voted to accept the Plan (thereby entitling Class 4 to receive twenty percent 20% of the Available Cash), then each holder of an Allowed Subclass 2C Claim shall receive its Pro Rata share of the remaining eighty percent (80%) of Available Cash within one hundred twenty (120) days after the Effective Date. The Liquidating Trustee shall make subsequent distributions of Available Cash to holders of Allowed Class 4 Claims and Allowed Class 2C Claims in the same ratio in accordance with the Plan, subject to the conditions and limitations set forth in this Article IV.B.2.</p> <p>The Debtors estimate that (a) the Allowed Indenture Trustee Fee and Expense Claim will be approximately \$100,000.00, (b) the Senior Secured Noteholders Claims without taking into consideration the value of the Collateral Securing the Claim is approximately \$300,000,000. The value of the payment to Class2B Claimants on the secured claim will depend upon the amount of the payment to be paid by Ufex or such other Prevailing Purchaser under the Stock Purchase Agreement. The amount of the Senior Secured Noteholders Deficiency Claim is expected to exceed \$200,000,000.</p>
<b>Class 3 – Other Secured Claims</b>	<p><b>Class 3 is impaired.</b> Class 3 Claims consist of all Allowed Secured Claims, if any, held by any persons other than Class 2A and 2B under this Plan.</p> <p>(a) Subclass 3A – Secured Tax claims. At the applicable Debtor's option (and with the consent of the Liquidating Trustee), a Secured Tax Claim holder will either (i) receive a</p>

<u>Class Description</u>	<u>Treatment Under The Plan</u>
	<p>payment equal to 100% of its Allowed Secured Claim in Subclass 3A, on or immediately after the Effective Date, with such interest as may be properly allowed under Applicable bankruptcy and non-bankruptcy law, in which case the applicable Debtor shall receive the collateral securing the Claim free and clear of any Liens thereon or claims thereon, or (ii) have its collateral returned. The Debtors reserve their respective rights to seek approval of any settlement with any holder of a Secured Tax Claim prior to Confirmation of this Plan.</p> <p>(b) Other Secured Claims. At the applicable Debtor's option (and with the consent of the Liquidating Trustee), on the later of (i) the Effective Date or (ii) the date its Contested Claim is Allowed as A Secured Claim by a Final Order, a holder of Secured Claim in a Subclass of an Allowed Secured Claim not treated under Class 3A will either (i) receive the indubitable equivalent of its collateral as determined by the Bankruptcy Court in cash or a note secured by its collateral or (ii) have its collateral returned to it. Any Deficiency Amount in respect of a Subclass of an Allowed Secured Claim will be treated as part of Class 4 below. This election on which treatment option the applicable Debtor will use to treat the miscellaneous secured claim will be made by the later of (i) the Effective Date or (ii) when the Claim is Allowed as a Secured Claim by a Final order. The Allowed Secured Claim may include such interest, attorney's fees and other charges as may be permitted under Section 506 of the Bankruptcy Code and other applicable law.</p> <p>At this time Debtors do not believe there will be any Allowed Other Secured Claims</p>
<b>Class 4 – General Unsecured Claims</b>	<p><b>Class 4 is impaired.</b> Each holder of an Allowed Class 4 Unsecured Claim is entitled to vote to accept or reject the Plan.</p> <p>(1) <u>Treatment.</u> Each holder of an Allowed General Unsecured Claim shall receive, in satisfaction of its Allowed General Unsecured</p>

<u>Class Description</u>	<u>Treatment Under The Plan</u>
	<p>Claim, the following:</p> <p>a. If Class 4 has voted to accept the Plan, each holder of an Allowed Class 4 Claim shall receive its Pro Rata share of twenty percent [20%] of Available Cash within one hundred twenty (120) days after the Effective Date.</p> <p>b. If the Class 4 has voted to reject the Plan, within one hundred twenty (120) days after the Effective Date, each holder of an Allowed Claim 4 Claim shall receive a distribution of Available Cash, which shall be shared Pro Rata with holders of Subclass 2C Claims and other holders of Class 4 Claims</p> <p>(2) <u>Subsequent Distributions.</u> The Liquidating Trustee shall make subsequent distributions of Available Cash to holders of Allowed Class 4 Claims and Allowed Class 2C Claims in the same ratio in accordance with the plan, subject to the conditions and limitations set forth in this Article IV.D.2.a. and Article IV.D.2.b.</p> <p>(3) <u>Late-Filed Proofs of Claim.</u> Any proof of claim filed by the holder of an Unsecured Class 4 Claim that is filed after the Bar Date shall be deemed disallowed unless such proof of claim is deemed to be timely filed by Final Order of the Bankruptcy Court issued pursuant to motion of such holder filed no later than thirty days after the Effective Date, after notice and a hearing, upon proving excusable neglect.</p> <p>The Debtors estimate that there will be between \$3.7 million and \$12.7 million in Allowed Class 4 Claims; depending on the outcome of certain claim disputes.</p>
<b>Class 5 – Equity Interests</b>	<p><b>Class 5 is impaired.</b> Each holder of an Equity Interest (including all Owners of publicly traded common, Senior Preferred and Junior Preferred Shares) shall receive nothing under the Plan and is conclusively presumed to have rejected the Plan as a holder of an Equity Interest, and is not entitled to vote to accept or reject the Plan. Class 6 shall be deemed to have</p>

<u>Class Description</u>	<u>Treatment Under The Plan</u>
	<p>voted to reject the Plan.</p> <p><u>Cancellation of Equity Interests.</u> All Equity Interests in each Debtor shall be deemed automatically canceled on the Effective Date.</p>

**B. Effective Date**

The Effective Date means the later of (i) the Closing Date (described as the date of the Closing of the sale of the Caspi Neft Shares) or (ii) the eleventh day after the Confirmation Date, calculated in accordance with Bankruptcy Rule 9006, unless the Confirmation has been stayed or any of the other conditions set forth in Section V of this Plan have not been met, in which event it is the first day after such stay is no longer in effect or such conditions have been met (that is also eleven days after the Confirmation Date) calculated in accordance with Bankruptcy Rule 9006, or such later date as the Debtors and Ufex or the Prevailing Purchaser shall unanimously agree to in writing to close the sale of the Caspi Neft Shares.

**C. Acceptance of the Plan**

A Class of Claims or Interests shall have accepted the Plan if it is accepted by the holders of at least two-thirds in an amount and more than one-half in number of the Claims or Interests that are Allowed or deemed Allowed for voting purposes and that have actually voted on the Plan. Classes of Claims or Interests that are entitled to vote on the Plan are identified in Section XI of this Disclosure Statement. The votes of insiders are not counted in determining whether at least one class of impaired creditors has accepted the Plan for purposes of Section 1129(a)(10) of the Bankruptcy Code. The requirements for Confirmation of the Plan are discussed in Section VI of this Disclosure Statement.

**V.**

**THE PLAN**

**A. General Description of the Plan**

This is the Debtors' Joint Consolidated Plan of Liquidation. The Debtors are consolidating their assets and liabilities for purposes of the Plan. The liabilities of the subsidiary Debtors are minimal except for the obligations owed to the Senior Secured Noteholders. Because of the direct obligations to the Senior Secured Noteholders and guarantees the Co-Debtors, the obligations to the Senior Secured Noteholders of in excess of \$300 million are a joint obligation. The assets of the joint Debtors, except for the ownership interest of Caspi Neft, which is collateral for the Allowed Secured Claim of the Senior Secured Noteholders, consist primarily of accounts and litigation receivables against Mike Husser and his companies, Dingo Drilling and Oilfield Tools.net ("Husser Group"). The claims against the Husser Group consist of approximately \$1.25 million in payments still outstanding on the sale of the rig loan to TEI. Also included are claims for loans/advances to the Defendants of \$265,000 plus pre-judgment interest. There is an individual claim for breach of a stock option agreement against Mr. Husser in the sum of at least \$36,000. There are also claims against these Defendants for office space lease and

a telephone system purchased from the Debtor pre-petition in the sum of \$36,659 and \$2,200 respectively. Finally, there are rig lease payments owed by the Husser Group of approximately \$100,000. The total amount of these claims is \$1,664,859.00.

In addition to the debt owed to the Senior Secured Noteholders, the Debtors have between \$3.75 million and \$12.75 million in unsecured claims. The differential consists of a claim against the Debtors by United Energy Group Limited ("UEG") seeking recovery of pipe and other equipment allegedly worth \$12 million for which the Debtors believe there is at least \$3 million worth of equipment available to be delivered. This is a claim jointly against the Debtor and Caspi Neft. Both Caspi Neft and the Debtor believe that they have viable defenses to these claims by UEG.

## **B. Means for Implementation of The Plan**

The Plan is a liquidating Plan and its implementation involves liquidation of all the assets of the Debtors. The principal asset consists of the Caspi Neft Shares which should be liquidated pursuant to the Stock Purchase Agreement between the Debtors and Erlan Sagadiev and his company, Ufex Advisors, Corp. (aka Ufex Advisors, LLC). The net proceeds of this sale will be disbursed to the Indenture Trustee and the Senior Secured Noteholders at the Closing/Effective Date.

The remaining assets of the Debtors will include the litigation and recovery claims against the Husser Group and potential claims and causes of action against the Debtors' former management, consisting of certain officers and directors. These will be transferred to a Liquidating Trust. The Liquidating Trustee will be responsible for liquidation of those claims by litigation or compromise. The Liquidating Trustee will engage counsel to pursue these claims on a contingency fee basis which will minimize the cost to the Liquidating Trust. The Liquidating Trustee will negotiate contingency fee agreements which will pay to contingency fee litigation counsel a sum of between 35% and 40% of the proceeds received, if claims are paid without an appeal; and up to 45% if claims are paid after an appeal. The specific terms of the Liquidating Trust Agreement can be found in the copy attached to the Plan.

## **C. Classification and Treatment of Claims and Interests**

(i) Administrative Expense Claims and Priority Tax Claims against the Debtors constitute claims given a priority in payment and are unimpaired.

The Administrative Expense Claims include any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of its business for the acquisition or lease of property or rendition of services, any allowance of compensation or reimbursement of expenses to the extent allowed by Final Order under Section 330 of the Code, whether arising before or after the consummation date (and fees and charges assessed against the Estate of the Debtors under 28 U.S.C. § 1930). The Administrative Expense Claims against the Debtors are expected to be any unpaid monies to the U.S. Trustee, any allowed monies due to the attorneys, accountants or financial advisors for the Debtors, any unpaid allowed administrative claims for taxes or by suppliers or lessees for goods and services. The Debtors expect that all administrative expenses will be paid from the Ufex DIP Financing, if allowed, prior to the Effective Date or



thereafter by the Liquidating Trustee from an Administrative Expense Reserve to be established from the Ufex DIP Financing.

Priority Tax Claims. Certain pre-petition tax claims by the United States government are entitled to priority under Section 507(a)(8) and will be paid in cash prior to the Effective Date from funds from the Ufex DIP Financing. The Priority Tax Claims are estimated to be not greater than \$29,000.00.

(ii) Class 1 – Other Priority Claims. All owed Priority Wage Claims given priority under Section 507(a)(4)(A) are anticipated to be only the salaries of certain individuals who were former employees of the company. This Class consists of Claims in a sum of not more than \$48,300.00 and Allowed Class 2 Claims are expected to be paid from advances to be made under the Ufex DIP Financing.

(iii) Class 2 – Senior Secured Noteholders and Indenture Trustee Claims. These claims consist of three classes, including the Class 2A Secured Indenture Trustee Fee and Expense Claim of approximately \$100,000.00 and the Class 2B Senior Secured Noteholder Secured Claim. The Class 2A and Class 2B claimants will receive in satisfaction of their Approved Claims in the amount and form (cash and /or notes) of the net proceeds to be received under the sale of the Caspi Neft Shares pursuant to the Stock Purchase Agreement. The net proceeds received by the Debtors pursuant to the Stock Purchase Agreement will be distributed to the Indenture Trustee for the benefit of the Subclass 2A and Subclass 2B Secured Creditors.

Subclass 2C is the Allowed Senior Secured Noteholder Deficiency Claim which is expected to exceed \$200 million and will be satisfied by combining all Allowed Subclass 2C Claims with all General Unsecured Claims in Class 4 and the group will share distributions of Available Cash on a pro-rated basis. Provided, however, that if Class 4 has voted to accept the Plan, it is entitled instead to receive a distribution of Available Cash equivalent to 20% of any and all Available Cash to be shared pro-rata among only members of Class 4. In such event, the holder of an Allowed Subclass 2C claim would receive its pro-rata share among other Subclass 2C claimants of the remaining 80% of the Available Cash. The initial distribution will be made within 120 days after the Effective Date. Thereafter, the Liquidating Trustee shall make subsequent Distributions of Available Cash in the same ratio and manner as the initial distribution of Available Cash.

(iv) Class 3 – Other Secured Claims. Class 3 claims would consist of all Allowed Secured Claims other than those held by Class 2A and Class 2B Claimants under the Plan. If an Other Secured Claim is a Subclass 3A Secured Tax Claim, the holder will receive payment equal to 100% of its Allowed Secured Claim in Class 3 on or immediately after the Effective Date with interest as may be properly allowed under applicable bankruptcy and non-bankruptcy law. The Debtor shall receive the collateral securing the claim free and clear of any liens or may return the collateral to the Claimant in lieu of payment.

(v) Class 4 – General Unsecured Claims. If Class 4 has voted to reject the Plan, then the claims in Class 4 and the Subclass 2C claims consisting of the Senior Secured Noteholder Deficiency Claims will be combined and the Available Cash will be disbursed to the combined members of both Classes by the Liquidating Trustee to be shared on a pro-rated basis with the holders of Subclass 2C claims and other holders of Class 4 Claims. Provided, however, that if



Class 4 has voted to accept the Plan, it is entitled instead to receive a distribution of Available Cash equivalent to 20% of any and all Available Cash to be shared pro-rata among only members of Class 4. Those distributions will continue to be made in accordance with the same proration established in connection with the initial distribution.

(vi) Class 5 – Equity Security Holders Claims. Equity Security Holders will receive no payments or property under the Plan. All equity interest in each Debtor shall be deemed automatically cancelled by the Effective Date.

The Plan classifies Claims and Equity Interests separately in accordance with the Bankruptcy Code and provides different treatment for different classes of claims and interests. As described more fully below, the Plan provides separately for each class, either that the claims or interests are unimpaired or that the holders of the claims or interest will receive certain payments detailed in the Plan, thereby giving effect to the different rights of the holders of claim settlement, satisfaction and discharge of all claims against the Debtors, unless otherwise stated. Upon confirmation of the Plan, the Debtors will be discharged from all claims that have arisen before the confirmation date, except for payments and distributions provided for in the Plan or in the Confirmation Order.

#### **D. Contested Claims and Interests**

(1) Disputed Claim Reserve. Disputed Claims Reserve shall be established and managed by the Liquidating Trustee of the Liquidating Trust for the treatment of Disputed Claims. The Liquidating Trustee shall deposit from the Trust into a Disputed Claims Reserve an amount equal to the Pro Rata share of the distribution allocable to Disputed Claims, as if such Claims were Allowed Claims. The Disputed Claims Reserve shall be held in trust by the Liquidating Trustee for the benefit of the holders of Allowed Claims whose Distributions are unclaimed and the holders of such Disputed Claims pending a determination of their entitlement thereto under the terms of the Plan.

(1) Distributions Upon Allowance of Disputed Claims Entitled to Payment in Full in One Payment. The holder of a Claim entitled to payment in full on one specific payment date, which Claim is a Disputed Claim on such payment date, but which Claim subsequently becomes an Allowed Claim, shall receive payment of its Allowed Claim within thirty (30) Business Days following the date on which such Claim becomes a Allowed Claim pursuant to a Final Order.

(2) Distributions Upon Allowance of Disputed Claims Entitled to Payment in Full in Installment Payments. The holder of a Claim entitled to payment in installments, which Claim is a Disputed Claim on the initial or any later date the installment would otherwise be made, but which Claim subsequently becomes an Allowed Claim, shall receive the amount of any missed installments on the first date payments to other holders of Claims in the same Class are scheduled to be made that arises after the date on which such Claim becomes an Allowed Claim by Final Order. If such Claim does not become an Allowed Claim until after all the other Claims in the Class have received their total distributions as authorized under the Plan, then the holder thereof shall receive payment of its Allowed Claim within ten (10) Business Days following the date on which such Claim becomes an Allowed Claim pursuant to a Final Order.

**E. Executory Contracts and Unexpired Leases**

The Debtors are a party to executory contracts with Gary Neus and Fred Zeidman as Co-Chief Restructuring Officers for the Debtors wherein Mr. Neus and Mr. Zeidman are providing services to the company. These contracts will be rejected at confirmation. The Debtor TMY was party to the Sagadiev Retention Agreement. This agreement has been modified in connection with Erlan Sagadiev's participation in the Stock Purchase Agreement with Ufex and is assumed only as described therein and is otherwise rejected and claims arising therefrom are released and discharged.

The Debtors are also party to other operating agreements for the Data Room and storage contracts for storage of important papers. The Data Room agreement will be rejected at or before Confirmation. The storage agreement will be assumed and become an obligation of the Liquidating Trust.

**G. Retention of Jurisdiction**

The Bankruptcy Court shall have sole and exclusive jurisdiction over all matters arising out of, and related to, the Cases and the Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

(1) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of Claims resulting therefrom;

(2) To hear and determine any contested matter or adversary proceeding relating to or arising from the Liquidating Trustee's use or disposition of Trust Property and acquisition of other property;

(3) To determine any and all Causes of Action, adversary proceedings (including avoidance actions), applications and contested matters;

(4) To hear and determine any objection to Administrative Claims or Claims;

(5) To hear and determine any objection to a proposed settlement or compromise;

(6) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

(7) To issue orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(8) To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(9) To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code and the

Plan as provided in Article II and all objections to the fees and expenses of the Liquidating Trustees or their professionals or counsel retained by the Post-Confirmation Committee as provided in Article V above;

(10) To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

(11) To recover all assets of the Debtors or the Liquidating Trust, wherever located;

(12) To hear and determine all matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

(13) To hear and determine all issues arising with respect to the Liquidating Trust or the Liquidating Trustee, including any issues relating to the Liquidating Trustee's duties and rights;

(14) To hear and determine any applications for the assumption and assignment or rejection of executory contracts and leases that may be designated by the Debtors prior to the Confirmation Hearing, and assumed and assigned or rejected thereafter, and the allowance of Claims resulting therefrom;

(15) To hear any other matter not inconsistent with the Bankruptcy Code; and

(16) To enter a final decree closing the Cases.

## VI.

### CONFIRMATION AND CONSUMMATION PROCEDURE

#### A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a Plan. By order of the Bankruptcy Court, the Confirmation Hearing on the Plan and the hearing to consider final approval of the Disclosure Statement have been scheduled for \_\_\_\_\_, 2009 at \_\_\_\_ a.m. in Courtroom \_\_\_\_, 4<sup>th</sup> Floor, United States Courthouse, 515 Rusk Street, Houston, Texas 77002. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan or to final approval of the Disclosure Statement must be made in writing and filed with the Bankruptcy Court and served upon the following party, together with proof of service, on or before 5:00 p.m., Houston Time, on \_\_\_\_\_, 2009:

John Wesley Wauson  
Wauson ♦ Probus  
One Sugar Creek Center Blvd., Suite 880

Sugar Land, Texas 77498  
(281) 242-0303 – Telephone  
(281) 242-0309 – Fax

Objections to confirmation of the Plan are governed by the Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION AND/OR AN OBJECTION TO THE FINAL APPROVAL OF THE DISCLOSURE STATEMENT IS TIMELY SERVED AND FILED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

**B. Disclosure and Solicitation**

This Disclosure Statement is presented to the holders of Claims and Interests in Impaired Classes that receive or retain property pursuant to the Plan to satisfy the requirements of Bankruptcy Code §§ 1125 and 1126. Bankruptcy Code § 1125 requires that full disclosure be made to all holders of Claims and Interests in Impaired Classes that receive or retain property pursuant to a plan at the time, or before, solicitation of acceptances of such plan is commenced.

**C. Acceptance of The Plan**

The Bankruptcy Code defines acceptance of a plan by a Class of Creditors or Interest holders as acceptance by holders of more than two-thirds in dollar amount and more than one-half in number of the Claims of that Class that have timely voted on a plan. A vote may be disregarded if the Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

A vote to accept or reject the Plan can only occur by proper submission of a duly executed ballot. Failure of a holder to vote does not constitute a vote to reject the Plan by that holder. **EACH HOLDER OF A CLAIM SHOULD SEEK SUCH INDEPENDENT LEGAL AND/OR BUSINESS ADVICE AS IT DEEMS APPROPRIATE REGARDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.**

**D. Classification**

The Debtors are required under Code § 1122 to classify the Claims and Interests of their respective Creditors and Interest holders into Classes that contain Claims and Interests that are substantially similar to the other Claims or Interests in such Class. The Plan can be confirmed so long as there is one consenting Class of Impaired Claims as to each estate (not including the votes of insiders), and so long as the other requirements for Confirmation that do not involve voting are met.

**E. Confirmation**

The Bankruptcy Code requires the Court, after notice, to hold a Confirmation Hearing. At the Confirmation Hearing, the Court will confirm the Plan only if all the requirements of § 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation of a plan are that the plan is (i) accepted by all Impaired Classes of Claims and Interests or, if rejected by an Impaired Class, that the plan “does not discriminate unfairly” and is “fair and equitable” as to such

Impaired Class; (ii) feasible; and (iii) in the “best interests” of rejecting Creditors and Interest holders impaired under the Plan.

1. Acceptance

Classes 2 and 4 and applicable subclasses therein are Impaired under the Plan and, therefore, must accept the Plan in order for it to be Confirmed without application of the “fair and equitable” test. For Confirmation despite rejection by a Class, the court must determine that the Plan is “fair and equitable” with respect to the rejecting Class. The Debtors do not intend to solicit Class 5 and will treat that Class as having rejected.

The “fair and equitable” test is described below under the heading “Confirmation without Acceptance by All Impaired Classes.”

2. Feasibility

Ufex, the proposed purchaser and the provider of the Ufex DIP Financing, will have committed the resources through the DIP Financing to fund the Administrative Expenses and cash distributions under the Plan and the Litigation Reserves necessary Post-Confirmation to allow the Liquidating Trustee to liquidate litigation assets.

Ufex, if it is the successful bidder, will purchase the shares of Caspi Neft pursuant to a credit bid acceptance to the Senior Secured Noteholders whose claim is secured by the shares of Caspi Neft and who will receive the New Notes. Any Prevailing Purchaser other than Ufex will be prequalified and financially capable of funding the transaction.

3. Best Interests Test

With respect to each Impaired Class, Confirmation of the Plan requires that each holder of an Allowed Claim or Allowed Interest in such Class either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if Debtors were liquidated under Chapter 7 of the Bankruptcy Code. Under the Debtors’ liquidation analysis attached as Exhibit II hereto, the projected payout for Debtors’ unsecured Creditors in a Chapter 7 case including the deficiency claim of the Senior Secured Bondholders, less than \_\_%, which is substantially less than the likely range of recoveries under the Plan. See Section \_\_, “Alternatives to Confirmation and Consummation of the Plan,” and the liquidation analysis attached as Exhibit II hereto for a further discussion of why the Debtors believe that this test is met. The liquidation analysis assumes that the estates would be liquidated prior to any closing of a going concern Caspi Neft sale and that there would be no party willing to fund the estates to such a closing. The Debtors believe this is supported by the evidence in these proceedings that none of the potential pre-petition bidders were willing to provide acceptable financing.

4. Confirmation Without Acceptance By All Impaired Classes

The Bankruptcy Code provides that, so long as at least one Impaired Class of the applicable bankruptcy estate (other than insiders) accepts the Plan, the estate can nevertheless seek Confirmation of the Plan. To obtain such Confirmation, that estate must demonstrate to the



Court that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to these and any other dissenting Classes. The “unfair discrimination” test requires, among other things, that the Plan recognize the relative priorities among Creditors and Interest holders.

The Bankruptcy Code establishes different “fair and equitable” tests for secured Creditors, unsecured Creditors and Interest holders the respective tests include the following requirement:

a. Secured Creditors

Either (i) Each Impaired Secured Creditor of the rejecting Class (a) retains its liens in the collateral securing such Creditor’s Claim or in the proceeds thereof to the extent of the allowed amount of the Secured Claim and (b) receives deferred cash payments in at least the allowed amount of such Secured Claim with a present value at the Effective Date at least equal to such Creditor’s interest in its collateral or in the proceeds thereof or (ii) the Plan provides each Impaired Secured Creditor with the “indubitable equivalent” of its Secured Claim.

b. Unsecured Creditors

Either (i) each Impaired Unsecured Creditor of the rejecting Class receives or retains under the Plan property of a value equal to the amount of its Allowed Claim or (ii) the holders of Claims and Interests that are junior to the Claims of the dissenting Class do not receive or retain any property under the Plan.

The Debtors believe that the Plan can meet the applicable tests described above, even in the event that it is rejected by the holders of one or more Classes of Claims and Interests. The Debtors and Plan Sponsor reserve all of their other rights and arguments as to all classes in connection with the confirmation hearing on the Plan.

The Bankruptcy Code provides for confirmation of a plan even if the plan is not accepted by all Impaired Classes as long as at least one Impaired Class of Claims has accepted it and the other non-voting requirements of a Confirmation are met. These “cramdown” provisions for confirmation of a plan, despite the nonacceptance of one or more Impaired Classes of Claims or Interests, are set forth in Bankruptcy Code § 1129(b).

## VII.

### CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The tax considerations to holders of claims and interests in a Chapter 11 liquidation are complex and are beyond the scope of this Disclosure Statement. **EACH HOLDER OF A CLAIM OR INTEREST IN OR AGAINST THE DEBTOR IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR OR OTHER PROFESSIONAL TO MAKE A DETERMINATION OF ANY TAX CONSEQUENCES OF THE DEBTORS’ PLAN OF LIQUIDATION.**

## VIII.

### CERTAIN RISK FACTORS AND OTHER CONSIDERATIONS

#### A. Litigation Risks

The Debtors' proposed recovery of at least \$1 million (\$1.6 million of the Husser Group claims less approximately \$600,000 in contingency fees and expenses estimated by the Debtors) is based upon the successful recovery of the claims against the Husser Group and collection of any judgment rendered against them. While the Debtors believe that the Debtors' records establish clear liability for the claims, there is some concern about the collectability of a judgment against the Husser Group. With regard to the claims against management, including former officers, directors, affiliates and third parties, the investigation has not been completed and, accordingly, no reasonable estimate of this value can be attained. It should be noted that all litigation is subject to risks; including the vagaries of decision by a finder of fact, whether judge or jury; collectability; and related issues.

#### B. Forward-Looking Statements in This Disclosure Statement May Prove To Be Inaccurate

Many of the statements included in this Disclosure Statement contain forward-looking statements and information relating to the Debtors and Reorganized PSC. These forward looking statements are generally identified by the use of terminology such as "may," "will," "could," "should," "potential," "continue," "expect," "intend," "plan," "estimate," "project," "forecast," "anticipate," "believe," or similar phrases or the negatives of such terms. These statements are based on the beliefs of management as well as assumptions made using information currently available to management. Such statements are subject to risks, uncertainties and assumptions, including those identified in the foregoing "Risk Factors," as well as other matters not yet known or not currently considered material by management. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not guarantee future performance. You should recognize these statements for what they are and not rely on them as facts. None of the Debtors or Reorganized PSC undertakes any obligation to update or revise any of these forward-looking statements to reflect new events or circumstances after the date of this Disclosure Statement.

## IX.

### ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not Confirmed or consummated, the alternatives include, in addition to dismissal of the Cases, (i) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code or (ii) an alternative Chapter 11 plan.

#### A. Liquidation Under Chapter 7



If no plan can be Confirmed or the Court determines other cause exists for conversion, the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code. In Chapter 7, a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to Creditors in accordance with priorities established by the Bankruptcy Code.

Under the Debtors' liquidation analysis attached as Exhibit II hereto, the projected payout for Debtors' unsecured Creditors in a Chapter 7 case including the deficiency claim of the Senior Secured Noteholders is nothing, which is substantially less than the likely range of recoveries under the Plan. The Debtors believe that the primary factors driving that result are: (a) expected loss of the value of Caspi Neft; (b) the fact that Debtors' assets would be valued at liquidation as opposed to going-concern values; (c) depressed asset values associated with a Chapter 7 disposition of assets; (d) additional administrative expenses involved in the appointment of a trustee, attorneys and other Professionals to assist such trustee and the need to extensively study these Cases in order to fulfill their fiduciary duties; and (e) delays while a Chapter 7 trustee employs professionals to analyze issues and research the background of Debtors, their assets and liabilities and the recovery analysis. Indeed, Debtors' liquidation analysis concludes that little or no distributions would be made to Creditors with Unsecured Claims under a Chapter 7 liquidation and that the Senior Secured Noteholders would likely receive nothing by virtue of their secured claims.

#### **B. Alternative Plan(s) of Reorganization**

If the Debtors' exclusive period to file a plan of reorganization and solicit acceptances of a plan of reorganization has expired pursuant to § 1121 of the Bankruptcy Code, other parties could propose their own plans of reorganization for the Debtor. The Debtors' current exclusive right to file a plan of reorganization continues through November 30, 2009 and their current exclusive right to solicit Ballots continues through November 30, 2009, without prejudice to their right to seek a further extension of their rights to solicit acceptance of the Plan and without prejudice to any party's rights to seek to shorten the exclusivity periods. The Debtors have consented to the Plan Sponsor being a co-Plan Proponent due to the Plan Sponsor's leading role in post-confirmation management and its financial commitments to Reorganized PSC set forth above.

The Debtors believe that Confirmation and implementation of the Plan is preferable to either of the above-described alternatives and recommend that all Creditors vote in favor of the Plan.

### **X.**

#### **VOTING INSTRUCTIONS**

##### **A. Classes Entitled to Vote**

Classes 2 and 4 are Impaired and may receive or retain property pursuant to the Plan; therefore, all Persons holding Claims or Interests in those Classes are entitled to vote to accept or reject the Plan provided that either: (i) the Claim has been scheduled by the applicable Debtor and such Claim is not scheduled as disputed, contingent or unliquidated, as set forth in the Debtors' most current schedules; or (ii) the claimant has timely filed a proof of Claim and the

Debtor has not been notified of an objection to such Claim. If the applicable Debtor has filed an objection to a claim, then the holder of such claim may not vote on the Plan unless the Claimant has obtained an order from the Court upon notice and hearing allowing such claim for voting purposes.

**B. Classes Not Entitled to Vote**

Class 5 is impaired and does not receive or retain any property under the Plan and, therefore, are conclusively presumed to reject the Plan under Code § 1126(g). If the Court requires, notice will be provided to interest holders notifying them of such treatment and the date of the confirmation hearing for the Plan.

**C. Ballots**

Separate Ballots are used for each Class of Claims or Interests. In addition, separate pre-addressed return envelopes are supplied for voting. Creditors or Interest holders should take care to use the proper pre-addressed envelope to ensure that Ballots are returned to the proper address.

**D. Voting Multiple Claims and Interests**

**ANY PERSON WHO HOLDS CLAIMS OR INTERESTS IN MORE THAN ONE CLASS IS REQUIRED TO VOTE SEPARATELY WITH RESPECT TO EACH CLASS IN WHICH SUCH PERSON HOLDS CLAIMS OR INTERESTS. PLEASE USE A SEPARATE BALLOT OR THE APPROPRIATE FORM TO VOTE EACH SUCH CLASS OF CLAIM OR INTEREST. IF, HOWEVER, A CREDITOR CASTS MORE THAN ONE BALLOT VOTING THE SAME CLAIM OR INTEREST PRIOR TO THE VOTING DEADLINE, ONLY THE LAST BALLOT RECEIVED SHALL BE COUNTED.**

**E. Incomplete Ballots**

**ANY BALLOT RECEIVED WHICH DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED TO CONSTITUTE AN ACCEPTANCE OF THE PLAN.**

**F. Expiration Date**

**THE SOLICITATION PURSUANT TO THIS DISCLOSURE STATEMENT WILL EXPIRE ON \_\_\_\_\_ 2009. TO BE COUNTED, YOUR BALLOTS MUST BE RECEIVED BY 4:00 P.M. CENTRAL TIME ON \_\_\_\_\_ 2009. THE DEBTORS RESERVE THE RIGHT TO EXTEND THIS SOLICITATION FOR SUCH PERIOD OR PERIODS AS THEY MAY DETERMINE UPON APPROVAL BY THE COURT. THE DEBTORS WILL PROVIDE SUCH NOTICE AS REQUIRED BY APPLICABLE LAW AND/OR AN ORDER OF THE COURT.**

**XI.**

**POST-CONFIRMATION DISCLOSURES**

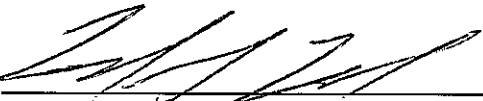
Assuming a successful sale of the Caspi Neft Shares, post-confirmation, all of the Debtors' assets, including all claims against former management and any pending collection suits for recovery of the rig proceeds and the other claims against the Husser Group, will be transferred to the Liquidating Trust. Gary Neus, who has some history with the company and a background in fraud examination, will be responsible, as Liquidating Trustee, for evaluating the existence of claims by the Trust against former management and third parties. The Liquidating Trustee's compensation is proposed at \$200.00 per hour as part of the Liquidating Trust Agreement and will be presented to the Court for approval at the Confirmation Hearing. A Post-Confirmation Committee consisting of two unsecured creditor representatives and one Senior Secured Noteholder representative will be appointed and approved at confirmation to supervise certain aspects of the Liquidating Trustee's performance on behalf of the Liquidating Trust.

The Plan and the Liquidating Trustee's rights and obligations under the Liquidating Trust Agreement require that any litigation to recover assets, property or claims of the Estate post-confirmation will be pursuant to contingency fee agreements at a standard fee. The standard fees range between 35% - 40% through trial and 40% - 45% on appeal, depending upon whether expenses are paid by the Trustee or are advanced by the contingency fee attorneys. The Trustee anticipates trying to shift as much of the burden on litigation costs to the contingency fee attorneys, but this will reduce the net recovery to the Liquidating Trustee and the creditors by between 5% and 7%. The Plan also provides for the establishment of a Trustee's Reserve from the Ufex DIP Financing from which some litigation expenses and other expense costs for the Trustee can be paid and from which the Trustee's fees in connection with the litigation can be paid when there are no available funds from liquidation of other assets for payment of such expenses.

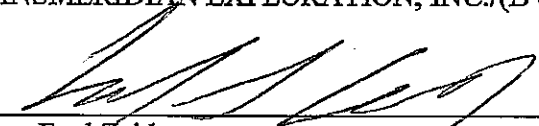
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

May 29, 2009

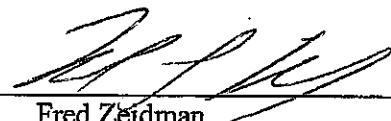
TRANSMERIDIAN EXPLORATION INCORPORATED

By:   
Fred Zeidman  
Its Co-Chief Restructuring Officer

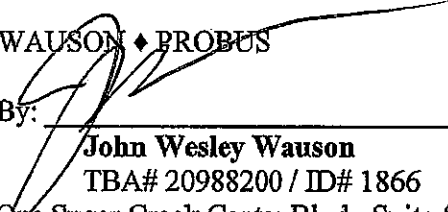
TRANSMERIDIAN EXPLORATION, INC./(BVI)

By:   
Fred Zeidman  
Its Co-Chief Restructuring Officer

BRAMEX MANAGEMENT, INC.

By:   
Fred Zeidman  
Its Co-Chief Restructuring Officer

WAUSON ♦ PROBUS

By:   
**John Wesley Wauson**  
TBA# 20988200 / ID# 1866  
One Sugar Creek Center Blvd., Suite 880  
Sugar Land, Texas 77498  
(281) 242-0303 – Telephone  
(281) 242-0306 – Fax  
[jwwauson@w-plaw.com](mailto:jwwauson@w-plaw.com) – email  
*Counsel for the Debtors*