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

IN RE:	§	**Chapter 11**
	§	
LUCA INTERNATIONAL GROUP LLC[1]	§	**CASE NO. 15-34221-H2-11**
	§	
	§	**Jointly Administered**
Debtors.	§	**Judge David R. Jones**
	§	

DEBTORS' PROPOSED FIRST AMENDED JOINT DISCLOSURE STATEMENT IN SUPPORT OF THEIR FIRST AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE

IMPORTANT: THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. IT IS NOT BEING PROVIDED TO YOU WITH THE INTENT TO SOLICIT YOUR VOTE TO ACCEPT ANY PLAN OF LIQUIDATION. THE DISCLOSURE STATEMENT IS MERELY BEING PROVIDED TO YOU AS A PART OF THE DISCLOSURE STATEMENT APPROVAL PROCESS PURSUANT TO FEDERAL RULES OF BANKRUPTCY PROCEDURE 3016 & 3017.

THE BANKRUPTCY COURT WILL CONDUCT A HEARING ON THE ADEQUACY OF THIS DISCLOSURE STATEMENT ON_____, 2016 AT _____ ___.M., IN COURTROOM 400, U.S. COURTHOUSE, 5I5 RUSK AVENTUE, HOUSTON, TEXAS 77002, BEFORE THE HONORABLE CHIEF UNITED STATES BANKRUPTCY JUDGE DAVID R. JONES.

[PAGE TO BE REMOVED AFTER DISCLOSURE STATEMENT APPROVED.]

Hoover Slovacek LLP
Galleria Tower II
5051 Westheimer, Suite 1200
Houston, Texas 77056
Tel: 713-977-8696

[1] The Debtors in these cases, along with the last four digits of their respective taxpayer ID numbers, are Luca International Group LLC (1086), Luca Operation, LLC (0343), Luca International Group (Texas) LLC (5577), Luca Barnet Shale Joint Venture, LLC (5340), Luca Energy Fund LLC (0677), Luca Energy Resources, LLC (3896), Luca Resources Group, LLC (1699), Luca I, LP (4104), Luca II, LP, (9778), Luca Oil, LLC (8161), Luca To-Kalon Energy LLC (3922), Luca Oil II Joint Venture (6604).

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

IN RE:	§	**Chapter 11**
	§	
LUCA INTERNATIONAL GROUP LLC[2]	§	**CASE NO. 15-34221-H2-11**
	§	
	§	**Jointly Administered**
Debtors.	§	**Judge David R. Jones**
	§	

FIRST AMENDED JOINT DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 AND BANKRUPTCY RULE 3016 IN SUPPORT OF DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION

THIS FIRST AMENDED JOINT DISCLOSURE STATEMENT IS SUBMITTED TO ALL CREDITORS OF THE DEBTORS ENTITLED TO VOTE ON THE PLAN OF LIQUIDATION HEREIN DESCRIBED AND CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT THE DEBTORS' JOINT PLAN UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS INTENDED TO PROVIDE ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE AS TO THE DEBTORS' FIRST AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION. ALL CREDITORS ARE URGED TO READ THE DISCLOSURE STATEMENT AND ATTACHMENTS WITH CARE AND IN THEIR ENTIRETY.

SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN OF LIQUIDATION HEREIN DESCRIBED AND ATTACHED AS EXHIBIT A, IS BEING SOUGHT FROM CREDITORS WHOSE CLAIMS AGAINST THE DEBTORS ARE IMPAIRED UNDER THE PLAN. CREDITORS ENTITLED TO VOTE ON THE PLAN ARE URGED TO VOTE IN FAVOR OF THE PLAN AND TO RETURN THE BALLOT INCLUDED WITH THIS DISCLOSURE STATEMENT UPON COMPLETION IN THE ENVELOPE ADDRESSED TO HOOVER SLOVACEK LLP, ATTENTION: EDWARD L. ROTHBERG, GALLERIA TOWER II, 5051 WESTHEIMER, SUITE 1200 HOUSTON, TEXAS 77056, NOT LATER THAN _____, AT _:_. _ _____.M. CENTRAL TIME.

[2] The Debtors in these cases, along with the last four digits of their respective taxpayer ID numbers, are Luca International Group LLC (1086), Luca Operation, LLC (0343), Luca International Group (Texas) LLC (5577), Luca Barnet Shale Joint Venture, LLC (5340), Luca Energy Fund LLC (0677), Luca Energy Resources, LLC (3896), Luca Resources Group, LLC (1699), Luca I, LP (4104), Luca II, LP, (9778), Luca Oil, LLC (8161), Luca To-Kalon Energy LLC (3922), Luca Oil II Joint Venture (6604).

Table Contents

FIRST AMENDED JOINT DISCLOSURE STATEMENT

The Debtors, Luca International Group LLC ("LIG"), Luca International Group (Texas) LLC ("LIGTX"), Luca Operation, LLC ("LOL"), Luca Barnet Shale Joint Venture, LLC ("LBSJV"), Luca Energy Fund LLC ("LEF"), Luca Energy Resources, LLC ("LER"), Luca Resources Group, LLC ("LRG"), Luca I, LP ("Luca I"), Luca II, LP ("Luca II"), Luca Oil, LLC ("Luca Oil"), Luca To-Kalon Energy, LLC ("LTKE"), and Luca Oil II Joint Venture (collectively referred to herein as "Debtors" or "Luca") debtors and debtors-in-possession herein, submit this First Amended Joint Disclosure Statement ("Disclosure Statement") under section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016 in Support of their First Amended Joint Chapter 11 Plan of Liquidation ("Plan") to all of their known Creditors.

I. INTRODUCTORY STATEMENT

Debtors submit this Disclosure Statement under 11 U.S.C. § 1125 in support of their First Amended Joint Chapter 11 Plan of Liquidation (the "Plan") filed by the Debtors pursuant Chapter 11 of the United States Bankruptcy Code in connection with their solicitation of acceptances of the Plan. A copy of the Plan is attached as Exhibit "A" for your review. All terms used in this Disclosure Statement but not otherwise defined herein have the meanings ascribed to such terms in the Plan.

The relevant bankruptcy case filing information is as follows:

Debtor Name	**Case No.**	**State Incorporated**
Luca International Group LLC	15-34221	California
Luca International Group (Texas), LLC	15-34224	Texas
Luca Operation LLC	15-34225	Louisiana
Luca Barnett Shale Joint Venture LLC	15-34226	California
Luca Energy Fund LLC	15-34227	Texas
Luca Energy Resources LLC	15-34229	Delaware
Luca Resources Group LLC	15-34230	Texas
Luca I LP	15-34321	Texas
Luca II LP	15-34233	Texas
Luca Oil LLC	15-34234	Texas
Luca To-Kalon Energy LLC	15-34235	Texas
Luca Oil II Joint Venture	15-34236	N/A

The Debtors have prepared this Disclosure Statement to disclose that information which, in their opinion, is material, important, and necessary to an evaluation of the Plan. Pursuant to the terms of the United States Bankruptcy Code, this Disclosure Statement must be presented to and approved by the Bankruptcy Court. Such approval is required by statute and does not constitute a judgment by the Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereby.

The material herein contained is intended solely for the use of known creditors and interest holders of the Debtors, and may not be relied upon for any purpose other than a determination by them of how to vote on the Plan. As to Contested Matters, Adversary Proceedings and other actions or threatened actions, the Disclosure Statement and exhibits shall not constitute or be construed as an admission of any fact or liability, stipulation or waiver, but rather as a statement made in settlement negotiations under Rule 408 of the Federal Rules of Evidence. This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding nor shall it be construed as to be advice on the tax, securities or other legal effects of the plan as to the holders of claims against or equity interests in the Debtors or their affiliates.

To ensure compliance with Treasury department circular 230, each holder of a claim or interest is hereby notified that: (a) any discussion of U.S. Federal Tax issues in this disclosure statement is not intended or written to be relied upon, and cannot be relied upon, by any holder for the purpose of avoiding penalties that may be imposed upon a holder under the Tax Code; (b) such discussion is included hereby by the Debtors in connection with the promotion or marketing (within the meaning of Circular 230) by the Debtors of the transactions or matters addressed herein; and (c) each holder should seek advice based upon its particular circumstances from an independent tax advisor.

Certain of the materials contained in this Disclosure Statement are taken directly from other, readily accessible instruments or are digests of other instruments. While the Debtors have made every effort to retain the meaning of such other instruments or the portions transposed, it urges that any reliance on the contents of such other instruments should depend on a thorough review of the instruments themselves.

No representations concerning the Debtors or the Plan are authorized other than those that are set forth in this Disclosure Statement. Any representations or inducements made by any person to secure your vote which are other than those contained herein should not be relied upon, and such representations or inducements should be reported to counsel for the Debtors who shall deliver such information to the Bankruptcy Court. Finally, all terms not otherwise defined in this Disclosure Statement shall have the meanings assigned to them under the Plan.

Creditors should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes on the Plan may be made, except pursuant to this Disclosure Statement and Section 1125 of the Bankruptcy Code. No other party has been authorized to utilize any information concerning the Debtors or their affairs, other than the information contained in this Disclosure Statement, to solicit votes on the Plan. Creditors and holders of equity interest should not rely on any information relating to the Debtors, other than that contained in this Disclosure Statement and the exhibits attached hereto.

EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT AND THE ATTACHMENTS, NO REPRESENTATIONS CONCERNING THE DEBTORS, THE ASSETS, THE PAST OPERATIONS OF THE DEBTORS, OR THE PLAN ARE AUTHORIZED, NOR ARE ANY SUCH REPRESENTATIONS TO BE RELIED UPON IN ARRIVING AT A DECISION WITH RESPECT TO THE PLAN. ANY REPRESENTATIONS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT

SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS.

EXCEPT AS SPECIFICALLY NOTED, THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS ARE NOT ABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY. THE FACTUAL INFORMATION REGARDING THE DEBTORS, INCLUDING THE ASSETS AND LIABILITIES OF THE DEBTORS, HAS BEEN DERIVED FROM NUMEROUS SOURCES, INCLUDING, BUT NOT LIMITED TO, DEBTORS' BOOKS AND RECORDS, SCHEDULES AND DOCUMENTS SPECIFICALLY IDENTIFIED HEREIN.

THE DEBTORS ALSO COMPILED THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT FROM RECORDS AVAILABLE TO THEM, INCLUDING, BUT NOT LIMITED TO, PLEADINGS AND REPORTS ON FILE WITH THE BANKRUPTCY COURT, LOAN AGREEMENTS, TAX RETURNS AND BUSINESS RECORDS.

THE APPROVAL BY THE BANKRUPTCY COURT OF THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTY OF THE ACCURACY AND COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

NEITHER THE DEBTORS NOR COUNSEL FOR THE DEBTORS CAN WARRANT NOR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACIES. NEITHER THE DEBTORS NOR ITS COUNSEL HAS VERIFIED THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, ALTHOUGH THEY DO NOT HAVE ACTUAL KNOWLEDGE OF ANY INACCURACIES.

IF THE REQUISITE VOTE IS ACHIEVED FOR EACH CLASS OF IMPAIRED CLAIMS, THE PLAN IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN), WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

II. VOTING PROCEDURES

Any creditor of the Debtors whose claim is IMPAIRED under the Plan is entitled to vote, if either (1) the claim has been scheduled by the Debtors and such claim is not scheduled as disputed, contingent or unliquidated, or (2) the creditor has filed a proof of claim on or before the last date set by the Bankruptcy Court for such filings, *provided, however*, any claim as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court temporarily allows the creditor to vote upon motion by the creditor. Such motion must be heard and determined by the Bankruptcy Court prior to the date established by the Bankruptcy Court to confirm the Plan. In addition, a creditor's vote may be disregarded if the Bankruptcy Court determines that the creditor's acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Holders of impaired claims who are entitled to vote and fail to do so will not be counted as either accepting or rejecting the Plan. Nevertheless, if the requisite vote is achieved for your class of impaired claims, you will be bound by the terms of the Plan.

A ballot to be used for voting to accept or reject the Plan is enclosed with this Joint Disclosure Statement and mailed to creditors entitled to vote. A creditor must (1) carefully review the ballot and the instructions thereon, (2) execute the ballot, and (3) return it to the address indicated thereon by the deadline to enable the ballot to be considered for voting proposes.

THE DEADLINE FOR RETURNING YOUR BALLOT IS _____.M. CENTRAL TIME ON _____, 2016 (THE "VOTING DEADLINE").

After completion of the ballot, creditors should return the executed ballot via US Mail in the self-addressed envelope or via facsimile to:

LUCA INTERNATIONAL
c/o EDWARD L. ROTHBERG
HOOVER SLOVACEK LLP
GALLERIA TOWER II, 5051 WESTHEIMER, SUITE 1200
HOUSTON, TX 77056
FAX (713)977-5395

VOTING INFORMATION AND INSTRUCTION FOR COMPLETING THE BALLOT:

FOR YOUR VOTE TO BE COUNTED YOU MUST COMPLETE THE BALLOT, INDICATE ACCEPTANCE OR REJECTION OF THE PLAN IN THE BOXES INDICATED ON THE BALLOT AND SIGN AND RETURN THE BALLOT TO THE ADDRESS SET FORTH ON THE PRE-ADDRESSED ENVELOPE. IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED.

IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS UNDER THE PLAN, YOU MAY RECEIVE MORE THAN ONE BALLOT. EACH BALLOT YOU RECEIVE VOTES ONLY YOUR CLAIMS FOR THAT CLASS. PLEASE COMPLETE AND

RETURN EACH BALLOT YOU RECEIVE. YOU MUST VOTE ALL OF YOUR CLAIMS WITHIN A SINGE CLASS UNDER THE PLAN TO EITHER ACCEPT OR REJECT THE PLAN. ACCORDINGLY, A BALLOT (OR MULTIPLE BALLOTS WITH RESPECT TO MULTIPLE CLAIMS WITHIN A SINGLE CLASS) THAT PARTIALLY REJECTS AND PARTIALLY ACCEPTS THE PLAN WILL NOT BE COUNTED.

THE BALLOT IS FOR VOTING PURPOSES ONLY AND DOES NOT CONSTITUTE AND SHALL NOT BE DEEMED A PROOF OF CLAIM OR INTEREST OR AN ASSERTION OF A CLAIM.

III. IMPAIRMENT OF CLAIMS

A class is "impaired" if the legal, equitable or contractual rights attaching to the claims or interest of that class are modified under a plan. Modification for purposes of determining impairment however, does not include curing defaults and reinstating maturity or cash payment in full. Classes of claims or interests that are not "impaired" under a plan are conclusively presumed to have accepted the plan and are thus not entitled to vote. Classes of claims or interests receiving no distribution under a plan are conclusively presumed to have rejected the plan and thus are not entitled to vote. Acceptances of the Plan are being solicited only from those persons who hold claims in an impaired class entitled to receive a distribution under the Plan.

Under Section 1124 of the Bankruptcy Code, a class of claims or interests is impaired under a plan, **unless**, with respect to each claim or interest of such class, the plan:

1. Leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or interest; or

2. Notwithstanding any contractual provision or applicable law that entitles the holder of a claim or interest to receive accelerated payment of its claim or interest after the occurrence of a default:

   (a) Cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in Section 365(b)(2) of the Bankrupt Code;

   (b) Reinstates the maturity of such claim or interest as it existed before the default;

   (c) Compensates the holder of such claim or interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and

(d) Does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or interest; or

3. Provides that, on the Effective Date the holder of such claim or interest receives, on account of such claim or interest, cash, equal to:

(a) With respect to a claim, the allowed amount of such claim; or

(b) With respect to an interest, if applicable, the greater of:

(i) Any applicable fixed liquidation preference; or

(ii) Any fixed preference at which the Debtors, under the terms of the security, may redeem the security.

4. In Article 4 of the Plan, the Debtors have identified the impaired classes of creditors under the Plan. In the event there are questions regarding whether a person is in an impaired class, the person should assume that his or her claim is impaired and vote. If the claim is determined to be impaired, the vote will be considered by the Bankruptcy Court. The Class 2, 3, 4, 5, and 6 holders of claims and the Class 7A and 7B interest holders of the Debtors are impaired under the Plan.

IMPAIRED CREDITORS ANTICIPATED TO RECEIVE A DISTRIBUTION UNDER THE PLAN ARE BEING SOLICITED TO VOTE. IF YOU HOLD AN ADMINISTRATIVE CLAIM OR UNIMPAIRED CLAIM, THE DEBTORS ARE NOT SEEKING YOUR VOTE.

IV. NATURE AND HISTORY OF BUSINESS

A. Source of Information and Accounting Method

The Debtors books are currently maintained under the supervision of Loretta R. Cross, their Chief Restructuring Officer. Accounting is on the accrual basis. The historical financial information contained in this disclosure statement as well as the bankruptcy schedules and statement of affairs was derived from the Debtors' books and records. **THE DEBTORS' BOOKS HAVE NOT BEEN AUDITED BY AN INDEPENDENT PUBLIC ACCOUNTANT FOR 2014 OR 2015. NO ABSOLUTE REPRESENTATION IS MADE AS TO THE ACCURACY OF THE DEBTORS' RECORDS. HOWEVER, THE CRO HAS ATTEMPTED TO ACCURATELY REFLECT THE DEBTORS' BUSINESS OPERATIONS.**

B. General Information about the Debtors

1. The Debtors

a. Business Operation Model/Assets

The Debtors were founded in 2005 and are related, privately-owned companies that are engaged in the exploration and production of natural gas, petroleum and related hydrocarbons in Louisiana and Texas. The Debtors' interest in their oil and gas properties were held by Luca International Group and Luca Operation. The Debtors oil and gas operations were conducted largely by Luca Operations. The Debtors sold their oil and gas production to domestic pipelines.

As of the Petition Date, the Debtors had six full time employees, with offices in Fremont, California and Houston, Texas. Shortly after the Petition Date, the Debtors closed their California office. The Debtors utilized the services of independent contractors to perform various field and other services. The Debtors' primary operational focus was development and exploration in their Louisiana on shore properties to expand their reserve base through workovers and recompletions, field extensions, delineation of deeper formations within existing fields *and exploratory drilling*. The Debtors also sought to grow their reserves through acquisitions of producing properties, leasehold acreage and drilling prospects in core operating areas that require minimal initial upfront capital. In evaluating acquisition opportunities, the Debtors sought to acquire operational control of properties that they believed had a solid proved reserve base coupled with significant exploitation and exploration potential.

As of the Petition Date, the Debtors' oil and gas properties covered approximately 3,200 acres across two fields, Laurel Ridge and Iberia Dome. According to a February 17, 2016 reserve report issued by Gustavson Associates, the Debtors' total gross proved reserves in the Belle Grove Area was 225.4 Mbbl (thousand barrels) oil and 5.0 billion cubic feet of gas.

As of the Petition Date, approximately 99 % of the Debtors' total proven oil and gas reserves were located in the Laurel Ridge field in Iberville and Ascension Parishes, Louisiana, with the following producing wells:

- Belle Grove #1, Iberville Parish;
- Dugas & LeBlanc #1, Iberville Parish; and
- Jumonville #2, Iberville Parish.

In addition, the Debtors also owned the shut-in oil and gas well, Jumonville #1, and Acosta #1, a water disposal well. Debtors also owned various oil and gas leases in Texas and working interests in various locations, none of which currently provides any material source of revenue to the Debtors.

b. Liabilities and Claims against the Debtors.

The Schedules contain a detailed listing of Creditors, together with the estimated amount of Claims. Creditors and Interest Holders are referred to the Debtors' Schedules. In addition, 473 proofs of claims have been filed in the Bankruptcy Cases, plus a proof of claim filed by the Equity Committee on behalf of 222 "investors." A number of the proofs of claim are duplicative of the Debtors' Schedules and some claims have already been resolved by the Debtors. Additionally, many claims may be duplicative as they were filed against multiple Debtors or filed in the incorrect case. Four (4) proofs of claims were filed after the Bar Date.

Secured Claims.

The DIP Lender has a secured claim arising under the DIP Facility, which was paid in full when the assets were sold as more fully discussed below. The remaining secured claims relate to: (i) relatively small ad valorem tax claims, (ii) a $75,000 contingent claim related to a surety bond posted with RLI Insurance Company in connection with the Debtors' oil and gas operations, and (iii) mineral/m&m lien claims asserted in the amount of $859,113.58, the largest of which is a disputed claim of Collarini Energy Staffing in the alleged amount of $582,398.45.

Priority Claims. A number of priority proofs of claim were scheduled and filed. These claims are either alleged wages owed to former employees or taxes owed to governmental units. The total amount priority proofs of claims filed is $123,158.14.

The DIP Lender was granted a Super-Priority Lien Claim under the DIP Facility in a total amount of $2,500,000, which was advanced up to $2,400,000, which was paid in full when the assets were sold.

General Unsecured Claims. Based on the claims register and the schedules, unsecured Vendor Claim of over $3.1 million have been filed against the Debtors. This number may not include unliquidated claims or claims for rejection damages. The Debtors expect that a significant number of unsecured proofs of claim maybe subject to objection. The Debtors are unable to predict the outcome of any anticipated claim objections that may be filed. Hebei Construction Co. Ltd. filed an unsecured proof of claim in the amount of $20,144,739.80 based on documents that are in Chinese. The Debtors dispute this claim and the Equity Committee has objected thereto. On May 31, 2016, Hebei Construction Co., Ltd., withdrew its claim.

THE RIGHT OF THE DEBTORS AND/OR THE LIQUIDATING TRUSTEE (WHETHER EXISTING OR FORMED UNDER THE PLAN) TO OBJECT TO ANY CLAIM FILED IN THIS CASE IS EXPRESSLY RESERVED. THE INCLUSION OF A CLAIM OR CLAIMS WITHIN THIS DISCLOSURE STATEMENT IS NOT AN ADMISSION REGARDING THE VALIDITY OR ALLOWANCE OF ANY CLAIM. YOU SHOULD NOT ASSUME THAT A VOTE FOR OR AGAINST THE PLAN WILL HAVE ANY AFFECT OF THE STATUS OF YOUR CLAIM. IF ANYONE SUGGESTS THAT THE STATUS OF YOUR CLAIM MAY BE AFFECTED BY YOUR VOTE, YOU SHOULD REPORT SUCH INCIDENT TO COUNSEL FOR THE DEBTORS IMMEDIATELY AS ANY SUCH SUGGESTION MAY VIOLATE TITLE 18.

2. Financial Difficulties and Restructuring – Events Leading to Bankruptcy

On September 11, 2013, the Debtors received a subpoena from the SEC. The subpoena required the Debtors turn over books, records, marketing materials and other documents. During February 2014, the SEC seized copies of the Debtors' accounting records and other documents from the Fremont, California office. This caused a cloud of uncertainty and trepidation amongst the Debtors' employees and also substantially chilled the Debtors' ability to operate.

On July 6, 2015, in the Northern District of California, the Securities and Exchange Commission filed suit against Luca International Group, LLC; Luca Resources Group, LLC;

Luca Energy Fund, LLC; Entholpy Emc, Inc.; Bingqing Yang; Lei (Lily) Lei; Anthony V. Pollace; and Yong (Michael) Chen. Also named in the suit as relief defendants were Luca Operation, LLC; Luca Barnett Shale Joint Venture; Luca To-Kalon Energy, LLC; Luca Oil, LLC; Luca I, Limited Partnership; Luca Oil Ii Joint Venture; J&Q Int'l Trading, Inc.; Skyline Trading, LLC; and Xiang Long Zhou (the "SEC Litigation").

The SEC Litigation alleges that the investors' funds were not spent appropriately or in accordance with the fund raising documents, and that the funds were raised through unlawful or deceitful means. In addition, the SEC sought the appointment of a receiver. The Plan includes a settlement of this litigation by and between the Debtors and the SEC which is discussed more fully below at Part IV.C.. The settlement does not include the non-debtor defendants.

By August 1, 2015, the Debtors were out of cash and unable to pay for their current operating expenses. In order to avoid a complete loss of the business, the Debtors filed for Chapter 11 bankruptcy in order to pursue an orderly marketing of the assets for a sale, ensuring that potential buyers would be provided with adequate due diligence and enhancing the value of the assets.

3. Ownership and Management

a. General Overview

Bingqing Yang served as the President and sole director of the Debtors' operations. Although other individuals may have held the title of officers, they were subordinate Mrs. Yang.

Shortly after the SEC filed suit against Ms. Yang and the Debtors, on July 16, 2015, the Debtors retained Ms. Cross as their Chief Restructuring Officer with full authority to operate the Debtors' business.

b. Capital Structure

Bingqing Yang is the sole member of each of the following entities:

- Luca International Group (Texas), LLC
- Luca Energy Fund, LLC
- Luca International Group, LLC
- Luca Operation, LLC
- Luca Resources Group, LLC

Together with third party investors, Bingqing Yang jointly owned the following entities:

- Luca Barnett Shale Joint Venture LLC

- Luca I, LP
- Luca Oil II Joint Venture
- Luca To-Kalon Energy, LLC
- Luca Oil, LLC

Ms. Yang financed the Debtors and affiliated entities primarily by raising money from investors from the United States, China and Japan. Some of the investors participated in an EB5 visa program that Ms. Yang organized. These funds were typically placed into one of the fundraising entities and then used to pay expenses for one of the operating companies or loaned to one of the operating companies. The poor condition of the books and records of the Debtors and the fundraising entities make it difficult to trace the funds deposited. Moreover, some of the funds were diverted to pay the personal expenses of Ms. Yang and her family members. The SEC asserts that the Debtors and their affiliates raised approximately $68 million from investors.

The CRO conducted a high-level investigation of the Debtors' books and records and found that the accounting was unusual, confusing, and often incomplete. The CRO concluded that correcting all the accounts of each of the Debtors would be expensive and provide limited value to the estates. The approach taken by the Debtors' advisors after the Petition Date was to ensure that ongoing activities were properly recorded, that accounts payable were reconciled with actual invoices and that intercompany transfers were clearly documented. The CRO also conducted an investigation into payments to Ms. Yang or on behalf of Ms. Yang to identify potential sources of recovery for the estate.

c. Current Management Team.

The Debtors' operations are currently under the supervision of Loretta R. Cross, their Chief Restructuring Officer. Ms. Cross has served in that role since July 16, 2015. Mrs. Cross is highly experienced and specializes in matters relating to insolvency, reorganization and turnaround management in the energy industry. Ms. Cross is authorized to manage the business affairs of the Debtors, make all decisions regarding the hiring and firing personnel, and to negotiate the sale of the Debtors assets as part of the Chapter 11 bankruptcy proceedings.

d. Relationship with Non-Debtor Affiliates

The Debtors have business relationships with the following non-Debtor affiliates:

- Luca Capital, Inc.;
- Luca Capital, LLC;
- Luca Asset Management Corporation;
- Luca Derun, LLC;
- Luca Petro Corporation;
- Luca Resources Group, Inc.;
- Petro Equipment Trading Corporation;
- Petrol Capital, Inc.;

- US-China Energy Summit;
- Luca Oil, LLC f/k/a Luca Barnett Shale Resources, LLC;
- Luca Derun Investments (Beijing) Ltd;
- Luca II, LP; and
- Luca Energy Resources, LLC, f/k/a Sinotex Energy LLC

4. Significant Actions in Bankruptcy Cases

The Debtors continue to operate as a debtors-in-possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code and are authorized to operate their business and manage their property in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval. An immediate effect of the filing of the Debtors' bankruptcy petitions is the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of Liens against property of the Debtors, and the continuation of litigation against the Debtors. The relief provided the Debtors with the "breathing room" necessary to reorganize its business and prevents creditors from obtaining an unfair recovery advantage while the Chapter 11 Cases are ongoing.

a. Administration – "First and Second Day" Motions

Shortly after the first day of the Chapter 11 Cases, the Debtors filed several motions seeking relief by virtue of so-called "first or second day motions." Those motions are intended to facilitate the transition between a debtor's pre-petition and post-petition business operations by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the bankruptcy court. The first day orders the Debtors obtained in these jointly administered Chapter 11 Cases, which are typical of orders entered in business reorganization cases across the country, authorize, among other things

- Authorized the Debtors to pay pre-petition wages;
- Authorized maintenance of existing corporate bank accounts and cash management system;
- Designated the Bankruptcy Cases as complex cases chapter 11 cases;
- Established procedures for payment of estate professionals;
- Authorized the Debtors to enter into the DIP Facility and borrow up to $2.0 million;
- Authorized retention of BMC Group as the Debtors' noticing agent;
- Authorized the Debtors to pay certain critical pre-petition vendors;
- Extended the time for Debtors to file Schedules and Statements; and
- Authorized rejection of certain burdensome unexpired leases and executory contracts

c. Retention of Professionals.

The Debtors retained Hoover Slovacek LLP as their bankruptcy counsel on an hourly fee basis. The Debtors retained Loretta R. Cross with the firm of Stout Risius Ross, Inc., as Chief Restructuring Officer and Financial Advisor. The Debtors retained James C. Bates with the firm

of Bates & Bullen, LLP, as special counsel in Louisiana counsel to advise the Debtors regarding Louisiana specific legal issues. The Debtors retained James C. Row and OSFCAP LLC as investment bankers for the purpose of marketing and selling the Debtors assets.

d. Appointment of Equity Committee

On August 24, 2015, the United States Trustee filed a notice of the formation of committee of Equity Security Holders (the "Committee"). The initial members of the Committee were: (i) Shiaoting Jing or Bill Lu, (ii) Jie Shen, (iii) Myra Lee, (iv) June S. Lee and (v) Vlad Novotny. The Committee retained Locke Lorde LLP as its counsel. The Committee appeared and was heard regularly throughout all aspects of the cases.

e. Meeting of Creditors.

The meeting of creditors required under Bankruptcy Code section 341 was held on September 12, 2015.

f. The DIP Facility and Use of Cash Collateral

In preparing to file these Bankruptcy Cases, the Debtors and the DIP Lender negotiated a Post-Petition Superpriority Loan Agreement (the "DIP Facility"). These negotiations, which were extensive and at arm's length, culminated in the DIP Facility, which provided the Debtors with a total credit commitment of $2.0 million. The DIP Facility also incorporated several milestones related to the timing of the sale of the Debtors' assets and employment of the investment banker to lead the sales process.

Obtaining the DIP financing in these cases was critical to the Debtors continued operations and their efforts in pursuing a sale process for the benefit of creditors and progressing towards the filing and implementation of a Chapter 11 plan. Specifically, the DIP Facility ensured that the Debtors had access to sufficient working capital to, among other things, (1) pay their employees, vendors and suppliers, and (2) permitted the satisfaction of administrative expenses incurred in connection with the ongoing operations and marketing the assets for sale during the Bankruptcy Cases.

The Debtors subsequently entered into the Modification of the DIP Facility (the "Modification") extending the auction deadline to February 25, 2016, and increasing the borrowing base to $2.5 million. The Court approved the Modification on January 29, 2016. Ultimately, the Debtors borrowed $2.4 million.

g. The Marketing and Sales Process

As discussed above, at the commencement of the Bankruptcy Cases and as required under the DIP Facility, the Debtors sought to preserve the value of their businesses and maximize recoveries to their creditors by selling substantially all of their assets. Notably, the terms of the DIP Facility required the Debtors to complete a sale of their assets in accordance with certain milestones. To seek to maximize the value of their assets, and in compliance with the milestones under the DIP Facility, the Debtors filed the Bidding Procedures Motion and Sale Motion by which the Debtors proposed to conduct a sale of substantially all of their assets. The

Debtors retained OFSCap as their investment banker to assist them with marketing the assets to prospective purchasers.

On October 21, 2015, the Court entered the Bidding Procedures Order, which established December 16, 2015 as an auction date and December 21, 2015 for a final hearing to consider approval of the sale of the Debtors' assets to the highest bidder. In early December the Debtors and the DIP Lender reached an agreement to modify the DIP Facility, cancel the December 16, 2015 auction and to extend the deadlines for the Debtors to consummate a sale transaction. In addition, the DIP Lender agreed to submit a stalking horse bid of $3.0 million for the Debtor's oil and gas assets. In consideration of the stalking horse offer, the Debtors and Committee agreed that the DIP Lender would be entitled to a break-up fee of $200,000 if it was ultimately not the successful bidder. To this end, the Debtors filed a Second Motion to Establish Bid Procedures, Bid Protections and Sale Motion. On February 1, 2016, the Court entered an Order Approving the Bid, Bid Procedures and Sale of Assets (the "Second Bid Procedures Order"). Pursuant to the Second Bid Procedures Order, any competing bids for the Debtors' assets were due no later than February 22, 2016, an auction to be conducted on February 24, 2016 (in the event of competing bids). A final hearing on approval of the sale of the assets was conducted on February 29, 2016 (the "Sale Hearing").

Following its retention, OFS began actively marketing and soliciting offers for the Debtors assets to potentially interested parties. OFS reached out to both local, national and international organizations it believed might have an interest in the Debtors, contacting several potential buyers through e-mail correspondence or telephone calls, including using OFS' contacts in Asia and those parties who were previously contacted by the Debtors' prior management (an activity that predated the engagement of OFS). For those organizations who expressed an interest in the Debtors and who stated that they can move expeditiously in consummating a transaction, OFS sent standard confidentiality agreements. OFS granted access to an electronic data room containing due diligence materials regarding the Debtors and their businesses to more than 60 potential purchasers. The solicitation process was designed to move expeditiously in an effort to identify a purchaser as quickly as possible under the severe time constraints contained within the DIP Orders. As such, OFS facilitated due diligence requests (both written and oral) from interested parties, provided access to management (in-person and via telephone) and provided the opportunity for site visits (if requested).

Ultimately, no timely qualified bids were received by the Debtors. Accordingly, on February 29, 2016, the Court approved, the sale of substantially all of the Debtors' oil and gas assets to SSI Energy, LLC (the assignee of the DIP Lender) (the "Purchaser") for a total purchase price of $3,000,000.00, plus assumption of P&A liabilities in Laurel Ridge field. $2.4 million of the purchase price was used to pay off the DIP Loan and the estate netted $600,000 in cash some of which is subject to the claims of mineral lien holders.

h. Monte Sereno Property.

On August 28, 2015, the Debtors' filed an Unopposed Emergency Motion Requesting Transfer of the residence located at 3704 Monte Sereno, Fremont, California (the "Monte Sereno Property") to the Bankruptcy Estates. Based upon an agreement with the SEC, Mrs. Yang agreed to transfer the Monte Sereno Property to the Debtors and maintain a potential claim

against the net proceeds from that sale of the Monte Sereno Property. On August 31, 2015, the Court granted the motion and entered an order directing Mrs. Yang to transfer the Monte Sereno Property to the Debtors (Doc. #128) (the "Transfer Order"), which was subsequently amended pursuant to an agreement by the Equity Committee, Mrs. Yang and the Debtors (Doc. # 141) (the "Amended Transfer Order"). At the request of the SEC, a copy of the Amended Transfer Order was then filed in the SEC litigation.

The Amended Transfer Order specifically ordered Mrs. Yang to execute a deed transferring title to the property to Luca Operations, LLC. Shortly thereafter, Ms. Yang advised the parties that she would not comply with the Amended Transfer Order. As a result, on September 10, 2015, the Equity Committee filed an Emergency Motion to Compel Mrs. Yang to Comply with the Amended Transfer Order, a request for sanctions, and the surrender of Ms. Yang's passport (the "Motion to Compel"). On that same day, the Court entered an Order directing Ms. Yang to appear in person at a September 17, 2015 hearing on the Motion to Compel, ordering Ms. Yang to surrender her passport, and prohibiting Ms. Yang from leaving the United States.

After several contested hearings on the matter, Ms. Yang deeded the Monte Sereno Property to Luca Operation, LLC. On November 25, 2015, the Debtors filed an Emergency Motion to Sell the Monte Sereno Property for $3,000,002.00. On December 7, 2015, the Court entered an Order Approving Sale of the Monte Sereno Property Free and Clear of All Liens, Claims and Encumbrances (Doc. #421). After payment of the closing costs, first and second mortgages (and related expenses approved by the Court), the Debtors netted $897,541.93 from the sale (the "Sereno Net Proceeds"). Meiyu You asserts a judgment lien against $425,000 of the sale proceeds. After a contested hearing, the Bankruptcy Court rule that at most, the abstract of judgment lien may have attached to $80,000 of the sale proceeds. Meiyu You has appealed.

On February 16, 2016, Mrs. Yang filed Adversary No. 16-03030 seeking a Declaratory Judgment that she is entitled to the Monte Sereno Net Proceeds and that the Debtors have no right, title or interest in the Sereno Net Proceeds. The Debtors and the Equity Committee dispute Mrs. Yang's ownership interest in the Sereno Net Proceeds. At a minimum, the Debtors believe that any interest that Mrs. Yang may have to the Sereno Net Proceeds should be subordinated to claims of the non-insiders. The Debtors also assert a surcharge against the Sereno Net Proceeds for purposes of compensating the Debtors for fees and expenses related to the sale of the Monte Sereno Property.

On May 13, 2016, the bankruptcy estates reached a settlement with Mrs. Yang regarding the Monte Sereno Net Proceeds. Essentially, Mrs. Yang has agreed to release her claim to the $897,541.93 surplus in exchange for an offset against any claim the estates may have against her relative to other potential causes of action such as preference, fraudulent transfer, or breach of fiduciary duty other than with respect to the facts surrounding the Monte Sereno house.

i. Lease/Contract Rejection

The Debtors rejected numerous contracts and leases in order to reduce the administrative expenses of the estates, including the Logix Communications executory contract and the Texas

Tower lease. The Debtors' material oil and gas leases were assumed and assigned to the Purchaser.

On or about January 1, 2016, full or partial leases on six parcels real property expired pursuant to their terms in the Laurel Ridge field, none of which were material to the Debtors' ongoing operation or the sales process.

In addition, approximately 100 acres of leases expired pursuant to their terms in the Iberia Dome field during the pendency of the bankruptcy cases, none of which were determined to be worth the cost of renewal.

j. Claims Bar Date

The deadline for non-governmental proof of claims of creditors to be filed was November 23, 2015. The last day for Equity Holders to file claims was January 25, 2016. The deadline for governmental units to file proofs of claim was February 2, 2016.

C. Case Management Going Forward

1. Plan Negotiations

As discussed above, since the bankruptcy filings, the Debtors have aggressively marketed their assets for sale. The closing of the Sale occurred on or before March 14, 2016. All significant assets of the Debtors, other than litigation claims have been liquidated. Prior to filing the Plan, the Debtors discussed the terms of a plan with the Committee and the SEC. Ultimately, these discussion resulted in a global resolution including a settlement of the SEC Litigation. The key terms of the settlement are as follows:

- The Debtors consent to entry of a permanent injunction prohibiting solicitation of funds from investors and otherwise violating the securities laws. Copies of the Consent to Judgment and Judgment are attached to the Plan as Exhibits 2 and 3.
- The SEC is granted an allowed unsecured claim in the amount of $68.3 million for violation of the securities laws. This represents the approximate amount of funds invested by the Equity Holders. As set out below, the SEC claim will be placed in Class 5, and distribution will be transferred to the Equity Holders.

2. Assumption and Rejection

The bankruptcy law allows the Debtors to assume or reject any pending lease agreements or executory contracts that exist on the date of the order for relief. Additionally, the law provides that the Debtors can assign their interest in lease agreements and executory contracts provided they cure all defaults and provide adequate assurance that the assignee will comply with the terms of the lease or contract. Executory contract and lease assumption and rejection are treated in the Plan. Any contract or lease not specifically assumed or rejected in the Plan, or by prior court order, is deemed rejected.

V. DESCRIPTION OF PLAN

A. Overall Structure of the Plan

A copy of the Plan is attached as **Exhibit A**. The Plan should be read carefully and independently of this Disclosure Statement. The following is a brief overview of the Plan is intended to provide a context for understanding the remainder of this Disclosure Statement. It is qualified by reference to the Plan itself.

The Plan provides for the resolution of Claims against and Equity Interests in the Debtors and implements a Distribution scheme derived from the effectuated sale of the Debtors' assets. In concert with the Committee and SEC, the Debtors have designed a structure whereby Administrative Claims and Priority Claims will be satisfied (as described herein), the General Unsecured Vendor Claims will receive a pro-rata initial distribution of 50% of the existing cash on hand while Classes 5 and 6 will share the other 50% on a pro rata basis, and the Liquidating Trust will be created to provide recoveries to the Debtors' Creditors, all as described herein. Finally, the Plan provides for the wind down of the Debtors in an orderly and cost efficient manner.

Under the Plan, Claims and Equity Interests are classified and each class has its own treatment. The Plan summary below describes each class of Claims and Equity Interests, which holders of Claims and Equity Interests belong in each class, the treatment of each class of Claims or Equity Interests, and the expected recovery of each holder of Claims or Equity Interests in the respective class.

B. Administrative Expenses and Timing of Payment

1. Administrative Claims Bar Date.

Any Holder of an Administrative Claim (excluding any cure Claims for executory contracts or leases that assumed and assigned pursuant to the Sale Order) against the Debtors, except for administrative expenses incurred in the ordinary course of operating the Debtors' business, shall file an application for payment of such Administrative Claim on or within thirty (30) days after the Effective Date with actual service upon counsel for the Debtors, otherwise such Holder's Administrative Claim will be forever barred and extinguished and such Holder shall, with respect to any such Administrative Claim, be entitled to no distribution and no further notices. The Debtors shall pay pre-confirmation quarterly U.S. Trustee fees in full in Cash within thirty (30) days after the Effective Date. U.S. Trustee fees which accrue after confirmation shall be paid by the Liquidating Trustee until the case is closed or converted.

2. Payment of Administrative Claims.

Each Holder of an unpaid Allowed Administrative Claim shall be paid in Cash in full by the Debtors prior to the Effective Date or by the Liquidating Trustee after the Effective Date from the Administrative and Priority Claim Reserve on

the earlier of the Initial Distribution Date or the date such Claim becomes an Allowed Administrative Claim, unless the Holder of such Claim agrees to a different treatment. The Liquidating Trustee shall be responsible for payment of liquidated P&A Claims. The Liquidating Trustee shall administer and pay the P&A Claims solely from the P&A Claim Reserve and the Liquidating Trust shall have no liability for any P&A Claims.

3. Payment to Professionals.

All payments to professionals for actual, necessary services and costs advanced in behalf of the bankruptcy cases up until the Confirmation Date shall be paid pursuant to Bankruptcy Court order and subject to the restrictions of 11 U.S.C. §330. The Allowed Professional Compensation Claims shall be paid in full from the Net Sales Proceeds and Remaining Cash on Hand from the Professional Compensation Claim Reserve. Professional fees incurred for services rendered and costs advanced subsequent to the Effective Date shall be the liability of the Liquidating Trustee.

4. Priority Tax Claims.

Priority Tax Claims will be paid in Cash and in full by the Liquidating Trustee from the Administrative and Priority Claim Reserve on the later of (i) thirty (30) days after the Effective Date, (ii) the date on which such Priority Tax Claim becomes an Allowed Claim; or (iii) such other date as the and the holder of the Allowed Priority Tax Claim shall agree.

5. Payment of DIP Loan.

The DIP Lender was paid in full at Closing.

C. Classes of Secured, Priority and Unsecured Claims and Treatment of Interests.

Class 1. Allowed Unsecured Non-Tax Priority Claims

Classification. Class 1 consists of the Allowed Unsecured Non-Tax Priority Claims.

Treatment. Each Holder of an unpaid Allowed Pre-Petition Non-Tax Priority Claim shall be paid in Cash and in full by the Liquidating Trustee from the Administrative and Priority Claim Reserve on the later of (i) the Initial Distribution Date, (ii) the date on which such Priority Non-Tax Claim becomes an Allowed Claim; or (iii) such other date as the Liquidating Trustee and the Holder of the Allowed Priority Tax Claim shall agree. The Holder of the only known Class 1 Claims is asserting priority under Bankruptcy Code section 507(a)(4). The Debtors dispute that these Claimants are entitled to wage claim priority and intend to object to such claims.

Impairment. The Class 1 Claims are unimpaired.

Class 2. Allowed Secured Tax Claims.

Classification. Class 2 consists of the Allowed Secured Claims of Ad Valorem taxing authorities secured by a lien on any of the Debtors' assets.

Treatment. If there is more than one Allowed Secured Tax Claim, then each Allowed Secured Tax Claim shall be classified in a separate subclass. To the extent permitted under Bankruptcy Code section 506(b), each Allowed Secured Tax Claim shall accrue interest in accordance with section 511 of the Bankruptcy Code at the applicable rate during the period from the Petition Date until the Confirmation Date. The Liquidating Trustee may (i) seek a determination regarding the allowability of any Secured Tax Claim under the Bankruptcy Code and the Bankruptcy Rules and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim. Allowed Secured Tax Claims shall be satisfied in full as follows:

Cash Payment.
The Liquidating Trustee may elect to satisfy any Allowed Secured Tax Claim by the payment of Cash to the holder of such Claim in the amount of its Allowed Secured Tax Claim.

Other Agreements.
The Liquidating Trustee may elect to satisfy any Allowed Secured Tax Claim pursuant to an agreement with the holder of such Claim.

Secured Tax Claims by Liens Against Sale Proceeds.
To the extent any Allowed Secured Tax Claim is secured by Liens against the Net Sale Proceeds pursuant to the Sale Order, the Liquidating Trustee shall satisfy such Allowed Secured Tax Claim by payment of Cash from the Lien Reserve to the holder of such Claim in the amount of its Allowed Secured Tax Claim.

Retention of Lien. Each holder of an Allowed Secured Tax Claim shall retain any Liens securing such Claim against Remaining Assets or Net Sale Proceeds, as applicable, until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Secured Tax Claim and the Liquidating Trustee.

Deficiency Claim. Subject to the limitations contained in Bankruptcy Code sections 502(b)(3) and 507(8), if the holder of an Allowed Secured Tax Claim has a Deficiency Claim, such claim shall be treated as a Priority Unsecured Tax Claim.

Impairment. The Class 2 Claims are unimpaired.

Class 3. Allowed Secured Claims of Lien Holders.

Classification. Class 3A consists of the Allowed Secured Claims of M&M / Mineral Lien Holders.

Classification. Class 3B consists of the Allowed Claim of Meiyu You secured by the funds in the Meiyu You Reserve Account.

Treatment. The Allowed Class 3A Claims shall be paid in full, to the extent of the value of such collateral securing such Claims, as follows:

Transfer of the Collateral.
The Liquidating Trustee may elect to satisfy any Allowed Secured M&M/Mineral Claim by conveying and transferring any remaining assets serving as collateral for the Allowed Secure M&M/Mineral Lien Claim to the holder thereof to the extent of the Allowed amount of such Secured Claim. Any collateral remaining after

satisfaction of such Allowed Secured M&M/Mineral Claim shall be Remaining Assets, free and clear of any Liens securing such Allowed Secured Tax Claim.

Cash Payment.
The may elect to satisfy any Allowed Secured M&M/Mineral Claim by the payment of Cash to the holder of such Claim in the amount of its Allowed Secured M&M/Mineral Claim.

Other Agreements.
The Liquidating Trustee may elect to satisfy any Allowed Secured M&M/Mineral Claim pursuant to an agreement with the holder of such Claim.

Secured M&M/Mineral Liens Against Sale Proceeds.
To the extent any Allowed Secured M&M/Mineral Lien Claim is secured by Liens against the Net Sale Proceeds pursuant to the Sale Order, the CRO or Liquidating Trustee, as the case may be, shall satisfy such Allowed Secured M&M/Mineral Lien Claim by payment of Cash from the Lien Claim Reserve to the holder of such Claim in the amount of its Allowed Secured M&M/Mineral Claim. The CRO has filed her Motion for an Order (I) Authorizing Distribution of Mineral Lien Reserves Related to the Sale of Oil & Gas Properties, (II) Directing Parties to Mediation to Determine Distribution of Lien Reserves, or (III) Authorizing Debtors to File an Interpleader Action with Respect to Such Lien Reserves if Mediation Fails to Result in a Settlement (Doc. #658) with the Bankruptcy Court setting out a proposed allocation of the sale proceeds among the M&M/Mineral Lien Claimants. No decision on this Motion or any settlement with such creditors has been reached at the time of the preparation of this Disclosure Statement.

Retention of Lien. Each holder of an Allowed Class 3A M&M/Mineral Lien Claim shall retain any Liens securing such Claim against Remaining Assets or Net Sale Proceeds, as applicable, until such Claim is satisfied in accordance with the Plan (which may include the transfer of collateral provided for in section 4.3 of the Plan) or until an earlier date agreed to by the holder of the Allowed Secured M&M/Mineral Lien Claim and the Liquidating Trustee.

Deficiency Claim. If the holder of an Allowed Secured Class 3A M&M/Mineral Lien Claim has a Deficiency Claim, such claim shall be treated as a General Unsecured Claim and such Claim shall receive a pro-rata share of the Class 4 recoveries.

Treatment of Class 3B. To the extent Allowed, the Class 3B Claim shall be paid in full from the Meiyu You Reserve Account by the Liquidating Trustee.

Impairment. The Class 3A claims are impaired. The Class 3B Claim is unimpaired.

Class 4. Allowed General Unsecured Vendor Claims.

Classification. Class 4 consists of the Allowed General Unsecured Vendor Claims.

Treatment. After satisfaction of Classes 1, 2 and 3, the Liquidating Trustee shall pay the Holders of Allowed Class 4 General Unsecured Vendor Claims a pro rata share of 50% of all subsequent amounts available for distribution. To be clear, and by way of example, if the Liquidating Trustee is distributing $1,000,000, then $500,000 shall be paid to the Class 4 Holders on a pro-rata basis. The remaining $500,000 shall be paid to the Class 5 Holder (and passed through to the Class 8A Beneficiary Holders as provided below) and the Allowed Class 6 Claims on a pro-rata basis as provided below. After the Initial Distribution Date, the Liquidating Trustee shall make distributions to holders of Allowed Class 4 Claims on the payment dates determined by the Liquidating Trustee. In the event that the Allowed Class 4 Claims are paid in full, all further payments by the Liquidating Trustee shall be made to the Class 5 and Class 6 Holders as described below.

Impairment. The Class 4 Claims are impaired.

Class 5. Allowed Unsecured Claim of the SEC.

Classification. Class 5 consists of the Allowed Unsecured Claim of the SEC in the amount of $68,300,000.

Treatment. After satisfaction of Classes 1, 2 and 3, the Allowed Unsecured Claim of the SEC shall receive a pro rata distribution with the Holders of Class 6 Claims of 50% of the amounts available for distribution.[3] By agreement with the SEC, all amounts paid on account of the Allowed Unsecured Claim of the SEC shall be paid by the Liquidating Trustee on a pro rata basis to the Holders of the Class 8A Interests. After the Initial Distribution Date, the Liquidating Trustee shall make distributions to holders of Allowed Class 5 Claims on the payment dates determined by the Liquidating Trustee. In the event that the Class 8A Beneficiary Holders are paid in full, all further payments shall be made to the Class 7 Subordinated Claims.

In addition, the SEC shall continue to pursue all claims against non-Debtors that are either identified in the SEC Litigation or are of similar nature to those asserted in the SEC Litigation. I

Impairment. The Class 5 Claims are impaired.

[3] For the avoidance of doubt, if there are no Allowed Class 6 Claims, then Class 5 shall not be required to share any of its distribution with Class 6.

Class 6. Allowed Other Unsecured Claim.

Classification. Class 6 consists of Allowed General Unsecured Claims other than those Claims in Classes 4, 5 and 8A[4]

Treatment. After satisfaction of Classes 1, 2 and 3, the Holders of the Allowed Class 6 Claims shall receive a pro rata distribution with the Allowed Unsecured Claim of the SEC of 50% of the amounts available for distribution. After the Initial Distribution Date, the Liquidating Trustee shall make distributions to holders of Allowed Class 6 Claims on the payment dates determined by the Liquidating Trustee. In the event that the Class 6 Beneficiary Holders are paid in full, all further payments shall be made to the Class 5 Allowed Claim until such Claim is paid in full, after which all further payments shall be made to the Class 7 Subordinated Claims.

Impairment. The Class 6 Claims are impaired.

Class 7. Subordinated Unsecured Claims of Bingqing Yang.

Classification. Class 7 consists of the Allowed Subordinated Claims of Bingqing Yang.

Treatment. The holder of the Class 7 Allowed Subordinated Claims shall not receive any Distributions until the Class 1, 2, 3, 4, 5 and 8A claims have been paid in full, with interest at 5%.

Impairment. The Class 7 Claims are impaired.

Class 8. Allowed Interests of Equity Holders.

Classification. Class 8A consists of the Equity Interests in the Debtors not owned by Bingqing Yang.

Classification. Class 8B consists of the Allowed Equity Interests in the Debtors of Bingqing Yang.

[4]. The only known claim in this class was filed be Hebei Construction, Ltd in the amount of $20,144,739.80. This claim has been withdrawn. Assuming there are no other Class 6 Claims, Class 5 will not be required to share any distribution with Class 6.

Treatment of Class 8A. The Holders of Class 8A Equity Interests shall receive an Allowed Subordinated Unsecured Rescission Claim pursuant to section 510 of the Bankruptcy Code. By agreement with the SEC, the Allowed Class 8A Holders shall be entitled to a pro-rata Distribution (of the SEC's pro-rata share) from the funds available for the Allowed Class 5 and Class 6 Claims. The Class 8A Equity Interests shall be cancelled and extinguished and the holders thereof shall not be entitled to any further recovery or Distribution except as provided for herein.

Treatment of Class 8B. On the Effective Date, the Class 8B Equity Interests in the Debtors shall be cancelled and extinguished, and the holders thereof shall not be entitled to receive any Distribution on account of such Equity Interest, unless all creditors in Classes 1-8A are paid in full with interest.

D. Means of Execution of Plan.

1. The Debtors. On the Effective Date, all Equity Interests in the Debtors shall be cancelled and extinguished. After the wind-down of the Debtors' remaining business operations, if any, is complete, the Liquidating Trustee shall take all steps reasonably necessary to cause the formal dissolution of the Debtors under applicable state law; provided, however, that the timing of the dissolution of the Debtors' shall be at the discretion of the Liquidating Trustee.

2. Selection of Liquidating Trustee. On or before the 14 days prior to the Confirmation Hearing, the Debtors shall nominate a candidate to serve as Liquidating Trustee under the Liquidating Trust and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate, and the Court shall approve such candidate and the fee arrangement for such candidate at the Confirmation Hearing.

3. The Closing of the Effective Date Transaction. The transactions required and contemplated under the Plan in order for the occurrence of the Effective Date shall take place at the offices of Hoover Slovacek LLP, Galleria Tower II, 5051 Westheimer, Suite 1200, Houston, Texas 77056, or at such other place identified in a notice provided to those parties listed in section 14.2 of the Plan. The Debtors may reschedule the planned Effective Date by making an announcement at the originally scheduled Effective Date of the new Effective Date. A notice of the rescheduled Effective Date shall be filed with the Bankruptcy Court and served on the parties identified in section 14.11 of the Plan within two (2) days after the originally scheduled Effective Date.

4. Effective Date Transactions. The following shall occur on or before the Effective Date, and shall be effective as of the Effective Date:

5. Execution and Ratification of Liquidating Trust Agreement. The Liquidating Trust Agreement shall be executed by all necessary parties thereto and each holder of a Claim shall be deemed to have ratified and become bound by the terms of the Liquidating Trust Agreement.

6. Transfer of Liquidating Trust Assets. All estate property constituting the Liquidating Trust Assets shall be conveyed and transferred to the Liquidating Trust, free and clear of all interests, Claims, Liens and encumbrances except as otherwise provided by the Plan.

7. Establishment of Reserves. On the Effective Date, the Liquidating Trustee shall establish, out of the Net Sales Proceeds and Remaining Cash on Hand, the Administrative and Priority Claim Reserve, the Lien Claim Reserve, the P&A Claim Reserve and the Professional Compensation Claim Reserve. From these reserves, the Liquidating Trustee shall be responsible for payment of the Allowed Administrative, Priority, Professional and Lien Claims. Any excess funds that remain in such reserves after payment of all such Allowed Claims entitled to payment from such reserve account shall be paid in accordance with the provisions of the Plan. Any excess funds in the Mei Yu Reserve Account remaining after resolution of the Class 3B Claim shall be used by the Liquidating Trustee in accordance with the terms of the Plan.

8. Net Sales Proceeds, Remaining Assets and Remaining Cash on Hand. Subject to establishment of the reserve accounts identified above, on the Effective Date, the Net Sale Proceeds and Remaining Cash on Hand shall be transferred to the Liquidating Trustee. The Liquidating Trustee shall liquidate the Remaining Assets to Cash proceeds, net of the actual, out of pocket costs of liquidation, and distribute such Cash proceeds pursuant to the terms of the Plan and Liquidating Trust.

9. Establishment of Accounts for the Liquidating Trust. On the Effective Date, the Liquidating Trustee shall establish the Liquidating Trust Operating Account, and shall be responsible for the payment of all obligations required to be paid from such accounts under the Plan and Liquidating Trust Agreement.

10. Execution of Documents and Corporate Action. The Debtors shall deliver to the Liquidating Trustee all documents and perform all actions reasonably contemplated with respect to implementation of the Plan. The Liquidating Trustee and the CRO, or the respective designees of the Debtors, are authorized (i) to execute on behalf of the Debtors, in a representative capacity and not individually, any documents or instruments after the Confirmation Date or on the Effective Date that may be necessary to consummate the Plan, and (ii) to undertake any other action on behalf of the Debtors to consummate the Plan. Each of the matters provided for under the Plan involving the corporate structure of the Debtors or corporate action to be taken by or required of any Debtors will, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized, approved, and (to the extent taken before the Effective Date) ratified in all respects without any requirement of further action by stockholders, creditors, or directors of the Debtors.

11. Tax Treatment of the Liquidating Trust. The Liquidating Trust established pursuant to the Plan is established for the purpose of satisfying Claims by liquidating the Liquidating Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trust. The purpose of the Liquidating Trust is to provide a mechanism for the liquidation of the Liquidating Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Liquidating Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Liquidating Trust other than those associated with or related to the liquidation of the Liquidation Trust Assets. It is intended that the Liquidating Trust be classified for federal income tax purposes as a "liquidating trust" within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Liquidating Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Liquidating Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Liquidating Trust and the owners of the Liquidating Trust. The Liquidating Trustee shall file returns for the Liquidating Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Liquidating Trustee shall value the Liquidating Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

12. Preservation of Reserved Litigation Claims. Except as otherwise provided in the Plan, or in any contract, release, or other agreement enter into in connection with the Plan, in accordance with Bankruptcy Code section 1123(b), any and all Reserved Litigation Claims that were owned by the Debtors or their estates as of the Effective Date, D&O Claims and Avoidance Actions described in the attached Exhibit 1 shall vest with the Liquidating Trust on the Effective Date, and the Liquidating Trustee shall have exclusive right to purse and enforce such claims and causes of action.

13. Termination of the Committee. The appointment and operation of the Committee shall terminate on the Effective Date. The dissolution or termination of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate claims for compensation and reimbursement of expenses, including Professional Compensation Claims under Bankruptcy Code sections 330, 331, and/or 503(b)(3)(F).

14. Potential Abandonment of Remaining Assets. Any Remaining Assets that are designated on a notice of abandonment filed by the Debtors with the Bankruptcy Court on or before the Effective Date shall be deemed abandoned as of the Effective Date pursuant to Bankruptcy Code section 554. Any and all property that is abandoned pursuant to the Bankruptcy Code shall remain abandoned forever; shall not thereafter be deemed to be property of the Debtors or of any successor to the Debtors; shall not at any time re-vest in the Debtors, and shall not otherwise, whether by conveyance or otherwise, ever become the property of the Debtors.

15. Establishment and Maintenance of Disputed Claims Reserve:

Distributions made in respect of any Disputed Claims shall not be distributed, but shall instead be deposited by the Liquidating Trustee into an account styled "Disputed Claims Reserve". The funds in this account shall be held in trust for the benefit of the Holders of all Disputed Claims.

Unless and until the Bankruptcy Court shall determine that a good and sufficient reserve for any Disputed Claim is less than the full amount thereof, the calculations required by the Plan to determine the amount of the distributions due to the Holders of Allowed Claims and to be reserved for Disputed Claims shall be made as if all Disputed Claims were Allowed Claims in the full amount claimed by the Holders thereof. No payment or distribution shall be made with respect to any Claim to the extent it is a Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

At such time as a Disputed Claim becomes an Allowed Claim the distributions due on account of such Allowed Claim and accumulated by the Liquidating Trustee shall be released from the account and paid by the Liquidating Trustee to the Holder of such Allowed Claim.

At such time as any Disputed Claim is finally determined not to be an Allowed Claim, the amount on reserve in respect thereof shall be released from the account and distributed to other creditors with Allowed Claims in the order of priority set forth herein.

The Liquidating Trustee shall not be required to withhold funds or consideration, designate reserves, or make other provisions for the payment of any Claims that have been Disallowed by a Final Order of the Bankruptcy Court as of any applicable time for distribution under the Plan, unless the Bankruptcy Court orders otherwise or unless the Court's order of disallowance has been stayed.

16. Delivery of Distributions. Subject to Bankruptcy Rule 9010 and the provisions of the Plan, distributions to Holders of Allowed Claims shall be made at the address of each such Holder as set forth on the proofs of Claim filed by such Holders (or at the last known addresses of such a Holder if no proof of Claim or proof of Equity Interest is filed or if the Liquidating Trustee has been notified in writing of a change of address), except as provided below. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Liquidating Trustee is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest. Amounts in respect of undeliverable distributions shall be returned to the Liquidating Trustee until such distributions are claimed.

17. Time Bar for Cash Payments. Checks issued by the Liquidating Trustee in respect of Allowed Claims shall be null and void if not negotiated within six (6) months after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Liquidating Trustee by the Holder of the Allowed Claim with respect to which such check originally was issued. Any Claim in respect of such a voided check shall be made on or before the later of (a) the first anniversary of the Effective Date or (b) ninety (90) days after the date of reissuance of such check. After such date, all Claims in respect of void checks shall be discharged and forever barred.

18. Unclaimed Property. If any Person entitled to receive distributions under the Plan cannot be located within a reasonable period of time after the Effective Date, the distributions such Person would be entitled to receive shall be held by the Liquidating Trustee in a segregated account. If the Person entitled to any such distributions is located within six (6) months after the Effective Date, such distributions, together with any dividends and interest earned thereon, shall be paid and distributed to such Person. If such Person cannot be located within such period, such distributions and any dividends and interest thereof shall such person shall have waived and forfeited his right to such distributions and such funds shall be distributed to creditors with Allowed Claim in the order of priority provided for herein. Nothing contained in this Plan shall require the Debtors or the Liquidating Trustee to attempt to locate such Person. It is the obligation of each Person claiming rights under the Plan to keep the Debtors and/or the Liquidating Trustee, as appropriate, advised of current address by sending written notice of any changes to the Debtors and/or Liquidating Trustee, as appropriate.

19. Minimum Payment Fractional Dollars. Any other provision of the Plan notwithstanding, no payments of less than $25 will be made to any creditor and no fractional dollars will be made to any Holder of an Allowed Claim. Whenever any payment of a fraction of a dollar to any holder of an Allowed Claim would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest whole dollar (up or down).

20. Distribution Dates. Whenever any distribution to be made under the Plan is due on a day other than a Business Day, such distribution will instead be made, without penalty or interest, on the next Business Day. The Bankruptcy Court shall retain power, after the Confirmation Date, to extend distribution dates for cause, upon motion and after notice and a hearing (as defined in Bankruptcy Code Section 102) to affected parties.

21. Bankruptcy Code Sections 508, 509, and 510. Distributions under the Plan will be governed by the provisions of Bankruptcy Code Sections 508, 509, or 510, where applicable.

22. Orders Respecting Claims Distribution. After confirmation of the Plan, the Bankruptcy Court shall retain jurisdiction to enter orders in aid of consummation of the Plan respecting distributions under the Plan and to resolve any disputes concerning distributions under the Plan.

23. Avoidance Actions. The Liquidating Trustee retains the right, but not the requirement, to pursue all Avoidance Actions except those specifically released in this Plan.

24. Agreements, Instruments and Documents. All agreements, instruments and documents required under the Plan to be executed or implemented, together with such others as may be necessary, useful, or appropriate in order to effectuate the Plan shall be executed on or before the Effective Date or as soon thereafter as is practicable.

25. Further Authorization. The Debtors and Liquidating Trustee shall be entitled to seek such orders, judgments, injunctions, and rulings from the Bankruptcy Court, in addition to those specifically listed in the Plan, as may be necessary to carry out the intentions and purposes, and to give full effect to the provisions, of the Plan. The Bankruptcy Court shall retain jurisdiction to enter such orders, judgments, injunctions and rulings.

E. Bar Date. The deadline of November 23, 2015, established by the Bankruptcy Court as the date by which non-governmental proofs of claim had to be filed against all Debtors, other than the Equity Holder Bar Date, which was January 25, 2016. The deadline for governmental units to file proofs of claim was February 2, 2016.

VI. LIQUIDATION ANALYSIS

Section 1129 of the Bankruptcy Code provides that the Court may confirm a plan of reorganization only if certain requirements are met. One of these requirements is that each non-accepting holder of an allowed Claim or interest must receive or retain under the Plan, on account of such Claim or interest, property as of the Effective Date of the Plan at least equal to the value of such holder would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

Liquidation Analysis. Attached hereto as **Exhibit B** is the Debtors' Liquidation Analysis (the "Liquidation Analysis"). The Liquidation Analysis demonstrates that Creditors will receive a substantially greater Distribution under the Plan than a hypothetical liquidation under chapter 7 of the Bankruptcy Code. The analysis provided is believed to be reasonable and conservative. Readers are urged to review the notes and assumptions contained in **Exhibit B**.

VII. RISKS POSED TO CREDITORS

There are certain risks inherent in the liquidation and administration process under the Bankruptcy Code. If certain standards set forth in the Bankruptcy Code are not met, the Bankruptcy Court will not confirm the Plan even if Creditors and Interest holders accept the Plan. Although the Debtors believe that the Plan meets such standards, there can be no assurance that the Bankruptcy Court will reach the same conclusion. If the Bankruptcy Court were to determine that such requirements were not met, it could require the Debtors to re-solicit acceptances, which could delay and/or jeopardize confirmation of the Plan. The Proponents believe that the solicitation of votes on the Plan will comply with § 1126(b) and that the Bankruptcy Court will confirm the Plan. The Debtors cannot, however, provide assurance that modifications of the Plan will not be required to obtain confirmation of the Plan, or that such modifications will not require a re-solicitation of acceptances.

VIII. ALTERNATIVES

Although the Disclosure Statement is intended to provide information to assist creditors in making a judgment on whether to vote for or against the Plan, and although creditors are not being offered through that vote an opportunity to express an opinion concerning alternatives to the Plan, a brief discussion of alternatives to the Plan may be useful. These alternatives include conversion to a Chapter 7 or dismissal of the proceedings. The Debtors of course, believes the proposed Plan to be in the best interests of creditors. The Debtors assess the alternatives as follows:

A. Conversion to Chapter 7

The first alternative would be to convert the Chapter 11 case to a Chapter 7 liquidating bankruptcy. If this occurred, the Bankruptcy Court would appoint a trustee to liquidate the Debtors' assets for the benefit of their creditors. The costs associated with a trustee would then be added to the additional tier of administrative expenses entitled to priority over general

unsecured claims upon conversion. Such administrative expenses include the Chapter 7 Trustee's commissions, as well as fees for professionals retained by the Chapter 7 Trustee to assist in the liquidation. The Trustee's commissions are based on disbursements to creditors. The Trustee receives 25% of the first $5,000, 10% of the next $45,000, 5% of the next $950,000 and 3% on all amount disbursed in excess of $1 million.

Liquidation under chapter 7 of the Bankruptcy Code will also entail the appointment of a trustee having no experience or knowledge of the Debtors' businesses, their records or assets. A substantial period of education will be required in order for any chapter 7 trustee to wind up the case effectively. Also, in the event litigation proves necessary on multiple issues, the chapter 7 trustee would likely be in an inferior position to prosecute such actions without prior knowledge regarding the Debtors' businesses and without any source of funding to support such efforts.

B. Dismissal

If dismissal of the Bankruptcy Cases were to occur, the Debtors would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. Dismissal of the proceeding would likely result in the Debtors defending debt-collection litigation and numerous new lawsuits to collect debts. In the event of dismissal, it is highly unlikely that holders of General Unsecured Claims would receive any amount on their Claims. Dismissal would force a race among Creditors to take over and dispose of the Debtors' available assets. In the event of dismissal, it is highly unlikely that holders of General Unsecured Claims would receive any amount on their Claims.

C. Exclusivity and Alternative Plan Potential

On November 23, 2015, the Debtors filed the Motion Pursuant to Section 1121(d)(1) of the Bankruptcy Code for an Order Extending the Exclusive Periods in Which to Propose a Chapter 11 Plan and to Solicit Acceptances Thereof (the "Exclusivity Motion") (Docket No.374), seeking to extend the Exclusive Periods to file and solicit acceptances for the Plan to March 3, 2015 and May 3, 2016, respectively. On November 30, 2015, the Bankruptcy Court entered an order (Docket No. 393) granting the Exclusivity Motion and extending the Exclusivity Periods to March 3, 2016 and May 3, 2016, respectively.

Because the Debtors have filed the Plan and seek its confirmation during the respective Exclusive Periods established under the Bankruptcy Code, and as extended by the Exclusivity Order, no other alternative plans can be proposed at this time. Moreover, the Debtors believe that any alternative plan would not be viable and would not provide the same recovery to Creditors as that proposed under the current Plan. The Debtors therefore believe that the Plan is in the best interest of Creditors.

D. No Assurance of Either

There are other possibilities which are less likely, such as a competing plan proposed by a different party. The Debtors have attempted to set forth the reasonable alternatives to the proposed Plan. However, the Debtors must caution creditors that a vote must be for or against the

Plan. The vote on the Plan does not include a vote on alternatives to the Plan. There is no assurance what course the proceedings will take if the Plan fails to gain acceptance.

IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. Tax Consequences to Creditors

1. GENERALLY

The tax consequence to any particular creditor may vary depending on their own circumstances and they should consult with their own tax professional for advice regarding the impact on them of their acceptance or rejection of the plan.

2. UNSECURED CLAIMS

Holders of Class 4 Unsecured Vendor Claims and Class 7A Beneficiary Holders will receive distributions from the Liquidating Trustee. A Class 4 and Class 7A Beneficiary Holder should either be treated as (i) recognizing ordinary income in an amount equal to cash received and recognizing a loss in an amount equal to the tax basis in the Claim or (ii) recognizing a loss equal to the difference between the amount of cash received and their tax basis in their Claim.

A Claimholder's tax basis in a Claim should generally equal the amount included in income as a result of the provision of goods or services to the Debtors, except to the extent that a bad debt loss had previously been claimed. The gain or loss with respect to the Claim should be ordinary to the extent that it arose in the ordinary course of trade or business for services rendered or from the sale of inventory to the Debtors.

DUE TO THE COMPLEX NATURE OF APPLICABLE TAX LAWS, CLAIMANTS SHOULD CONSULT WITH THEIR TAX PROFESSIONAL CONCERNING COMPLIANCE WITH AND THE AFFECT OF BOTH STATE AND FEDERAL TAX LAWS ON THEIR INTEREST BEFORE THEY CAST A BALLOT TO ACCEPT OR REJECT THE PLAN.

THE ACCOUNTANTS, ATTORNEYS, AND THE MANAGEMENT OF THE DEBTORS MAKE NO REPRESENTATIONS HEREIN CONCERNING THE IMPACT OF THE TAX LAW ON ANY INDIVIDUAL TREATED UNDER THE PLAN.

B. Tax Consequences to the Debtors

The Debtors have elected to be treated as a pass through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The Debtors' federal tax status as a pass through entities is based upon their legal status as a partnership. Accordingly, the Debtors are not required to take any tax positions in order to

qualify as a pass-through entity. The Debtors are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities.

X. PREFERENCES AND FRAUDULENT TRANSFERS

Under the Bankruptcy Code and Texas State Law, the bankruptcy estate may sue to recover assets (or their value) that were transferred by "voidable transfers", which includes assets transferred:

(A) In intentional fraud of Creditors,

(B) in constructive fraud of Creditors – because the asset was transferred without sufficient consideration while the Debtor was insolvent,

(C) as a preferential transfer - a payment before bankruptcy outside the ordinary course that allows a creditor to receive more than it would receive in liquidation, or

(D) as an unauthorized post-bankruptcy transfer by the Debtor outside of the ordinary course.

The Debtors believes there are certain transfers that may be voidable under Section 550, 547, 548, 544, or similar provision of the Bankruptcy Code and/or non-bankruptcy law. Specifically, prior to bankruptcy, the Debtors made certain payments to insiders which have not been released. The Debtors and the Liquidating Trusteereserve the right to bring fraudulent conveyance claims to the extent not previously released by Bankruptcy Court order or specifically released as part of the Plan. A more detailed discussion of potential Chapter 5 actions and other litigation, including Reserved Litigation Claims which may be pursued is below in Section XI - Litigation.

The Debtors have not conducted a detailed analysis of potential recoveries under Chapter 5 of the Bankruptcy Code but believe that potential claims may exist. A list of the known payments is set forth in each of the Debtors' statements of financial affairs, which are incorporated herein. Creditors, Interest Holders and parties-in-interest are advised that if they received an avoidable transfer, they may be sued whether or not they vote to accept the Plan. Except as specifically provided in the Plan or previously released in by Bankruptcy Court order, all avoidance actions and rights pursuant to §§ 506(c), 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552(b), 553 and 724 of the Bankruptcy Code and all causes of action under state, federal or other applicable law shall be retained and may be prosecuted or settled by the Litigation Trustee in his discretion. To the extent that material amounts are recovered, it will enhance the returns to creditors.

If the Plan is not confirmed and a Chapter 7 trustee is appointed, it is possible that the trustee's analysis will differ from that of the Debtors and that other avoidance actions will be commenced against other Creditors of the estate or insiders.

XI. LITIGATION – PENDING AND POTENTIAL LITIGATION

A. Litigation Pending Prior to the Petition Date to Which Litigation a Luca Debtor Is a Named Defendant

As of the petition date, there were several lawsuits pending in which one or more of the Luca Debtors were named as a defendant. Of those lawsuits, all were initiated by non-debtors. Debtor Luca To-Kalon, LLC filed a cross-complaint in the *American Resources Development Ltd, et al* case, which is further discussed on the attached **Exhibit "C."** Generally speaking, the lawsuits were collection lawsuits and are thus automatically stayed by operation of 11 U.S.C. § 362(a). Each lawsuit, except the *Luck Company* case (included in the attached **Exhibit "C"** of this Disclosure Statement), is disclosed in response to question number 4 on the respective statements of financial affairs filed by each Luca Debtor. A more detailed list reflecting such lawsuits is attached hereto and marked **Exhibit "C**."

B. Litigation Commenced Post-petition and Resolved or Pending Litigation during Bankruptcy

1. *Litigation Commenced and Resolved Post-Petition against the Debtors*

Hawkeye Stratigraphic, Inc.'s Motion to Lift Stay

On October 9, 2015, Hawkeye Stratigraphic, Inc., its successors and/or assigns, and Benjamin K. Barnes, individually (collectively "Hawkeye") filed the Motion for Relief from Automatic Stay of Act Against Property at Document No. 260 and an affidavit at Document No. 262 regarding the ownership of the 2005 Laurel Ridge 3D Seismic Survey. Although an adversary proceeding was warranted under Federal Rule of Bankruptcy Procedure 7001, the Parties agreed to the Court determining the ownership of the Laurel Ridge 3D Seismic Survey by way of the Motion Hawkeye filed. Discovery was propounded, and Debtors filed their Response, Objection, and Request for Attorneys' Fees regarding Hawkeye's Motion for Relief from Automatic Stay of Act against Property on November 9, 2015 at Document No. 345.

On November 16, 2016, the Parties appeared for a hearing on Hawkeye's Motion for Relief, reached an agreement, and read the terms of the Rule 11 Agreement on the record. Debtors filed the Emergency Motion and Application to Compromise Controversy ("Debtors' Application to Compromise Controversy") on November 18, 2015 at Document No. 365. On January 19, 2016, the Debtors' Application to Compromise Controversy was granted and a copy of the formal Settlement Agreement was attached to the Order (Document No. 491). Debtors are in the process of getting the Assignments, pursuant to the Settlement Agreement, executed and recorded by March 30, 2016.

Meiyu "Shelley" You's Adversary

On November 9, 2015, Creditor Meiyu "Shelley" You ("Ms. You") filed an adversary proceeding under Case No. 15-3306 for exceptions to discharge under §523 (a)(2) false pretenses, false representation, and actual fraud; § 523 (a)(4) fraud as fiduciary, embezzlement, and larceny; and 523 (a)(6) willful and malicious injury. On November 13, 2015, the Court set this matter for a Status Conference for December 4, 2015 at 11 a.m. The parties appeared and discussed the pending adversary. The Status Conference was reset to January 11, 2016 at 11:30 a.m. Subsequently, Ms. You filed a Notice of Voluntary Dismissal on December 30. 2015 at Docket No. 10 in the Adversary Proceeding. The case was dismissed on January 8, 2016 and closed on January 27, 2016.

2. *Litigation Commenced Post-Petition and Pending against the Debtors*

Meiyu You's Appeal

On January 8, 2016, Ms. You filed a Statement of Interest in the Proceeds of the Sale of Real Property, 3704 Monte Sereno Terrace, Fremont, California 94539 ("Property"). On August 31, 2015, Debtors were granted the right to transfer the Property into the Bankruptcy Estate (Docket No. 128). (The Committee filed a motion to amend the order, and the Court granted the motion at Docket No. 141.) The Court signed and entered an order regarding the sale of the Property at Docket No. 421 and an order regarding any disputes regarding the relative priority and amount of any lien claims against the segregated funds (net sales proceeds) at Docket No. 422. The Property was sold in January 2016 for $3,000,002.00. The net proceeds from the sale of the Property was $1,747,720.68. Docket No. 469.

Ms. You filed a Statement of Interest for $425,000 plus accrued interest and incurred attorney's fees. The Committee objected to Ms. You's claim at Docket No. 478. Baoxin Shan, who subsequently withdrew his own claim of interest to the net sales proceeds (Doc. No. 546), objected at Docket No. 482, and Debtors objected to Ms. You's claim at Docket No. 487. An evidentiary hearing was held on January 25, 2016. The Court denied Ms. You's claim except for $74,400 and ordered the Debtors to segregate $80,000 in a separate account and to provide proof of the deposit to Counsel for Ms. You's (Doc. No. 557). Debtors' complied with the Court's order (Doc. No. 558).

On February 18, 2016, Ms. You filed a Notice of Appeal at Docket No. 565. Ms. You filed her designation of contents for inclusion in the record on appeal at Docket No. 589 on March 3, 2016. Debtors filed a Motion to Extend Time to File a Designation of Additional Items to be Included in the Record at Docket No. 591 on March 3, 2016. Debtors' Motion to Extend Time was granted on March 8, 2016 at Docket No. 596. The appeal remains pending.

Bingqing Yang's Adversary with Debtors' and Committee's Counterclaims

On January 7, 2016 at Docket No. 458, Bingqing Yang ("Ms. Yang") filed a Motion to Recover Net Proceeds of Sale of the Monte Sereno Terrace Property Pursuant to Order Dated December 7, 2015 (Doc. No. 422). Ms. Yang amended the motion at Docket No. 461 on January 8, 2016. The Committed objected to Ms. Yang's Motion at Docket No. 477. Baoxin Shan objected at Docket No. 481, and Debtors' objected to Ms. Yang's Motion at Docket No. 484.

On January 29, 2016 at Docket No. 533, Ms. Yang filed an expedited Motion for Application of Adversary Proceeding Rules. A hearing was held on February 8, 2016 at 2:00 p.m. The Court authorized Ms. Yang to file a complaint by 5:00 p.m. Central Time on February 16, 2016, and any responsive pleading to be filed by 5:00 p.m. Central Time on February 24, 2016, with any motions to intervene by 5:00 p.m. Central Time on February 26, 2016. (Docket No. 561). Also, a Scheduling Conference was set for February 29, 2016 at 2:00 p.m.

On February 16, 2016 at Docket No. 564, Ms. Yang filed an adversary against the Debtors under Case No. 16-03030 for declaratory judgment for entitlement to the remaining net sales proceeds.[5] Debtors filed an answer, with affirmative defenses and counterclaims, including but not limited to breach of fiduciary duties, claims under Sections 502, 544 and 550 of the Bankruptcy Code and claims under the Texas Uniform Fraudulent Transfer Act and the California Uniform Fraudulent Transfer Act. (Docket No. 4 of the Adversary Proceeding).

The Committee filed a Motion to Intervene, with an Answer and Counterclaim, at Docket No. 5. The Court held the Scheduling Conference on February 29, 2016 and granted the Committee's Motion to Intervene. (Docket Nos. 6 and 7). The Court set a Status Conference for March 30, 2016 at 9:00 a.m. and entered an Initial Scheduling Order. (Docket No. 8). The Court ordered that the parties may immediately commence discovery. The Committee has been in contact with Counsel for Ms. Yang for a deposition date, and Debtors are in the process of propounding discovery on Ms. Yang. On March 7, 2016 at Docket No. 14, Ms. Yang filed a Motion to Stay Adversary Proceeding Pending Resolution of Grand Jury Proceeding and Criminal Investigation. A hearing has not been set for this Motion, and the adversary case remains pending.

On May 17, 2016, the Bankruptcy Court approved a settlement whereby Ms. Yang released all of her claims to the net sale proceeds. This made $897,000 available to the bankruptcy estates for payment of administrative claims general unsecured claims.

3. *Other Pending Post-Petition Litigation Initiated by the Debtors*

Debtors' lawsuit against Collarini

On February 21, 2016 at Docket No. 568, Debtors filed an adversary proceeding under Case No. 16-03035 against Collarini Energy Staffing, Inc. regarding validity, priority or extent of lien or other interest in property. Debtors hired Collarini to provide various engineering and other services related to the operation of Debtor's business beginning in late 2014. Ultimately, the Debtor failed to pay for all the services provided. When the invoices were not paid, Collarini filed a Lien Affidavit dated March 20, 2015 in the Mortgage Records of Iberville Parish (MOB 577, Entry No. 81), asserting a privilege under the Louisiana Oil Well Lien Act ("LOWLA"), La R.S. 9:4861-4873.

[5] Polycomp Trust Company FBO Ira J. Boren ("Polycomp Trust") also filed a claim to the net sales proceeds at Docket No. 460. Debtors, the Committee, and Mr. Shan objected, and an evidentiary hearing was held on February 1, 2016. The Court granted Polycomp Trust's claim, and the Debtors paid Polycomp Trust $770,577.58. The remaining net sales proceeds as of February 18, 2016 is $897,541.93.

Based upon the amounts identified in the Lien Affidavit, Defendant filed a proof of claim in the Debtor's underlying bankruptcy case asserting a secured lien claim in the amount $582,398.45. The Lien Affidavit alleges that "… all of the labor … furnished as described in those invoices were provided in connection with the drilling and/or operation of an oil and gas wells [sic] located and described as follows: "CAM RA SUA, BELLE GROVE, Serial #245111, ORG ID 5836 Iberville Parish, Louisiana."

Attached to the Lien Affidavit are the invoices that allegedly support the privilege claim. Most of the invoices reflect the job list, job title, name, time period, number of hours and total amount due. The job categories on the invoices include Reservoir Engineer, Drilling Engineer, Production Operation Engineer, Geoscientist, Land Manager, Geoscience Technician, and Account. Debtors objected to proof of claim # 128 filed by Collarini and requested a determination of the extent, validity and priority of the lien claim.

Service was executed on Collarini on February 23, 2016. (Doc. No. 5). The case remains pending.

Debtors' lawsuit against Meiyu "Shelley" You

On March 1, 2016 at docket no. 1, Debtors filed an adversary case against Meiyu "Shelley" You ("Ms. You") under Case No. 16-03043 for recovery of money including but not limited to claims under Sections 502, 544, 547, 548, and 550 of the Bankruptcy Code and claims under the Texas Uniform Fraudulent Transfer Act and the California Uniform Fraudulent Transfer Act. Debtors pursue avoidance actions against Ms. You for an $85,000 salary she received from Debtors for which she admitted that she did no work, avoidance of the June 1, 2015 Stipulated Judgment for $725,000, and avoidance of a $300,000 partial payment on the June 1, 2015 Stipulated Judgment.

Service was executed on Ms. You on March 4, 2016. (Doc. No. 5). The case remains pending.

Debtors' lawsuit against Caelus Wilcox, LLC

On March 4, 2016 at docket no. 1, Debtors filed an adversary case against Caelus Wilcox, LLC ("Caelus") under Case No. 16-03047 for recovery of money including but not limited to claims for breach of contract and attorney's fees. Debtors had a business relationship with Caelus prior to filing bankruptcy. Caelus and Debtor Luca Operation, LLC are parties to a contract, the March 18, 2013 Participation Agreement ("Agreement"). Pursuant to the Agreement, Caelus shall bear and pay its proportionate share being 40% of the cost, risk and expenses attributable to the Conveyed Interest in drilling, testing and completing, if a producer, or plugging and abandoning if a dry hole.

Debtors plugged and abandoned the Crosby #1 Well and sent Caelus a request for payment for $134,500 on June 9, 2014. To no avail, subsequent requests and invoices for

payment were sent to Caelus. Under the terms of the Agreement, Caelus agreed to be bound as a Non-Operator by the terms of the June 15, 2012 Operating Agreement ("JOA").

A request for issuance of Summons on Caelus was made March 4, 2016 at Docket No. 2, and the case remains pending.

C. Potential Chapter 5 Litigation That the Liquidating Trustee May Pursue

Chapter 5 Claims, Generally. The Debtors have conducted an initial analysis of potential recoveries under chapter 5 of the Bankruptcy Code and concluded that potential claims may exist. A list of the known payments are set forth in the Debtors' respective statements of financial affairs, which are incorporated herein. In addition, the transfers reflected in the Debtors' respective statement of financial affairs are attached hereto and marked **Exhibit "D".** See also **Exhibit "E." Creditors, Interest Holders and parties-in-interest are advised that if they received** an **avoidable transfer, they may be sued whether or not they vote to accept the Plan**. All avoidance actions and rights pursuant to §§ 506(c), 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552(b), 553 and 724 of the Bankruptcy Code and all causes of action under state, federal or other applicable law, including the Texas Uniform Fraudulent Transfer Act and the California Uniform Fraudulent Transfer Act, shall be retained and may be prosecuted or settled by the Liquidating Trustee. To the extent that material amounts are recovered, it will enhance the returns to the holders of Unsecured Claims. For the removal of doubt, even if transfers are not listed on any attachment to the disclosure statement, the Debtors, on behalf of the Liquidating Trustee, reserve all rights to sue for avoidance and recovery of any pre-bankruptcy transfer or obligation, without regard to when the transfer occurred, or to whom the transfer was made or obligation is owed.

Preferences. Under the Bankruptcy Code, the Liquidating Trustee may recover certain preferential transfers of property, including cash, made while insolvent during the 90 days immediately prior to the filing of the bankruptcy petition with respect to pre-existing debts, to the extent the transferee received more than it would have in respect of the pre-existing debt had the Debtor been liquidated under chapter 7 of the Bankruptcy Code. In the case of "insiders," the Bankruptcy Code provides for a one-year preference period. There are certain defenses to such recoveries. Transfers made in the ordinary course of the Debtor's and transferee's business according to the ordinary business terms in respect of debts less than 90 days before the filing of a bankruptcy are not recoverable. Additionally, if the transferee extended credit subsequent to the transfer (and prior to the commencement of the bankruptcy case), such extension of credit may constitute a defense to recovery, to the extent of any new value, against an otherwise recoverable transfer of property. If a transfer is recovered by the Liquidating Trustee, the transferee has a General Unsecured Claim to the extent of the recovery. The Debtors, on behalf of the Liquidating Trustee , reserve the right to bring preferential transfer claims against any creditor or vendor whatsoever, as well as the parties identified as receiving transfers within 90 days and/or one-year of the Petition Date on the attached **Exhibits "D," "E," and "F."**

Fraudulent Transfers. Under the Bankruptcy Code and various state laws, including the Texas Uniform Fraudulent Transfer Act and the California Uniform Fraudulent Transfer Act, the Liquating Trustee may recover certain transfers of property, including the grant of a security interest in property, made while insolvent or which rendered the Debtor insolvent. Under the same statutes, the Liquating Trustee may avoid certain pre-bankruptcy obligations. The Debtors, on behalf of the Liquating Trustee, reserve the right to bring fraudulent transfer and avoidance claims.

In addition to the transfers identified in the statements of affairs excerpts attached hereto and marked **Exhibit "D"**, other transfers potentially subject to Chapter 5 avoidance and recovery, are those listed on the attached **Exhibit "E", and "F."**

Post-petition Transfers. Post-petition transfers neither authorized by Bankruptcy Court order nor authorized by the Bankruptcy Code are avoidable and recoverable. 11 U.S.C. § 549. The Debtors reserve the right to bring suit for recovery of any such transfer.

D. Potential Non-Chapter 5 Litigation That Debtors May Pursue

All causes of action of the Debtors or their estates under state, federal or other applicable law shall be retained and may be prosecuted or settled by the Liquating Trustee. For the removal of doubt, and without limiting the immediately preceding more general and encompassing reservations of all rights, unless you are a party released by operation of the Plan or prior Bankruptcy Court order, the Debtors, on behalf of the Liquating Trustee, reserve all rights to file any lawsuit or administrative proceeding (or any other legal action whatsoever) against you, or any other person or entity, (i) without regard to status, if any, as a Holder of a Claim, or Holder of an Interest, and (ii) without regard to a vote in favor of the Plan by a Holder of a Claim or a Holder of an Interest. A non-exhaustive list of Reserved Litigation Claims is attached to the Plan as **Exhibit "F."**

For the further removal of doubt, and without limiting the more general and encompassing reservations of all rights above, the Debtors, on behalf of the Liquating Trustee, reserve all rights to sue any person or entity who is liable—under any contract, agreement, regulation, procedure, statute, or any other applicable law, including without limitation, for accounts receivables or any other indebtedness owed whatsoever to one or more Debtor. This includes any potential claims against the defendants in Securities and Exchange Commission v. Luca International Group, LLC, et al., pending in the United States District Court, Northern District of California, San Francisco Division, Case No. 15-cv-03101. The known accounts receivable owed as of the Petition Date are reflected in the Debtors' respective schedules B, which are incorporated herein. However, for the removal of doubt, the Debtors' reservation of all rights encompass accounts receivables or any other indebtedness, owed whatsoever to one or more Debtor, or any other goods or services, provided by one or more Debtor.

For the further removal of doubt, and without limiting the more general and encompassing reservations of all rights above, Debtors believe that they may have claims against, among others, certain of the Debtors' former officers, directors, and owners. Debtors have given notice to the insurance company which provided director and officer coverage of these potential claims. All causes of action of the Debtors or their estates cognizable under state, federal or other applicable law shall be retained and may be prosecuted or settled by the Liquating Trustee unless specifically released in the Plan or by prior Bankruptcy Court order.

XII. MANAGEMENT OF LIQUIDATING TRUST

The Liquidating Trustee will manage the Liquidating Trust and the Litigation. The Liquidating Trustee will also be responsible for making the distributions provided for in the Plan and winding down and dissolving the Debtors.

XIII. ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. Acceptance of the Plan

Confirmation of a Plan under Chapter 11 requires, among other things, that at least one class of creditors or claimants, such as the secured or unsecured creditors in this case, vote in favor of the Plan. This vote is calculated by only counting those creditors whose ballots are actually received on time. If two-thirds in total dollar amount and a majority in number of claims actually voting in a class approve the Plan, that class of creditors is considered an accepting class. If the vote is insufficient, the Court can still confirm the Plan, but only upon being provided additional proof regarding the ultimate fairness of the Plan to the creditors (as described in greater detail in Sections XIII.B and XIII.C) and only if the proponents of the Plan meet all other applicable requirements of Section 1129(a) of the Bankruptcy code (except Section 1129(a)(8)). These other requirements include, among other things, that the Plan comply with the applicable provisions of Title 11 and other applicable law, that the Plan be proposed in good faith, and that at least one impaired class of creditors vote to accept the Plan. The Debtors believe that the Plan satisfies all other applicable requirements of Section 1129(a) of the Bankruptcy Code. The Debtors believe that the unsecured creditors will support the Plan when they consider the fact that the secured and priority creditors will receive all of the assets of the Debtors in the event the reorganization is unsuccessful.

B. Confirmation without Acceptance of All Impaired Classes

The Bankruptcy Court may confirm a plan even if not all impaired classes accept the Plan. For the Plan to be confirmed over the rejection of an impaired class, the proponent must show, among other things, that the plan does not discriminate unfairly and that the plan is fair and equitable with respect to each impaired class that has not accepted the plan.

Under Section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class if, among other things, the plan provides: (a) with respect to secured claims, that each holder of a claim included in the rejecting class will receive or retain, on account of its claim, property that has a value as of the Effective Date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and interests, that the holder of any claim or interest that is junior to the claims or interest of such class will not receive or retain, on account of such junior claim or interest, any property unless the senior class is paid in full. The Bankruptcy Court must further find that the economic terms of a plan do not unfairly discriminate as provided in Section 1129(b) of the Bankruptcy Code with respect to the particular objecting class.

THE DEBTORS BELIEVE THAT THE PLAN HAS BEEN STRUCTURED SO THAT IT WILL SATISFY THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AND CAN BE CONFIRMED OVER THE REJECTION OF THE PLAN BY ONE OR MORE IMPAIRED CLASSES, IF A CRAMDOWN IS REQUESTED.

C. Other Requirements for Confirmation

In order to obtain confirmation of the Plan, the requirements of Section 1129 of the Code must be satisfied. These requirements include but are not limited to findings that the Plan complies with the applicable provisions of Chapter 11 of the Code, that the Debtors have complied with the applicable provisions of Chapter 11 of the Code, that the Plan has been proposed in good faith and not by any means forbidden by law, and at least one class of impaired claims has voted to accept the Plan. The Debtors believe that the Plan satisfies all the statutory requirement of Chapter 11 of the Bankruptcy Code.

i. Best Interest of Creditors

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each class, that each holder of a claim or interest of such class either (a) has accepted the Plan or (b) will receive or retain under the Plan on account of such claim or interest property of a value, as of the effective date, that is not less than the amount that such person would receive or retain if the Debtors were, on the effective date, liquidated under Chapter 7 of the Bankruptcy Code. As set forth above, and demonstrated by the liquidation analysis attached hereto as Exhibit B, the Debtors believe that this test will be satisfied.

ii. Financial Feasibility

The Bankruptcy Code requires that, in order for the Plan to be confirmed by the bankruptcy court, the bankruptcy court must determine that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors.

For purposes of determining whether the Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Plan. Distributions to Creditors under the Plan do not depend upon the' future business operations. Rather, such Distributions are based upon the liquidation and recovery of the Liquidation Trust Assets and the funding of the Administrative and Priority Claim Reserve, the P&A Claim Reserve, the Lien Claim Reserve, and the Professional Compensation Claim Reserve (collectively, the "Reserves"). The Reserves will be established from existing cash and the Net Sales Proceeds. The Debtors believe the amounts deposited in these Reserves from the existing cash and Net Sale Proceeds will be sufficient to satisfy the estimated Administrative Claims, Priority Unsecured Tax Claims and Priority Unsecured Non-Tax Claims asserted against the Debtors' Estates. Therefore, the Debtors believe the Plan is feasible and is not likely to be followed by subsequent liquidation or the need for further financial reorganization of the Debtors.

iii. Certain Factors to be Considered

Creditors should carefully consider the following factors, as well as the other information contained in this Disclosure Statement (as well as the documents delivered herewith or incorporated by reference herein) before deciding whether to vote to accept or to reject the Plan.

The principal purpose of the Bankruptcy Cases is the formulation of the Plan, which establishes how Claims against and Equity Interests in the Debtors will be satisfied. Under the Plan, certain Claims may receive partial distributions, and other Claims may not receive any distributions at all. Unless all creditors are paid in full, any claims or Equity Interests of Ms. Yang will receive no distributions.

(a) **Failure to Confirm or Consummate the Plan**

If the Plan is not confirmed and consummated, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval; however, there is no assurance that the alternative plan will be confirmed, that the Bankruptcy Cases will not be converted to a liquidation, or that any alternative chapter 11 plan could or would be formulated on terms as favorable to the Creditors as the terms of the Plan. Holders of Equity Interests will receive no recovery under the Plan or in a liquidation. If a liquidation or protracted reorganization were to occur, there is a risk that there would be little, if any, value available for distribution to the Creditors.

(b) **Claim Estimates May Be Incorrect**

There can be no assurance that the estimated Allowed Claim amounts set forth herein are correct. The actual Allowed amounts of Claims may differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual Allowed amounts of Claims may vary from those estimated herein.

D. Cram-Down – Confirmation Without Acceptance By All Impaired Classes.

In the event any Impaired Class rejects the Plan, the Debtors will seek to invoke the provisions of Section 1129(b) of the Bankruptcy Code and confirm the Plan notwithstanding the rejection of the Plan by any Class of Claims or Interests.

IN THE EVENT ANY IMPAIRED CLASS REJECTS THE PLAN THE DEBTORS WILL SEEK TO INVOKE THE PROVISIONS OF 11 U.S.C. §1129(b) AND CONFIRM THE PLAN OVER THE REJECTION OF THE CLASS OR CLASSES. THE TREATMENT AFFORDED EACH CREDITOR IN EACH CLASS IN THE EVENT OF A CRAMDOWN WILL BE THE SAME AS THAT PROVIDED FOR IN THE PLAN AS THE CASE MAY BE.

XIV. CONCLUSION

The information provided in this Disclosure Statement is intended to assist you in voting on the Plan in an informed fashion. If the Plan is confirmed, you will be bound by its terms. Accordingly, you are urged to make such further inquiries as you may deem appropriate and then cast an informed vote on the Plan.

Respectfully submitted June 1, 2016:

LUCA INTERNATIONAL GROUP LLC
LUCA INTERNATIONAL GROUP (TEXAS) LLC
LUCA OPERATION, LLC
LUCA BARNET SHALE JOINT VENTURE, LLC
LUCA ENERGY FUND LLC
LUCA ENERGY RESOURCES, LLC
LUCA RESOURCES GROUP, LLC
LUCA I, LP
LUCA II, LP
LUCA OIL, LLC
LUCA TO-KALON ENERGY, LLC
LUCA OIL II JOINT VENTURE

By: /s/ Loretta R. Cross_____
Loretta R. Cross, their Chief Restructuring Officer

HOOVER SLOVACEK LLP
Edward L. Rothberg
State Bar No. 17313990
T. Josh Judd
State Bar No. 24036866
Brendetta Scott
State Bar No. 24012219
5051 Westheimer, Suite 1200
Galleria Tower II
Houston, Texas 77056
Telephone: (713) 977-8686
Facsimile: (713) 977-5395

ATTORNEYS FOR DEBTORS