

B25B (Official Form 25B) (12/08)

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

IN RE: §
§
HOUSTON BLUEBONNET, L.L.C., § **CASE NO. 16-34850**
§ **(Small Business Chapter 11)**
DEBTOR. §

HOUSTON BLUEBONNET, L.L.C.’S DISCLOSURE STATEMENT,
DATED JUNE 14, 2017

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I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of Houston Bluebonnet, L.L.C. (“Houston Bluebonnet” or the “Debtor”). This Disclosure Statement contains information about the Debtor and describes Houston Bluebonnet, L.L.C.’s Plan of Reorganization, Dated June __, 2017 (the “Plan”). A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at section III.C. of this Disclosure Statement. General non-insider unsecured creditors are classified in Class 1, and will receive a distribution of 100% of their allowed claims, to be paid within 45 days of the Effective Date of the Plan.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case;
- How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan;
- Why Houston Bluebonnet believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

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

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Finally Approve This Disclosure Statement and Confirm the Plan

The hearing at which the Court will determine whether to finally approve this Disclosure Statement and confirm the Plan will take place at 515 Rusk, Courtroom 404, 4th Floor, Houston, Texas, 77002, on the date and time indicated on the enclosed Order and Notice Conditionally Approving Disclosure Statement; Fixing Time for Filing Acceptances or Rejections of Plan; Fixing Time for Filing Objections to Disclosure Statement and Objections to Confirmation of Plan; and Fixing Time for Hearing on Final Approval of Disclosure Statement and Hearing on Confirmation of Plan (the “Enclosed Order”).

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2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Mr. H. Miles Cohn, at Crain, Caton & James, P.C., 1001 McKinney, Suite 1700, Houston, Texas 77010-4035; facsimile (713) 658-1921. See section IV.A. below for a discussion of voting eligibility requirements. Any ballots must be received by the date indicated on the Enclosed Order, or it will not be counted.

Because all allowed claims will be paid in full, there are no parties eligible to vote on the Plan. All are deemed to accept the Plan, and no votes are necessary.

3. Deadline for Objecting to the Adequacy of Disclosure and Confirmation of the Plan

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon (i) the Debtor's counsel, Mr. H. Miles Cohn at the address below, (ii) the attorney for the U.S. Trustee, and (iii) all other parties requesting notice in this bankruptcy case by the date indicated on the Enclosed Order.

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Mr. H. Miles Cohn, Crain, Caton & James, P.C., 1001 McKinney, Suite 1700, Houston, Texas 77010-4035; telephone (713) 752-8668; facsimile (713) 658-1921.

C. Disclaimer

The Court has conditionally approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted. The Court's approval of this Disclosure Statement is subject to final approval at the hearing on confirmation of the Plan. Objections to the adequacy of this Disclosure Statement may be filed until the date indicated on the Enclosed Order.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is a Texas limited liability company formed December 5, 2007. The Debtor owns and manages a working interest in two producing oil and gas wells under an operating agreement for an oil, gas and mineral lease covering 20 acres in Brazoria County, Texas. The value of the Debtor's working interest fluctuates with the price of oil. As of the filing of this bankruptcy case, the Debtor valued its working interest at \$90,000, based on the tax-assessed value calculated from the sales in 2015.

On September 1, 2016, a portion of the Debtor's working interest and net revenue interest was assigned as security; however, that assignment was rescinded by agreement on November 14,

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2016.

B. Insiders of the Debtor

Allyson Davis is the Attorney-In-Fact for Leslie Brinkoeter, the managing member and sole owner of Houston Bluebonnet, L.L.C. As such, Ms. Davis controls and operates the Debtor. The Debtor has never paid any compensation to Ms. Davis since she first assumed control of the Debtor in January 2014. Accordingly, the Debtor has not paid her any compensation before or during the pendency of this chapter 11 case.

C. Management of the Debtor Before and During the Bankruptcy

Since January 2014 and during the Debtor's chapter 11 case, Ms. Davis has been the only person in control of the Debtor and has overseen the day-to-day management of the Debtor. The Debtor does not have any employees.

After the effective date of the order confirming the Plan, Ms. Davis will remain in control of the Debtor, and Leslie Brinkoeter will remain the managing member and sole owner of the Debtor. Neither Ms. Davis nor Ms. Brinkoeter will receive a salary for their services.

D. Events Leading to Chapter 11 Filing

In March 2009, nearly four months after entry of a disputed interlocutory partial summary judgment, the Debtor was added as a defendant in the lawsuit styled *Daniel R. Japhet, Jane Guinn Estate, Perry B. Menking, Jr., Lynn Sahin, Kate Lutken Bruno, Wesley C. Lutken, Jr., Gretchen Japhet, Susan Japhet Scotty, and Larken Japhet Sutherland vs. Kenneth R. Lyle, Warbonnet Exploration Company, James C. Abbott, dba Abbott Oil Properties, Allan Seth Blank, Lyle Engineering Company, Houston Bluebonnet, LLC, Virginia Nixon, Thunderbird Drilling Co., Spring Creek Resources, LLC, Patrick R. Reardon, Michael J. Reardon, Lukin T. Gilliland, E & H, LP, Esther Suckle, Trustee of the Suckle 1999 Living Trust, Estate of Karol Joe Lyle Easterwood, Gary Easterwood, Jennie Kay Lyle Bierscheid, American Universal Investment Company, and CG Enterprises, Inc.*, Cause No. 30776, in the 149th Judicial District of Brazoria County, Texas (the "Japhet Lawsuit"). On April 4, 2009, the case was stayed pending the appeal of that summary judgment, and that stay was lifted on April 18, 2012. Thus, the Debtor was not effectively involved in the case until 2012. In the Japhet Lawsuit, the plaintiffs sued the Debtor and others, claiming the plaintiffs are successors in interest to net profits carried working interest that was allegedly reserved in a 1919 assignment.

On November 25, 2013, the Debtor was sued in the lawsuit styled *Henry R. Hamman, The George and Mary Josephine Hamman Foundation, Laura Hamman Fain, and Elizabeth Hamman Oliver vs. Kenneth R. Lyle, Kay Lyle Bierscheid, Independent Executrix of the Estate of Kenneth R. Lyle, Deceased, Houston Bluebonnet, LLC, Lukin T. Gilliland, E & H, LP, Esther Suckle, Trustee of the Suckle 1999 Living Trust, American Universal Investment Company, James C. Abbott, Jr., dba Jim Abbott Oil Properties, CG Enterprises, Inc., Virginia Nixon, Patrick R. Reardon, and Michael J. Reardon*, Cause No. 75054-CV, in the 149th Judicial District of Brazoria County, Texas (the "Hamman Lawsuit"). In the Hamman Lawsuit, the plaintiffs sued the Debtor and other working interest owners, claiming the plaintiffs are successors in interest to a net proceeds interest that was allegedly reserved in a 1913 assignment.

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After defending the Japhet and Hamman Lawsuits for several years, the Debtor could no longer meet its obligations, and the filing of this bankruptcy was necessary. The Debtor filed this bankruptcy case on September 30, 2016.

E. Significant Events During the Bankruptcy Case

During the Debtor's bankruptcy case, the following significant events occurred:

- The Debtor filed its schedules, statements and financial information in accordance with the Bankruptcy Code.
- The meeting of creditors was held and concluded.
- The Court approved Crain, Caton & James, P.C. as general counsel for the Debtor.
- The Court approved Gary E. Ellison, P.C. as special counsel for the Debtor.
- The Court approved The Snelling Law Firm as special counsel for the Debtor.
- The Japhet Lawsuit was removed to the Bankruptcy Court under Adversary No. 16-03225, and the Japhet Lawsuit was later remanded to the state court.
- The plaintiffs in the Japhet Lawsuit filed a motion for relief from stay to proceed with that lawsuit in state court. The Bankruptcy Court granted the motion, allowing the prosecution and appeal of the lawsuit (but not the enforcement of any judgment against the Debtor).
- The Hamman Lawsuit was removed to the Bankruptcy Court under Adversary No. 16-03251. No motion to remand was filed.

F. Projected Recovery of Avoidable Transfers

With the assistance of the Debtor's counsel, the Debtor has reviewed records regarding potential avoidance claims including preferences and fraudulent transfers. The Debtor does not believe that there are any viable preference, fraudulent conveyance, or other avoidance actions.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

As of the filing of this Disclosure Statement, no claims have been filed. The deadline for filing proofs of claim was February 13, 2017, and the deadline for filing government proofs of claim was April 17, 2017.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets listed in the Debtor's schedules A and B, which are attached hereto as Exhibit B. The Debtor's primary asset, the working interest in two oil and gas wells, was based on 2015 sales.

The Debtor's most recent financial statements issued before bankruptcy, each of which was filed with the Court, are set forth in Exhibit C.

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The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit D.

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

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

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

B. Unclassified Claims

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

1. Administrative Expenses

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

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

Type	Estimated Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0	Paid in the ordinary course of business. Operating expenses are current.
The Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$0	Paid in the ordinary course of business. Operating expenses are current.
Professional Fees, as approved by the Court. ---Crain, Caton & James, P.C.	\$55,000 to \$65,000 (estimated through confirmation)	The approved fees and expenses shall be paid on the Effective Date of the Plan or when allowed, whichever is later. After the Effective Date, the Debtor shall pay all post-confirmation fees of Debtor's counsel on a current basis.

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Type	Estimated Amount Owed	Proposed Treatment
Professional Fees, as approved by the Court. ---Gary E. Ellison, P.C.	\$55,000 to \$65,000 (estimated through confirmation)	The approved fees and expenses shall be paid on the Effective Date of the Plan or when allowed, whichever is later. After the Effective Date, the Debtor shall pay all post-confirmation fees of Debtor's counsel on a current basis.
Clerk's Office Fees	\$0	Paid in full on the effective date.
Other administrative expenses	\$0	Paid in full on the effective date of the Plan or according to separate written agreement.
Office of the U.S. Trustee Fees	\$650 (estimated)	Paid in full on the effective date and as they come due.
TOTAL	\$_____ - \$_____	

2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The Debtor does not have any § 507(a)(8) priority tax claims.

C. Classes of Claims and Equity Interests

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

1. Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

The Debtor does not have any Secured Claims.

2. Priority Unsecured Claims

Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

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The Debtor does not believe that there are any priority claims under §§ 507(a)(1), (4), (5), (6), and (a)(7) of the Bankruptcy Code. However, if any such claims are asserted and allowed, they will be paid in full on the effective date.

3. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 1 (non-insider claims) and Class 2 (insider claims), which contain general unsecured claims against the Debtor:

Class	Description	Impairment	Treatment
1	General Non-Insider Unsecured Class	Unimpaired	<p>General non-insider unsecured creditors shall be paid their allowed claims in full, without interest, within 45 days of the Effective Date of the Plan.</p> <p>Single Payment to be made within 45 days after the Effective Date of the Plan.</p> <p>Interest rate: 0 %</p> <p>Estimated percent of claim paid: 100%</p>
2	General Insider Unsecured Class	Unimpaired	<p>General insider unsecured creditors shall be paid their allowed claims in full, without interest, within 45 days of the Effective Date of the Plan, or as otherwise agreed with the creditor.</p> <p>Single Payment to be made within 45 days after the Effective Date of the Plan, or as otherwise agreed with the creditor.</p> <p>Interest rate: 0 %</p> <p>Estimated percent of claim paid: 100%</p>

4. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

The following chart sets forth the Plan's proposed treatment of the class of equity interest holders:

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Class	Description	Impairment	Treatment
3	Leslie Brinkoeter	Unimpaired	The Class 3 claimant shall retain her equity interests.

D. Means of Implementing the Plan

1. Source of Payments

Payments and distributions under the Plan will be funded by either a capital contribution or loan to be made by Leslie Brinkoeter, the managing member and owner of the Debtor, or through a sale or assignment of the Debtor's assets. In addition, the cash flow of the Debtor through its working interest in the oil & gas wells may also fund the payments and distributions under the Plan.

2. Post-Confirmation Management

After confirmation of the Plan, the Debtor shall continue to be controlled by Allyson Davis, the Attorney-In-Fact for the Managing Member and sole owner, Leslie Brinkoeter. Ms. Davis is responsible for the day-to-day management of the Debtor. The Debtor has no employees.

Name	Affiliations	Insider	Position	Compensation
Leslie Brinkoeter	Managing member and sole owner of Debtor	Yes	Managing member	None
Allyson Davis	Attorney-In-Fact for Leslie Brinkoeter	Yes	Responsible for day-to-day operations and control of Debtor	None

3. Possible Sale of Debtor's Assets

From and after the Effective Date of the Plan, the reorganized Debtor is authorized, but not obligated, to market the Debtor's property for sale and to retain a broker to do so. Any sale would be subject to the plaintiffs' rights (but not the monetary debts discharged in this bankruptcy) in the Japhet Lawsuit and Hamman Lawsuit as determined in the litigation against the Debtor pending in the state court and Bankruptcy Court.

E. Risk Factors

There are no significant risk factors. The only potential risk factor is that Leslie Brinkoeter may not be able to contribute or loan the funds necessary to fund the Plan. However, the Debtor intends to prove up her ability to pay at the hearing on the confirmation of the Plan.

F. Executory Contracts and Unexpired Leases

The Debtor has one executory contract and no unexpired leases. The executory contract is the Operating Agreement, dated November 13, 1972, between K & A, Inc (Operator) and Aikins and Owen and LIDICO, Inc. The Debtor is assuming that executory contract and is current on its

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obligations under the Operating Agreement. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. As the Debtor is current on its obligations under the Operating Agreement, the Debtor need not cure or compensate any parties to such contract for any such defaults.

All executory contracts and unexpired leases that are not expressly assumed will be rejected under the Plan. Only the Operating Agreement is being assumed; therefore, if there are any other executory contracts or unexpired leases, they would be rejected under the Plan. Consult your adviser or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract Is Thirty Days After the Effective Date of the Plan. Any claim based on the rejection of a contract or lease will be barred if the proof of claim is not timely filed, unless the Court orders otherwise.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

There should be no tax consequences resulting from the Plan. Creditors who receive distributions will incur taxable income to the same extent that they would have had taxable income absent the Plan.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

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

A. Who May Vote or Object

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

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

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In this case, the Plan Proponent believes that all classes in the Plan are unimpaired. Allowed Claims in Classes 1, 2¹ and 3 will be paid in full within 45 days of the Effective Date of the Plan. Therefore, no classes are impaired, and no classes are entitled to vote to accept or reject the Plan.

1. What Is an Allowed Claim or an Allowed Equity Interest?

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

The deadline for filing a proof of claim in this case was February 13, 2017, and the deadline for filing a government proof of claim was April 17, 2017. There are claims scheduled by the Debtor as disputed, contingent or unliquidated for which no proof of claim was filed. Those claims are held by Daniel R. Japhet, Jr., Elizabeth Hamman Oliver, George & Mary Josephine Hamman Foundation, Gretchen Japhet, Henry R. Hamman, JPMorgan Chase Bank, NA & Lloyd Bentsen Independent Co-Executors, Kate Lutken Bruno, Larken Japhet Sutherland, Lynn Sahin, Morgan Dene and Elizabeth Hamman Oliver Family Foundation, Inc., Perry B. Menking, Jr., Susan Japhet Scotty, and Wesley C. Lutken, Jr. Such claims will be barred by the Plan as to any prepetition indebtedness or any indebtedness accruing to the date of confirmation.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. There are no impaired classes under this Plan.

3. Who is Not Entitled to Vote

The holders of the following five types of claims and equity interests are *not* entitled to vote:

- holders of claims and equity interests that have been disallowed by an order of the Court;

¹ Class 2 creditors may, but are not required to, agree to other payment arrangements with the Debtor.

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- holders of other claims or equity interests that are not “allowed claims” or “allowed equity interests” (as discussed above), unless they have been “allowed” for voting purposes;
- holders of claims or equity interests in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
- holders of claims or equity interests in classes that do not receive or retain any value under the Plan; and
- administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

The Debtor believes that no votes are necessary to confirm the Plan, because no impaired classes exist. If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section B.2.

1. Votes Necessary for a Class to Accept the Plan

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

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

2. Treatment of Nonaccepting Classes

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

You should consult your own attorney if a “cramdown” confirmation will affect your claim

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or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation.

In a chapter 7 liquidation, the Debtor's working interest, which was scheduled at a value of \$90,000 based on 2015 sales, would be sold for far less than its value by a Chapter 7 trustee. Out of the proceeds, the Chapter 7 trustee would have to pay the trustee's fees and any brokerage fees and or other closing costs. Administrative costs would also be paid, leaving little if anything for distribution to the unsecured creditors. The Debtor's only other assets are: (i) the cash on deposit, which totaled \$1,554.47 on the petition date and \$27,370.11 on May 31, 2017; (ii) \$100,102.00 on deposit in the Brazoria County Court Registry; (iii) accounts receivable in the amount of \$1,238.20 as of the petition date, which has already been collected; and (iv) unliquidated claims against the plaintiffs in the Japhet and Hamman Lawsuits. In a liquidation, the counter-claims against the plaintiffs in the Japhet and Hamman Lawsuits are not likely to be pursued by a chapter 7 trustee.

The Debtor also has the retainer account held by the undersigned counsel to cover its approved fees and expenses. The funds in this trust account could be used to pay all administrative costs pro rata in a liquidation but would likely be insufficient to cover all administrative costs. Therefore, in a liquidation there may not be sufficient funds to cover all administrative costs, the distribution to creditors would be zero or pennies on the dollar, and there would be no distribution to equity security holders on account of their claims.

Under the Plan the creditors and equity security holders would receive more than in a liquidation. In fact, all creditors holding allowed claims will be paid in full within 45 days of the Effective Date. Moreover, the equity security interest will be preserved. Thus, under the Plan, creditors will be paid the full amount of their claims promptly after confirmation.

D. Feasibility

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

1. Ability to Initially Fund Plan

With a capital contribution or loan from the Debtor's owner, Leslie Brinkoeter, the Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date. In addition, as of May 31, 2017, the Debtor had \$27,370.11 on deposit in its debtor-in-possession account.

The anticipated plan payments to be made are as follows:

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Claims	Amount of Claims	Source of Funds
<u>Administrative Claims:</u> General Counsel's Fees Special Counsel's Fees U.S. Trustee's Fees	\$55,000 to \$65,000 (est.) \$55,000 to \$65,000 (est.) \$650 (est.)	Funds deposited by guarantors with each attorney; Cash on Hand
<u>Class 1 Claims:</u> Gary E. Ellison, PC Kelli A. Gorman CPA, PC	\$15,479.14 \$3,295.00	Cash on Hand, Except to the extent previously paid by non-debtor
<u>Class 2 Claims:</u> Allyson Davis Davis Energy Services LLC Leslie Brinkoeter	\$152,212.77 \$11,900.00 \$4,099.07	Capital Contribution Cash on Hand Capital Contribution

2. Ability to Make Future Plan Payments and Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments. The distributions under this Plan will occur within 45 days of the Effective Date. The Debtor intends to establish its ability to make the Plan distributions at the confirmation hearing.

The Debtor's income and expenses have remained consistent during the pendency of this bankruptcy case, as demonstrated by the monthly operating reports filed. The average monthly income is \$4,700, the average monthly expenses are \$1,500, and the average net cash flow per month is \$3,200. The Plan Proponent has no reason to expect that income or expenses will vary with any degree of significance within the next year, except for any capital contributions made by Ms. Brinkoeter to fund the payments under the Plan within 45 days of the Effective Date.

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. On the effective date of the Plan, the Debtor shall be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the effective date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Debtor shall not be discharged of any debt (i) imposed by the Plan, (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure, or (iii) of a kind specified in § 1141(d)(6)(B). After the effective date of the Plan your claims against the Debtor will be limited to the debts described in clauses (i) through (iii) of the preceding sentence.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

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Upon request of the Debtor, the United States trustee, or the holder of an allowed unsecured claim, the Plan may be modified at any time after confirmation of the Plan but before the completion of payments under the Plan, to (1) increase or reduce the amount of payments under the Plan on claims of a particular class, (2) extend or reduce the time period for such payments, or (3) alter the amount of distribution to a creditor whose claim is provided for by the Plan to the extent necessary to take account of any payment of the claim made other than under the Plan.

C. Final Decree

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

VI. OTHER PLAN PROVISIONS

The Plan asks that the Court retain jurisdiction for the following purposes:

- (a) to hear and determine any and all objections to the allowance of Claims or actions to equitably subordinate Claims or any controversy as to the classification of Claims;
- (c) to make such orders as are necessary or appropriate to carry out this Plan;
- (d) to hear and determine any and all adversary proceedings (including Adversary No. 16-03251, the Hamman Lawsuit), applications, and litigation matters pending on the Effective Date or brought after the Effective Date in respect to Debtor causes of action arising before the Effective Date, including but not limited to the Hamman Lawsuit;
- (e) to enter and implement such orders as may be appropriate if confirmation is for any reason stayed, reversed, revoked, modified or vacated;
- (f) to modify any provision of the Plan to the extent permitted by the Bankruptcy Code and to correct any defect, cure any omission or reconcile any inconsistency in the Plan or the confirmation order as may be necessary to carry out the purposes and intent of the Plan; and
- (g) to enter such order which may be necessary or appropriate in the furtherance of confirmation and implementation of the Plan.

Respectfully submitted,

By: /s/Allyson Davis
Allyson Davis
Attorney-In-Fact for Leslie Brinkoeter,
Managing Member of Houston Bluebonnet,
L.L.C.. Plan Proponent

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By: /s/ H. Miles Cohn

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