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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
AMARILLO DIVISION**

IN RE:	§	
	§	
CHANCELLOR GROUP, INC.,	§	NO. 07-20512-11
	§	
GRYPHON FIELD SERVICES, LLC, and	§	NO. 07-20511-11
	§	
GRYPHON PRODUCTION CO.,	§	NO. 07-20510-11
LLC,	§	
	§	
Debtors.	§	

FIRST AMENDED CHAPTER 11 PLAN OF REORGANIZATION

(Submitted by Creditor CapWest Resources, Inc.)

Dated: May 27, 2008

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FIRST AMENDED CHAPTER 11 PLAN OF REORGANIZATION

(Submitted by Creditor CapWest Resources, Inc.)

INTRODUCTION

CapWest Resources, Inc. (“CapWest”) proposes the following First Amended Chapter 11 Plan of Reorganization (Submitted by Creditor CapWest Resources, Inc.) to resolve all of Debtors (collectively, “Chancellor Group, Inc., Gryphon Field Services, LLC, and Gryphon Production Co., LLC”) Claims and Interests. Please review the Chapter 11 Disclosure Statement To Chapter 11 Plan of Reorganization (Submitted by Creditor CapWest Resources, Inc.) (the “Disclosure Statement”) that is distributed contemporaneously with the Plan. The Disclosure Statement is intended to provide all creditors and parties-in-interest with sufficient information regarding the Plan that is adequate to enable them to make an informed judgment about the Plan.

ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN DEBTORS ARE ENCOURAGED TO READ THE PLAN, THE ACCOMPANYING DISCLOSURE STATEMENT AND ANY ATTACHED EXHIBITS AND SCHEDULES IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

In your review of the Plan and Disclosure Statement, you are cautioned that neither CapWest nor its counsel have personal knowledge concerning many of the matters set forth in the Disclosure Statement except with respect to matters concerning or related to CapWest’s and Western National Bank’s (“WNB”) Claims filed in the Bankruptcy Cases. Therefore, you are encouraged to carefully review Debtors’ Schedules, Debtors’ Statement of Financial Affairs, and all pleadings filed in the Bankruptcy Cases particularly including, without limitation, the Debtors’ Monthly Operating Reports all of which are readily available to you in the Office of the U.S. Bankruptcy Clerk for the Northern District of Texas in Amarillo, Texas.

Subject to certain restrictions and requirements set forth in the Bankruptcy Code, the Bankruptcy Rules, and this Plan, CapWest reserves the right to alter, amend, modify, revoke, or withdraw the Plan before its Confirmation.

ARTICLE I

1.1 Defined Terms

As used in this Disclosure Statement, capitalized terms and phrases have the meanings set forth below. Any term used in this Disclosure Statement that is not defined herein but is used in the Bankruptcy Code or the Bankruptcy Rules has the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules.

“**Acquisition**” means the purchase by Debtors on April 16, 2007 of assets from Caldwell Production Company, Inc.

“**Administrative Expense**” means a Claim for costs and expenses of administration allowed under Sections 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses, incurred after the Petition Date, of preserving the Estate and operating Debtors (such as wages, salaries, or commissions for services and payments for goods or other services); (b) compensation for legal, accounting, and other services and reimbursement of expenses awarded or allowed under Sections 330(a) or 331 of the Bankruptcy Code; and (c) compensation for legal and other costs incurred by the Liquidating Trustee to the extent that they are allowed by the Bankruptcy Court.

“**Allowed Claim**” or “**Allowed Unsecured Claim**” means:

- (a) A Claim that is allowed (i) in a Final Order or (ii) pursuant to the terms of this Plan; or
- (b) A Claim with respect to which a Proof of Claim has been filed by the Bar Date or has otherwise been deemed timely filed under applicable law and is not otherwise a disputed claim or objected to within the time frames specified in the Plan.

“**Ballots**” means the ballots accompanying the Plan on which holders of impaired claims or interests entitled to vote on the Plan will indicate their acceptance or rejection of the Plan in accordance with the voting instructions.

“**Bankruptcy Cases**” means collectively the Chapter 11 bankruptcy proceedings filed as follows: *In re Chancellor Group, Inc.*, No. 07-20512-rlj-11 (Bkrcty., N.D. Tex., Amarillo Division) (the “**Chancellor Bankruptcy Case**”), *In re Gryphon Field Services, LLC*, No. 07-20511-rlj-11 (Bkrcty., N.D. Tex., Amarillo Division) (the “**Gryphon Field Bankruptcy Case**”); and *In re Gryphon Production Company, LLC*, No. 07-20510-rlj-11 (Bkrcty., N.D. Tex., Amarillo Division) (the “**Gryphon Production Bankruptcy Case**”).

“**Bankruptcy Code**” means Title 11 of the United States Code, as now in effect or hereafter amended.

“**Bankruptcy Court**” or “**Court**” means the United States Bankruptcy Court for the Northern District of Texas, Amarillo Division, or such other court or adjunct thereof that exercises jurisdiction over these Chapter 11 Cases.

“**Bankruptcy Rules**” means the Federal Rules of Bankruptcy Procedure and the general and local rules of the Bankruptcy Court now in effect or hereafter amended.

“**Bar Date**” means March 18, 2008, *i.e.* the Monday next following 180 clays after entry of the Order for Relief.

“**Bills of Sale**” means those certain April 13, 2007 and August 9, 2007 Bills of Sale and Assignment of Contractual Rights executed by Debtors to CapWest that are described specifically in the definition below of the term “Gross Proceeds Interest.”

“**Business Day**” means any day other than a Saturday, Sunday, or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

“**CapWest**” means CapWest Resources, Inc.

“**CapWest Loan Documents**” means the documents attached to and described by CapWest’s Proof of Claim and any other agreements, documents or other instruments executed in connection with CapWest’s various loans to Debtors.

“**Cash**” means cash and cash equivalents, including cashier’s checks, wire transfers, or checks drawn on a domestic bank.

“**Cash Collateral**” means cash or cash equivalents obtained by Debtors in which the Debtors and both CapWest and WNB have an interest including specifically any cash proceeds of the Collateral, as set forth in the Cash Collateral Orders.

“**Cash Collateral Account**” means Debtors’ Acct. No. 80982360 that is maintained at WNB.

“**Cash Collateral Orders**” means the various orders entered by the Bankruptcy Court authorizing the Debtor’s use of Cash Collateral all of which are described in detail in Article III, Section 3.1 of the Disclosure Statement.

“**Chancellor**” means Chancellor Group, Inc.

“**Chancellor Bankruptcy Case**” means *In re Chancellor Group, Inc.*, No. 07-20512-rlj-11 (Bkrcty., N.D. Tex., Amarillo Division).

“**Claim**” means a claim (as defined in Section 101(5) of the Bankruptcy Code) against Debtors.

“**Class**” means a Class of Claims or Interests, as described in Articles VII and VIII of the Disclosure Statement.

“**Collateral**” means the same as such term is defined with particularity in the Deeds of Trust and other Loan Documents, including the security agreements executed by Debtors granting liens and security interests to Lenders, and it includes without any limitation all of Debtors’ property interests that secure payment or performance of all obligations due by Debtors to Lenders (including payment of and performance under the Notes and other Loan Documents) and without any limitation, includes the Subject Leases, the Subject Interests, the Hydrocarbons, the Subject Contracts, the Subject Easements, the Personal Property, the Land, all reversions, remainder, tolls, rents, revenues, issues, proceeds, earnings, income, and profits from the Land, the Production, as well as any and all of Debtors’ equipment, inventory, fixtures, accessions, goods and other personal property used in connection with the Mortgaged Property.

“**Confirmation**” means the entry by the Bankruptcy Court of the Confirmation Order.

“**Confirmation Date**” means the date on which the Bankruptcy Court enters the Confirmation Order on its docket, within the meaning of Bankruptcy Rules 5003 and 9021.

“**Confirmation Order**” means any order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

“**Debtors-in-Possession**” means Debtors operating after the Petition Date.

“**Debtors-in-Possession Account**” means the Debtors’ Acct. No. 80983014 that is maintained at WNB as well as any other operating or deposit account maintained by Debtors.

“**Debtors’ Chapter 11 Bankruptcy Cases**” means the above-captioned and numbered bankruptcy cases commenced under Chapter 11 of the Bankruptcy Code by Debtors.

“**Debtors’ Disclosure Statement**” means the Debtors’ First Amended Disclosure Statement that Debtors filed in the Bankruptcy Cases on or about April 21, 2008 and any subsequent amendment thereto.

“**Debtors’ Plan**” means Debtors’ First Amended Chapter 11 Plan of Reorganization that Debtors filed in the Bankruptcy Cases on or about April 21, 2008 and any subsequent amendment thereto.

“**Deeds of Trust**” means the Senior Deed of Trust and the Subordinate Deed of Trust.

“**Disclosure Statement**” means the First Amended Chapter 11 Disclosure Statement to Chapter 11 Plan of Reorganization (Submitted by Creditor CapWest Resources, Inc.) filed in the Bankruptcy Cases by CapWest as the same may be amended, modified, or supplemented (and all exhibits or schedules annexed thereto or referenced therein), which relates to the Plan and which has been prepared and distributed in accordance with Sections 1125 and 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018.

“**Disputed Claim**” means any claim to which any party-in-interest has filed an objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules; or any claim listed in the Schedules as disputed, contingent, or unliquidated; or any claim otherwise disputed as set forth in the Plan or applicable law, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order. Claims that are disputed under the Plan are disallowed to the extent provided by this Plan.

“**Distributions**” means payments of Cash or property under the Plan to the holders of Allowed Claims.

“**Effective Date**” means the first Business Day after which Debtors have executed and delivered the conveying documents whereby Debtors convey, transfer, and assign the Estate to PEG & C.

“**Estate**” means all of Debtors’ property of whatever type, all of which property is to be transferred, assigned, and conveyed to PEG & C and administered under the Plan, that is, including, without limitation: the Collateral, including the Mortgaged Property, including the Subject Leases, the Subject Interests, the Hydrocarbons, the Subject Contracts, the Subject

Easements, the Personal Property, and the Land, and including all reversions, remainder, tolls, rents, revenues, issues, proceeds, earnings, income, and profits from the Land, the Production, and the Real Property, and all Debtors' Cash and Cash Collateral and any other personal property to be transferred, assigned, and conveyed to PEG & C under the Plan.

"Excluded Assets" means all assets of Debtors that are not conveyed, transferred, and assigned to PEG & C. **There are no Excluded Assets.**

"File," "Filed," or **"Filing"** means file, filed, or filing with the Bankruptcy Court in the Bankruptcy Cases.

"Final Order" means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction, as entered on the docket in the Chapter 11 Case, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been or maybe taken or any petition for certiorari that has been or may be filed has been dismissed or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

"Finally Closed" when referring to the Bankruptcy Cases, means that the Bankruptcy Cases have been closed and the Bankruptcy Court no longer has, or declines to exercise, jurisdiction over the Bankruptcy Cases or for any other reason declines to reopen the Bankruptcy Cases.

"Gross Proceeds Interest" means the personal property interest in Debtors' contractual rights sold, assigned, transferred, and set over to CapWest by Debtors in these certain April 13, 2007 Bill of Sale and Assignment of Contractual Rights recorded in book 450 at page 144 and book 461 at page 206 of the Official Public Records of Carson County, Texas and in volume 860, page 676 and volume 861, page 170 of the Official Public Records of Real Estate of Gray County, Texas and August 9, 2007 Bill of Sale and Assignment of Contractual Rights recorded in book 466 at page 14 of the Official Public Records of Carson County, Texas and in volume 870, page 959 of the Official Public Records of Real Estate of Gray County, Texas (collectively, the "Bills of Sale". By virtue of the Bills of Sale, Debtors Chancellor, Gryphon Production, and Gryphon Field conveyed to CapWest a personal property interest in contractual rights equal to 20% of the "Gross Oil and Gas Proceeds" (as defined in the Bills of Sale) derived and produced from the Mortgaged Property. Pursuant to the Bills of Sale, the 20% Gross Proceeds Interest is payable within 10 days of Debtors' receipt of such proceeds and payments to CapWest of the 20% Gross Proceeds Interest commences effective the first day of the month following "Payout" (as defined in the CapWest Loan Documents"). True copies of the Bills of Sale are annexed to CapWest's Proof of Claim filed in the Bankruptcy Cases.

"Gryphon Field" means Gryphon Field Services, LLC.

"Gryphon Field Bankruptcy Case" means *In re Gryphon Field Services, LLC*, No. 07-20511-rlj-11 (Bkrcty., N.D. Tex., Amarillo Division).

"Gryphon Production" means Gryphon Production Company, LLC.

"Gryphon Production Bankruptcy Case" means *In re Gryphon Production Company, LLC*, No. 07-20510-rlj-11 (Bkrcty., N.D. Tex., Amarillo Division).

“Hydrocarbons” means all Debtors’ oil, gas, casinghead gas, drip gasoline, natural gasoline and condensate, all other liquid and gaseous hydrocarbons, and all other minerals at any time accruing to or produced from the Subject Interests.

“Impaired” when used with reference to a Claim or Interest, means the Claim or Interest is impaired within the meaning of Section 1124 of the Bankruptcy Code.

“Interest Holders” means as to Chancellor the persons and or entities listed on Schedule 1 that according to the Active Shareholder Report filed in the Chancellor Bankruptcy Case by Chancellor constitutes a complete listing of its common stock shareholders as of April 16, 2008 (the **“Shareholder Report”**). As to Gryphon Field and Gryphon Production, both of which are Texas limited liability companies, the term Interest Holders means all members thereof and that is believed by CapWest to consist of Chancellor. In addition, the term Interest Holders includes non-employee stock options and, according to Debtors’ Disclosure Statement, Chancellor has issued various stock options to unidentified individuals as follows: 2,000,000 options exercisable for one share of common stock at an exercise price of \$0.025/share which such option expires December 31, 2009 and 4,000,000 options exercisable for one share of common stock at an exercise price of \$0.02/share which such option expires December 31, 2009. In addition, the term Interest Holders includes CapWest by virtue of Chancellor’s April 13, 2007 Agreement to Issue Warrants whereby the right to purchase 2,000,000 shares of Chancellor common stock for a purchase price of \$0.001/share which right expires April 13, 2012.

“Land” means any and all rights, titles, estates, royalties, and interests (whether or not presently included in the Subject Interests) owned or at any time acquired by Debtors in and to all Hydrocarbons in and under and that may be produced and saved from the lands described or to which reference is made in Exhibit “A” to the Deeds of Trust, and in and to all reversions, remainder, tolls, rents, revenues, issues, proceeds, earnings, income, and profits from the Land.

“Lenders” means Western National Bank and CapWest Resources, Inc.

“Letter of Credit” or **“LOC”** means Western National Bank’s April 13, 2007 \$250,000.00 Irrevocable Documentary Blanket Letter of Credit issued on behalf of Gryphon Production for the benefit of the Texas Railroad Commission, as renewed, and extended.

“Loan Documents” means the WNB Loan Documents and the CapWest Loan Documents.

“Mortgaged Property” means any and all rights, titles, estates, royalties, and interests of Debtors, owned or at any time acquired, as described in Paragraphs I. – VI. of the Deeds of Trust, including the Subject Leases, the Subject Interests, the Hydrocarbons, the Subject Contracts, the Subject Easements, the Personal Property, and the Land, and including all reversions, remainder, tolls, rents, revenues, issues, proceeds, earnings, income, and profits from the Land.

“LOC” means for the benefit of the Texas Railroad Commission, an April 13, 2007 \$250,000.00 Irrevocable Documentary Blanket Letter of Credit and any renewal or extension thereof.

“Notes” means the Senior Note, the WNB Note, the LOC and the Subordinate Note.

“**PEG & C**” means PEG & C, LLC, a Texas limited liability company consisting of a single member, that is, CapWest.

“**Personal Property**” means all tenements, hereditaments, appurtenances, and properties in anywise appertaining, belong, affixed, or incidental to the Subject Interests including all pipelines, gathering lines, trunk lines, lateral lines, pipeline easements and rights-of-way, compressor, dehydration units, separators, heaters treaters, valves, flow lines, gauge meters, alarms, supplies, machinery, derricks, buildings, tanks, casings, Christmas trees, tubing, rods, liquid extractors, engines, boilers, tools, appliances, cables, wires, surface leases, rights-of-way, easements, servitudes, and franchises, and all accessions, additions, substitutes and replacements to or for, and accessories and attachments to any of the foregoing (all such surface leases, easements, licenses, rights-of-way, and franchises being herein called the “**Subject Easements**,” and all such tangible property being herein called the “**Personal Property**”).

“**Petition Date**” means October 29, 2007 with respect to Gryphon Production, and with respect to Chancellor and Gryphon Field means October 30, 2007.

“**Plan**” means the Chapter 11 Plan of Reorganization (Submitted by Creditor CapWest Resources, Inc.) that CapWest filed in the Bankruptcy Cases on the same date as the Disclosure Statement, and all exhibits annexed thereto or referenced therein, as the same may be filed, amended, modified, or supplemented.

“**Post-Petition**” means after the Petition Date.

“**Pre-Petition**” means before the Petition Date.

“**Priority Claim**” means a claim that arises under Section 507(a) of the Bankruptcy Code and is not an administrative expense or a priority tax claim, excluding any claim for interest or penalties accruing after the Petition Date.

“**Priority Tax Claim**” means a claim of a governmental unit that is entitled to priority in payment pursuant to Section 507(a)(8) of the Bankruptcy Code.

“**Professional**” means any professional employed in the Chapter 11 Case pursuant to Sections 327 or 1103 of the Bankruptcy Code.

“**Real Property**” means the office building and real estate located at Section 127, Block 3, I&GN Survey, 15.93 AC, Abst. 440, E2, Tract 127–M, Gray County, Texas, that is described in Gryphon Production’s First Amended Schedule A filed in the Gryphon Bankruptcy Case.

“**Schedules**” means the schedules of assets and liabilities and the statements of financial affairs filed by Debtors in the Bankruptcy Cases, as required by Section 521 of the Bankruptcy Code, the Bankruptcy Rules, and the Official Bankruptcy forms.

“**Secured Claim**” means a claim that is secured by a security interest in or lien against property in which the estates in the Bankruptcy Cases have an interest or that is subject to setoff under Section 553 of the Bankruptcy Code, to the extent of the value of the claim holder’s interest in the estates’, in the Bankruptcy Cases, interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Section 506(a) or the Bankruptcy Code.

“**Senior Deed of Trust**” means that certain April 13, 2007 Deed of Trust, Mortgage, Security Agreement, Assignment of Production, and Financing Statement executed by Debtors and delivered to Marshall N. Vicknair as trustee for WNB’s benefit that is recorded in volume 449, page 221 of the Official Public Records of Carson County, Texas and in volume 859, page 968 of the Official Public Records of Real Estate of Gray County, Texas.

“**Senior Note**” means that certain April 13, 2007 \$5,000,000.00 Multiple Advance Term Promissory Note made by Debtors payable to WNB’s order.

“**Subject Contracts**” means all Debtor’s right to receive payments, including but not limited to, lease bonuses, rents, tolls, incomes, and royalties under and by virtue of any operating agreement, contract for the purchase, exchange, processing, transportation or sale of Hydrocarbons, and other contracts and agreements relating in any way to all or part of the Mortgaged Property.

“**Subject Leases**” means all of the oil and gas and/or oil, gas and mineral leases, lands, interests, other properties that are described with particularity in the Deeds of Trust and all such leases, lands, minerals, and royalty interests and other properties are defined as the “**Subject Interests**” which Subject Interests include all rights, titles, interests, and estates in any and all pooled or unitized interests in connection with any of the Subject Interests as well as all unitization, communitization, and pooling units created thereby.

“**Subordinate Deed of Trust**” means that certain April 13, 2007 Deed of Trust, Mortgage, Security Agreement, Assignment of Production, and Financing Statement executed by Debtors and delivered to Mark D. McKinney as trustee for CapWest’s benefit that is recorded in volume 451, page 157 of the Official Public Records of Carson County, Texas and in volume 860, page 689 of the Official Public Records of Real Estate of Gray County, Texas.

“**Subordinate Note**” means that certain April 13, 2007 \$10,000,000.00 Advancing Line of Credit/Term Note made by Debtors payable to CapWest’s order.

“**Unimpaired Claim**” means a claim that is not impaired within the meaning of Section 1124 of the Bankruptcy Code.

“**Unsecured Claim**” means any claim that is not an administrative expense, priority claim, or secured claim.

“**Voting Instructions**” means the instructions for voting on the Plan in the “**Voting Procedures**” section of the Disclosure Statement and in the Ballots.

“**WNB Loan Documents**” means the documents attached to and described by WNB’s Proof of Claim and any other agreements, documents or other instruments executed in connection with WNB’s various loans to Debtors.

“**WNB Note**” means that certain June 19, 2007 \$67,000.00 promissory note made payable to WNB’s order.

ARTICLE II – GENERAL MATTERS

2.1 Overview of Chapter 11

The commencement of a Chapter 11 Case creates an estate composed of all the legal and equitable interests of the Debtors (collectively, Chancellor, Gryphon Field, or Gryphon Production) in property as of the Petition Date. A debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession” unless the Bankruptcy Court orders the appointment of a trustee. The Debtors have operated as Debtors-in-Possession. Section 1121(c) of the Bankruptcy Code provides that

(a)ny party in interest, including the debtor, the trustee, a creditors’ committee, an equity security holders’ committee, a creditor, . . . , may file a plan if and only if -
- (1) a trustee has been appointed under this chapter; (2) the debtor has not filed a plan before 120 days after the date the order for relief under this chapter; or (3) the debtor has not filed a plan that has been accepted, before 180 days after the date of the order for relief under this chapter, by each class of claims or interests that is impaired under the plan. (Emphasis added)

In the Bankruptcy Cases, Debtors did not file a plan within 120 days after the order for relief. The order for relief or Petition Date of Chancellor’s and Gryphon Field’s Bankruptcy Cases was October 30, 2007 and of Gryphon Production’s bankruptcy case was October 29, 2007. Therefore, the period in which Debtors had the exclusive right to file a plan of reorganization expired on February 26, 2008 for Gryphon Production and on February 27, 2008 for Chancellor and Gryphon Field. Debtors, on March 1, 2008, filed a plan of reorganization and a disclosure statement; however, as of the Filing Date of the CapWest’s original Plan and original Disclosure Statement, Debtors have not proceeded to schedule any hearing for approval of Debtors’ March 1, 2008 disclosure statement. CapWest will not proceed with Confirmation of the Plan prior to 180 days after the order for relief, that is, April 26, 2008 with respect to Gryphon Production or April 27, 2008 with respect to Chancellor and Gryphon Field. Accordingly, all statutory pre-requisites to proposal and confirmation of a plan of reorganization by a party-in-interest, such as CapWest, have been met.

2.2 Plan of Reorganization–Generally

The formulation of a plan of reorganization is the principal purpose of a Chapter 11 bankruptcy case. The plan sets forth the means for satisfying Claims against and Interests in the Debtors. Although referred to as a plan, a plan may provide simply for an orderly liquidation of assets. The plan of reorganization being proposed in connection with this Plan is very much a hybrid, *i.e.* all of Debtors’ assets are being transferred to a Texas limited liability company that has been formed by CapWest (“PEG & C”) and although the primary goal is to liquidate by selling the assets as a going concern to a third-party purchaser, PEG & C will nevertheless be designed and authorized to operate oil and gas properties for an extended period, if necessary.

After a plan has been filed, creditors and, in some cases, other parties-in-interest, are permitted to vote to accept or reject the plan. Generally, before soliciting acceptances of the proposed plan, the plan’s proponent must prepare a disclosure statement, which is approved by the Bankruptcy Court, containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor, typical of the claims or interests in the classes entitled

to vote on a plan, to make an informed judgment about a plan. In this case, a creditor, CapWest, has prepared and Filed the Plan and Disclosure Statement in support of confirmation of the Plan, and Debtors have prepared and Filed the Debtors' Plan and Debtors' Disclosure Statement in support of Confirmation of Debtors' Plan.

Chapter 11 does not require that each creditor vote in favor of a plan for the bankruptcy court to confirm a plan. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under a plan, Creditors and Interest Holders who fail to vote will not be counted as either accepting or rejecting the plan. Even if all classes of claims accept a plan, the Bankruptcy Court must make certain findings to confirm a plan.

To be confirmed, a plan must, among other things, comply with the requirements of Chapter 11, be proposed in good faith, be in the "best interests" of creditors and shareholders and be feasible. The "best interests" test generally requires that the value of the consideration to be distributed to the creditors under a plan be not less than creditors would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. To satisfy the "feasibility" requirement, the bankruptcy court must find that there is a reasonable probability that the Debtors will be able to perform the obligations incurred under the plan and that the Debtors will be able to continue operations without the need for further financial reorganization, unless such liquidation or further reorganization is proposed in the plan.

If certain other requirements are met, the bankruptcy court may confirm a plan even though fewer than all impaired classes have accepted it as long as one impaired class of creditors has accepted the plan. For a plan to be confirmed, despite the rejection of an impaired class, the proponent of the plan 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.

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, of not less than the allowed amount of such claim; and (b) with respect to unsecured claim and equity interests, that the plan provide for each holder of such a claim to receive or retain value equal to the allowed amount of such claim or that the holder of any claim or equity interest that is junior to the claims of such class will not receive or retain under the plan an account of such junior interest. The bankruptcy court must also find that the economic terms of the plan of reorganization do not unfairly discriminate with respect to the particular objecting class.

Classes of claims and interests that do not receive or retain any property under a plan on account of such claims and interests are deemed to have rejected the plan and are not entitled to vote, and classes of claims and interests that are not impaired under a plan are deemed to have accepted the plan and are not entitled to vote. Therefore, acceptances of the plan are being solicited only from those who hold impaired claims that may be receiving a distribution under the plan.

2.3 Brief Summary of Plan

The Plan describes Debtors' assets, Claims against and Interests in the Debtors, the proposed treatment of such Claims and Interests, and the procedures involved in Confirmation of the Plan. This summary of the Plan is provided for convenience of reference and is not a complete summary of all provisions of the Plan. Creditors and Interest Holders or other interested parties are urged to review the entire Plan, and the Disclosure Statement, for a complete description of the proposed treatment under the Plan of their Claims or Interests.

2.4 Consolidated Nature of Disclosure Statement and Plan

The Plan, along with the Disclosure Statement, has been filed in each of the Bankruptcy Cases. The Bankruptcy Cases have not been consolidated by any order of the Bankruptcy Court. Despite this, CapWest's intention is that the Plan and Disclosure Statement be presented in each separate Bankruptcy Case, and in connection with Confirmation CapWest anticipates seeking an order from the Bankruptcy Court to substantively consolidate the Bankruptcy Cases.

2.5 Creditors' or Interest Holders' Committee

No Creditors' Committee or Interest Holders' Committee has been formed during the Bankruptcy Cases.

ARTICLE III – CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

3.1 Introduction

The Bankruptcy Code requires that all Claims and Interests, except Administrative Expenses and Priority Claims, be placed in Classes. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes only to the extent that any remainder of the Claim or Interest qualifies within the description of the other Classes.

3.2 Summary of Claims and Interests

Class	Description	Impaired	Entitled To Vote
1	Administrative Claims	NO	NO
2	Priority Tax Claims	NO	NO
3	Ad Valorem Tax Secured Claims	NO	NO
4	WNB's Secured Claim	YES	YES
5	CapWest's Secured Claim	YES	YES
6	Unsecured Claims	YES	YES
7	Interest Holder Claims	YES	YES

3.3 Classification and Treatment of Claims against and Interests in Debtors

(a) Class 1: Administrative Expenses

Under the Plan, Administrative Expenses that are Allowed will be paid in full on the Effective Date unless the holder and PEG & C agree to different treatment. An application for allowance of an Administrative Expense must be filed within thirty (30) days after the Confirmation Date or such Claim will be barred. Holders of Claims for an Administrative Expense are not entitled to vote to accept or reject the Plan.

(b) Class 2: Priority Claims

Under the Plan, on the Effective Date or as soon thereafter as is practical, each holder of an Allowed Class 2 Priority Tax Claim will be paid Cash in an amount equal to the amount of such Claim. Class 2 is not Impaired, and the holders of Class 2 Claims are not entitled to vote to accept or reject the Plan.

(c) Class 3: Ad Valorem Tax Secured Claims

Under the Plan, on the Effective Date or as soon thereafter as is practical, each holder of an Allowed Class 3 Ad Valorem Tax Secured Claim, if any, will be paid Cash in an amount equal to the amount of such Claim. Class 3 is no Impaired, and the holders of Class 3 Claims are not entitled to vote to accept or reject the Plan.

(d) Class 4: WNB's Secured Claim

WNB's Claim is fully secured. WNB's pre-petition mortgages, liens, and security interests against the Collateral as evidenced by the WNB Loan Documents are ratified and extended by the Plan. WNB's Claim is allowed by the Plan in the amount of its Pre-Petition Claim as set forth in its Proof of Claim filed herein plus all post-petition interest accruing under the WNB Loan Documents, with such interest accruing at the default rate set forth in such loan documents, plus any post-petition fees and expenses incurred by WNB, less adequate protection payments paid to WNB by Debtors. On the Effective Date of the Plan, all accrued unpaid interest under the WNB Loan Documents will be capitalized and included within WNB's pre-petition promissory notes evidencing its Allowed Claim to be paid by under the Plan. In addition, all pre-confirmation expenses incurred by WNB as a result of Debtors' default under the WNB Loan Documents, including attorneys' fees, will be capitalized and included within the balance of the Senior Note. WNB's Claim will be therefore allowed in the aggregate amount of \$2,159,865.05 plus all pre-confirmation expenses, including attorneys' fees, that have been incurred by WNB, plus interest accruing after March 27, 2008 until the Effective Date calculated at the default rates provided in the Senior Note and WNB Note, less any adequate protection payments applied to such promissory notes after March 27, 2008. PEG & C will expressly assume and pay WNB's Allowed Claim, plus interest to accrue at the non-default rates set forth in the WNB Loan Documents, as follows: interest only commencing on the 1st day of the 1st month following the Effective Date and continuing monthly thereafter until the 1st day of the 6th month following the Effective Date at which time PEG & C will begin to pay the WNB Secured Claim in accordance with the terms and conditions of the Pre-Petition promissory notes that compromise WNB's Secured Claim. The Bankruptcy Code in § 1124(1) provides that a class of claims is impaired unless the plan leaves unaltered the claim holder's legal, equitable, and

contractual rights; the Plan alters WNB's rights by providing for the 6-month period of interest-only payments. Therefore, WNB is impaired by the Plan.

Class 4 is impaired and WNB as the holder of the Class 4 Claim is entitled to vote to accept or to reject the Plan.

(e) Class 5: CapWest's Secured Claim

CapWest's Claim is fully secured. CapWest's pre-petition mortgages, liens, and security interests against the Collateral as evidenced by the CapWest Loan Documents are ratified and extended by the Plan. CapWest's Claim is allowed by the Plan in the amount of its Pre-Petition Claim as set forth in its Proof of Claim filed herein plus all post-petition interest accruing under the CapWest Loan Documents, with such interest accruing at the default rate set forth in such loan documents, plus any post-petition fees and expenses incurred by CapWest (the post-petition fees and expenses to be included within CapWest's claim do not include the fees and expenses incurred by CapWest in connection with the drafting, negotiation, filing, confirmation, and implementation of the Plan, which such fees and expenses will be allowed, if allowed, as an Administrative Expense), less adequate protection payments paid to CapWest by Debtors. On the Effective Date of the Plan, all accrued unpaid interest under the CapWest Loan Documents will be capitalized and included within the Subordinated Note that evidences CapWest's Allowed Claim to be paid by under the Plan. In addition, all pre-confirmation expenses incurred by CapWest as a result of Debtors' default under the CapWest Loan Documents, including attorneys' fees, will be capitalized and included within the balance of the Subordinated Note (as set forth above any Allowed Administrative Expense in CapWest's favor will not be capitalized). CapWest's Claim will be therefore allowed in the aggregate amount of \$4,026,504.53 plus all pre-confirmation expenses as set forth above, including attorneys' fees, that have been incurred by CapWest, plus interest accruing after March 25, 2008 until the Effective Date calculated at the default rate provided in the Subordinated Note, less any adequate protection payments applied to the Subordinated Note after March 25, 2008. PEG & C will expressly assume and pay CapWest's Allowed Claim, plus interest to accrue at the non-default rate set forth in the CapWest Loan Documents, as follows: interest only commencing on the 1st day of the 1st month following the Effective Date and continuing monthly thereafter until the 1st day of the 6th month following the Effective Date at which time PEG & C will begin to pay the CapWest Secured Claim in accordance with the terms and conditions of the Pre-Petition promissory note (the Subordinated Note) that compromises CapWest's Secured Claim. The Bankruptcy Code in § 1124(1) provides that a class of claims is impaired unless the plan leaves unaltered the claim holder's legal, equitable and contractual rights. CapWest's Secured Claim is impaired by the Plan because under the Plan CapWest will be paid 6-months of interest-only payments rather than as provided in the CapWest Loan Documents.

In addition, pursuant to the Plan, CapWest will retain the 2% overriding royalty interests that have been conveyed as set forth in the April 13, 2007 Assignment of Overriding Royalty Interests (attached as Exhibit 9 to CapWest's Proof of Claim), its Gross Proceeds Interests (described in Exhibits 10 and 17 to CapWest's Proof of Claim), and its stock warrants in Chancellor.

Class 5 is impaired and CapWest as the holder of the Class 5 Claim is entitled to vote to accept or to reject the Plan.

(f) Class 6: General Unsecured Claims

The holders of Class 5 General Unsecured Claims that are Allowed will be paid in full, to the extent such Claims are Allowed, on or before the 15th day following the Effective Date. The holders of the Class 5 Unsecured Claims and the contemplated treatment of such Claims, that is, the extent to which CapWest views such Claims to be Allowed for purpose of the Plan or the extent to which CapWest knows that an objection to such Claim will be filed, is as follows:

<u>Name</u>	<u>Claim Amount</u>	<u>Source</u> ¹	<u>Anticipated Action</u>
Snappy Services, Inc.	\$517.06	Proof of Claim No. 1 (GP) Schedule F (GP)	ALLOWED and PAID
Clifton Supply Co.	\$12,559.64	Proof of Claim No. 1 (GF) Proof of Claim No. 1 (C) Proof of Claim No. 11 (GP) Schedule F (GP)	ALLOWED and PAID
WTG Fuels, Inc.	\$12,178.55	Proof of Claim No. 2 (GP)	ALLOWED and PAID
WTG Fuels, Inc.	\$11,932.92	Schedule F (GP)	(as filed)
Utility Oil	\$10,041.69	Proof of Claim No. 3 (GP)	ALLOWED and PAID
Utility Oil	\$9,027.32	Schedule F (GP)	(as filed)
Premier Well Service, Inc.	\$6,206.49	Proof of Claim No. 4 (GP) Schedule F (GP)	ALLOWED and PAID
Consulting & Testing, Inc.	\$3,290.75	Proof of Claim No. 5 (GP)	ALLOWED and PAID
J Rs Wheel Alignment	\$2,391.69	Proof of Claim No. 6 (GP)	ALLOWED and PAID
J Rs Wheel Alignment	\$1,884.50	Schedule F (GP)	(as filed)
Dale-Ann Co., Inc.	\$215.15	Proof of Claim No. 7 (GP) Schedule F (GP)	ALLOWED and PAID
Lawrence C. Warlick	\$0	Proof of Claim No. 8 (GP)	NEED TO INVESTIGATE (Objection will be Filed)
Electric Motor & Equipment Co.	\$3,474.43	Proof of Claim No. 9 (GP) Schedule F (GP)	ALLOWED and Paid (as filed)
JDMI, LLC	\$30.00	Proof of Claim No. 10 (GP)	ALLOWED and PAID
CNH Capital America, LLC	\$624.80	Proof of Claim No. 12 (GP) Schedule F (GP)	ALLOWED and PAID (as filed)
CNH Capital	\$688.04	Proof of Claim No. 13 (GP)	ALLOWED and PAID
Howard Supply Co.	\$1,357.23	Proof of Claim No. 14 (GP) Schedule F (GP)	ALLOWED and PAID
DaCott Industries, Inc.	\$64,000.00	Proof of Claim No. 16 (GP)	NEED TO INVESTIGATE
DaCott Industries, Inc.	\$24,000.00	Schedule F (GP)	(Objection will be Filed)
Michael Xanthopoulos	\$10,999.89	Proof of Claim No. 19 (GP)	NEED TO INVESTIGATE

¹ "GP" means Gryphon Production, "GF" means Gryphon Field, and "C" means Chancellor.

<u>Name</u>	<u>Claim Amount</u>	<u>Source</u> ¹	<u>Anticipated Action</u> (Objection will be Filed)
John T. King & Sons	\$2,335.46	Proof of Claim No. 20 (GP)	ALLOWED and PAID
John T. King & Sons	\$2,154.55	Schedule F (GP)	(as filed)
Robert Gordon	\$5,000.00	Schedule F (C)	ALLOWED and PAID
American Oilfield Safety, Inc.	\$490.00	Schedule F (GP)	ALLOWED and PAID
B & C Portable Toilets, LLC	\$241.61	Schedule F (GP)	ALLOWED and PAID
B & G Electric Co.	\$7,841.22	Schedule F (GP)	ALLOWED and PAID
Beagle Steam Service, Inc.	\$597.00	Schedule F (GP)	ALLOWED and PAID
Brandvik Pipe & Equipment, Inc.	\$532.59	Schedule F (GP)	ALLOWED and PAID
Cable One	\$244.47	Schedule F (GP)	ALLOWED and PAID
Carquest Auto Parts	\$382.71	Schedule F (GP)	ALLOWED and PAID
CDI Energy Services	\$12,388.75	Schedule F (GP)	ALLOWED and PAID
Chief Plastic Pipe & Supply, Inc.	\$4,556.45	Schedule F (GP)	ALLOWED and PAID
Consulting & Testing, Inc.	\$3,290.75	Schedule F (GP)	ALLOWED and PAID
Curtis Steam Service	\$4,382.84	Schedule F (GP)	ALLOWED and PAID
Endura Products Corp.	104.60	Schedule F (GP)	ALLOWED and PAID
Engine Parts & Supply	\$1,532.20	Schedule F (GP)	ALLOWED and PAID
Four C Oilfield Service, Inc.	\$1,350.00	Schedule F (GP)	ALLOWED and PAID
Frank's True Value	\$789.46	Schedule F (GP)	ALLOWED and PAID
Heritage Equipment Co., Inc.	\$285.63	Schedule F (GP)	ALLOWED and PAID
Jaco Oil & gas, Inc.	\$529.50	Schedule F (GP)	ALLOWED and PAID
Jewett's Automotive, LLC	\$170.72	Schedule F (GP)	ALLOWED and PAID
Key Energy Services, Inc.	\$398.54	Schedule F (GP)	ALLOWED and PAID
Liquid Recovery systems, Inc.	\$14,546.16	Schedule F (GP)	ALLOWED and PAID
NTS Communications, Inc.	\$509.69	Schedule F (GP)	ALLOWED and PAID
Pampa Machine & Supply, Inc.	\$1,142.46	Schedule F (GP)	ALLOWED and PAID
R.E. Waldrip & Co.	\$3,387.03	Schedule F (GP)	ALLOWED and PAID
Red Man Pipe & Supply Co.	\$86.34	Schedule F (GP)	ALLOWED and PAID
Robert Botello	\$60.00	Schedule F (GP)	ALLOWED and PAID
Robert L. Finney, P.C.	\$262.50	Schedule F (GP)	ALLOWED and PAID
Robert's Electric	\$783.79	Schedule F (GP)	ALLOWED and PAID
Southwest Collision, Inc.	\$824.84	Schedule F (GP)	ALLOWED and PAID
Stokes Radiator & Mr. Muffler	\$324.60	Schedule F (GP)	ALLOWED and PAID
Stubbs, Inc.	\$40.59	Schedule F (GP)	ALLOWED and PAID
The Cartridge Guys	\$116.88	Schedule F (GP)	ALLOWED and PAID
Top O'Texas Oil Field Services	\$12,382.90	Schedule F (GP)	ALLOWED and PAID
Triangle Well Servicing Co.	\$6,599.50	Schedule F (GP)	ALLOWED and PAID
U S Consultancy & Services	\$10,999.89	Schedule F (GP)	NEED TO INVESTIGATE (Objection will be Filed)
W & W Fiberglass Tank Co.	\$2,932.50	Schedule F (GP)	ALLOWED and PAID
WasteCo, Inc.	\$52.05	Schedule F (GP)	ALLOWED and PAID
WB Supply Co.	\$166.40	Schedule F (GP)	ALLOWED and PAID
Westair-Praxair Dist., Inc.	\$4,084.34	Schedule F (GP)	ALLOWED and PAID
Western Marketing	\$526.95	Schedule F (GP)	ALLOWED and PAID
Xcel Energy	\$14,893.93	Schedule F (GP)	ALLOWED and PAID

Claim No. 8 filed in the Gryphon Production Bankruptcy Case is a claim filed by Lawrence C. Warlick in an "unknown" amount for unpaid Royalties. CapWest believes the Debtors have either paid all royalty owners or have held in suspense in royalty payment due. To the extent Lawrence C. Warlick is entitled to be paid a royalty payment, such royalty will be paid.

Claim No. 16 filed in the Gryphon Production Bankruptcy Case is a claim filed by DaCott Industries, Inc. in the amount of \$64,000.00, while Gryphon Production in its Schedules

has scheduled DaCott Industries, Inc. as holding a Claim only in the amount of \$24,000.00. PEG & C will file an objection to this Claim and will investigate to determine the basis for the difference between the filed amount and the scheduled amount of the Claim. DaCott Industries, Inc.'s Claim will be paid by PEG & C under the Plan to the extent it is Allowed.

Claim No. 19 filed in the Gryphon Production Case is a claim filed by Michael Xanthopoulos in the amount of \$10,999.89. That Claim is believed to be a duplicate of the Claim in the amount of \$10,999.89 that is scheduled by Gryphon Production in favor of U.S. Consultancy & Services. PEG & C will file an objection to the Claims of Michael Xanthopoulos and U.S. Consultancy & Services and will investigate to determine if the Claims are duplications of each other. These Claims to the extent they are Allowed will be paid by PEG & C under the Plan.

The Unsecured Class, includes a potential aggregate amount of claims in the approximate amount of \$253,000.00. These Claims will be allowed as set forth above unless prior to thirty (30) days after the Confirmation Date either PEG & C, CapWest or any other party-in-interest objects to such Claim. In the event no objection is filed to any such Claim, the Claim will be allowed as filed or as scheduled and each holder of an Allowed Unsecured Claim, to the extent of such Allowed Claim will be paid in full, without any interest, on or before the 15th day following the Effective Date.

Class 6 is impaired and the holders of the Class 6 Claims are entitled to vote to accept or to reject the Plan.

(g) Class 7: Interest Owners

The Interest Holders, described in Schedule 1 to the Plan and including any holder of any option to purchase shares in Chancellor and also including CapWest by virtue of the warrants it holds, will retain their interests as a beneficial interest. However, such interests are not being transferred, conveyed, and assigned to PEG & C. Upon Confirmation of the Plan, the Debtors will obtain no discharge, will convey all their assets to PEG & C (including all income producing assets) and in exchange, neither Debtors nor the Interest Holders will be paid any compensation or consideration under the Plan. The Plan, however, will not be confirmed unless, among other things, the Bankruptcy Court determines the Plan is "fair and equitable" under the provisions of 11 U.S.C. § 1129(b).

Class 7 is impaired. The holders of the Class 7 Interests obtain no Distributions under the Plan and are therefore deemed to have rejected the Plan. The Interest Holders are entitled to vote on the Plan.

3.4 Post-Petition Pre-Confirmation, and Post-Confirmation Interest

As set forth in the Plan, Lenders are entitled to accrue interest under the Loan Documents until the Effective Date at the default rates of interest provided in the Loan Documents. Upon Confirmation, interest will accrue on Lenders' Allowed Secured Claims at the non-default rates of interest provided in the Loan Documents. No other holder of any Allowed Claim will be entitled to accrue interest on their Claim either prior to Confirmation or after Confirmation.

ARTICLE IV – RECOMMENDATION REGARDING CONFIRMATION

4.1 Recommendation

CapWest recommends that each entity entitled to vote on the Plan vote to accept the Plan. CapWest believes that:

- (a) the Plan provides the best possible result for the holders of Claims and Interests;
- (b) with respect to each impaired Class of Claims and Interests, the Distributions under the Plan are the same as or greater than the amounts that would be received if Debtors' estate were liquidated under Chapter 7 of the Bankruptcy Code; and
- (c) acceptance of the Plan is in the best interest of the holders of Claims and Interests.

4.2 Liquidation Analysis

As a condition to confirmation of a Plan, Section 1129(a)(7)(A)(ii) of the Bankruptcy Code requires that each impaired Class of Claims or Interests must receive or retain at least the amount or value they would receive if the debtors were liquidated in a Chapter 7 case. This requirement is referred to as the requirement that the Plan be in "the best interest of creditors."

CapWest believes that the Plan satisfies the "best interest" test for the following reasons:

- (a) the Plan provides for the liquidation and sale (by conveyance to PEG & C for cash and assumption of debt) of Debtors' assets (*i.e.* the Estate, and the Real Property and all other property interests, which is all of the Debtors' property) and distribution of the proceeds in the priority in which they would be distributed in a Chapter 7 case, *i.e.* PEG & C will pay all Allowed Administrative Claims, Allowed Priority Claims, assume and pay all Allowed Secured Claims, and all Allowed Unsecured Claims; and
- (b) the consideration that will be realized from the sale of Debtors' assets as a going concern to PEG & C will exceed the price that a Chapter 7 trustee could obtain from separately selling the Debtor's assets.

In that regard, in the liquidation analysis set forth in Debtors' Disclosure Statement, Debtors represented to all parties-in-interest that had Debtors filed a bankruptcy proceeding under Chapter 7 of 11 U.S.C. on March 1, 2008, that is the date Debtors filed Debtors' Disclosure Statement, that a Chapter 7 Trustee would realize no value from a liquidation of the Estate. Debtors in Debtors' Disclosure Statement listed all Debtors' property as consisting of: the oil and gas leaseholds in Carson and Gray Counties, Texas, the office building and land at 216 South Price Road in Pampa, Texas, vehicles, heavy field equipment, tools, apartment furniture and miscellaneous appliances and furnishings, miscellaneous office equipment and supplies, and lease and well equipment. The Debtors further represented to all parties-in-interest in Debtors' Disclosure Statement its belief that "(t)he liquidation value in a bankruptcy setting would not offset the claim of these two secured creditors leaving nothing available for the payment of non-priority unsecured claims."

CapWest is aware of a report prepared by Forest Garb & Associates, Inc. that is dated September 14, 2007 that values, as of July 1, 2007, Debtors' Proved Producing Resources at \$12,956.18 and Debtors' Proved Non-Producing Reserves at \$18,787.05. In addition, CapWest is aware of a report prepared by GSM, a Robert B. Grace Company, that estimates the value of Debtors' proved developed producing reserves at \$11,570,224.00 as of January 1, 2008. These reports are available for your review by contacting CapWest's counsel, Don D. Sunderland, at dsunderl@mhba.com. CapWest disagrees with the value conclusions set forth by the just-described experts — a basis for CapWest's disagreement is the reports vastly underestimate Debtors' operating expenses. For example, both reports assume Debtors' annual operating expenses are less than \$500,000.00 (\$430,000.00 in the Garb report and \$496,000.00 in the GSM report) while Debtors' actual annual operating expenses for the preceding twelve (12) months will exceed \$2,000,000.00. At Confirmation, CapWest intends to offer professional valuation evidence to substantiate its belief that the fair market value of Debtors' oil and gas properties do not exceed the unpaid balance of Lenders' claims.

ARTICLE V – DEBTORS' ASSETS TO BE TRANSFERRED UNDER PLAN

Debtors' assets that are to be administered under the Plan, that is, the property of whatever type that is to be transferred, assigned, and conveyed to PEG & C includes, without limitation: the Collateral, including the Mortgaged Property, the Subject Leases, the Subject Interests, the Hydrocarbons, the Subject Contracts, the Subject Easements, the Personal Property, and the Land, and including all reversions, remainder, tolls, rents, revenues, issues, proceeds, earnings, income, and profits from the Land, the Production, and the Real Property, and all Debtors' Cash and Cash Collateral, as well as any other personal property to be transferred, assigned, and conveyed to PEG & C under the Plan (the "**Estate**"). The Confirmation Order will require Debtors to transfer, assign, and convey all right, title and interest in and to the Estate and the Real Property, to PEG & C, including all records, files, and other documents relating to the Estate. The Debtors' Subject Leases, Real Property, and Personal Property, all of which are included within the term "Estate" are described with more particularity below.

5.1 The Subject Leases

The Debtors' Subject Leases consists of the following:

(a) Oil and Gas Leases described in Assignment and Bill of Sale from Mobil Producing Texas & New Mexico to Caldwell Production Co., Inc. recorded in volume 603, page 615 of the Official Public Records of Gray County, Texas (the "Tom Catlin, J.E. Wright, Carrie Wright and Siler Faulkner Leases") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(b) Oil and Gas Lease described in Assignment and Bill of Sale from Phillips Petroleum Company to Caldwell Production Co., Inc. recorded in volume 245, page 805 of the Official Public Records of Carson County, Texas (the "Thornburg Lease") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(c) Oil and Gas Leases described in Assignment and Bill of Sale from BCL Oil & Gas Operating, Inc. to Caldwell Production Co., Inc. recorded in volume 634, page 254 of the Official Public Records of Gray County, Texas and in volume 250, page 607

of the Official Public Records of Carson County (the “Schafer Ranch Leases”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(d) Oil and Gas Leases described in Assignment and Bill of Sale from National Bank of Commerce to Caldwell Production Co., Inc. recorded in volume 626, page 40 of the Official Public Records of Gray County, Texas (the “J.B. Bowers and J.A. Hood Leases”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(e) Oil and Gas Leases described in Assignment and Bill of Sale from Marvin Don Fletcher to Caldwell Production Co., Inc. recorded in volume 654, page 714 of the Official Public Records of Gray County, Texas (the “H. H. Merten and O. E. Binkley Leases”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(f) Oil and Gas Leases described in Assignment and Bill of Sale from B & B Producing Co., Inc. to Caldwell Production Co., Inc. recorded in volume 654, page 719 of the Official Public Records of Gray County, Texas (the “H. H. Merten and O. E. Binkley Leases”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(g) Oil and Gas Lease described in Assignment and Bill of Sale from B & B Producing Co., Inc. to Caldwell Production Co., Inc. recorded in volume 682, page 709 of the Official Public Records of Gray County, Texas (the “Catlin Lease”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(h) Oil and Gas Lease described in Assignment and Bill of Sale from B & B Producing Co., Inc. to Caldwell Production Co., Inc. recorded in volume 687, page 198 of the Official Public Records of Gray County, Texas (the “Ochiltree Lease”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(i) Oil and Gas Leases described in Assignment and Bill of Sale from Pamar Inc. to Caldwell Production Co., Inc. recorded in volume 621, page 884 of the Official Public Records of Gray County, Texas and in volume 246, page 496 of the Official Public Records of Carson County (the “Archer, Archer A. Doss, Doss A & B, Harrah, Harrah A, John William Jackson, McConnell, McConnell A, McConnell B, and McKinney Leases”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(j) Oil and Gas Leases described in Assignment and Bill of Sale from Chevron U.S.A. Inc., successor by merger to Gulf Oil Corporation to Caldwell Production Co., Inc. recorded in volume 587, page 508 of the Official Public Records of Gray County, Texas (the “T.W. Catlin, et al., J.A. Hood, J.M. Saunders, George H. Saunders, J.C. Short, and S.W. McLarty Leases”) and the acreage covered thereby is further described in Exhibit A–3 to the Deeds of Trust;

(k) Oil and Gas Lease described in Assignment and Bill of Sale from Jelco of New York, Inc. to Caldwell Production Co., Inc. recorded in volume 818, page 745 of the Official Public Records of Gray County, Texas and the acreage covered thereby being

included within the Phillips Pampa Unit or the Pampa Unit as further described in Exhibit A-3 to the Deeds of Trust;

(l) Oil and Gas Lease described in Assignment and Bill of Sale from Jelco of New York, Inc. to Caldwell Production Co., Inc. recorded in volume 815, page 1052 of the Official Public Records of Gray County, Texas and the acreage covered thereby being included within the Phillips Pampa Unit or the Pampa Unit as further described in Exhibit A-3 to the Deeds of Trust;

(m) Oil and Gas Leases described in Assignment and Bill of Sale from Jelco of New York, Inc. to Caldwell Production Co., Inc. recorded in volume 808, page 832 of the Official Public Records of Gray County, Texas and the acreage covered thereby being included within the Phillips Pampa Unit or the Pampa Unit as further described in Exhibit A-3 to the Deeds of Trust;

(n) Oil and Gas Lease described in Assignment and Bill of Sale from Texaco, Inc. to Caldwell Production Co., Inc. recorded in volume 600, page 414 of the Official Public Records of Gray County, Texas (the "A. Holmes Lease") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(o) Oil and Gas Lease described in Assignment and Bill of Sale from Phillips Petroleum Company to Caldwell Production Co., Inc. recorded in volume 620, page 423 of the Official Public Records of Gray County, Texas (the "Birdie McKinney Lease") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(p) Oil and Gas Leases described in Assignment and Bill of Sale from Nortex Operating Services, Inc. to Caldwell Production Co., Inc. recorded in volume 715, page 380 of the Official Public Records of Gray County, Texas (the "G.H. Saunders "C", Sac #1, and Glenn "B" Leases") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(q) Oil and Gas Lease described in Assignment and Bill of Sale from Barbara Oil Company to Caldwell Production Co., Inc. recorded in volume 700, page 589 of the Official Public Records of Gray County, Texas (the "Siler Faulkner Lease") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(r) Oil and Gas Lease described in Assignment and Bill of Sale from Conoco, Inc. and Barbara Oil Company to Caldwell Production Co., Inc. recorded in volume 595, page 837 of the Official Public Records of Gray County, Texas (the "J.F. Meers Lease") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(s) Oil and Gas Lease described in Assignment and Bill of Sale from Texola Oil and Gas, Inc. to Caldwell Production Co., Inc. recorded in volume 627, page 24 of the Official Public Records of Gray County, Texas (the "R. Sullivan Lease") and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(t) Oil and Gas Leases described in Assignment and Bill of Sale from Atlantic Richfield Company to Caldwell Production Co., Inc. recorded in volume 644,

page 84 of the Official Public Records of Gray County, Texas and the acreage covered thereby being included within the Worley Combs and East Pampa Units as further described in Exhibit A-3 to the Deeds of Trust;

(u) Oil and Gas Lease described in Assignment and Bill of Sale from Billy B. Davis, et al. to Caldwell Production Co., Inc. recorded in volume 642, page 30 of the Official Public Records of Gray County, Texas (the “Cinco Osborne Lease”) and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(v) Oil and Gas Lease described in Assignment and Bill of Sale from Jaco Oil & Gas to Caldwell Production Co., Inc. recorded in volume 659, page 965 of the Official Public Records of Gray County, Texas (the “D. F. McKinney Lease”) and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(w) Oil and Gas Lease described in Assignment and Bill of Sale from Mobil Producing Texas & New Mexico, Inc. to Caldwell Production Co., Inc. recorded in volume 603, page 623 of the Official Public Records of Gray County, Texas (part of the “Fee 227 Leases”) and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(x) Oil and Gas Lease described in Assignment and Bill of Sale from Mobil Producing Texas & New Mexico, Inc. to Caldwell Production Co., Inc. recorded in volume 603, page 628 of the Official Public Records of Gray County, Texas (part of the “Fee 227 Leases”) and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust;

(y) Oil and Gas Lease described in Assignment and Bill of Sale from Mobil Producing Texas & New Mexico, Inc. to Caldwell Production Co., Inc. recorded in volume 603, page 633 of the Official Public Records of Gray County, Texas (part of the “Fee 227 Leases”) and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust; and

(z) Oil and Gas Lease described in Assignment and Bill of Sale from Mobil Producing Texas & New Mexico, Inc. to Caldwell Production Co., Inc. recorded in volume 603, page 638 of the Official Public Records of Gray County, Texas (part of the “Fee 227 Leases”) and the acreage covered thereby is further described in Exhibit A-3 to the Deeds of Trust.

5.2 Debtors’ Real Property

The Debtors’ Real Property to be transferred, assigned, and conveyed to PEG & C pursuant to the Plan consists of the real estate and improvements (office building) that are described in Gryphon Production’s First Amended Schedule A filed in the Gryphon Production Bankruptcy Case.

5.3 Debtors’ Personal Property

The Debtors’ personal property to be transferred, assigned, and conveyed to PEG & C pursuant to the Plan consists of the following:

(a) Lease and well equipment (CapWest is unaware of a detailed inventory of all such property) that Gryphon Field, in its Schedule B filed in its Bankruptcy Case, values at \$291,500.00;

(b) Apartment furniture and miscellaneous appliances that are described with particularity by Gryphon Production in its Schedule B filed in its Bankruptcy Case, and Gryphon Production in its Schedule B values such property at \$18,000.00;

(c) Motor Vehicles, heavy field equipment, and tools (CapWest is unaware of a detailed inventory of all such property, though Gryphon Production in an Attachment to its Schedule B filed in its Bankruptcy Case provides a list of vehicles and heavy field equipment) that Gryphon Production in its Schedule B values at \$596,256.00; and

(d) Miscellaneous office equipment and supplies (CapWest is unaware of a detailed inventory of such all such property) that Gryphon Production, in its Schedule B filed in its Bankruptcy Case, values at \$108,073.48.

5.4 Excluded Assets

All property interests of Debtors, that is, the Estate are being transferred, conveyed, and assigned to PEG & C pursuant to the Plan. **There are no Excluded Assets.**

ARTICLE VI – ASSUMPTION AND REJECTION OF UNEXPIRED LEASES/EXECUTORY CONTRACTS

6.1 Assumption Generally

The Confirmation Order, pursuant to 11 U.S.C. Sections 365 and 1123(b)(2), without any additional formality, will constitute the Bankruptcy Court's order approving the rejection or assumption of each executory contract and unexpired lease as described below and as described and the assumed executory contracts and unexpired leases will be simultaneously assigned by Debtors to PEG & C. In addition, notwithstanding any provision to the contrary in the Disclosure Statement or the Plan, PEG & C, within sixty (60) days after the Effective Date upon motion to the Bankruptcy Court, may assume any executory contract or unexpired lease that prior to the Effective Date has not been assumed.

6.2 Cure of Defaults

The Confirmation Order shall constitute an order of the Bankruptcy Court determining that as of the Confirmation Date there exist no defaults under any executory contract or unexpired lease that is assumed and assigned to PEG & C and parties to such assumed and assigned executory contracts or unexpired leases upon Confirmation are forever barred from asserting the existence of any defaults thereunder.

6.3 Specific Unexpired Leases/Executory Contracts – Assumption/Rejection

(a) The executory contracts or unexpired leases that are to be assumed under the Plan and assigned to PEG & C are as follows:

(i) All oil and gas leases (including the “Subject Leases”);

- (ii) Debtors' executory contract with American Oil Field Safety, Inc.; and
 - (iii) Debtors' executory contract with Consulting and Testing, Inc.
- (b) The executory contracts or unexpired leases that are to be rejected under the Plan are as follows:
- (i) Debtors' executory contract with DaCott Industries, Inc.;
 - (ii) Debtors' executory contract with U.S. Consultantcy and Services, Inc.;
- and
- (iii) Debtors' executory contract with Forrest A. Garb & Associates, LLC.
- (c) Any other executory contract or unexpired lease to which any of the Debtors is a party, all rights under which are being assigned to PEG & C pursuant to the Plan, will be rejected under the Plan, unless within sixty (60) days after the Effective Date, CapWest or PEG & C. Files appropriate pleadings to assume and assign to PEG & C such executory contract or unexpired lease.

ARTICLE VII – MEANS FOR IMPLEMENTING THE PLAN

7.1 Establishment of PEG & C

CapWest has formed and established a Texas limited liability company known as PEG & C, L.L.C. ("PEG & C"). CapWest is the single member of PEG & C and CapWest has formed PEG & C for the primary purposes of (i) operating and ultimately liquidating the Debtors' Estate to be transferred, assigned, and conveyed to PEG & C upon Confirmation, (ii) resolving and disputing Claims, and (iii) satisfying Claims. CapWest will provide initial capital to PEG & C of \$500,000.00 and will provide PEG & C with a \$1,000,000.00 revolving line of credit.

PEG & C will be managed by the following management team:

- (a) Clay Wood – Chairman (Mr. Clay Wood is also CapWest's Chairman and WNB's Chairman – Mr. Clay Wood, along with his son Mr. Jack Wood, owns the controlling shareholder interest of WNB);
- (b) Jack Wood – Vice Chairman (Mr. Jack Wood is also CapWest's Vice Chairman and a Director and Chairman and Executive Officer of WNB – Mr. Jack Wood, along with his father Mr. Clay Wood, owns the controlling shareholder interest of WNB);
- (c) Mark D. McKinney – President and Director (Mr. McKinney is also CapWest's President and a Director of CapWest and a Senior Vice President of WNB);
- (d) Donald E. Wood – Executive Vice President and Director (Mr. Donald Wood is also CapWest's Executive Vice President and a Director of CapWest and a Director of WNB);

(e) C. Robert Winkler, III – Senior Vice President and Director (Mr. Winkler is also a Director of CapWest, a Senior Vice President of CapWest and Director and a Senior Vice President of WNB);

(f) Scott A. Lovett – Director (Mr. Lovett is also a Director of CapWest and an Executive Vice President of WNB);

(g) Paul W. Lucas – Director (Mr. Lucas is also a Director of CapWest and an Executive Vice President of WNB); and

(h) Greg T. Ochs – Director (Mr. Ochs is also a Director of CapWest and Managing Director and Director of WNB).

PEG & C will pay no compensation to its management team, that is, the compensation paid to the management team that is presently paid by CapWest or WNB will be unaltered. PEG & C's day-to-day affairs will be managed by its President Mark D. McKinney, and the operational management of the oil and gas properties comprising the "Estate" conveyed to PEG & C pursuant to the Plan will be conducted by Alan D. Means, Cambrian Management, Ltd., pursuant to an operating and management agreement to be entered by PEG & C with Cambrian Management, Ltd.

7.2 Transfer by Debtors to PEG & C of the Estate

Upon Confirmation, the Confirmation Order will constitute an order of the Bankruptcy Court directing Debtors immediately to execute documents, in form and substance satisfactory to PEG & C and its counsel, conveying, transferring, and assigning the Estate and the Real Property, to PEG & C, including all records, files, and other documents relating to the Estate. This conveyance, transfer, and assignment by Debtors to PEG & C will be subject to all liens and encumbrances that secure the Allowed Secured Claims as set forth herein, which such liens and encumbrances and the obligations secured thereby, including any obligation arising under the Letter or Credit, will be expressly assumed, and paid, by PEG & C. Debtors, upon such transfer, assignment, and conveyance, on the Effective Date of the Plan, will be released and discharged of any Obligations to WNB or CapWest, or to Holders of any Allowed Claim, which such Obligations will be assumed by PEG & C under the Plan and paid. In the event Debtors fail to execute any document requested by CapWest or PEG & C to evidence such transfer, assignment, and conveyance, the Confirmation Order will constitute an authorization and direction for Debtors' counsel to execute such conveying, transferring, and assigning documents as Debtors' attorney-in-fact and Debtors' counsel will execute such documents upon request.

ARTICLE VIII – CONFIRMATION OF THE PLAN

8.1 Voting Procedures

(a) For All Creditors

After approval of the Disclosure Statement, CapWest will seek the acceptance of the Plan by all Classes of claimants entitled to vote on the Plan. If you are entitled to vote to accept or reject the Plan, a Ballot will be provided to you for the purpose of voting on the Plan and you will be requested to vote and return your Ballot(s) to the following:

Don D. Sunderland
Mullin Hoard & Brown, LLP
P.O. Box 31656
Amarillo, TX 79120-1656

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary capacity, such persons will be asked to indicate such capacity when signing.

Ballots, with respect to the Plan, will be accepted by CapWest until 5 p.m., Amarillo, Texas time on a specified date fixed by the Bankruptcy Court (the “**Voting Deadline**”). Except to the extent CapWest so determines or as permitted by the Bankruptcy Court pursuant to Bankruptcy Rule 3018, Ballots that are received after the Voting Deadline will not be accepted or used by CapWest in connection with CapWest’s request for Confirmation of the Plan.

All votes to accept or reject the Plan must be cast by using a Ballot. Votes cast in any manner other than by using a Ballot will not be counted.

If you are a Holder of a Claim or Interest entitled to vote on the Plan and you do not receive a Ballot, received a damaged Ballot, lose your Ballot, or have questions concerning the Disclosure Statement, the Plan, or the procedures for voting on the Plan, you are free to call CapWest’s counsel, Don Sunderland of Mullin Hoard & Brown, LLP at 806-337-1117.

(b) General Instructions

Upon approval by the Bankruptcy Court of the Disclosure Statement, the Plan will be provided to you and CapWest at that time will be free to solicit your vote for the Plan. In that event, after carefully reviewing the Plan, including all exhibits thereto, and the Disclosure Statement and its exhibits, you will be asked to indicate your vote on a Ballot that will be provided to you and you will be requested to return the completed Ballot in an envelope provided. In voting to accept or reject the Plan, you will be requested to use only the Ballot sent to you with the Plan and Disclosure Statement.

8.2 Hearing on Confirmation

Upon approval by the Bankruptcy Court of the Disclosure Statement, a hearing on Confirmation of the Plan will be scheduled at Amarillo, Texas before the Honorable Robert L. Jones, United States Bankruptcy Judge, United States Bankruptcy Court, Room 100, U.S. Courthouse, 624 S. Polk, Amarillo, Texas 79101.

8.3 Confirmation Without the Acceptance of a Class

If all other requirements for confirmation of a Plan are met, the Bankruptcy Court may, at the request of the proponent, confirm the Plan notwithstanding the fact that one or more impaired Classes of Claims or Interests have not accepted the Plan. The Bankruptcy Court may confirm a Plan under these circumstances if the Bankruptcy Court finds that the Plan is fair and equitable under the provisions of Section 1129(b) of the Bankruptcy Code. The Bankruptcy Code requires the Bankruptcy Court to find that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or Interests that is impaired under the Plan and has not

accepted the Plan. Upon such finding, the proponent of the Plan may confirm the Plan over the objections of a dissenting class.

CapWest believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each Class of Claims or Interests that is impaired under the Plan and therefore can be confirmed over the objections of a dissenting Class of Claims or Interests.

8.4 Effect of Confirmation

The Estate and Real Property and other personal property to be conveyed, transferred, and assigned to PEG & C under the Plan, as conveyed, transferred, and assigned to PEG & C, will be free and clear of all Claims and Interests of creditors and equity holders except as expressly provided in the confirmed Plan or the order of the Bankruptcy Court confirming the Plan. The provisions of the confirmed Plan will bind Debtors and all other parties-in-interest, including any creditors of Debtors, whether or not such creditors are impaired under the confirmed Plan and whether or not such creditors voted to accept the confirmed Plan. There will be no discharge provided to Debtors under the Plan; however, Debtors' Obligations to holders of all Allowed Claims are being assumed by PEG & C pursuant to the Plan and paid as set forth in the Plan.

8.5 Limitation of Liability in Connection With This Plan, Disclosure Statement, and Related Documents

CapWest and its counsel shall not incur any liability to any entity, including specifically any Holder of a Claim or Interest, for any act taken or omitted to be taken after the Petition Date in connection with or related to the formulation, preparation, dissemination, implementation, confirmation, or consummation of the Plan, this Disclosure Statement, the Confirmation Order, or any other agreement or document created or entered into, or any other act taken or omitted to be taken in connection with the Plan, this Disclosure Statement, or the Confirmation Order, including solicitation of acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code.

ARTICLE IX – MISCELLANEOUS

9.1 Res Judicata Effect of Confirmation Order

The classification and treatment of Claims in the Plan are based upon CapWest's interpretation of the Claims filed and applicable law. Parties-in-interest, including the Holders of Claims and Interests that are affected by the Plan, or that assert rights against the Debtors, except as is expressly set forth in the Plan, must raise any objection to the classification and treatment of Claims before Confirmation. **THE CONFIRMATION ORDER WILL BE BINDING AS TO ALL SUCH ISSUES THAT WERE OR COULD HAVE BEEN RAISED IN CONNECTION WITH CONFIRMATION OF THE PLAN.**

9.2 Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the effective date, the Bankruptcy Court shall retain jurisdiction over the Chapter 11 Case after the effective date, including jurisdiction to:

- (a) Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any claim, including the resolution of any request for payment of any administrative expense and the resolution of any objections to the allowance or priority of claims;
- (b) Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan for periods ending on or before the effective date;
- (c) Resolve any matters related to the assumption or rejection of any executory contract or unexpired lease to which Debtors are a party;
- (d) Ensure that distributions to holders of allowed claims are accomplished pursuant to the provisions of the Plan;
- (e) Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan, the Disclosure Statement, or the Confirmation Order;
- (f) Modify this Plan before or after substantial consummation pursuant to Section 1127 of the Bankruptcy Code or modify the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate this Plan, to the extent authorized by the Bankruptcy Code;
- (g) Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation, implementation, or enforcement of the Plan or the Confirmation Order;
- (h) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (i) Determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan, the Disclosure Statement, or the Confirmation Order, except as otherwise provided in the Plan; and
- (j) Enter an order closing, dismissing, or converting Debtors' Bankruptcy Cases.

9.3 Tax Consequences

CapWest has neither obtained a tax opinion nor analyzed the tax consequences of the transactions contemplated by the Plan and CapWest expresses no opinion as to the tax consequences to the holder of any Claim or Interest as a result of the transactions contemplated by the Plan. All parties-in-interest are advised and encouraged to obtain their independent tax counsel to determine the tax consequences of the Plan.

Dated: May 27, 2008
Amarillo, Texas

Respectfully submitted,

MULLIN HOARD & BROWN, LLP
Don D. Sunderland, TSB #19511800
500 South Taylor, Suite 800, LB #213
P.O. Box 31656
Amarillo, TX 79120-1656
Tel: 806-337-1117
Fax: 806-372-5086
dsunderl@mhba.com

By: /s/ Don D. Sunderland
Don D. Sunderland
Attorneys for CapWest Resources, Inc.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the above and foregoing document was this 27th day of May 2008 served electronically on all appropriate parties through the court's CM/ECF filing system.

/s/ Don D. Sunderland
Don D. Sunderland

SCHEDULE 1

Chancellor Group, Inc.

(Active Shareholder Report as of 04/16/08)

	<u>Stock Holder</u>	<u>Number Of Shares</u>	<u>Percentage</u>		<u>Stock Holder</u>	<u>Number Of Shares</u>	<u>Percentage</u>
1	A G Edwards & Sons, Inc.	100	0.000154%	203	Koala Pictures Pty, Ltd.	987,000	1.523083%
2	James Adamson	150	0.000231%	204	Koan Investment Corp.	81,000	0.124995%
3	Kathleen Addis	150	0.000231%	205	Koan Investments Richard H. and Kathleen	50,000	0.077157%
4	Tom Ahlquist	150	0.000231%	206	Kraft	150	0.000231%
5	Sandra and Tom Ahlquist	150	0.000231%	207	David R. and Sueann Kraus	7,000	0.010802%
6	Marv Alexander	150	0.000231%	208	Shirely and Lois Kravitz	150	0.000231%
7	Keith Ameling	150	0.000231%	209	Sue Krueger	150	0.000231%
8	Mayer Amsel	150	0.000231%	210	KY-Gasbusters, Inc. Bernard H. and Holly R.	37,500	0.057868%
9	Jack Anderson	150	0.000231%	211	Lackey	300	0.000463%
10	Ernest P. Andrews Annamae, Tod G., and Roy	1,000,000	1.543144%	212	Ray Lanoy	150	0.000231%
11	Brandsma	170,000	0.262334%	213	Larko	20,000	0.030863%
12	Roberet Annells Appalachian Natural Gas Corporation	150,000	0.231472%	214	Roaslie Larson	150	0.000231%
13		34,750	0.053624%	215	Harry Latham	100,000	0.154314%
14	Wi Win Astuti	105,000	0.162030%	216	Ian Latham	50,000	0.077157%
15	Thomas G. Bagley	150	0.000231%	217	John Lawson	50,000	0.077157%
16	Fraderick C. Bailey	1,000	0.001543%	218	Don Layton	100,000	0.154314%
17	Bret and Paula S. Baker	90	0.000139%	219	Daniel LE Guellec	30,000	0.046294%
18	Vyrl Bangerter	150	0.000231%	220	Michael LE Guellec	50,000	0.077157%
19	Banglold Pty Limited	3,750	0.005787%	221	John C Y Lee	250,000	0.385786%
20	Brian Barlocker	150	0.000231%	222	James D. Lefavor Donald and Beverly	150	0.000231%
21	Lynn Barnery	150	0.000231%	223	Lefavor	150	0.000231%
22	John G. Barratt	150	0.000231%	224	Mark Lewis	150	0.000231%
23	Hylya Baykiz	10,000	0.015431%	225	Lichfield Petroleum, Ltd	975,000	1.504565%
24	Dave Beaufort	150	0.000231%	226	John H. Linney	150	0.000231%
25	Charles W. Beggs	100	0.000154%	227	Linrob Investments Pty Ltd	50,000	0.077157%
26	Robert L. Belt	150	0.000231%	228	John Lisi Norman G. and Karen	150	0.000231%
27	Antoinette K. Bengston	150	0.000231%	229	Lucas	70,000	0.108020%
28	Duff Berg	150	0.000231%	230	Daniel A. Lutz	260,000	0.401217%
29	G. S. Berryman	150	0.000231%	231	Alexander Mackenzie	200,000	0.308629%
30	Patrick Berryman	150	0.000231%	232	Elinor Mackey	150	0.000231%
31	George and Mary Berryman	150	0.000231%	233	P. Kim Maddox	150	0.000231%
32	David Beyda	750	0.001157%	234	Paul Maddox	150	0.000231%
33	Sandra Binks	150	0.000231%	235	Michelle Magonigal	150	0.000231%
34	Karen Bloxham	50	0.000077%	236	Jehangir Malik	25,000	0.038579%
35	David E. Bodie	120,000	0.185177%	237	Mohammad Malik	5,200	0.008024%
36	Khyva and Clark Bowles	150	0.000231%	238	Gary L. and Rose Mannen	150	0.000231%
37	Rick Bowman	150	0.000231%	239	Marfleet Limited	30,000	0.046294%
38	Jill Boyce	150	0.000231%	240	Van Martin	150	0.000231%
39	Marsha Boyd	150	0.000231%	241	Stven Mathews	50,000	0.077157%

40	Tom Branch	150	0.000231%	242	Dianne McCafferty	150	0.000231%
41	Leonard Broadbridge	2,000	0.003086%	243	Paul McClure	150	0.000231%
42	Debra Brock	150	0.000231%	244	Frank Mcenulty	75,000	0.115736%
43	Paul A. Brohe	150	0.000231%	245	Rich McKamy	150	0.000231%
44	Gordon Brown	150	0.000231%	246	Doug McNeil	150	0.000231%
45	Rosie Brown	150	0.000231%	247	Karen McQueen	200,000	0.308629%
46	Buddy Bear Enterprises, Inc.	75,000	0.115736%	248	Edgar McQueen	150,000	0.231472%
47	Tariq N. Bukhari	50,000	0.077157%	249	David Medansky	50	0.000077%
48	David L. Bunten	150	0.000231%	250	Cory Memmott	150	0.000231%
49	Raymond R. Burgess, Sr.	21,750	0.033563%	251	C. Warren Metcalf	150	0.000231%
50	Robyn Burnham	150	0.000231%	252	M H Michaelson	150	0.000231%
51	Robert Burrow	150	0.000231%	253	Tom Miller	150	0.000231%
52	The Burston Family Superannuation Fund	30,000	0.046294%	254	Mimi Investments Pty Ltd	50,000	0.077157%
53	Elizabeth and Krehl Burton	150	0.000231%	255	Wess Mitchell	150	0.000231%
54	Richard Bush	150	0.000231%	256	Neldon R. Monroe	150	0.000231%
55	John Busk Pierina A. and William N. Bussey	150	0.000231%	257	Krissy Morrison	150	0.000231%
56	The Cadle Company II Inc. Fred M. Calaway and Ira M. Calaway	52,500	0.081015%	258	William Morse	150	0.000231%
57	Capital General Corp., Ltd	10,000	0.015431%	259	Shanna Mullins	150	0.000231%
58	Caribou Limited	30,000	0.046294%	260	Harvey Murdock	150	0.000231%
59	David Carter	352,000	0.543187%	261	Charles D. Murphy	150	0.000231%
60	David Castleton	300,000	0.462943%	262	Dennis Murphy	41,947	0.064730%
61	David J. Castleton	50	0.000077%	263	Rick E. Murphy	10,000	0.015431%
62	Richard L. Castleton	100	0.000154%	264	Julie Murray	150	0.000231%
63	CEDE & CO	150	0.000231%	265	Mary Ann Murray	150	0.000231%
64	CEDE & CO	16,142,598	24.910348%	266	Duddly Muth	75,000	0.115736%
65	Albert Chieves	75,900	0.117125%	267	Dudley Muth	1,350,000	2.083244%
66	CJ Bloomfield Pty Limited	150	0.000231%	268	Bruce Nance	150	0.000231%
67	Joan H. Coleman	150	0.000231%	269	Raw H. Naseem	20,000	0.030863%
68	Rex Courtney	45,039	0.069502%	270	Irfan Nawab	50,000	0.077157%
69	Alice and R. Chrankshaw	10,000	0.015431%	271	Edward Nelson	150	0.000231%
70	Tony Crawley	150	0.000231%	272	Mike Nelson	150	0.000231%
71	Kenneth Crellin	150	0.000231%	273	Hugh Newsom	150	0.000231%
72	Joan and NO Chritchlow	150	0.000231%	274	Elmo Nossaman	150	0.000231%
73	Marc Cruse	150	0.000231%	275	Kelly Oakeson	150	0.000231%
74	Kristine Dalebout	150	0.000231%	276	John Ogle	150	0.000231%
75	Opal Danley	150	0.000231%	277	Stephen L. Ohly	150	0.000231%
76	Dale Dansie	150	0.000231%	278	Larry Olsen	150	0.000231%
77	Melvine R. and Josephine Davis	150	0.000231%	279	Roger and Allison Olson	100	0.000154%
78	Rita Delaney	150	0.000231%	280	Maxine Oosterhouse	150	0.000231%
79	Glen Denkers	150	0.000231%	281	Jill Orizondo	220,000	0.339492%
80	Joseph A. DiPrete	150	0.000231%	282	Jim Osborne	150	0.000231%
81	Paul Dietz	150	0.000231%	283	Jim Ottesen	100	0.000154%
82	Joseph Dowding	150	0.000231%	284	Frank Overbeek	590,000	0.910455%
83	Andrew Driggs	150	0.000231%	285	George Parry Merton H. and Marion W. Paskett	150	0.000231%
84				286		150	0.000231%
85				287	Michael and Lynda Patrick	150	0.000231%

					Donald W. and Patricial A.		
86	Benjamin Driggs	150	0.000231%	288	Patterson	5,000	0.007716%
87	Matthew Driggs	150	0.000231%	289	Bill Paul	150	0.000231%
88	Steven Driggs	150	0.000231%	290	Dick Paul	150	0.000231%
89	Warren and Cynthia Driggs	150	0.000231%	291	Rodney Paykel	5,400	0.008333%
90	Leonard Driggs and He Driggs	150	0.000231%	292	W. J. Pearson	20,000	0.030863%
91	Paul and Lori Driggs	150	0.000231%	293	Richard Perkins	150	0.000231%
92	David Duggan	1,000	0.001543%	294	Steven Peterson	150	0.000231%
93	John G. Eckhardt	7,500	0.011574%	295	Bonnie Pettersson	150	0.000231%
94	Karen Eisenmann	150	0.000231%	296	Bus Pettersson	150	0.000231%
95	Bert Elkin	150	0.000231%	297	Joshua Pettersson	150	0.000231%
96	Ronda L. Elliott	150	0.000231%	298	Julie Pettersson	150	0.000231%
97	Art Engman	150	0.000231%	299	Mathew M. Pettersson	150	0.000231%
98	Corry Engman	150	0.000231%	300	Adam Petty	10,000	0.015431%
99	Harvey Estes	150	0.000231%	301	Peter T. Pfeifer	150	0.000231%
100	Jason Estes	150	0.000231%	302	Benjamin J., Jr. and Carolyn P. Phillips	60,000	0.092589%
101	Jevon Estes	150	0.000231%	303	Burt Powell	150	0.000231%
102	Sue Eubanks	150	0.000231%	304	Priblon Pty Ltd	106,100	0.163728%
103	Nicola Pauly Fahey	125,000	0.192893%	305	Mary Pritzl	150	0.000231%
104	Scott Farber	150	0.000231%	306	Adam Radly	50,000	0.077157%
105	Kevin Farnsworth	150	0.000231%	307	James Raemisch	1,250	0.001929%
106	Jack Finney	150	0.000231%	308	Ravendale Financial, Inc.	200,000	0.308629%
107	Bradley W. Fischer	3,037,751	4.687686%	309	Julie D. S. Reid	50,000	0.077157%
108	W. Nelson Fitch	45,000	0.069441%	310	William J. Renna	75	0.000116%
109	Helen Fleming	150	0.000231%	311	James and Tamara Riches	150	0.000231%
110	Ludella M. Fleming	150	0.000231%	312	Scott Robereson	10,000	0.015431%
111	Morley Flood	10,000	0.015431%	313	Gregory Roche	5,900	0.009105%
112	Rodney and Neil W. Forman	50	0.000077%	314	Shane Rodgers	12,100	0.018672%
113	Forum Energy, Ltd	975,000	1.504565%	315	Luis and Rosa M. Rodriquez	10,000	0.015431%
114	Doug Fowler	150	0.000231%	316	Al Rolph	150	0.000231%
115	Floyd A. Fowler	150	0.000231%	317	Woodford Rowland	150	0.000231%
116	Victor Fowler	150	0.000231%	318	John Salomone	150	0.000231%
117	Dan Froehlich	150	0.000231%	319	Satire V. Pty Ltd	225,769	0.348394%
118	Kevin Gadway	150	0.000231%	320	Hy Saunder	150	0.000231%
119	Douglas Gallian	20,000	0.030863%	321	Nancy Jo Schuch	21,000	0.032406%
120	Gary Gallian	10,000	0.015431%	322	Tim Secrist	150	0.000231%
121	Frank B. Gemmellaro	1,500	0.002315%	323	Kimberly Sekora	150	0.000231%
122	Genesis Systems, Inc.	100,000	0.154314%	324	Cary Self	150	0.000231%
123	Kent Giaque	50	0.000077%	325	Deroy and Retha Shail	150	0.000231%
124	John Giarmarco	2,000	0.003086%	326	Shearson Lehman Bros.	50	0.000077%
125	Byron Gibson	150	0.000231%	327	Matt Schultz	20,000	0.030863%
126	Jan R. Gibson	20,000	0.030863%	328	Joseph Sigel	12,300	0.018981%
127	Glazco Consultants Pty Ltd	8,693	0.013415%	329	Joseph Sigel	1,250	0.001929%
128	Corky Glenn	150	0.000231%	330	Southwin Financial, Ltd.	575,000	0.887308%
129	Garth Goates	150	0.000231%	331	Southwin Financial, Ltd.	713,000	1.100261%
130	Kim and Garth Goates	150	0.000231%	332	Ersly and Virginia Sowers	150	0.000231%
131	Edward Godlewski, Sr.	150	0.000231%	333	Springlsley Pty, Ltd	266,667	0.411505%
132	Lois Godlewski	150	0.000231%	334	Henry D. and Janet Stagg	150	0.000231%

133	Erich Goetz	50,000	0.077157%	335	Bret Stephenson	150	0.000231%
134	Robert Gordon	1,131,300	1.745758%	336	William H. Stinson	446,500	0.689014%
135	Robert Gordon	3,453,500	5.329247%	337	Gary D. Stockford Mittie and Winston Stockman	200	0.000309%
136	Robert Gordon	500,000	0.771572%	338	Richard Stokely	150	0.000231%
137	Graham Energy, Inc.	685,000	1.057053%	339	Katherine V. Stotts	20,000	0.030863%
138	Leigh Grant	500,000	0.771572%	340	John E. Stratton	10,000	0.015431%
139	Grayson Financial, Ltd	500,000	0.771572%	341	David Stgringham	150	0.000231%
140	Mark Greene	150	0.000231%	342	T&P Enterprises, Inc.	477,500	0.736851%
141	Paul M. Guest	44,000	0.067898%	343	Jane and Paul Taggart	150	0.000231%
142	Peter W. Guyon	200	0.000309%	344	Jeremy Taylor	10,000	0.015431%
143	Fred N. and Eugenia R. Hackett	150	0.000231%	345	Jan Taylor	37,000	0.057096%
144	Joy T. Hale	150	0.000231%	346	Ivan E. Tellis	150	0.000231%
145	Paul Hale	150	0.000231%	347	Carl Tenbrink	50	0.000077%
146	Loren Hansen	150	0.000231%	348	Thestockbroker Com, Inc.	25,000	0.038579%
147	Jim Harmon	6,000	0.009259%	349	Fred M. Thomas	150	0.000231%
148	Peter Harris	100,000	0.154314%	350	Max Thomsen	150	0.000231%
149	Edith Hartman	150	0.000231%	351	Echo and Max Thomsen	150	0.000231%
150	Benson Hathaway, Jr.	150	0.000231%	352	Samantha F. Tol	675	0.001042%
151	Susan Haws	150	0.000231%	353	Tomarg Pty Ltd.	50,000	0.077157%
152	Heatherwood Pty Limited	25,000	0.038579%	354	Tammy Tuttle	150	0.000231%
153	Michael Hebner	150	0.000231%	355	Kenneth J. Tyack	2,250	0.003472%
154	James M. Heiskell, Sr.	8,618	0.013299%	356	Jack Van Der Lee	10,000	0.015431%
155	Michael Heisser	50,000	0.077157%	357	Vance Energy, Ltd. Harry J. and Connie Vanderbeek	500,000	0.771572%
156	Max Hett	150	0.000231%	358	Ronald Vorderstras	150	0.000231%
157	H. Melville Hicks, Jr.	12,638	0.019502%	359	James H. Voyles	150	0.000231%
158	Scott Hill	150	0.000231%	360	Stan Wade	150	0.000231%
159	Willilam Hokanson	150	0.000231%	361	Neil Walker	50	0.000077%
160	Steven P. Holt	10,000	0.015431%	362	Wall Street Daily Press	20,000	0.030863%
161	Bob Homer	150	0.000231%	363	Wall Street Daily Press	3,000	0.004629%
162	William F. Homer Horizon Trustees Ltd Horizon Trust #3	150	0.000231%	364	Wall Street News Cast, Inc.	75,000	0.115736%
163	Anita Hornby	200,000	0.308629%	365	Lee Wanlass	150	0.000231%
164	Laurie Horton	100	0.000154%	366	Ashley Ward	150	0.000231%
165	Laurie Horton	150	0.000231%	367	Marshall Wayne	40,000	0.061726%
166	Cliff Howard	150	0.000231%	368	Wealth Creating Stratagies	10,000	0.015431%
167	Howell's Investments	150	0.000231%	369	Fred g. Weaver	150	0.000231%
168	Janet W. Howells	150	0.000231%	370	Robert Webster	150	0.000231%
169	Jerry Howells	150	0.000231%	371	Daniel Weinstock	100,000	0.154314%
170	Tim Howells	150	0.000231%	372	Weiss Peck & Greer	825,000	1.273094%
171	Bill Humphries	150	0.000231%	373	Michael Welsh	30,000	0.046294%
172	Nancy Humphries	150	0.000231%	374	Linda Welte	150	0.000231%
173	Danny Hunt	150	0.000231%	375	Robert West	150	0.000231%
174	Linda Hunt	5,400	0.008333%	376	Arnold and Jennifer West	150	0.000231%
175	Gary Hutchings	150	0.000231%	377	Ronald Weston	5,745	0.008865%
176	Joseph P. Inserra	100	0.000154%	378	Margaret A. White	208,333	0.321488%
177	Laurie W. and Gloria Jarvela	150	0.000231%	379	Garry M. White	50,000	0.077157%
178	Terry Jenkins	150	0.000231%	380			
179	Jeff Jensen	150	0.000231%	381			

180	Jeffery V. and Leesa Jensen	150	0.000231%	382	Margaret Anne White	22,540	0.034782%
181	Rodney M. and Mrs. Kay W. Jex	150	0.000231%	383	Gary Whitely	150	0.000231%
182	A. Clark Johnson	150	0.000231%	384	Gary Whitman	150	0.000231%
183	S. Howes Johson, Esq. Trustee	41,000	0.063269%	385	Kent Whitman	150	0.000231%
184	Michelle Juarez	150	0.000231%	386	Sean Wilhite	10,000	0.015431%
185	Elis Juju	6,666	0.010287%	387	Thomas J. Willimas	150	0.000231%
186	Rick Jukes	150	0.000231%	388	Wendy Williams	150	0.000231%
187	Ronald M. and Francis J. Jumper	187	0.000289%	389	Linda Wise	150	0.000231%
188	Safiq Ali Kahn	5,200	0.008024%	390	Bob Witt	150	0.000231%
189	Otto and Dorothy Kalan	150	0.000231%	391	Paul H. and Gertrude A. Wolske	150	0.000231%
190	Joseph F. and Lori Kalan	50	0.000077%	392	Robert C. Wood	150	0.000231%
191	Michael V. Kawchak	150	0.000231%	393	Marsha Worthen	300	0.000463%
192	Anwar Kazi	25,000	0.038579%	394	Alan M. Wright	200,000	0.308629%
193	Bob Kenan, Jr.	150	0.000231%	395	Alan M. Wright	300,000	0.462943%
194	Ashraf Khan	1,048,700	1.618295%	396	Jim Yeaman	150	0.000231%
195	Bill Kidd	150	0.000231%	397	Kenneth Yeaman	150	0.000231%
196	Todd and Julie Kiser	150	0.000231%	398	Chi Te Yen	900	0.001389%
197	Morris A. Kjar	50	0.000077%	399	Eugene Zach	150	0.000231%
198	Ted Kjar	150	0.000231%	400	Alan and Kathleen Zeitlin	150	0.000231%
199	Michael Knapp	300	0.000463%	401	Ray Zoll	150	0.000231%
200	Richard A. Knott	150	0.000231%	402	Margaret and Sam Zollinger	150	0.000231%
201	Koala Pictures Proprietary, Ltd.	6,460,000	9.968708%	403	Robert Zwicker	<u>150</u>	0.000231%
202	Koala Pictures Pty, Ltd.	<u>14,561,800</u>	<u>22.470949%</u>			12,197,151	18.821956%
		52,605,630	81.178044%			<u>52,605,630</u>	<u>81.178044%</u>
					Shares Outstanding	64,802,781	100.000000%