

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO

IN RE:)	
)	Case No. 20-12377-EEB
SKLAR EXPLORATION COMPANY, LLC)	
EIN: 72-1417930)	Chapter 11
)	
Debtor.)	
)	
_____)	
)	Case No. 20-12380-EEB
SKLARCO, LLC)	
EIN: 72-1425432)	Chapter 11
)	
Debtor.)	

**DECLARATION OF JAMES KATCHADURIAN IN SUPPORT OF
CONFIRMATION OF SECOND AMENDED AND RESTATED JOINT PLAN OF
REORGANIZATION DATED DECEMBER 18, 2020**

I, James Katchadurian, hereby depose and state as follows:

1. I, James Katchadurian, am a Partner at CR3 Partners and am the Chief Restructuring Officer (“CRO”) of Sklar Exploration Company, LLC (“SEC”) and Sklarco, LLC (“Sklarco” and together “Debtors”).

2. I was appointed as the CRO of the Debtors on June 15, 2020, effective as of May 21, 2020 in accordance with the *Order Granting Debtors’ Motion for Entry of Order Authorizing Debtors’ Employment of CR3 Partners as Chief Restructuring Officer* (Docket No. 429).

3. I am submitting this declaration on behalf of the Debtors in support of confirmation of the *Second Amended and Restated Joint Plan of Reorganization Dated December 18, 2020* (Docket No. 1251) (together with all amendments thereto, the “Second Amended Plan”).

4. Since my appointment as CRO, I have been involved in all aspects of the Chapter 11 process for the Debtor and I am familiar with the Second Amended Plan and the *Amended Disclosure Statement to Accompany Amended and Restated Joint Plan of Reorganization* (Docket No. 1101) (“Disclosure Statement”). To the best of my knowledge and belief, the statements

contained in the Disclosure Statement and Second Amended Plan regarding the Debtor's history, assets, and liabilities remain true and correct.

5. The Plan complies with all of the provisions of Chapter 11 of the Bankruptcy Code. The Debtors have complied with all orders issued by the Bankruptcy Court. They have prepared and filed the Second Amended Plan and Disclosure Statement. The Disclosure Statement has been approved by the Bankruptcy Court as adequate, and the Plan, Disclosure Statement, and ballots were sent to all creditors and parties in interest for voting on the Plan. *See Affidavit of Service of Solicitation Materials* (Docket No. 1176).

6. The Second Amended Plan has been proposed in good faith by the Debtors in an effort to repay unsecured creditors of both cases more than they would otherwise receive in a Chapter 7 bankruptcy case.

7. All payments made by the Debtors in connection with the Bankruptcy cases, including payments to bankruptcy counsel, have been approved by, or are subject to the approval of, this Court.

8. The Debtors have disclosed in the Disclosure Statement the identity and affiliations of any individual proposed to effectuate the terms of the Second Amended Plan. Brad Walker of Stone Tower Advisors, Inc. has been proposed as the Independent Manager to oversee operations of the Debtors and effectuate the resignation and transition from SEC to a new operator and effectuate the wind down of SEC.

9. There is no governmental regulatory commission with jurisdiction over any rates related to the Plan.

10. Each class of claims or interests has accepted the Second Amended Plan, is deemed to have accepted the Second Amended Plan, or is not impaired by the Second Amended Plan, without including any acceptance of the Second Amended Plan by any insider.

11. As set forth on the *Declaration of Emily Young of Epiq Corporate Restructuring, LLC Regarding Voting and Tabulation of Ballots Case on Amended and Restated Joint Plan of Reorganization* (Docket No. 1261), the following classes voted to accept the Plan:

Sklarco, LLC (20-12380)			
	TOTAL BALLOTS COUNTED		
	ACCEPT	REJECT	

VOTING CLASS	AMOUNT	NUMBER	AMOUNT	NUMBER	Class Voting Result
Class A Allowed Secured Claim held by East West Bank	\$22,989,650.74 100.00%	1 100.00%	\$0.00 0.00%	0 0.00%	Accept
Class C General Unsecured Claims against Sklarco	\$982,672.54 99.97%	17 94.44%	\$290.03 .03%	1 5.56%	Accept
Class D Member Interest Held by Howard Trust	Class contained claim/interest that was entitled to vote, but no ballot was returned in this class.				

Sklar Exploration Company, LLC (20-12377)					
VOTING CLASS	TOTAL BALLOTS COUNTED				
	ACCEPT		REJECT		Class Voting Result
	AMOUNT	NUMBER	AMOUNT	NUMBER	
Class 2 Allowed Secured Claim held by East West Bank	\$22,989,650.74 100.00%	1 100.00%	\$0.00 0.00%	0 0.00%	Accept
Class 3 Allowed Secured Claim held by Ford Motor Credit	Class contained claim/interest that was entitled to vote, but no ballot was returned in this class.				
Class 4 Allowed Secured Claim held by Ally Bank	Class contained claim/interest that was entitled to vote, but no ballot was returned in this class.				
Class 6 General Unsecured Claims against SEC	\$6,662,614.10 74.38%	104 77.04%	\$2,295,383.38 25.62%	31 22.96%	Accept
Class 7 Member Interest Held by Howard Trust	Class contained claim/interest that was entitled to vote, but no ballot was returned in this class.				

12. SEC Class 1 consisted of the allowed priority wage claims arising pursuant to 11 U.S.C. § 507(a)(4) and (a)(5), was unimpaired by the Second Amended Plan, and therefore is deemed to have accepted the Plan.

13. All objections to confirmation of the Debtors' Second Amended Plan have been withdrawn prior to the hearing on confirmation of the Second Amended Plan as set forth below:

- a. Ally Bank (Objection at Docket No. 1179; Withdrawn at Docket No. 1257);
- b. The Internal Revenue Service ("IRS") (Objection at Docket No. 1203; Resolved by Stipulation at Docket No. 1414);
- c. The United States Trustee ("UST") (Objection at Docket No. 1207; Withdrawn at Docket No. 1394);
- d. Stoneham Drilling Company (Objection at Docket No. 1239; Withdrawn at Docket No. 1351);
- e. The Anderson Parties (Objection at Docket No. 1241; Withdrawn at Docket No. 1412);
- f. The Louisiana Department of Revenue (Objection at Docket No. 1211; Withdrawn at Docket No. 1258);
- g. The Ad Hoc Committee of Unsecured Creditors (Objection at Docket No. 1242; Withdrawn at Docket No. 1355); and
- h. The Rudman Partnership, CTM 2005, Ltd., and MER Energy, Ltd. ("Rudman Parties") (Objection at Docket Nos. 1210 and 1265; Withdrawn at Docket No. 1409).

14. Tax claimants pursuant to 11 U.S.C. § 507(a)(8) shall be paid in accordance with the Plan and shall be paid in full no later than five (5) years from the Petition Date. The treatment of the IRS's claim is further set forth in the Stipulation to Plan Treatment (Docket No. 1414).

15. It is unlikely that confirmation of the Second Amended Plan will be followed by the need for further financial reorganization or a liquidation that is not contemplated in the Second Amended Plan. The Second Amended Plan contemplates the wind down and liquidation of SEC following the transition to replacement operators. As to Sklarco, Second Amended Plan provides a two-year period for Sklarco to refinance, barring which Sklarco's assets will be liquidated and the funds distributed in accordance with the Second Amended Plan.

16. The Debtors reaffirm the statements in the Disclosure Statement, and in particular, the financial information contained therein, and the revised projections attached to the *Brief in Support of Confirmation of the Second Amended and Restated Joint Plan of Reorganization* (Docket No. 1338).

17. The Debtors will pay all fees required under 28 U.S.C. § 1930 before seeking a final decree.

18. The Debtors do not currently provide retirement benefits.

The foregoing Declaration is true and correct to the best of my knowledge and belief.

DATED: August 13, 2021

SKLAR EXPLORATION COMPANY, LLC

By: /s/ James Katchadurian

James Katchadurian, Chief Restructuring Officer

SKLARCO, LLC

By: /s/ James Katchadurian

James Katchadurian, Chief Restructuring Officer

CERTIFICATE OF SERVICE

I certify that on August 13, 2021, I served a complete copy of the foregoing **DECLARATION OF JAMES KATCHADURIAN IN SUPPORT OF CONFIRMATION OF SECOND AMENDED AND RESTATED JOINT PLAN OF REORGANIZATION DATED DECEMBER 18, 2020** on the following parties in compliance with the Federal Rules of Bankruptcy Procedure and the Court's Local Rules:

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