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Attorney for Weatherford US, LP

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

**In re:** §  
§  
**CORNERSTONE E&P COMPANY, L.P.,** § **CASE NO. 09-35228-BJH**  
*et. Al* §  
§  
**Debtors.** § **CHAPTER 11**

**AMENDED REPLY TO DEBTOR’S LIMITED RESPONSE TO MOTION OF  
OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR CLARIFICATION OF  
FINAL CASH COLLATERAL/VENDOR FINANCING ORDER ENTERED AUGUST 25,  
2009 (D0C. 359 – HEARING SET FOR MAY 11, 2010 AT 1:30 P.M.)**

WEATHERFORD U.S., L.P., and an affiliate known as Precision Energy Services, Inc. (collectively “Weatherford”), hereby reply to the Debtor’s Limited Response to Motion of Official Committee of Unsecured Creditors for Clarification of Final Cash Collateral/Vendor Financing Order Entered August 25, 2009. The grounds for this reply are as follows:

**Background**

1. Weatherford is owed \$3,860,265.89 for goods, services and equipment rental provided with respect to the Debtors mineral leases and related wells. A portion of this debt is secured by minerals liens on the Debtors’ interest in those leases. Otherwise, the debt is largely unsecured. Weatherford is probably the largest unsecured creditor in the case.

2. Weatherford is also the Plaintiff in Adversary No. 09-3450. Notwithstanding the declarations in the cash collateral order to the contrary, Weatherford timely asserted in its

adversary proceeding that UBOC's mortgage does not extend to various leasehold interests owned by the Debtor.

3. Weatherford's adversary proceeding has been consolidated with three other similar adversary proceedings.

4. The purpose of the Committee's Motion is essentially to allow it to intervene in the consolidated adversary proceeding to assert the rights of the unsecured creditors in leasehold interests which potentially are unencumbered.

### **Reply**

5. In its Limited Response, the Debtors' assert that the Committee was aware of the existence of potentially unencumbered leasehold interests. The basis for this assertion is an email dated September 2, 2009, forwarding an analysis of this issue to the Committee. A copy of this email is attached as Exhibit A. Attached to the email was a spreadsheet indicating that the potential value of the "unsecured leasehold" interests was \$2,217,043. A copy of this spreadsheet is attached as Exhibit B.

6. The email shows that it was sent by Barry Osborne on September 2, 2009, to Tom Burke, Phil Snow and Patrick Devine. Mr. Osborne was a Vice President of the Debtors. Tom Burke was employed by Texas CES, Inc. and was the chair of the Committee.<sup>1</sup> Phil Snow represent Texas Ces along with several other parties in the case.<sup>2</sup> Patrick Devine is the Committee Counsel.

7. The deadline for the Committee to file an adversary proceeding challenging the UBOC liens was November 9, 2009. Thus, the information was received by the individuals listed in Exhibit A well in advance of this deadline.

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<sup>1</sup> During the pendency of this case, Mr. Burke resigned from his position with Texas CES and consequently resigned as the Committee Chair. The new Committee Chair is Mr. Michael Stephenson of Schlumberger which is also represented by Mr. Snow.

<sup>2</sup> A copy of Mr. Snow's Rule 2019 Statement is attached as Exhibit C.

8. This email, however, was never forwarded to Weatherford, nor was the issue raised by the email ever discussed at a Committee Meeting until after the November 9, 2009 deadline.

9. Weatherford received a copy of the spreadsheet attached as Exhibit B on or about November 21, 2009. This was after the deadline for the Committee to file an adversary proceeding objecting to the UBOC liens but before the deadline for individual mineral lien holders to file adversary proceeding with respect to their specific liens.

10. Weatherford is unaware of the reason why the lien spreadsheet was not provided to it prior to November 9, 2009. If Weatherford was aware of this information prior to the deadline, it would have urged the Committee to file an adversary proceeding.

WHEREFORE, Weatherford prays that the Court grant the Committee motion and such other and further relief as is just and proper.

Respectfully submitted,

HOOVER SLOVACEK LLP

By: /s/ Edward L. Rothberg

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ATTORNEYS FOR WEATHERFORD US LP &  
PRECISION ENERGY SERVICES, INC.

## CERTIFICATE OF SERVICE

I hereby certify that on May 10, 2010, a true and correct copy of foregoing document was served by email upon the following:

Phil Snow  
[philsnow@snowfogel.com](mailto:philsnow@snowfogel.com)

Kenneth Green  
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Samuel Martin Stricklin  
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Tim Dowd  
[tdowd@eliasbooks.com](mailto:tdowd@eliasbooks.com)

Eric Huddleston  
[ehuddleston@eliasbooks.com](mailto:ehuddleston@eliasbooks.com)

/s/ Edward L. Rothberg  
EDWARD L. ROTHBERG

**Everett, Scott W.**

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**From:** John Sanchez [jsanchez@cstone-ep.com]  
**Sent:** Wednesday, May 05, 2010 5:14 AM  
**To:** Everett, Scott W.  
**Subject:** FW: Secured Leases in Cornerstone Units  
**Attachments:** Secured Interests in Cornerstone Units.xlsx

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**From:** Barry Osborne  
**Sent:** Wednesday, September 02, 2009 6:10 PM  
**To:** 'Burke, Tom'; 'Phil Snow'; 'pdevine@pdevinelaw.com'  
**Cc:** John Sanchez  
**Subject:** Secured Leases in Cornerstone Units

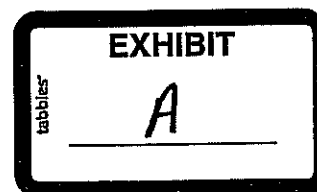
Tom, Phil and Patrick:

Attached is a spreadsheet that sets forth: i) the DeGolyer and MacNaughton reserve value for each of Cornerstone's wells and units; ii) the value and percentage of the unit leasehold that is listed on the bank mortgage; and, iii) the value and percentage of the unit leasehold that is not listed on the bank mortgage. By way of example, if there are 4 leases of 100 acres each included within a 400 acre unit for a well and the bank included three of the four leases in its mortgage, and the unit otherwise has a D&M value of \$1,000,000; we considered the bank secured as to \$750,000 and unsecured as to \$250,000. The reserve value includes proved developed producing, proved developed non-producing, and proved undeveloped value within each of these units (1P reserves), using a 10% discount rate. Due to the language of UBOC's Oklahoma mortgage that purports to include all acreage acquired through a Oklahoma Corporation Commission pooling order, we have considered all Oklahoma units fully secured by the bank since all of Cornerstone's Oklahoma wells have been drilled on pooled units.

Let me know if you have any questions.

*C. Barry Osborne  
Executive Vice President  
Cornerstone E & P Company, LP  
5525 N. MacArthur Blvd., Suite 775  
Irving, Texas 75038  
(972) 573-1632*

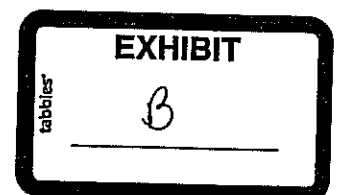
5/5/2010



Prospect	Property	D&M PV10 Value	Secured Leasehold (\$)	Secured Leasehold (%)	Unsecured Leasehold (\$)	Unsecured Leasehold (%)
TX0100	Azlee Watson 7H	322,554.34	322,554.34	100%	-	-
TX1100	Boswell 1H	-	-	-	-	-
TX0100	Campbell 1H	1,213,669.50	1,213,669.50	100%	-	-
TX0100	Clark 1H & 3H	2,021,342.34	2,021,342.34	100%	-	-
OK0500	Cobra 12-1H	2,796,877.00	2,796,877.00	100%	-	-
TX0100	Colonial Trust	506,369.81	118,674.76	23%	387,695.05	77%
TX0100	Covington Acres 1H	1,957,280.63	1,446,185.10	74%	511,095.52	26%
TX0100	Covington Acres West	866,951.31	864,844.82	100%	2,106.49	0%
OK0500	Dingo 11-1H	718,960.88	718,960.88	100%	-	-
TX1100	Edens 1H	615,220.44	615,220.44	100%	-	-
TX0100	Fehse 1H & 2H	663,558.69	663,558.69	100%	-	-
OK0500	Gator 13-1H	2,640,214.75	2,640,214.75	100%	-	-
OK0500	Gecko 22-1H	311,572.50	311,572.50	100%	-	-
TX0100	Gonzales 1H	615,220.44	615,220.44	100%	-	-
TX0100	Hajek 1H	1,632,991.88	1,443,749.03	88%	189,242.84	12%
TX0100	Hancock	417,993.59	359,849.65	86%	58,143.94	14%
OK0500	Houk 1-15H	6,452.35	6,452.35	100%	-	-
OK0500	Hudson 1-9H	146,202.88	146,202.88	100%	-	-
TX0100	James Conn IV 1H & 2H	1,134,933.63	1,134,933.63	100%	-	-
TX0100	Lasater	1,496,230.88	1,443,919.61	97%	52,311.27	3%
TX0100	Leach 1H & 2H	1,018,236.84	1,018,236.84	100%	-	-
OK0500	Leopard 24-1H	-	-	-	-	-
OK0500	Lizard 19-1H	634,025.38	634,025.38	100%	-	-
TX0100	Mays/McElroy	1,511,380.13	1,511,380.13	100%	-	-
OK0500	Okapi 17-1H	711,228.31	711,228.31	100%	-	-
OK0500	Panda 5-1H	1,613,267.00	1,613,267.00	100%	-	-
OK0500	Parrot 18-1H	1,432,158.75	1,432,158.75	100%	-	-
TX0100	Richardson B	185,940.78	185,940.78	100%	-	-
TX0100	Saunders 1H	1,304,867.38	1,304,867.38	100%	-	-
TX0100	Smitherman	738,282.81	519,273.25	70%	219,009.56	30%
TX0100	Smithy 1H & 2H	1,671,640.00	1,671,640.00	100%	-	-
TX0100	Thelma Jean Turner 1H	1,016,404.19	667,760.15	66%	348,644.04	34%
OK0500	Tyson 1-16H	182,697.23	182,697.23	100%	-	-
OK0500	Wallabee 25-1H	1,305,340.75	1,305,340.75	100%	-	-
TX0100	Watson 1H	382,209.28	177,594.11	46%	204,615.17	54%
OK0500	Wobbegong 8-1H	1,374,848.75	1,374,848.75	100%	-	-
OK0500	Wombat 1-H	527,433.81	527,433.81	100%	-	-
TX0100	Young 1H	813,853.31	569,674.04	70%	244,179.27	30%
OK0500	Zebra 30-1H	1,389,191.88	1,389,191.88	100%	-	-

<i>Hill County Total</i>	<i>22,107,132.19</i>	<i>19,890,089.02</i>	<i>90%</i>	<i>2,217,043.16</i>	<i>10%</i>
<i>Hughes County Total</i>	<i>15,790,472.20</i>	<i>15,790,472.20</i>	<i>100%</i>	<i>-</i>	<i>-</i>
<b><i>Company Total</i></b>	<b><i>37,897,604.39</i></b>	<b><i>35,680,561.23</i></b>		<b><i>2,217,043.16</i></b>	

\*CEP Reserve Report\_UpdatedCEPFrcst\_Online\_081209StrpiPrice\_0908\_090817



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ATTORNEYS FOR BAKER HUGHES  
OILFIELD OPERATIONS, INC., ET AL.

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

**IN RE:**

**CORNERSTONE E&P COMPANY, L.P.,  
*et. al,*  
  
Debtors.**

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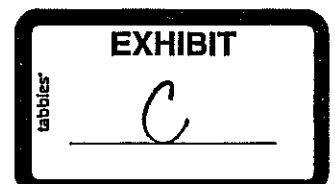
**Case No. 09-35228-BJH  
(Chapter 11)**

**VERIFIED STATEMENT OF REPRESENTATION OF CERTAIN  
PARTIES-IN-INTEREST PURSUANT TO BANKRUPTCY RULE 2019**

Pursuant to Bankruptcy Rule 2019, the undersigned counsel for Baker Hughes Oilfield Operations, Inc. ("Baker Hughes"), Schlumberger Technology Corporation ("Schlumberger"), Bridgeport Tank Trucks, LLC ("Bridgeport"), Select Energy Services, LLC d/b/a Tejas Oilfield Services ("Select"), Simons Petroleum, Inc. ("Simons"), Texas CES, Inc. d/b/a Felderhoff Brothers Drilling ("CES"), T.K. Stanley, Inc. ("Stanley"), HEP Oil Co., Ltd. ("HEP") and Charles E. Gebhardt, Creditors' Agent ("Gebhardt"), respectfully state as follows:

**I.**

Counsel for Baker Hughes, Schlumberger, Bridgeport, Select, Simons, CES, Stanley, HEP and Gebhardt disclose its representation of multiple creditors in these cases holding claims against Debtors as described below:



Name/Address of Creditor	Date of Engagement	Nature/Amount of Claim	Basis for Secured Claim
Baker Hughes Oilfield Operations, Inc. c/o Christopher Ryan 2929 Allen Parkway, Suite 2300 Houston, TX 77019	Prepetition	Secured prepetition claim / \$1,628,079.13, exclusive of contractual interest, attorneys' fees and costs  Secured post petition claim pursuant to Vendor Financing Agreement based on on-going services, materials and equipment furnished to Debtors	Secured prepetition by statutory mineral liens and mineral subcontractor liens under the laws of the states of Texas and Oklahoma  Post petition secured claim collateralized pursuant to Debtor-in-Possession Financing Order dated August 25, 2009
Schlumberger Technology Corporation c/o Jere Crean 1325 South Dairy Ashford Houston, TX 77077	Prepetition	Secured prepetition claim / \$2,126,374.88, exclusive of contractual interest, attorneys' fees and costs  Secured post petition claim pursuant to Vendor Financing Agreement based on post petition services, equipment and materials furnished to Debtors	Secured prepetition by statutory mineral liens and mineral subcontractor liens under the laws of the state of Texas  Post petition secured claim collateralized pursuant to Debtor-in-Possession Financing Order dated August 25, 2009
Bridgeport Tank Trucks, LLC c/o Ronald Holley P.O. Box 6 Bridgeport, Texas 76426	Prepetition	Secured claim / \$10,160.07, exclusive of contractual interest, attorneys' fees and costs; and Unsecured Claim / \$810.62	Secured by statutory mineral liens and mineral subcontractor liens under the laws of the state of Texas
Select Energy Services, LLC d/b/a Tejas Oilfield Services c/o B29 Investments, L.P. 201 West California Street Gainesville, TX 76240 Attention: Duncan Simpson	Prepetition	Secured prepetition claim / \$134,094.45, exclusive of contractual interest, attorneys' fees and costs  Secured post petition claim pursuant to Vendor Financing Agreement based on post petition services, equipment and materials furnished to Debtors	Secured by prepetition statutory mineral liens and mineral subcontractor liens under the laws of the states of Texas and Oklahoma  Post petition secured claim collateralized pursuant to Debtor-in-Possession Financing Order dated August 25, 2009



Name/Address of Creditor	Date of Engagement	Nature/Amount of Claim	Basis for Secured Claim
<p>Simons Petroleum, Inc c/o David Mulroney 210 Park Ave. Oklahoma City, OK 73102</p>	<p>September 1, 2009</p>	<p>Secured prepetition claim / \$644,088.49, exclusive of contractual interest, attorneys' fees and costs</p> <p>Secured post petition claim pursuant to Vendor Financing Agreement based on post petition services, equipment and materials furnished to Debtors</p>	<p>Secured prepetition by statutory mineral liens and mineral subcontractor liens under the laws of the states of Texas and Oklahoma</p> <p>Post petition secured claim collateralized pursuant to Debtor-in-Possession Financing Order dated August 25, 2009</p>
<p>Texas CES, Inc. d/b/a Felderhoff Drilling Brothers c/o Thomas Burke 3333 N I-35 Gainesville, TX 76240</p>	<p>Prepetition</p>	<p>Secured prepetition claim / \$5,204,095.32, exclusive of contractual interest, attorneys' fees and costs; and</p> <p>Unsecured Claim / \$266,920.00</p> <p>Secured post petition claim pursuant to Vendor Financing Agreement based on post petition services, equipment and materials furnished to Debtors</p>	<p>Secured prepetition by statutory mineral liens and mineral subcontractor liens under the laws of the states of Texas and Oklahoma</p> <p>Post petition secured claim collateralized pursuant to Debtor-in-Possession Financing Order dated August 25, 2009</p>
<p>T.K. Stanley, Inc. c/o Steve Farrar P.O. Box 31 Waynesboro, MS 39367</p>	<p>August 21, 2009</p>	<p>Secured prepetition claim / \$184,424.13, exclusive of contractual interest, attorneys' fees and costs;</p> <p>Unsecured prepetition claim / \$132,500</p> <p>Secured post petition claim pursuant to Vendor Financing Agreement based on post petition services, equipment and materials furnished to Debtors</p>	<p>Secured by statutory mineral liens and mineral subcontractor liens under the laws of the states of Texas and Oklahoma</p> <p>Post petition secured claim collateralized pursuant to Debtor-in-Possession Financing Order dated August 25, 2009</p>
<p>HEP Oil Co., Ltd. c/o Duncan Simpson 201 West California Street Gainesville, TX 76240</p>	<p>October, 2009</p>	<p>Post petition secured claim based upon Supplemental Financing provided pursuant to the Amendment to Vendor Financing Agreement and Amended Debtor-in-Possession Financing Order dated November 25, 2009</p>	<p>Post petition secured claim collateralized pursuant to Amended Debtor-in-Possession Financing Order dated November 25, 2009</p>

Name/Address of Creditor	Date of Engagement	Nature/Amount of Claim	Basis for Secured Claim
Charles E. Gebhardt, Creditors Agent 5701 Woodway, Suite 320 Houston, TX 77057	August, 2009	Creditors' Agent for the Financing Vendors established pursuant to the Vendor Financing Agreement, Creditors' Agent Agreement and Debtor-in-Possession Financing Order dated August 25, 2009. The original Financing Vendors were Select Energy Services, LLC, Schlumberger Technology Corporation, Baker Hughes Oilfield Operations, Inc., Texas CES, Inc., Bell Supply Company, LLC and Weatherford US, LP.	Mortgage, Deed of Trust, Assignment of Production, Security Agreement, Fixture Filing and Financing Statement pursuant to the Vendor Financing Agreement and Debtor-in-Possession Financing Order dated August 25, 2009.

All pre-petition claims are based upon the outstanding balance owed by Debtor for materials, equipment and services where were furnished pre-petition.

Date: November 30, 2009

Respectfully submitted,

By: /s/ Phil F. Snow

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ATTORNEYS FOR BAKER HUGHES  
OILFIELD OPERATIONS, INC., et al.

**OF COUNSEL:**

**SNOW FOGEL SPENCE LLP**  
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Houston, TX 77019  
(713) 335-4800  
(713) 335-4848 (Fax)

**VERIFICATION**

I hereby verify that I have personal knowledge of the matters contained in this statement, and that the representations contained herein are true and correct.

/s/ Phil F. Snow  
Phil F. Snow

**CERTIFICATE OF SERVICE**

I certify that on the 30th day of November, 2009, a true and correct copy of the above and foregoing was served upon all parties via ECF and/or certified mail return receipt requested.

/s/ Phil F. Snow  
Phil F. Snow