

Here are the wells that lighthouse says it owns in Columbia  
See detailed description last paragraph this document

**Trinity Energy Resources Inc**

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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
SAN ANGELO DIVISION

IN RE:

TRINITY GAS CORPORATION, CASE NO. 697-60425-JCA-11  
(CHAPTER 11)

DEBTOR.

THIRD AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125  
OF THE BANKRUPTCY CODE SUBMITTED BY THE  
OFFICIAL COMMITTEE OF EQUITYHOLDERS  
OF TRINITY GAS CORPORATION  
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Submitted by,

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THIRD AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125  
OF THE BANKRUPTCY CODE SUBMITTED BY THE OFFICIAL COMMITTEE  
OF EQUITYHOLDERS OF TRINITY GAS CORPORATION  
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PLEASE NOTE: THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY  
THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED ON THE  
ADEQUACY OR ACCURACY OF THE STATEMENTS CONTAINED HEREIN.

I. INTRODUCTION AND PLAN OVERVIEW  
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This Third Amended Disclosure Statement solicits acceptance of this Chapter  
11 Plan of Reorganization proposed by the Official Committee of Equityholders of

Trinity Gas Corporation ("*Shareholders' Committee*") from holders of creditor claims and stock interests under the Plan. The purpose of this Disclosure Statement is to enable you, if you are a creditor or interest holder (stockholder) whose claim or interest (stockholdings) is impaired and who will receive a distribution under the Plan, to make an informed decision in exercising your right to vote to accept or reject the Plan.

#### A. INTRODUCTION

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C. The Debtor, Trinity Gas Corporation ("*Trinity*" or the "*Debtor*"), is a Nevada corporation and an independent oil and gas producer. The Debtor's principal lines of business include the acquisition, drilling and operation of oil and gas lease prospects, including both proven and unproven properties and the drilling of both exploratory and development wells. The Debtor owns wells and leases located in major geological basins in Texas, Wyoming and Colorado. In addition, the Debtor claims an ownership interest in a 368,540 acre oil and gas concession granted by Ecopetrol, the government owned and operated oil and gas company of Colombia (the "*Colombian Concession*"), to Trinity Gas Colombia, Inc. ("*Trincol*"), a Cayman Island corporation that the Shareholders' Committee believes is or should be recognized as being a wholly owned subsidiary of the Debtor. The Colombian Concession grants Trincol certain exploratory rights to drill in the Valle de Cauca Basin of Colombia, South America. (1)

On December 23, 1997, Trinity filed a petition pursuant to Chapter 11 of the United State Bankruptcy Code (11 U.S.C. 101 et seq.) with the United States Bankruptcy Court for the Northern District of Texas, San Angelo Division (the "*Bankruptcy Court*"). On January 9, 1998, the Bankruptcy Court ordered the appointment of a Chapter 11 Trustee (the "*Trustee*"). On February 5, 1998, the United States Trustee appointed an Official Committee of Equity Shareholders (the "*Shareholders' Committee*"). The Shareholders' Committee has prepared and filed a Plan of Reorganization (the "*Committee's Plan*") that is attached hereto as Exhibit "A" to this Third Amended Disclosure Statement (the "*Committee's*")

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#### THE FARALLONES CONTRACT

On May 28, 1995, Trinity Gas Colombia, Ltd. ("*Trincol*"), a Cayman Island corporation was awarded the exclusive right to explore for, develop and produce oil and gas throughout the 147,417 hectares (368,540 acres) within the Farallones area of Colombia. Farallones is located in Colombia's Cauca Basin east of the Cauca river, immediately east of the city of Cali. A map of the region is attached hereto as Exhibit "C". Trincol and Empresa Colombiana de

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Petroleos ("*Ecopetrol*") entered into an Association Contract ("*Farallones Contract*") which requires Trincol to conduct a seismic and exploratory drilling program in the Farallones area over the initial six years. (A copy of the Farallones Contract will be made available for a nominal fee to any party who makes a request to counsel for the Committee and executes a confidentiality agreement). Unfortunately, Trinity Gas Corporation in its press releases publicly disclosed that it was awarded the Farallones Contract, rather than Trincol. At the end of each of the six years in the work program, Trincol has the option either to withdraw from the Farallones Contract or to commit to the next year's work requirements. The Committee understands that Trincol has committed to the third year of the work program under this contract. If Trincol makes a commercial discovery of oil and/or gas which is approved by Ecopetrol, the standard terms of the Farallones Contract will apply. Such terms provide for Ecopetrol to reimburse Trincol for 50% of its successful well costs expended up to the point of commercial discovery and to receive a 20% royalty interest therein. Additionally, Ecopetrol and Trincol will each own a 50% working interest out of the remaining 80% net royalty interest ("*NRI*"). Trincol has negotiated several extensions of the exploratory phase of the contract and has,

it is believed, until July 28, 1998, to conduct completion operations on four wells drilled in the Concession to date.

## 2. THE PARTICIPATION AGREEMENTS

In July, 1995, the Debtor and Trincol purportedly executed an agreement (the "1995 Agreement") whereby Trincol purportedly assigned to the Debtor all of its right, title and interest in the Colombian Concession with the proviso that Trincol would retain title to the Concession until the Debtor completely performed its obligations. The 1995 Agreement also required the Debtor to assume all obligations of Trincol incurred in connection with the Concession and required that the Debtor provide ten million dollars (\$10,000,000) in funding to Trincol for the drilling of the first four wells. The 1995 Agreement further provided that if Trincol reasonably anticipated that

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the Debtor would not, or if the Debtor could not, comply with its obligations under the Concession, Trincol could cancel the 1995 Agreement without liability. On July 25, 1996, the Debtor and Trincol purportedly entered a second agreement (the "1996 Agreement"). The 1996 Agreement provided that the Debtor and Trincol

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would share revenue from wells funded by the Debtor. That 1996 Agreement either replaced or amended the 1995 Agreement and was intended to grant the Debtor only

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limited rights in the Colombian Concession.

The Committee believes that serious questions exist as to the validity and appropriateness of both the 1995 and 1996 Agreements. Those questions

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include, among others, (a) who on behalf of the Debtor and Trincol executed those Agreements, (b) whether the signatures are valid, (c) whether the Agreements accurately reflect the understandings between the Debtor and Trincol, and (d) whether they are irrelevant because Trincol is a wholly-owned subsidiary of the Debtor, Trinity Gas Corporation. Notwithstanding, Mr. Sers has recently claimed that he personally owns all stock of Trincol and, as a result, all rights to the Concession itself.

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## 3. DRILLING OPERATIONS

In June 1997, Trincol began drilling operations on the four wells. Photographs of Trincol's drilling and exploration efforts in Colombia are attached hereto as Exhibit "D". To date, drilling operations on the Juga #1,

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Patacore #1, Salsa #1, and Bereju #1 wells in Colombia have not yet resulted in any known, proven, accessible oil and gas reserves. According to Dr. James Edwards, a petroleum geologist retained by the Chapter 11 Trustee, poor hole conditions have made it difficult to fully evaluate open hole log characteristics of the first well drilled, the Juga #1. Data concerning the nature and composition of fluids and gasses in the wells is also unavailable. Nevertheless, as Trincol continues exploration efforts in the Colombian Concession, it is possible, but by no means certain, that significant, commercially marketable reserves may be realized. (See Discussion of Risk

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Factors at Section I.G). As stated by Dr. Edwards in his evaluation of Trincol dated March 11, 1998, the Colombian Concession "can be summarized as a good concept, marginal to good location, great market possibilities, but no proven gas at the present time." (4)

The Debtor's affiliate(2), Trincol, is believed to be presently conducting oil exploration operations in Colombia. Foreign properties, operations or investments may be adversely affected by local political and economic developments, exchange controls, currency fluctuations, royalty and tax increases, retroactive tax claims, renegotiation of contracts with governmental entities, expropriation, import and export regulations and other foreign laws of policies governing operations of foreign-based companies, as well as by laws and policies of the United States affecting foreign trade, taxation and investment. In addition, because Trincol's operations are governed by foreign laws, in the event of a dispute, the Debtor may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in the United States. For example, although the Debtor has a default judgment against Trincol which states that Trincol is the Debtor's wholly owned subsidiary, it is not clear whether courts in the Cayman Islands or Republic of Colombia would recognize that judgment. However, the Committee is aware that generally, under Colombian law, foreign judgments have the force provided by treaty or, in the absence of treaty provisions, the force and legal effect such foreign country would give to a Colombian judgment. The Committee has not, however, at this time made a definitive determination whether the default judgment against Mr. Sers and Trincol is enforceable in Colombia under the facts of this case. Moreover, the legal costs of enforcing the judgment are indeterminate at this time. The Debtor may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Exploration and production activities in areas outside the United States are also subject to the risks inherent in foreign operations, including loss of revenue, and property and equipment as a result of hazards such as expropriation, nationalization, war, insurrection, political risks, and in the case of Colombia, the potentiality of narcoterrorism.

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- (2) Trincol's status as an affiliate as the term is defined in 11 U.S.C. 101(2) is based upon a default judgment rendered against Trincol in the United States District Court on February 11, 1998, in which the court found that Trincol was a wholly owned subsidiary of the Debtor. There are, however, uncertainties concerning Trincol's status as an affiliate because (1) Sidney W. Sers, the controlling stockholder in Trincol does not recognize the affiliate status and (2) it is uncertain whether Trincol's territory of incorporation, the Cayman Islands, or the Republic of Colombia, would also recognize Trincol as an affiliate of the Debtor.
- (3) The assignment referenced in this sentence is more fully discussed in Section II of the Disclosure Statement.

Although the Debtor claims an ownership interest in the Colombian Concession granted to Trincol by Ecopetrol, recent actions and statements by the Debtor's former president, Mr. Sidney W. Sers, raise doubts whether the Debtor will be able to realize those interests in the event oil drilling operations in Colombia are ever successful. According to the Committee, on October 3, 1997, Mr. Sers threatened to take the Colombian Concession as his own and fulfill all Concession obligations in the name of Trincol. More recently, in a January 19, 1998, letter to Ecopetrol, Mr. Sers refused to recognize the Debtor's claimed interest in the Colombian Concession asserting that a previous assignment from Trincol to the Debtor is not valid (3). Neither does Mr. Sers acknowledge the Committee's contention that Trincol is a wholly owned subsidiary of the Debtor. To date, settlement negotiations between the Shareholders' Committee and Mr. Sers have been unproductive. The Committee maintains Mr. Sers' refusal to recognize the Debtor's claimed rights and interest in the Colombian Concession could have a material adverse effect on the Debtor's ability to realize many of the anticipated financial benefits from the Concession if oil drilling and

production in Colombia proves economically profitable. Moreover, the Committee's information, if correct, that Trincol has failed to "complete" the first four (4) wells drilled on the Concession, and to pay in full at least two known oil and gas vendors, may also jeopardize the Concession itself, regardless of

whether the Debtor or Trincol owns it. The Committee is not privy to discussions between Trincol and Ecopetrol or the specific terms and conditions Ecopetrol has placed on Trincol for it to continue to maintain its rights under the Colombian Concession. There can be no assurances that Ecopetrol will not cancel the Farallones Contract if Trincol fails to meet its obligations under the contract or any modifications or extensions thereto. If Ecopetrol declares Trincol in default, the Debtor may not be able to realize a return on its investment in Trincol from the Colombian Concession, thus jeopardizing the success of the Plan. There are no guarantees that if the contract is cancelled, Ecopetrol would allow the Debtor to assume Trincol's rights and obligations under the contract.

**Factors at Section I.G).** As stated by Dr. Edwards in his evaluation of Trincol dated March 11, 1998, the Colombian Concession *"can be summarized as a good concept, marginal to good location, great market possibilities, but no proven gas at the present time."* (4)