Benjamin Mintz
Andrea Johnson Frost
KAYE SCHOLER LLP
425 Park Avenue
New York, NY 10022-3598
Telephone: (212) 836-8000
Facsimile: (212) 836-6550

and

Michael A. McConnell
Texas Bar I.D. 13447300
Nancy L. Ribaudo
Texas Bar I.D. 24026066
C. Josh Osborne
Texas Bar I.D. 24065856
KELLY HART & HALLMAN LLP
201 Main Street, Suite 2500
Fort Worth, TX 76102
Telephone: (817) 332-2500
Facsimile: (817) 878-9280

Co-Counsel for the Ad Hoc Committee of Equity Security Holders

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

In re:	)	Case No. 09-31797-bjh-11
CRUSADER ENERGY GROUP INC. *et al.*	)	Chapter 11
Debtors.	)	(Jointly Administered)

AD HOC COMMITTEE OF EQUITY SECURITY HOLDERS' MOTION FOR APPOINTMENT OF AN EXAMINER

TO THE HONORABLE BARBARA J. HOUSER, CHIEF UNITED STATES BANKRUPTCY JUDGE:

The Ad Hoc Committee of Equity Security Holders (the "Ad Hoc Committee")[1] whose members are holders or affiliated with holders of common stock issued by Crusader Energy

[1] The Ad Hoc Committee is comprised of the following members: Virtus Capital Advisors, Hawk Opportunity Fund and Reservoir Capital Group, L.L.C.

Group Inc.[2] ("Crusader" and, together with its Chapter 11 debtor-affiliates, the "Debtors"),[3] by this motion (the "Motion"), seeks entry of an order under sections 1104 and 1106 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") and Rule 2007.1 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") appointing an examiner in the Debtors' chapter 11 cases. In support of this Motion, the Ad Hoc Committee states as follows:

PRELIMINARY STATEMENT

1. One of the most important protections under the Bankruptcy Code, for creditors and other parties in interest as well as for the integrity of the bankruptcy court process, is the right to have an examiner appointed. The Bankruptcy Code recognizes two instances where appointment of an independent examiner is appropriate, one mandatory and one discretionary.

2. In this case, not only is appointment of an examiner plainly mandated by section 1104(c)(2), it is also in the best interest of the Debtors' estates (and thereby justified under section 1104(c)(1)). The Court should and must appoint an examiner to investigate the affairs of the Debtors and specifically: (i) investigate how the Debtors appear to have lost $1.9 billion in reserves and stockholders' equity of $400 million in the span of only a few months; (ii) investigate possible fraudulent conveyances and transfers including a review of all the Debtors' purchases and uses of cash in the third and fourth quarter of 2008; (iii) investigate the potential causes of action held by the Debtors and proposed to be released by the Debtors under their proposed chapter 11 plan, and the nature and value of such causes of action; (iv) analyze the facts and potential value that could accrue to the estate from the Debtors' drilling acreage in the Williston formation in the Bakken Shale, including commissioning a new reserve and production

[2] The members of the Ad Hoc Committee, and such members' affiliates, together own or control over 20 million shares of common stock issued by Crusader, approximately 10% of the shares outstanding.

[3] The Debtors include Crusader Energy Group Inc., Crusader Energy Group, LLC, Hawk Energy Fund I, LLC, Knight Energy Group, LLC, Knight Energy Group II, LLC, Knight Energy Management, LLC, RCH Upland Acquisition, LLC and Crusader Management Corporation.

report, where, as described below, two unrelated parties just announced a substantial oil discovery; (vi) investigate the facts surrounding the Debtors' management's reported rejection of Sandridge Energy's January 2009 acquisition offer which included a package of value to stockholders of $0.50 a share (for a total of $100 million); and (vi) investigate the central question of this case according to the Ad Hoc Committee: whether an accelerated sale process is in the best interests of the Debtors' estates and their creditors or whether value can be maximized by a limited delay, without any adverse impact on the Debtors or their creditors. Parties in interest in these cases cannot properly assess the Debtors' proposed plan without assessment of the issues.

3. Recognizing that the Debtors are moving towards confirmation, the Ad Hoc Committee proposes that the examiner's report be due before the objection deadline for confirmation of the Debtors' plan and approval of the sale to Sandridge or the winning bidder at the auction. The Ad Hoc Committee believes that an examiner should be able to complete an investigation within 30-45 days. With this timetable, the Court and all parties in interest would have the benefit of the examiner's report at the confirmation and sale hearing.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

5. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

6. The predicates for the relief requested herein are sections 1104 and 1106 of the Bankruptcy Code and Bankruptcy Rule 2007.1.

BACKGROUND

7. On March 30, 2009 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned bankruptcy cases. The bankruptcy filing was apparently triggered by the Debtors' inability to obtain a waiver of an alleged default in a $5 million borrowing base deficiency, which was a result of an unscheduled redetermination of the Debtors' borrowing base.

8. On April 14, 2009, the U.S. Trustee appointed an official committee of unsecured creditors (the "Committee") and added an additional member on May 27, 2009. The Committee currently consists of seven (7) members: Haliburton Energy Services, Inc., Trinidad Drilling, Global Geophysical Services, Inc., Goober Drilling LLC, Grey Wolf, Inc., WB Supply Co. and Smith International, Inc. On June 17, 2009, the Court entered a final order authorizing the Committee to retain Gardere Wynne Sewell LLP as its counsel.

9. On August 10, 2009, the Ad Hoc Committee filed a motion seeking appointment of an official committee of equity security holders (Docket No. 532). Pursuant to the Debtors providing certain information and access to the members of the Ad Hoc Committee who have filed confidentiality agreements, the Ad Hoc Committee have agreed to postpone a hearing on their motion.

10. On September 22, 2009, the Debtors filed their *Expedited Motion to (A) Approve the Procedures for the Solicitation of Higher or Better Offers; (B) Approve the Form and Manner of Notice; (C) Approve Procedures for Determining Cure Amounts for Executory Contracts and Unexpired Leases; (D) Approve the Stock Purchase Agreement and Authorize the Debtors to Enter into the Stock Purchase Agreement and Comply with Their Obligations Thereunder; (E) Approve a Break-Up Fee in Connection with the Transaction Contemplated by the Stock Purchase Agreement; and (F) Grant Related Relief* (Docket No. 666) (the "Bidding

Procedures Motion") seeking approval of proposed notice and bid procedures for a sale of substantially all of the Debtors' assets with SandRidge Exploration and Production, LLC as their stalking horse bidder. On October 8, 2009, the Court entered an order approving the Bidding Procedures Motion (Docket No. 761).

11. On October 2, 2009, the Debtors filed their *[Proposed] Disclosure Statement for the Joint Plan of Reorganization for the Debtors* (Docket No. 699) (the "Disclosure Statement"). The hearing to approve the Disclosure Statement is set for November 2, 2009. The Debtors' proposed plan wipes out the interests of the Debtors' stockholders.

RELIEF REQUESTED

12. The Ad Hoc Committee respectfully requests, and the Bankruptcy Court mandates, appointment of an examiner in these chapter 11 cases pursuant to section 1104 of the Bankruptcy Code. Appointment of an examiner with the limited authority and duration proposed herein is the only prophylactic measure available to ensure transparency, to ensure that the sale and plan process both are fair and appear fair, to ensure that the plan and sale can be properly assessed by parties in interest and to ensure stockholders and parties in interest that every possible explanation of the sudden destruction of value is understood to ensure that all alternatives to maximize value are explored before stockholders' interests are wiped out.

BASIS FOR RELIEF

13. The appointment of a chapter 11 examiner is governed by 11 U.S.C. § 1104(c). Section 1104(c) of the Bankruptcy Code provides:

> If the court does not order the appointment of a trustee under this section, then at any time before the confirmation of a plan, on request of a party in interest or the United States trustee, and after notice and a hearing, the court shall order the appointment of an examiner to conduct such an investigation of the debtor as is appropriate, including an investigation of any allegations of fraud, dishonesty, incompetence, misconduct, mismanagement, or irregularity in the management of the affairs of the debtor of or by current or former management of the debtor, if—

(1) such appointment is in the interests of creditors, any equity security holders, and other interests of the estate; or

(2) the debtor's fixed, liquidated, unsecured debts, other than debts for goods, services, or taxes, or owing to an insider, exceed $5,000,000.

11 U.S.C. § 1104(c).

14. Section 1104(c) authorizes the appointment of an examiner at any time before the confirmation of a plan, on request of a party in interest or the U.S. Trustee, after notice and hearing, "if the court does not order the appointment of a trustee." 11 U.S.C. § 1104(c). The statute expressly provides that the court cannot appoint an examiner if a trustee is already appointed. However, this limitation was not intended to require denial of a motion to appoint a trustee as a precondition to the appointment of an examiner. *See Keene Corp. v. Coleman (In re Keene Corp.)*, 164 B.R. 844, 855 (Bankr. S.D.N.Y. 1994).

15. Accordingly, under section 1104(c), a court is required to appoint an examiner: (a) at the request of a party in interest, (b) at any time prior to plan confirmation, (c) when a trustee has not been appointed, and (d) when such appointment is in the best interests of creditors <u>or</u> the debtor's fixed, liquidated, and unsecured debts other than debts for goods, services, taxes or insider debts exceed $5 million. *See* 11 U.S.C. § 1104(c); *Morgenstern v. Revco D.S., Inc. (In re Revco D.S. Inc.)*, 898 F.2d 498, 500-501 (6th Cir. 1990).

16. The Ad Hoc Committee consists of holders of the Debtors' equity securities. The Ad Hoc Committee and each member, separately and collectively, are parties in interest under section 1109 of the Bankruptcy Code.

A. The Appointment of an Examiner is Mandatory Because the Debtors' Unsecured Debt Exceeds the Statutory Threshold

17. The requisite elements of section 1104(c)(2) are plainly present in this case: no trustee has been appointed, no plan has been confirmed and the Debtors' unsecured debts other

than debts for goods, services, taxes or insider debts are well in excess of $5 million. As evidenced by the following, the $5 million debt threshold is met in this case:

- The Debtors' Schedules of Assets and Liabilities note unsecured claims of up to $58,687,500.38 in the aggregate as of the Petition Date. *See* Schedules A through J with Summary of Schedules (Docket No. 195 and amended at Docket Nos. 281, 660).

- The Debtors' proposed chapter 11 plan contains a Class 7B for "Allowed Second Lien Deficiency Claims." Holders of the Debtors' second lien debt will have a deficiency claim equal to their pro rata share of "the aggregate amount of (i) $249,750,000 minus (A) the amount of its Allowed Second Lien Secured Claim and (B) the amount of any adequate protection payments, or (ii) such lesser amount as agreed by holders of Second Lien Secured Claims, and shall receive such treatment as set forth in Section 4.2(h) of the Plan." *See Disclosure Statement* at 46. The Disclosure Statement notes that expected recovery for Allowed Second Lien Secured Claims is 68% (subject to certain adjustments and reserves) which would provide for an Allowed Second Lien Deficiency Claim of $79,920,000 minus any adequate protection payments (which are not disclosed in the Disclosure Statement). *Id.*[4]

- The Debtors' proposed chapter 11 plan is predicated on unsecured claims of $58,687,500.38. *See Disclosure Statement* (noting that the amount of $58,687,500.38 defined as "Non-Second Lien General Unsecured Claims" includes "among other things, General Unsecured Claims of the Debtors' trade vendors, royalty and working interest owners, and various other general and administrative claimants, and it excludes any prepetition claims resulting from post-petition events, such as rejections of executory contracts and unexpired leases.").

- The Disclosure Statement also notes that more than 900 proofs of claim have been filed in the chapter 11 cases. Properly filed proofs of claim are *prima facie* valid. *See* Bankruptcy Rule 3001. A review of the claims register discloses the following claims, among others:

    - $8,144,165.74 unsecured claim filed by Burlington Resources Oil & Gas Company, LLC against Crusader Energy Group, LLC pursuant to a Farmout and Joint Development Agreement for the drilling of certain oil and gas leases in Reeves County, Texas and comprised of delay rents, known lien claims and liquidated damages (Claim No. 897 amending Claim No. 522).

    - $2,500,000 unsecured claim filed by John Pollard against Crusader Energy Group Inc. *et al.* for personal injury (Claim Nos. 399, 493).

---

4 The Ad Hoc Committee reserves its rights as to the proper valuation of the collateral securing the Second Lien Secured Claims in connection with confirmation of the plan and approval of the sale.

- $1,500,000 plus attorney fees and exemplary damages unsecured claim filed by John M. and Cindy Lou Marsden against Crusader Energy Group Inc. for breach of covenants and lease agreements re oil and gas leases (Claim No. 753).

18. Where, as here, the debt threshold of $5,000,000 is met, a court has no discretion, and is bound to appoint an examiner upon motion. *See Revco D.S.*, 898 F.2d at 500-01; *In re UAL Corp.*, 307 B.R. 80, 86 (Bankr. N.D. Ill. 2004). In *Revco*, the bankruptcy court initially denied the U.S. Trustee's motion to appoint an examiner, despite the fact that the parties stipulated that each of the debtor's unsecured debts exceeds $5 million. *See Revco D.S.*, 898 F.2d at 499. On appeal, the Sixth Circuit ordered the appointment of an examiner instructing, "[t]he provision plainly means that the bankruptcy court 'shall' order the appointment of an examiner, when the total fixed, liquidated unsecured debt exceeds $5 million if the U.S. Trustee [or a party in interest] requests one. Black's defines 'shall' as follows: 'As used in statutes, contracts, or the like, this word is generally imperative and mandatory. In common and ordinary parlance . . . the term 'shall' is a word of command, and one which . . . must be given a compulsory meaning; as denoting obligation.'" *Id.*

19. In addition, the legislative history of section 1104(c)(2) of the Bankruptcy Code indicates that Congress intended third party intervention to be provided upon request in large cases involving public companies. Congress intended that in larger reorganization cases, third party intervention should be provided upon request where a party is uncomfortable with the representation provided by the debtor and the committees, as part of the congressional goal to validate the reorganization process. *See* Barry L. Zaretsky, "Chapter 11 Issues: Trustees and Examiners in Chapter 11," 44 S.C. L. Rev. 907, 940 (Summer 1993). Mandatory appointment of an examiner is thus wholly consistent with Congress's intent in drafting section 1104(c)(2) of the Bankruptcy Code.

20. Because the debt threshold has been met and a request for the appointment of an examiner has been made by a party in interest, under the plain meaning of section 1104(c)(2), the appointment of an examiner is mandatory in these chapter 11 cases, leaving only the scope of the examination to be determined by the Court. The Ad Hoc Committee's proposed examination scope is discussed below.

B. The Appointment of an Examiner is in the Best Interests of Creditors and Other Interests of the Estates

21. Section 1104(c)(1) provides that the examiner shall be appointed if "such appointment is in the interests of creditors, any equity security holders, and other interests of the estate." 11 U.S.C. § 1104(c)(1). In contrast to the mandatory nature of section 1104(c)(2), the appointment of an examiner under section 1104(c)(1) is a matter of discretion for the courts. *See, e.g., In re Gilman Servs., Inc.,* 46 B.R. 322, 327 (Bankr. D. Mass. 1985). Such appointments are based on a determination by the court of "cause" to demonstrate that an examiner would be in the best interests of creditors, stockholders, and the estate. *See* 11 U.S.C. § 1104(c)(1). Although the appointment of an examiner is mandatory in this case, in an abundance of caution, we note that appointment of an examiner is also in the best interests of creditors in these cases under section 1104(c)(1) of the Bankruptcy Code.

22. Although "cause" is not defined in the Bankruptcy Code, other courts have provided guideposts to consider in making the determination. *See In re Gilman Servs.*, 46 B.R. at 327 (citing *In re Landscaping Servs., Inc.*, 39 B.R. 588 (Bankr. E.D.N.C. 1984). "One of the functions of an examiner is to investigate potential causes of action available to the estate" including fraudulent transfers and breaches of fiduciary duties by management. *Id.* at 328; *see also In re Keene Corp.*, 164 N.R. 844, 854-58 (Bankr. S.D.N.Y. 1994) (holding that a "textbook case calling for the appointment of an examiner" is where fraudulent transfers should be

reviewed to determine whether the debtor's estate should pursue the action and directing the appointment of an examiner to review multiple transfers from the debtor).

23. Cause exists to appoint an examiner in these chapter 11 cases. The following points have not been properly considered or evaluated in these chapter 11 cases and raise significant concerns and important issues which impact not only the stockholders but also all creditors and parties in interest in connection with the Debtors' proposed plan and sale, and should be investigated by an examiner:

- In the span of only a few months, the Debtors have depleted their reserves and equity value has plummeted. Equity value has fallen from $424 million (as stated in the Debtors' last-filed Form 10Q for the quarter ended September 30, 2008, attached hereto as Exhibit A and in the Debtors' September 2008 investor presentation (attached hereto as Exhibit B)) to arguably zero as the Debtors' stalking horse bid for its assets provides no recovery to stockholders. Further, in the same investor presentation, the Debtors disclosed reserves of $1.9 billion, which reflected substantial equity value above the Debtors' approximately $300 million in debt. The Debtors have offered no explanation for how more than $1.5 billion in value disappeared in a matter of months. Notably the decrease in oil and gas prices only accounts for a partial explanation for the value dissipation. The stockholders deserve an explanation of this mysterious disappearance of value. An examiner should investigate and explain this perplexing decline in value to all parties in interest.

- Upon information and belief, the Debtors' management undertook a massive buying spree of oil and gas assets and leases during the turbulent financial collapse of the third and fourth quarter of 2008. An examiner would help stockholders and all parties in interest assess whether or not any of these purchases amounted to fraudulent conveyances of unequivalent value that should be unwound for the benefit of the estates. Comparing the amounts believed to be paid against the price to be realized through the proposed Sandridge deal suggests that the Debtors may have substantially overpaid for assets in the months leading up to the bankruptcy filing and may have avoidance actions as a result. This deserves an investigation.

- There are many transactions among insiders listed in the Debtors' schedules and statement of affairs that are either unexplained or accompanied by only cursory descriptions which make it impossible to determine whether they were fair and legitimate transactions. These too should be investigated by an examiner before being released under a plan.

- The Debtors own 37,000 gross acres of leases in the Bakken Shale in North Dakota and Montana, which are considered part of the Williston formation in the Bakken Shale. Just last week, on October 16, 2009, U.S. Energy Corp. ("U.S. Energy") and

Brigham Exploration Company ("Brigham") announced a tremendous drilling success in the Williston formation with a well producing 2,112 barrels of oil equivalent per day. *See U.S. Energy Corp. Announces Initial Production Rate from the Brad Olson 9-16 #1H Bakken Well* (Oct. 16, 2009) (attached hereto as Exhibit C). As a result of the drilling success and the ultimate announcement, the stock price of U.S. Energy (ticker: USEG) (which owns 19,200 gross acres, less acreage than the Debtors) increased from a market cap of approximately $40 million on March 31, 2009 to approximately $144 million on October 19, 2009, a near 3.5-times increase in stockholder value. Additionally, the stock price of U.S. Energy's joint venture, Brigham (ticker: BEXP), increased from $1.90 per share on March 31, 2009, an equity cap of $160 million, to $10.24 per share on October 19, 2009, an equity cap of $890 million. On October 21, 2009, Brigham raised $160 million of new cash via a stock offering on the strength of the prospects for their Bakken Shale acreage. *See Brigham Exploration Company Prices Offering of 16,000,000 Shares of Common Stock at $10.50 Per Share* (Oct. 21, 2009) (attached hereto as Exhibit D). This one discovery in the Williston formation in the Bakken Shale has thus created an astounding $990 million in value in mere months for these parties and all from one single well. The significance of this dramatic increase from one well means that industry investors believe that the Williston formation and this acreage will be prolific. This has potentially substantial implications for all stakeholders of the Debtors. An examiner should review the true value of the Debtors' 37,000 gross acres in the Bakken Shale and commission a new reserve and production report and determine whether it would be more prudent and more beneficial for the estates to delay a sale in order to sell or develop the Debtors' acreage in the Williston formation in the Bakken Shale.

- Upon information and belief, in January 2009, Sandridge Energy (the same party that is now the stalking horse bidder in the auction for substantially all of the Debtors' assets and which has been granted a significant break-up fee among other buyer protections) offered to acquire the Debtors which included a package of value to stockholders of $0.50 a share (for a total of $100 million) and an aggregate offer of nearly $500 million. But the Debtors' management rejected this offer. The examiner should investigate what happened in view of the Debtors' decision to proceed with an offer in the $240 million range, less than half than Sandridge's earlier rejected offer.

- The Debtors' chapter 11 cases differ from many other bankruptcies as there has been no material diminution in value or adverse effect on the Debtors' operations as a result of the bankruptcy process, and therefore speed in exiting bankruptcy is not crucial from a value or operations standpoint. In fact, there is a great likelihood that substantial equity value can be realized by allowing the developing rebound in oil and gas prices to occur rather than rushing into a premature sale. Specifically, spot oil prices were $100.64 on September 30, 2008, $66.31 on May 31, 2009 and are now $80.96 and natural gas was $7.18 on September 30, 2008, $3.92 on May 31, 2009 and are now $5.00. Additionally, as described above, the recent announcement by U.S. Energy Corp. of a major oil find in the Bakken Shale in a field very close to large acreage tracts held by the Debtors evidences that the sale process should be halted to assess the longer-term ramifications of this discovery. Despite this, the Debtors'

> creditor constituents are forcing a fire sale at a time when third party offers do not reflect the true intrinsic value of the Debtors' assets (as evidenced by, among other things, the Debtors' projected cash flows). The Debtors' acquiescence to this pressure and rush to sell their assets in the face of an unprecedented decline of oil and gas prices is evidence that their business judgment is not sound and should be independently investigated.[5]

24. The strategy that the Debtors have allegedly adopted in these chapter 11 cases is self-described as "in the best interest of the Debtors, their estates and their creditors." But with respect to the Debtors' stockholders who will receive nothing and the Debtors' unsecured and undersecured creditors who will not receive a full recovery, it is difficult to discern the benefit. Appointment of an examiner to investigate the above matters will shed light on these issues and produce a report that informs the Court and all parties in interest exactly what happened to the significant assets that formed part of the Debtors' estates in the immediate period before the bankruptcy filing and may lead to evidence that would lead to possible claims and causes of action which would result in an enhanced recovery for the benefit of all parties including stock holders.

25. Finally, the benefit to the Debtors' estates of appointment of an examiner outweighs the cost and expenses created given the compelling need for appointment. An examiner is an efficient approach and, indeed, any failure to investigate could wholly deprive the estates of a significant recovery source. Finally, the Bankruptcy Code contains adequate means for controlling costs. *See* 11 U.S.C. § 330(a)(1). The Bankruptcy Code prohibits courts from compensating professionals for "unnecessary duplication of services; or services that were not reasonably likely to benefit the debtor's estate; or necessary to the administration of the case."

---

[5] The structure of the management incentive program previously approved by the Bankruptcy Court provides no incentive to management to maximize the value of the assets. Under the program, the top 4 officers and managers receive a bonus tied to transaction value, but capped out at transaction value of $300 million. As structured, management is incented to sell the assets as quickly as possible without regard to whether delaying the sale process might ultimately yield higher value.

11 U.S.C. § 330(a)(4)(A). Costs may be reviewed by the Debtors, the Committee and the U.S. Trustee, and, ultimately, will be subject to allowance in the bankruptcy court's discretion. The Ad Hoc Committee is also willing to entertain an appropriate reasonable budget for the examiner's efforts.

26. In summary, under the facts and circumstances of these chapter 11 cases, it is in the best interests of creditors and other interests of the estates to appoint an examiner to investigate the affairs of the Debtors and specifically the following issues: (i) the drastic decline in the value of the Debtors' reserves and stockholder's equity, (ii) possible fraudulent conveyances and transfers, (iii) the nature and value of the Debtors' potential causes of actions and most specifically, those they intend to release pursuant to their chapter 11 plan, (iv) the value of the Debtors' drilling acreage in the Williston formation in the Bakken Shale where a significant oil discovery was recently announced, (v) the Debtors' rejection of a prepetition acquisition offer which would have provided material value to stockholders, and (vi) whether the Debtors are proceeding down the wrong path by auctioning their assets in a fire-sale in a depressed economic environment.

27. The Ad Hoc Committee further proposes that the examiner's report be due before the objection deadline for confirmation of the Debtors' plan and approval of the sale to Sandridge or the winning bidder at the auction. The Ad Hoc Committee believes that an examiner should be able to complete an investigation within 30-45 days. With this timetable, the Court and parties in interest would have the benefit of the examiner's report at the confirmation and sale hearing.

NOTICE AND PRIOR MOTIONS

28. Notice of this Motion has been given to (a) counsel to the Debtors, (b) the U.S. Trustee, (c) counsel to the Committee, and (d) all other persons that have formally appeared and requested service in the chapter 11 cases.

29. In light of the nature of the relief requested, the Ad Hoc Committee submits that no other and further notice of this Motion is necessary or required.

30. No previous request for the relief sought herein has been made to this or any other Court.

[Signature Page Immediately Follows]

CONCLUSION

WHEREFORE, the Ad Hoc Committee respectfully requests that the Court enter an order, substantially in the form attached hereto as Exhibit E, (a) directing the U.S. Trustee to promptly appoint an examiner, and (b) granting such other and further relief as it deems is just and proper under the circumstances.

Dated: October 30, 2009
Fort Worth, Texas

Respectfully submitted,

KAYE SCHOLER LLP
Benjamin Mintz
Andrea Johnson Frost
425 Park Avenue
New York, NY 10022-3598
Telephone: (212) 836-8000
Facsimile: (212) 836-6550

and

KELLY HART & HALLMAN LLP

Nancy L. Ribaudo
Michael A. McConnell (TX Bar No. 13447300)
Nancy L. Ribaudo (TX Bar No. 24026066)
Wells Fargo Tower
201 Main Street
Suite 2500
Fort Worth, TX 76102
Telephone: (817) 332-2500
Facsimile: (817) 878-9280

Co-Counsel for the Ad Hoc Committee

CERTIFICATE OF SERVICE

A true and correct copy of the foregoing document was served on October 30, 2009, upon the counsel for the Debtors, the Office of the United States Trustee, the Official Committee of Unsecured Creditors, all parties on the attached Master Service List, and all persons who have filed a notice of appearance and request for service of pleading in the chapter 11 cases via ECF Electronic Notice or via first class U.S. mail, postage prepaid.

/s/ C. Josh Osborne
C. Josh Osborne

CRUSADER ENERGY GROUP INC., *et al.*
Case No 09-31797-bjh-11
MASTER SERVICE LIST AS OF
September 24, 2009
(Updates indicated in BOLD and underline)

PARTIES RECEIVING ECF NOTIFICATION:

William Wallander
Richard London
Beth Lloyd
Vinson & Elkins LLP
2001 Ross Avenue, Suite 3700
Dallas TX 75201

David Bennett
Thompson & Knight
1722 Routh Street Suite 1500
Dallas TX 75201

Holland N. O'Neil
Richard M. Roberson / Michael Haynes
Gardere Wynne & Sewell
1601 Elm Street, Suite 3000`
Dallas TX 75201

Regan Strickland Beatty
Judy Hamilton Morse
Crowe & Dunlevy, P.C.
20 North Broadway, Suite 1800
Oklahoma City, Oklahoma 73102

J. Robert Forshey
Julie C. John
FORSHEY & PROSTOK, L.L.P.
777 Main St., Ste. 1290
Fort Worth, TX 76102

Douglas D. D'Arche
John W. Petrelli
Baker & Hostetler, LLP
1000 Louisiana, Suite 2000
Houston, TX 77002

Carl Doré, Jr.
Doré & Associates, Attorneys, P.C.
17171 Park Row, Suite 350
Houston, Texas 77084

Phil F. Snow
Snow Fogel Spence LLP
2929 Allen Parkway, Suite 4100
Houston, TX 77019

Martin P. Averill
Timothy A. York
Quilling, Selander, Cummiskey & Lownds, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201

William H. Hoch III
Crowe & Dunlevy, P.C.
20 North Broadway, Suite 1800
Oklahoma City, OK 73102

Richard T. Chapman
Anderson, Smith, Null & Stofer LLP
One O'Connor Plaza, Seventh Floor
PO Box 1969
Victoria, TX 77902

Erin E. Jones
Barron Newburger & Sinsley PLLC
5718 Westheimer, Suite 1755
Houston TX 77057

J. Casey Roy, Assistant Attorney General
Attorney General's Office
Bankruptcy & Collections Division
PO Box 12548, MC-008
Austin TX 78711-2548

Daniel I. Morenoff
K&L Gates LLP
1717 Main Street, Suite 2800
Dallas TX 75201

Patrick H. Autry
Nunley Jolley Cluck Aelvoet LLP
1580 South Main Street, Suite 200
Boerne TX 78006

John W. Mee III
Mee Mee Hoge & Epperson PLLP
50 Penn Place
1900 NW Expressway, Suite 1400
Oklahoma City OK 73118

James H. Billingsley
K&L Gates LLP
1717 Main Street, Suite 2800
Dallas TX 75201

Demetra L. Liggins
Thompson & Knight LLP
333 Clay Street, Suite 3300
Houston TX 77002

Edward L. Rothberg / Hugh M. Ray, III
Weycer Kaplan Pulaski & Zuber, PC
11 Greenway Plaza, Suite 1400
Houston TX 77046

Jeff Carruth
Reed & Elmquist, PC
604 Water Street
Waxahachie TX 75165

Michael Reed
McCreary Veselka Bragg & Allen PC
PO Box 1269
Round Rock TX 78680

Phillip P. Owens II
Owens Law Office
2300 W. Danforth Road, Suite 120
Edmond OK 73012-4341

Neal R. Allen
Neal R. Allen PC
3108 North Big Spring Street – Suite 105
Midland TX 79705

Jason S. Brookner
Andrews Kurth LLP
1717 Main Street, Suite 3700
Dallas TX 75201

Louis R. Strubeck
Fulbright & Jaworski LLP
2200 Ross Avenue, Suite 2800
Dallas TX 75201

Sonia Chae
Securities and Exchange Commission
175 West Jackson Blvd., Suite 900
Chicago IL 60604

Jeff P. Prostok
Forshey & Prostok
777 Main Street, Suite 1290
Fort Worth TX 76102

Jacob W. Stasny
4960 Goodman Avenue
4315
Addison TX 75001

Ochiltree County Appraisal District
c/o DLayne Peeples
Perdue Brandon Fielder Collins & Mott
PO Box 9132
Amarillo TX 79105

Perry J. Cockerell
Cangey Hanger LLP
1999 Bryan Street, Suite 3330
Dallas TX 75201

John N. Schwartz
Fulbright & Jaworski LLP
2200 Ross Avenue, Suite 2800
Dallas TX 75201

Judy Hamilton Morse
Crowe & Dunlevy
20 North Broadway, Suite 1800
Oklahoma City OK 73102-8273

Michael S. Held
Cameron Kinvig
Hunton & Williams LLP
1445 Ross Avenue, Suite 3700
Dallas TX 75202-2799

Hank Rugeley
Davison Rugeley, LLP
900 Eighth Street, Suite 1102
Wichita Falls TX 76307

Jon T. Lee
Lee & Associates PC
1300 East 9th Street, Suite #6
Edmond OK 73034

Ross A. Plourde
McAfee & Taft
10th Floor, Two Leadership Square
211 North Robinson
Oklahoma City OK 73102-7103

Julie A. Linares
The Linares Law Firm, P.L.L.C.
2911 Turtle Creek Blvd., Suite 300
Dallas TX 75219

Kevin M. Maraist
Anderson Lehrman Barre & Maraist, LLP
1001 Third Street, Suite 1
Corpus Christi TX 78404

Lisa Farrow-Gillespie
Farrow-Gillespie & Heath LLP
1700 Pacific Avenue, Suite 2640
Dallas TX 75201

William B. Federman
Federman and Sherwood, PC
10205 N. Pennsylvania
Oklahoma City OK 73120

Verland E. Behrens
Behrens Taylor Wheeler & Chamberlain
6 Northeast 63rd Street, Suite 400
Oklahoma City OK 73105

Brian A. Kilmer
J. Meritt Crosby
Okin Adams & Kilmer LLP
3102 Maple Ave., Suite 450
Dallas TX 75201

Charles W. Sartain
Micheal W. Bishop
Looper Reed & McGraw
1601 Elm Street, Suite 4100
Dallas TX 75201

Kevin G. Barreca
Richard R. Stedman
Sessions Fishman Nathan & Israel LLP
3850 N. Causeway Blvd., Suite 200
Metairie LA 70002-7227

Monica S. Blacker
Andrews Kurth LLP
1717 Main Street, Suite 3700
Dallas TX 75201

Chris B. Elliott
Duckett Bouligny & Collins LLP
207 W. Jackson
PO Box 1567
El Campo TX 77437

Steven L. Hoard
Mullin Hoard & Brown, LLP
PO Box 31656
Amarillo TX 79120-1656

Catherine V. Funkhouser
Orgain Bell & Tucker, LLP
Parkwood 1, Suite 500
10077 Grogan's Mill Road
The Woodlands TX 77380

Drew D. Webb
McAfee & Taft
10th Floor, Two Leadership Square
211 North Robinson
Oklahoma City OK 73102-7103

John A. Leonard
Leonard Key & Key PLLC
PO Box 8385
900 8th Street, Suite 320
Wichita Falls TX 76307-8385

Michael W. McDonald
Martin Showers Smith & McDonald LLP
62 West Elm, PO Box 257
Hillsboro TX 76645

David W. Parham
Laurie D. Babich
Baker & McKenzie LLP
2001 Ross Avenue, Suite 2300
Dallas TX 75201

Joe E. Marshall
Lee J. Pannier
Munsch Hardt Kopf & Harr PC
500 N. Akard Street, Suite 3800
Dallas TX 75201-6659

Kimberley Walsh
Assistant Attorney General
Bankruptcy & Collections Division
PO Box 12548
Austin TX 78711-2548

Kerry L. Halliburton
Naman Howell Smith & Lee LLP
PO Box 1470
Waco TX 76703-1470

C. Josh Osborne
Michael A. McConnell
Kelly Hart & Hallman LLP
201 Main Street, Suite 2500
Fort Worth TX 76102

K.B. Battaglini
Greenberg Traurig LLP
1000 Louisiana Street, Suite 1700
Houston TX 77002

Christopher D. Johnson
Seklman Munson & Lerner, PC
Two Memorial City Plaza
802 Gessner, Suite 800
Houston TX 77024

PARTIES RECEIVING NOTICE BY US MAIL:

BRF
Charles (Chip) L. Mullens, Jr.
Crusader Energy Group Inc.
4747 Gaillardia Parkway
Oklahoma City OK 73142

BRF
George McElreath
Office of the U.S. Trustee
1100 Commerce
Room 976
Dallas TX 75242

BRF
Frank Merola
Tero Janne
Jefferies & Company Inc.
520 Madison Avenue
New York NY 10022

BRF
David Lucke
Jefferies & Company Inc.
Three Allen Center
333 Clay Street, 9th Floor
Houston TX 77002

BRF
Internal Revenue Service
PO Box 21126
Philadelphia AP 19114

BRF
Securities & Exchange Commission
Attn: Bankruptcy Section
175 West Jackson Blvd
Suite 900
Chicago IL 60604

BRF
Texas Workforce Commission
TEC Bldg – Bankruptcy
101 East 15th Street
Austin TX 78778

BRF
Texas Comptroller of Public Accounts
Revenue Accounting Div
Bankruptcy Section
PO Box 13528
Austin TX 78711

BRF
Office of the United States Attorney
1100 Commerce
3rd Floor
Dallas TX 75242

BRF
Office of the Attorney General
State of Texas
1412 Main Street, Suite 810
Dallas TX 75202

BRF
Oklahoma Tax Commission
Legal Division
120 N Robinson Suite 2000
Oklahoma City OK 73102-7801

BRF
Oklahoma Employment Security Commission
Legal Division
PO Box 53039
Oklahoma City OK

BRF
M. Jarrod Bourgeois
Union Bank of California
500 N. Akard, Suite 4200
Dallas TX 75201

BRF
Trey Wood
Bracewell & Giuliani LLP
711 Louisiana Street, Suite 2300]
Houston TX 77002-2770

BRF
Kimberly Coil
JPMorgan Securities Inc.
2200 Ross Avenue, 3rd Floor
Dallas TX 75201

BRF
Ryan Connelly
Fortress
220 Elm Street Suite 201
New Cannan CT 06840

BRF
Eric Seeve
Golden Tree Asset Management
300 Park Avenue 20th Floor
New York NY 10022

BRF
Josh Donfeld
Canyon Partners
2000 Avenue of the Americas
11th Floor
Los Angeles CA 90067

BRF
Michael Linn
Farallon Capital Management
One Maritime Plaza Suite 2100
San Francisco CA 94111

BRF
Dan Klein
Highbridge Principal Strategies
40 W. 57th, 30th Floor
New York NY 10019

BRF
Matthew Lemme
Highland Capital Management
13455 Noel Road Suite 800
Dallas TX 75240

BRF
Chesapeake Operating Inc.
61000 N. Western Avenue
Oklahoma City OK 73118-1044

BRF
Ron Hess
WB Supply Co.
PO Drawer 2479
Pampa TX 79066

BRF
John Estes
Halliburton Energy Services, Inc.
10200 Bellaire Blvd. 3 NE-17H
Houston TX 77072

BRF
Mack Energy Company
1202 N. 10th Street
Duncan OK 73533

BRF
Richard Hurder
Virgin Wilton Lane III & RTP Capital, Inc.
c/o Richard Hurder
3405 Edloe Street Suite 200
Houston TX 77027

BRF
Steve Abney
Trinidad Drilling LP
3728 West Jones Avenue
Garden City KS 67846

BRF
Warren Drilling, Inc.
c/o Jeffrey C. King
K&L Gates LLP
301 Commerce, Suite 3000
Fort Worth, TX 76102

BRF
Pathfinder Energy Services
3329 West Pinhook Rd
Lafayette LA 70508

BRF
Patterson-UTI Drilling Company
6000 SW 44th Street
Oklahoma City OK

BRF
Don J. Guedry Jr.
Grey Wolf Drilling Company LP
10370 Richmond Avenue, Suite 600
Houston TX 77042

BRF
Packers Plus Energy Services
4606 FM 1960 W
#220
Houston TX 77069

BRF
Mardi de Verges
Goober Drilling
PO Box 549
Stillwater OK 74076

BRF
Nabors Drilling
515 W. Greens Road
Suite 1200
Houston TX 77067

BRF
Baker Hughes Business Support Services
15355 Vantage Parkway West,
Suite 300
Houston TX 77032

BRF
Dawson Geophysical Company
508 West Wall
Suite 800
Midland TX 79701-5010

BRF
Mehgan Merman
Global Geophysical Services
3535 Briarpark Drive, Suite 200
Houston TX 77042

BRF
Chesapeake Energy
6100 N Western Avenue
Oklahoma City OK

BRF
Barb Shorey – A/R
Forest Oil Corporation
707 Seventeenth Street
Suite 3600
Denver CO 80202

BRF
Turbo Drilling Fluids Inc.
4334 NW Expressway Suite 235
Oklahoma City OK 73116

BRF
Quantum Drilling Motors
4005 S. Thomas Road
Oklahoma City OK 73179

BRF
Gregg Hill
Double C Contracting, Inc.
c/o Gregg Hill
Sims Moore Hill Gannon & Crain LLP
211 East Franklin Street
Hillsboro, TX 76645

BRF
Matt Hubbard
Atlas Tubular LP
PO Box 431
Robstown TX 78380

BRF
Linde Inc.
88718 Expedite Way
Chicago IL 60695-1700

BRF
Weatherford US LP
PO Box 200019
Houston TX 77216-0019

BRF
Leam Drilling Systems Inc.
PO Box 10356
New Iberia LA 70562-0356

BRF
Permian Tank & Manufacturing
2701 West Interstate 20
Odessa TX 79760

BRF
B J Services Company
4601 Westway Park Blvd
Houston TX 77041

BRF
Agile Seismic LP
10590 Westoffice Dr.
250
Houston TX 77042-5332

BRF
Jim Morton, Controller
Great White Pressure Control
4500 S E 59th Street
Oklahoma City OK 73135

BRF
Gregory M. Attrep
Smith International
16740 Hardy Street
PO Box 60068
Houston TX 77205-3059

BRF
Knight Oil Tools Inc.
2727 S E Evangeline Thruway
Lafayette LA 70508

BRF
Alliance Drilling Fluid
125 W. Missouri
Midland TX 79701

BRF
Champion Drilling Fluid
PO Box 94817
Oklahoma City OK 73143

BRF
Western Hot Oil Service
PO Box 1107
Perryton TX 79070

BRF
J & L Oilfield Services LLC
1305 E Highway 15
Shattuck OK 73858

BRF
T.S. Dudley Land Company
5925 North Robinson Avenue
Oklahoma City OK 73118-7452

BRF
Accounts Receivable Dept.
National Oilwell Varco
7909 Parkwood Circle Drive
Houston TX 77036

BRF
Viking Pipe & Supply LLC
1901 E Highway 66
El Reno OK 73036

BRF
Thomas Petroleum Ltd.
PO Box 4317
Victoria TX 77903-4317

BRF
FLO CO2
PO Box 201468
Dallas TX 75320-1468

BRF
James B. Williamson
Prothro & Williamson
811 6th St.
P.O. Box 8029
Wichita Falls, TX 76307-8029

BRF
Samuel M. Stricklin, Esq.
Tricia R. DeLeon, Esq.
Jason G. Cohen, Esq.
Bracewell & Giuliani LLP
1445 Ross Avenue, Suite 3800
Dallas, Texas 75202

BRF
Laurie Spindler
Linebarger, Groggan Blair & Sampson LLP
2323 Bryan St., Ste. 1600
Dallas, TX 75201

BRF
J. Scott Douglass
909 Fannin, Suite 1800
Houston, TX 77010

BRF
Joe H. Staley/Larry Vincent
Law Offices of Joe H. Staley PC
3100 Monticello, Suite 850
Dallas TX 75205

BRF
William B. Finkelstein / Jeffrey R. Fine
K&L Gates LLP
1717 Main Street, Suite 2800
Dallas TX 75201

BRF
Darrell Coffman
Halliburton Energy Services, Inc.
210 Park Avenue, Suite 1960
Oklahoma City OK 73102

BRF
Jeffrey C. King / Jame Lavergne Bryan
K&L Gates LLP
301 Commerce, Suite 3000
Fort Worth TX 76102

BRF
Oklahoma Tax Commission
PO Box 52000
Oklahoma City OK 73152-2000

BRF
Phillip L. Lamberson
Matthew T. Ferris
Winstead PC
1201 Elm Street, Suite 5400
Dallas TX 75270

BRF
Kenneth P. Green
Snow Fogel Spence LLP
2929 Allen Parkway, Suite 4100
Houston TX 77019

BRF
Chris Hebert
Knight Oil Tools, Inc.
PO Box 52688
Lafayette LA 70505

BRF
Encore Acquisition Company
Attn: Kevin Treadway
777 Main Street, Suiet 1400
Fort Worth TX 76102

BRF
C. Luckey McDowell
Baker Botts L.L.P.
2001 Ross Avenue, Suite 800
Dallas TX 75201

BRF
Julie A. Walker / David A. Miller
Miller Mentzer, PC
PO Box 130
100 N. Main St.
Palmer TX 75152

BRF
Lyle R. Nelson
Elias Brooks Brown & Nelson PC
211 N. Robinson, Suite 1300
Oklahoma City OK 73102-6803

BRF
Jennifer H. Kirkpatrick / Eric Huddleston
Elias Brooks Brown & Nelson PC
211 N. Robinson, Suite 1300
Oklahoma City OK 73102-6803

BRF

Mike L. Painter
Orgain Bell & Tucker, LLP
Parkwood 1, Suite 500
10077 Grogan's Mill Road
The Woodlands TX 77380

BRF

Jim Jorgensen
RLI Insurance Company
9025 N. Lindbergh Drive
Peoria IL 61615-1431

BRF

Dana P. Kane, Esq.
Liquidity Solutions, Inc.
One University Plaza, Suite 312
Hackensack NJ 07601

BRF

Benjamin Mintz
Andrea Johnson Frost
Kaye Scholer LLP
425 Park Avenue
New York NY 10022-3598

BRF

Tammy Jones, Pro Se
Oklahoma County Treasurer
320 Robert S. Kerr, Room 307
Oklahom City OK 73102

BRF

John E. DeFeo
Law Offices of John DeFeo & Associates, PLLC
12400 Coit Road, Suite 560
Dallas TX 75251

BRF

DeAnn L. Owen
Office of the Solicitor, Rocky Mt. Region
755 Parfet Street, Suite 151
Lakewood CO 80215

BRF

Angela N. Staples
Fletcher Law Offices PC
6 Desta Drive, Suite 5900
Midland TX 79705

BRF

David Parham
Baker & McKenzie LLP
2300 Trammell Crow Center
2001 Ross Avenue
Dallas TX 75201

BRF

David R. Clouston
Sessions Fishman Nathan & Israel LLP
900 Jackson Street, Suite 440
Dallas TX 75202