

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

-----x Chapter 11
In re: :
: Case No. 08-62733
TRIAD RESOURCES, INC., :
: Judge C. Kathryn Preston
Debtor. :
-----x

In re: : Chapter 11
: :
TRIAD ENERGY CORPORATION, : Case No. 08-62744
: :
Debtor. : Judge C. Kathryn Preston
-----x

In re: : Chapter 11
: :
TRITEX ENERGY, L.L.C., : Case No. 08-62747
: :
Debtor. : Judge C. Kathryn Preston
-----x

In re: : Chapter 11
: :
TRITEX RESOURCES, L.L.C., : Case No. 08-62749
: :
Debtor. : Judge C. Kathryn Preston
-----x

In re: : Chapter 11
: :
TRIAD OIL & GAS CO., LTD., : Case No. 08-62757
: :
Debtor. : Judge C. Kathryn Preston
-----x

In re: : Chapter 11
: :
ALPHA DRILLING, LTD., : Case No. 08-62759
: :
Debtor. : Judge C. Kathryn Preston
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APPLICATION OF DEBTORS AND DEBTORS-IN-POSSESSION FOR AN ORDER, PURSUANT TO SECTIONS 327(A) AND 328 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 2014(A) AND 6003(A), FOR THE ENTRY OF AN ORDER AUTHORIZING THE DEBTORS TO RETAIN AND EMPLOY RSM MCGLADREY, INC. AS FINANCIAL ADVISOR, NUNC PRO TUNC AS OF THE PETITION DATE

Triad Resources, Inc. ("TRI"), Triad Energy Corporation ("TEC"), TriTex Energy, LLC ("TEL"), TriTex Resources, LLC ("TRL"), Triad Oil & Gas Co., Ltd. ("TOG") and Alpha Drilling, Ltd. ("ADL") (each a "Debtor" and, collectively, the "Debtors"), the debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Cases"), hereby apply (the "Application"), pursuant to sections 327(a) and 328 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") and Rules 2014(a) and 6003(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the entry of an order authorizing the Debtors to retain and employ RSM McGladrey, Inc. ("RSM") as financial adviser in these Cases. In further support of this Application, the Debtors submit the *Affidavit of T. Steven Blake in Support of the Debtors' Application, Pursuant to Sections 327(a) and 328 of the Bankruptcy Code and Bankruptcy Rules 2014(a) and 6003(a), for the Entry of an order Authorizing Debtors to Retain and Employ RSM McGladrey, Inc. as Financial Advisor, Nunc Pro Tunc as of the Petition Date* (the "Blake Affidavit"), attached hereto as Exhibit A and incorporated by reference herein, and respectfully represent as follows:

JURISDICTION

1. The Court has jurisdiction over this Application pursuant to 28 U.S.C. §§157 and 1334. Consideration of the Application is a core proceeding pursuant to 28 U.S.C. §157(b)(2).
2. Venue is proper in this District pursuant to 28 U.S.C. §§1408 and 1409.

3. The statutory predicates for the relief requested herein are sections 327(a), 328, and 1107 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 6003(a), and Local Bankruptcy Rule 2014-1.

BACKGROUND

4. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

5. The Debtors are operating their businesses as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee, examiner or official committee of unsecured creditors has been appointed.

6. Detailed facts about the Debtors, the reasons for the commencement of their Cases, and additional support for this Application are set forth in the *Affidavit of James R. Bryden in Support of Chapter 11 Petition and First Day Motions* (the "Bryden Affidavit"), filed contemporaneously herewith.

RELIEF REQUESTED

7. By the Application, the Debtors, pursuant to sections 327(a), 328, and 1107 of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 6003(a), and Local Bankruptcy Rule 2014-1 seek to employ and retain RSM as their financial advisor in the Cases.

RETENTION OF RSM

8. The Debtors seek to retain RSM as their financial advisor because of RSM's extensive experience with financial restructuring of troubled companies and RSM's experience in placing financing for troubled companies. The Debtors believe that RSM is both well-qualified and able to assist them in these Cases in an efficient and timely manner.

9. As of December 17, 2008, Debtors began working with RSM to provide financial advisory services to the Debtors. On December 17, 2008, the Debtors and RSM executed an

engagement agreement (the “Engagement Agreement”), a true and correct copy of which is attached hereto as Exhibit B.¹ Given the relatively short period of time in which RSM has been assisting the Debtors, RSM has developed an impressive and thorough understanding of the Debtors’ operations, finance and systems. RSM also possesses significant expertise in navigating companies through chapter 11 – such knowledge being essential to the Debtors’ present operations given management’s general unfamiliarity with the requirements and mechanics of the chapter 11 process. This experience and knowledge will be valuable to the Debtors in their efforts to formulate a chapter 11 plan of reorganization, or other appropriate exit strategy in the Cases, and to meet the daily challenges presented by operating in chapter 11. Accordingly, the Debtors wish to retain RSM to provide financial advisory services during the Cases.

Services to be Provided by RSM

10. RSM will provide such consulting and advisory services as RSM and the Debtors deem appropriate and feasible in order to advise the Debtors in the course of the Cases. In particular, RSM will prepare a thorough assessment of the Debtors’ financial condition, cash flow, credit worthiness and viability. Based upon the work performed, RSM will evaluate the feasibility of the Debtors’ business plan, assist the Debtors in raising DIP and/or exit financing or assist with any sales of the Debtors’ assets. The assessment will focus on determining if sufficient liquidity exists to operate the businesses in accordance with their business plan with an appropriate level of risk. More specifically, the services provided by RSM will and have included the following:

¹ Nothing contained herein is intended to modify or otherwise alter the terms of the Engagement Agreement. To the extent that there is a conflict between this Application and the Engagement Agreement, the terms of the Engagement Agreement control.

- (a) Preparation and review of cash flow forecasts to be performed in conjunction with management for time periods to be specified by the Debtors;
- (b) Performance of forensic accounting procedures regarding past employee expenses for periods and regarding individuals to be specified by the Debtors, if and as requested by the Debtors;
- (c) Performance of investigations of certain past cash disbursements made by the Debtors for periods and regarding recipients to be specified by the Debtors, if and as requested by the Debtors;
- (d) Reviews of the history of negotiations and available documents and correspondence involving the Debtors regarding its possible acquisition to encompass questions that will be specified by the Debtors;
- (e) Provide general financial and strategic consulting to the Debtors regarding restructuring alternatives available to the company; and
- (f) Prepare such reports as requested by management documenting the results of our investigations, cash flow forecasts and other consulting services.

Disinterestedness

11. Based on the Blake Affidavit, as well as RSM's review of its applicable books and records, RSM is a "disinterested person," as such term is defined pursuant to section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code. In particular, RSM:

- (a) is not a creditor, an equity security holder, or an insider of the Debtors;
- (b) is not and was not within two years before the date of the filing of the petition, a director, officer, or employee of the Debtors; and
- (c) does not have an interest materially adverse to the interests of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors, or for any other reason.

12. In addition, based upon the Blake Affidavit, RSM neither holds nor represents an interest adverse to the Debtors within the meaning of sections 327(a) or 328 of the Bankruptcy Code.

13. It is RSM's policy and intent to update and expand its ongoing relationship search for additional parties in interest in an expedient manner. If any new relevant facts or relationships are discovered or arise, RSM will promptly file the appropriate supplemental affidavit(s) or other disclosures pursuant to Bankruptcy Rule 2014(a) and Local Bankruptcy Rule 2014-1.

Terms of Retention

14. The Debtors understand that RSM intends to apply to this Court for allowances of compensation and reimbursement of expenses for financial advisory support services in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, Local Bankruptcy Rules, Orders of this Court and guidelines established by the United States Trustee. RSM will maintain detailed records of any actual and necessary costs and expenses incurred in connection with the aforementioned services.

15. As required pursuant to Local Bankruptcy Rule 2014-1(a), the customary and proposed hourly rates, subject to periodic adjustments, charged by the RSM professionals anticipated to be assigned to the Cases are as follows:

Title	Hourly Rate
Managing Director	\$430 – 485
Director	\$280 – 430
Manager	\$200 – 275
Senior Associate	\$175 – 200
Paralegal	\$115

Travel time will be billed at 50 percent (50%) of RSM's customary hourly rates. The time for other professionals and services, as required, will be charged according to RSM's standard rate schedule.

16. RSM also shall seek reimbursement of its customary out-of-pocket expenses incurred in connection with the Cases. RSM shall seek allowance and payment of all fees and expenses pursuant to all applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and Local Bankruptcy Rules.

Pre-Petition Payments and Retainer

17. RSM received a retainer payment from Debtors in the amount of \$50,000.00 (the "Prepetition Retainer") on December 17, 2008, which Prepetition Retainer was intended for restructuring and related services. On December 29, 2008, prior to the filing of the chapter 11 petitions, RSM used \$43,900.29 of the Prepetition Retainer to pay for fees and expenses accrued through December 28, 2008. On December 31, 2008, Debtors transferred an additional \$43,900.29 to supplement the Prepetition Retainer to bring its total retainer to \$50,000.00 (the "Retainer"). RSM will request that the Retainer be applied to compensation as permitted by this Court from time to time.

Indemnification Provisions

18. As set forth in the Engagement Agreement, each party agrees to indemnify, hold harmless and defend the other from and against any and all claims, actions, fees, expenses, costs, damages, losses and liabilities (including reasonable attorneys' fees) (collectively, "Liabilities") for bodily injury or death of any person or damage to real or tangible personal property which the other party may sustain or incur, to the extent such Liabilities result from the negligence or willful misconduct of the indemnifying party, its employees, agents or representatives. (Engagement Agreement Addendum, § 4(a).) Further, the Debtors agree to indemnify, defend

and hold harmless RSM from and against any and all Liabilities incurred or suffered by or asserted against RSM to the extent such Liabilities result from a third party's use, possession of or reliance upon RSM's advice, information or work product as a result of the Debtors' failure to comply with various requirements when disclosing RSM work product to third parties. (Engagement Agreement Addendum, §§ 2(b) & 4(c).) The Debtors believe that the foregoing indemnification provisions are reasonable, customary, and appropriate.²

MEMORANDUM OF LAW

19. Because this Application presents no novel issues of law and the authorities relied upon are stated herein, the Debtors respectfully request that this Court waive the requirement contained in Local Bankruptcy Rule 9013-1(a) that the Debtors file a separate memorandum of law in support of this Application.

NOTICE

20. Notice of the Motion has been given to (a) the Office of the United States Trustee, (b) Capital One National Association, as Administrative Agent for the Secured Lenders, (c) the Debtors' consolidated thirty (30) largest unsecured creditors and (d) WesBanco Bank, Peoples Bank, CNH Capital, Caterpillar Financial, Chrysler Financial and Ford Motor Credit Company. The Debtors submit that, under the circumstances, no other or further notice need be given.

NO PRIOR REQUEST

21. No prior request for the relief sought in this Application has been made to this or any other Court.

² Additional indemnification obligations of RSM (and not the Debtors) are set forth in Section 4(b) of the Engagement Agreement Addendum.

CONCLUSION

WHEREFORE, the Debtors respectfully request entry of an order, substantially in the form attached hereto as Exhibit C, granting the relief requested herein and granting such other and further relief as the Court deems just and proper.

Dated: December 30, 2008

/s/ James R. Bryden
James R. Bryden
On Behalf of Each Debtor and Debtor-in-Possession