

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE: § **Chapter 11**
§
LUCA INTERNATIONAL GROUP, § **CASE NO. 15-34221-H2-11**
LLC¹ §
§ **Joint Administration Pending**
§ **Judge David R. Jones**
Debtors §
§

**MOTION FOR ORDER ESTABLISHING PROCEDURE
FOR INTERIM COMPENSATION OF PROFESSIONALS**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 23 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEYS.

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Luca International Group, LLC (“LIG”), Luca International Group (Texas) LLC (“LIGTX”), Luca Operation, LLC (“LOL”), Luca Barnett Shale Joint Venture, LLC (“LBSJV”), Luca Energy Fund LLC (“LEF”), Luca Energy Resources, LLC (“LER”), Luca Resources Group, LLC (“LRG”), Luca I, LP (“Luca I”), Luca II, LP (“Luca II”), Luca Oil, LLC (“Luca

¹ The Debtors in these cases, along with the last four digits of their respective taxpayer ID numbers, are Luca International Group LLC (1086), Luca Operation, LLC (0343), Luca International Group (Texas) LLC (5577), Luca Barnett Shale Joint Venture, LLC (5340), Luca Energy Fund LLC (0677), Luca Energy Resources, LLC (000), Luca Resources Group, LLC (1699), Luca I, LP (4104), Luca II, LP, (9778), Luca Oil, LLC (8161), Luca To-Kalon Energy LLC (3922), Luca Oil II Joint Venture (6604).

Oil”), Luca To-Kalon Energy, LLC (“LTKE”), and Luca Oil II Joint Venture (collectively “Debtors”), debtors and debtors in possession, file this Motion for Order Establishing Procedure for Interim Compensation of Professionals (“Motion”) and in support thereof respectfully states as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of this motion is a core proceeding pursuant to §§ 28 U.S.C. § 157(b). The Court has authority to grant this relief under Fed. R. Bankr. P. 1001 and 11 U.S.C. §105.

2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408(1) and (2).

II. BACKGROUND

A. Overview

3. The above captioned bankruptcy cases were each filed on August 6, 2015 (collectively “Petition Date”) under Chapter 11 of Title 11 of the Bankruptcy Code, 11 U.S.C. §§101 *et seq.* (the "Bankruptcy Code"). The Debtors continue to manage their property as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code. A Motion seeking joint administration of these cases was filed on August 6, 2015 (Docket # 2) and remains pending before the Court.

4. No trustee or examiner has been appointed in the Debtors’ bankruptcy cases and no official committee of unsecured creditors has been established.

5. A detailed factual background of the Debtors’ business and operations, as well as the commencement of these Chapter 11 cases, is more fully set forth in the *Affidavit of Loretta R. Cross in Support of the Debtors’ Chapter 11 Petitions and Requests for First-Day Relief* filed

contemporaneously herewith and incorporated herein by reference. A brief summary of the factual background is listed below.

6. The Debtors are engaged in the exploration and production of natural gas, petroleum and related hydrocarbons. Bingqing Yang (“Yang”) is the sole member for Debtors. Debtors obtained money from investors that was placed into various entities that were utilized in the operations of other entities.

7. LOL has a draft reserve report that was prepared in March by Gustavson Associates. The reserve report indicates that LOL has proved developed non-producing and proved behind pipe net reserves of approximately 3.2 billion cubic feet of gas and 450 million barrels of oil. The reserve report did not address proved undeveloped, probable or possible reserves.

8. On July 6, 2015, under Case No. 15-cv-03101, the Securities and Exchange Commission (“SEC”) filed a lawsuit against several LUCA entities, including the Debtors, other Debtor affiliates, Yang and certain other individuals in the United States District Court of the Northern District of California, San Francisco Division (“SEC lawsuit”). The SEC lawsuit alleged securities fraud against the defendants for a scheme targeting the Chinese American community as well as investors in Asia to invest in the various unregistered offerings. There are SEC allegations of funds being used for Bingqing Yang’s personal expense. The SEC has sought the appointment of a receiver, and this matter remains pending.

9. In order to restore credibility to the operation, the Debtors, pursuant to various consents executed by Yang, retained Loretta R. Cross of Stout Risius Ross, Inc. as Chief Restructuring Officer (the “CRO”) of the Debtors with full authority to operate the Debtors. Ms. Cross has served in that capacity since July 16, 2015.

10. The goal of these Chapter 11 cases is to formulate and implement a sale of the Debtors assets and/or a plan of reorganization sufficient to address the claims of creditors and investors.

III. REQUEST FOR APPROVAL OF INTERIM COMPENSATION PROCEDURE

11. Debtors request that the Court approve a procedure for compensating professionals on a monthly basis, comparable to those established in other Chapter 11 cases. Debtors' proposed procedure will allow the Court and all other parties to more effectively monitor the fees and expenses incurred in this case.

12. The proposed procedure would require the presentation to Debtors and their counsel, the United States Trustee, the secured lender and its counsel of a detailed statement of services rendered and expenses incurred by each professional for the prior month. If no timely objection is made, Debtors' would be authorized to pay eighty percent (80%) of the amount of fees incurred for the month and one hundred percent (100%) of expense disbursements for the month. All payments would be subject to the Court's subsequent approval as part of the normal fee application process.

13. Specifically, Debtors propose that the following procedure for the interim compensation of the professionals be established in this case:

a) On or before the 25th day of each month following the month for which compensation is sought, each professional shall submit a monthly statement to (i) Debtors and its counsel, (ii) the Post-Petition Secured Lender and its counsel, and (iii) the United States Trustee (collectively the "Reviewing Parties"). The monthly statement shall identify the person performing services, the service performed, and the amount of time required to provide the service. All time shall be kept in one-tenth of an hour increments. The monthly statements shall contain a summary of the total time spent and compensation requested for each professional and paraprofessional. Each such entity receiving such a statement will have fourteen (14) days after its receipt to review and object to such statement. At the expiration of the fourteen (14) day period, Debtors will promptly pay eighty percent (80%) of the fees and one hundred percent (100%) of the

expense disbursements requested in such statement, except such fees or expense disbursements to which an objection is made.

b) In the event that any party objects to the compensation or reimbursement sought in a particular statement, such party shall, within fourteen (14) days of the receipt of the statement, serve upon (i) the professional whose statement is objected to, and (ii) except to the extent duplicative of the foregoing clause (i) the other persons designated to receive statements in paragraph (a) above, a written "Notice of Objection to Fee Statement," with an affidavit setting forth the precise nature of the objection and the amount at issue. Thereafter, the objecting party and the professional whose statement is objected to shall attempt to reach an agreement regarding the correct payment to be made. If the parties are unable to reach an agreement on the objection within fourteen (14) days after receipt of such objection, the professional whose fee statement is objected to shall have the option of (1) filing the objection together with a request for payment of the disputed amount with the Court, or (2) foregoing payment of the disputed amount until the next interim fee application hearing, at which time the Court will consider and dispose of the objection if payment of the disputed amount is requested. Debtors will promptly pay that percentage set forth above of any portion of the fees and disbursements requested that are not the subject of a Notice of Objection to Fee Statement.

c) Every four months, each professional shall file with the Court an application for interim Court approval and allowance of the compensation and reimbursement of expenses requested for the prior four months. The first such application shall be filed on or before December 25, 2015, and shall cover the period from August 6, 2015 through November 30, 2015. Any professional who fails to file an application when due shall be ineligible to receive further interim payments of fees or expenses until such time as the delinquent application is submitted.

d) The pendency of an objection to payment of compensation or reimbursement of expenses shall not disqualify a professional from future compensation or reimbursement of expenses as set forth as set forth above.

e) Neither the payment of, nor the failure to pay, in whole or in part, monthly interim compensation and reimbursement as provided herein shall bind any party-in-interest or the Court with respect to the allowance of applications for compensation and reimbursement of professionals.

14. Debtors shall include all payments to professionals on the monthly operating reports.

WHEREFORE, Debtors requests that the Court approve the foregoing interim compensation procedure and grant such other relief as is just.

DATED: August 6, 2015

Respectfully submitted,

HOOVER SLOVACEK LLP

/s/ Edward L. Rothberg

By: _____

EDWARD L. ROTHBERG
State Bar No. 17313990
Galleria Tower II
5051 Westheimer, Suite 1200
Houston, Texas 77056
Telephone: 713.977.8686
Facsimile: 713.977.5395
rothberg@hooverslovacek.com

PROPOSED ATTORNEYS FOR DEBTORS and
DEBTORS IN POSSESSION

OF COUNSEL:

Hoover Slovacek LLP
MELISSA A. HASELDEN
State Bar No. 00794778
ANNIE CATMULL
State Bar No. 00794932
T. JOSH JUDD
State Bar No. 24036866
DEIRDRE CAREY BROWN
State Bar No. 24049116
BRENDETTA A. SCOTT
State Bar No. 24012219
5051 Westheimer, Suite 1200
Houston, Texas 77056
Telephone: 713.977.8686
Facsimile: 713.977.5395