

May 27, 2011 Update

Halek Energy, LLC filed for bankruptcy relief under Chapter 11 of the Bankruptcy Code on April 1, 2011. The bankruptcy case is pending in the Northern District of Texas, Fort Worth Division, and is styled *In re Halek Energy LLC*, Case Number 11-4188O-dml- 11.

On May 11, 2011, the United States Trustee supervising the case filed a motion seeking the appointment of a Chapter 11 Trustee (copy accompanies this update). This followed a similar motion filed two days earlier by an ad hoc committee consisting of 36 investors. The Securities and Exchange Commission filed a response supporting both motions. On May 18, 2011, the Court entered an order finding that good and sufficient cause exists for the Appointment of a Chapter 11 Trustee, and directed the United States Trustee to forthwith appoint a Chapter 11 Trustee for the bankruptcy estate. On May 20 2011, the United States Trustee filed a notice of its selection of Dennis Roossien to serve as Chapter 11 Trustee and the Court entered an order approving the appointment on May 27, 2011.

To assist the Chapter 11 Trustee in the performance of his duties, he has started the process to retain Munsch Hardt Kopf & Harr, P.C. to assist with legal matters, Litzler Segner Shaw & McKenney, LLP to assist with accounting related issues, and Texcel Exploration Inc. to assist with operational issues.

A few days after the appointment of the Chapter 11 Trustee, Jason Halek unexpectedly announced that he would step down. These developments have raised a number of questions, and this update responds to the most common questions.

The Chapter 11 Trustee's first task was to address outstanding operational expenses. In that regard, the Chapter 11 Trustee worked with Texcel Exploration to promptly review the operating expenses, ensure that pre-petition expenses were not improperly paid, inspect the Jack County operations, inspect the books and records, consult with existing management, and confer with vendors to ensure continued operations on the Johnson and Knox leases, and appropriate going concern payments. Essential operations have been continued, and Texcel Exploration is presently providing supervision over four field employees. The Chapter 11 Trustee has also determined that certain additional operations exist, which he will be reviewing in due course.

The Chapter 11 Trustee's next task was to address management and personnel issues. Among the challenges faced was the departure of Jason Halek (of which the Chapter 11 Trustee learned through the investor letter recently circulated), the previous departures of key accounting staff, and the state of the accounting and operating records. Over the past week, the Chapter 11 Trustee has retained certain existing personnel and added certain additional personnel in order to provide adequate capacity to conduct operations, to maintain an appropriate accounting, to provide information to interested parties and the Bankruptcy Court, and to effect proper revenue distributions.

The United States Trustee identified in its moving papers a number of issues with regard to prior revenue distributions and certain management issues (copy of motion attached). As a result of these concerns, as well as broader concerns raised by the Securities and Exchange Commission (in its suit against Halek Energy and other parties) and certain other parties, the Chapter 11 Trustee has directed an immediate review of the company records and interviews of existing and former personnel in an effort to sort out the appropriate allocation of expenses and distribution of revenue.

It is understandable that many investors may wish to speak directly with the Chapter 11 Trustee or a member of his staff, or may wish to communicate information to his team that may be important to his immediate work. While the present circumstances make it difficult to be fully responsive, the Chapter 11 Trustee is reviewing e-mails submitted to him, assigning those communications for follow-up as appropriate, and is developing answers to questions that may not be answered by the foregoing. The Chapter 11 Trustee has retained staff who will be making efforts commencing on May 31, 2011 to contact parties who have already submitted more specific questions or requested a personal call. Additionally, creditors, counsel, and other parties may contact Kevin Lippman of Munsch Hardt directly, as he will be appearing for the Chapter 11 Trustee in the bankruptcy case.