IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
NEW GULF RESOURCES, LLC, *et al*.	)	Case No. 15-12566 (BLS)
Debtors.[1]	)	Joint Administration Pending

DECLARATION OF DANNI MORRIS
IN SUPPORT OF THE DEBTORS' FIRST DAY MOTIONS

I, Danni S. Morris, declare as follows under penalty of perjury:

1. I am the Chief Financial Officer of NGR Holding Company LLC, a limited liability company organized under the laws of Delaware and one of the above-captioned debtors and debtors in possession ("NGR," together with the other debtors in the above captioned cases, the "Debtors" or "New Gulf"). I have been employed by New Gulf in this capacity since September 2014. I am familiar with Debtors' day-to-day operations, business, and financial affairs.

2. I submit this Declaration to assist the Court and other parties in interest in understanding the circumstances leading to the commencement of these cases and in support of the Debtors' petitions for relief under chapter 11 of the Bankruptcy Code and the pleadings filed by the Debtors on or around the Petition Date. I have reviewed the factual support set forth in the first day pleadings and attest to the accuracy thereof. Except as otherwise indicated, all facts set forth herein are based on my personal knowledge, my discussions with other members of the

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: NGR Holding Company LLC (1782), New Gulf Resources, LLC (1365); NGR Finance Corp. (5563) and NGR Texas, LLC (a disregarded entity for tax purposes). The Debtors' mailing address is 10441 S. Regal Boulevard, Suite 210, Tulsa, Oklahoma 74133.

Debtors' senior management, my review of relevant documents, or my opinion based on upon experience, knowledge, and information concerning the Debtors' operations and financial affairs. If called upon to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

3. I have more than 22 years of experience in the energy industry, having primarily served in finance, accounting and management roles. For most of my career, I worked for the Williams Companies, Inc., a large-cap public energy company. Immediately prior to joining New Gulf, I was the Treasurer for WPX Energy, Inc., a public oil and gas company that was spun off from the Williams Companies. I have an MBA from the University of Tulsa, and a BBA in finance from Northeastern State University.

4. This declaration has two parts. Part One provides an overview of the Debtors' business, capital structure, the events giving rise to these chapter 11 cases, and information regarding the Debtors' chapter 11 objectives. Part Two supports the relief requested in the Debtors' various first day motions.

PART ONE: FIRST DAY NARRATIVE

I. Overview of the Debtors and their Business

5. New Gulf is an independent oil and natural gas company engaged in the acquisition, development, exploration and production of oil and natural gas properties, focused primarily in the East Texas Basin. Founded in 2011, the company is headquartered in Tulsa, Oklahoma, and currently employs 55 people.

6. New Gulf owns interests in approximately 77,000 net acres of oil and gas properties. The majority of this acreage was acquired by New Gulf in May 2014, when it raised more than $500 million in capital to acquire approximately 83,000 net mineral acres located in

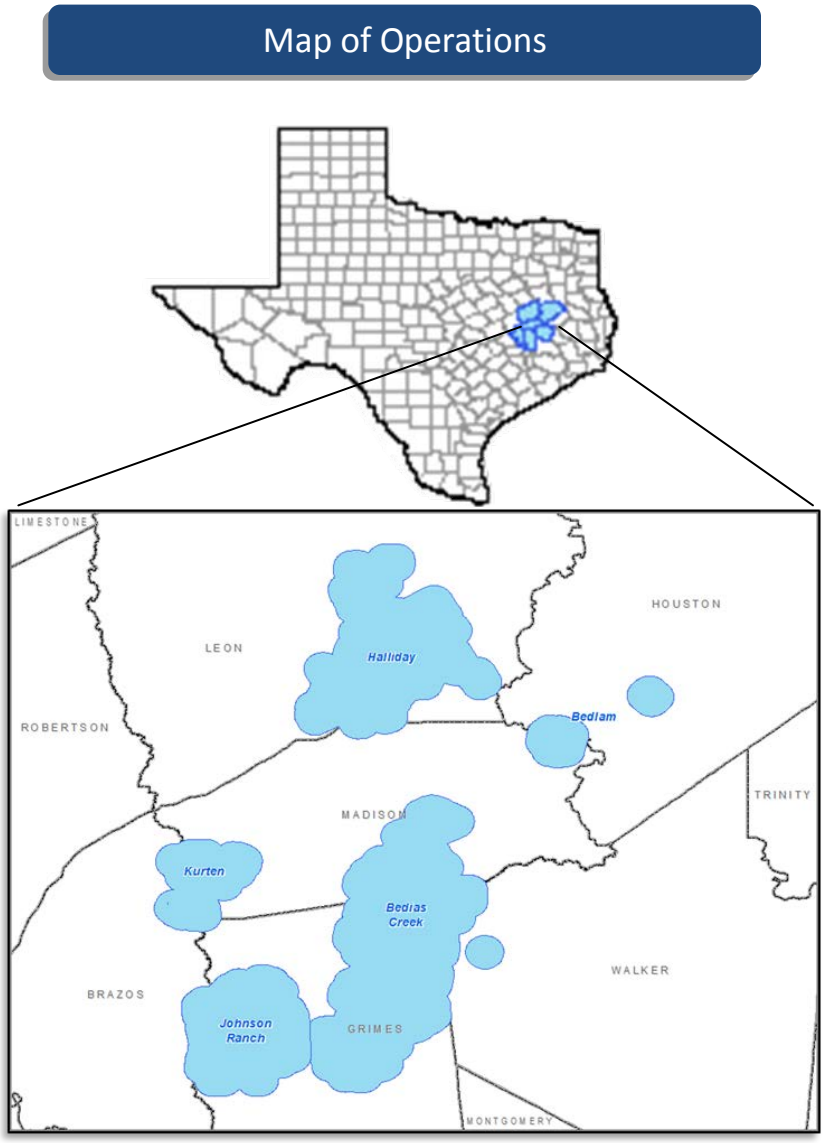
Brazos, Leon, Madison, Grimes and Walker Counties, Texas, and an associated natural gas gathering and processing system (the "East Texas Acquisition").[2] In February 2015, New Gulf sold substantially all of its gas gathering and processing infrastructure and related right-of-way to Midcoast Energy Partners L.P., an affiliate of Enbridge Energy Partners, L.P., for approximately $85 million.

The Debtors' Properties

7. As of November 2015, the Debtors' properties were producing approximately 3500 net barrels of oil equivalents per day from 88 producing wells. The Debtors' producing oil and natural gas assets are located in the Halliday, Kurten, Bedias Creek, Johnson Ranch, and Bedlam fields. New Gulf has spent the majority of 2015 drilling outside of its more proven areas to create value by proving up the resource potential in two undeveloped areas, Bedias Creek and Johnson Ranch. New Gulf has drilled vertical wells targeting the stacked hydrocarbon bearing formations in the Bedias Creek area and most recently has begun drilling horizontal Eagle Ford wells in the Johnson Ranch Area. In addition to the Woodbine formation that makes up a significant portion of the current production in the Halliday and Kurten fields, the majority of New Gulf's properties in East Texas have drilling rights to many regionally productive and economic formations including the Subclarksville, Eagle Ford, Buda, Georgetown, Edwards and the Glen Rose formations.

8. A map of the Debtors' properties is below:

[2] Since the East Texas Acquisition, New Gulf has selectively allowed its acreage in areas producing more natural gas to expire, while strategically seeking to increase its position in acreage producing oil.



The Debtors' Strengths

9. Notwithstanding the need to restructure its debt and the state of its industry, New Gulf is well positioned to build on the following strengths:

- East Texas Basin Exposure. The geology and the stacked-pay nature of the East Texas Basin present significant economic potential for both vertical and horizontal well development. The hydrocarbon-rich formations in which New Gulf operates present targets that provide for competitive reserve exposure, optimized development, and attractive economic returns at historic commodity

prices. New Gulf has 3D seismic imaging for two areas targeted for future development in Bedias Creek and Johnson Ranch. New Gulf plans to use this scientific data to select the best well locations to find economically viable levels of hydrocarbons. The company's 2015 drilling program has confirmed the existence of hydrocarbons in all targeted formations, and New Gulf believes the data it has gathered will allow it to be successful in more consistently replicating these results.

- Operational Control. New Gulf operates over 90% of its oil and gas assets. Operational control allows New Gulf to efficiently manage its operating costs, capital expenditures, and the timing, method of drilling and completion of its properties.
- Strong Management and Operations Team. New Gulf has a diversified and seasoned management team with over 130 years of experience in the oil and gas industry. Specifically, the management team has served in various executive roles at such large publicly-traded oil and gas companies as Williams Energy, Chesapeake, Sandridge, EOG and Approach Resources.

10. After right-sizing its balance sheet in chapter 11, New Gulf will be positioned to capitalize on the recovery of energy commodity prices based on these strengths and a well-defined strategy. New Gulf's operational strategy is founded on creating value by proving up the resource potential and thus growing our reserve base through the prudent development of its properties. New Gulf plans to use its 3D Seismic information as well as information gathered from the drilling done over the last 12 months to allow the company to target drilling efforts on the most promising areas. In addition to its planned development in Bedias Creek and Johnson Ranch, New Gulf will continue efforts to lower costs and increase production on its more mature producing areas of the Halliday and Kurten fields. A work-over program New Gulf began at the end of 2014 has continued to yield positive results through the increase in production and a decrease in costs. New Gulf is also in the early stages of evaluating the potential to increase production and overall recoveries in its Halliday field through an enhanced recovery technique known as water flooding.

II. Corporate and Capital Structure

Corporate Structure

11. NGR is a privately held[3] Delaware limited liability company currently managed by a five-member board of managers. Its members consist of approximately 43 unit holders plus an additional estimated 40 warrant holders. The unit holders hold approximately 58.5% of the total voting rights, with the remaining 41.5% controlled by the warrant holders (whether or not such warrants are exercised). The board is comprised of managers designated by various constituents, including the CEO, unit holders and warrant holders.

12. NGR is the parent holding company of the other Debtors. As depicted below, NGR is the sole member of New Gulf Resources, LLC, which is in turn the sole member of NGR Texas, LLC and owns 100% of the equity interests in NGR Finance Corp. Each of the Debtors is organized under the laws of the State of Delaware. NGR Finance Corp. was formed for the sole purpose of acting as co-issuer of the Second Lien Notes (defined below).

[3] Although some debt securities issued by the company are traded via the DTC, no such securities are registered under the Securities Act of 1933, as amended, and New Gulf does not have any reporting obligations under the Exchange Act of 1934, as amended.

Capital Structure

13. The Debtors' have estimated total liabilities of more than $570 million as of the Petition Date. The Debtors' capital structure is summarized by the following table and described in more detail below:

Obligation	Priority	Amount[4]
Revolving Credit Agreement	First Lien (secured)	$38 million
Second Lien Notes	Second Lien (secured)	$365 million
Trade Creditors	Mixture of Secured and Unsecured Claims	$10 million
Subordinated PIK Notes	Unsecured and Subordinated to Second Lien Notes	$162 million
Series A Units/Series A Warrants	Equity	NA

The First Lien Revolving Credit Agreement

14. Prior to these cases, New Gulf maintained a reserve-based revolving credit facility, allowing New Gulf to finance drilling programs, provide credit support for its hedging program, provide letters of credit, and fund general corporate purposes. On June 12, 2014, New Gulf Resources, as borrower, and MidFirst Bank, a federally chartered savings association, as the administrative agent and L/C issuer, entered into a credit agreement (as amended, the "First Lien Credit Agreement"). New Gulf Resources' obligations under the First Lien Credit Agreement are guaranteed by each of its subsidiary Debtors, and are secured by a first-priority lien on all of the assets acquired in connection with the first closing of the East Texas Acquisition. MidFirst Bank also is party to an intercreditor agreement with the Second Lien Trustee, as described further below.

[4] The amounts tabulated above reflect the outstanding principal amounts owed, and do not include accrued and unpaid interest, fees or prepayment premiums.

15. As of the Petition Date, there was approximately $38 million of indebtedness outstanding under the First Lien Credit Agreement (the "First Lien Indebtedness"), and the facility is fully drawn.[5] The prepetition first lien facility bears interest at a floating rate, and for the six months ending November 30, 2015, the weighted average interest rate was 3.75%.

16. There are multiple defaults outstanding under the First Lien Credit Agreement, including a cross-default for failure to make an approximately $23 million semi-annual interest payment due in November, 2015 for the benefit of the Second Lien Notes, as discussed in more detail below. All such defaults are the subject of the Forbearance Agreement (defined and further described below) with MidFirst Bank.

17. MidFirst Bank is over secured. As noted above, the First Lien Indebtedness is secured by a validly perfected first priority lien on approximately 80% of New Gulf's assets through mortgage and UCC filings. The remaining 20% of New Gulf's assets—consisting of approximately 16,000 acres (the "After-Acquired Leases")—were acquired in subsequent transactions and are not encumbered by the liens securing the First Lien Indebtedness. The Debtors, with the assistance of counsel, have undertaken an analysis of the liens securing the First Lien Indebtedness and have found no defects that would jeopardize MidFirst Bank's status as over secured.

18. As more fully described below, if approved by the Bankruptcy Court, the proceeds of the DIP Financing will be used to repay and satisfy in full all of the Debtors' obligations in respect of the First Lien Indebtedness (as well as provide operational liquidity for the duration of these cases).

[5] The borrowing base under the First Lien Credit Facility is approximately $50 million. A basket for swap obligations (described below) and certain other functions account for the difference between the fully-drawn indebtedness of $38 million and the borrowing base of $50 million.

Hedging Arrangements

19. To mitigate against fluctuations in commodity prices, from time to time New Gulf Resources, entered into hedging transactions with BP Energy Company (the "Swap Counterparty"), pursuant to a 2002 ISDA Master Agreement, dated May 16, 2014 (with the applicable schedule and as amended, supplemented or modified, the "Swap Agreement"). Relatedly, New Gulf Resources, the Swap Counterparty and MidFirst Bank are parties to an Intercreditor Agreement, dated September 3, 2014 (the "Swap Intercreditor Agreement"). Under the Swap Intercreditor Agreement, (i) the relative priorities of the Swap Counterparty and MidFirst Bank are established with respect to collateral securing New Gulf's obligations under the Swap Agreement and the First Lien Credit Agreement, and (ii) the Swap Counterparty appointed MidFirst Bank to serve as the collateral agent under the Swap Intercreditor Agreement. Subject to various limitations in the Swap Intercreditor Agreement, New Gulf's obligations under the Swap Agreement are secured, on a *pari passu* basis with the First Lien Indebtedness, up to the amount of $10 million.

20. As of the Petition Date, the Debtors are "in the money" with respect to all of their open positions under the Swap Agreement, and do not currently owe any amounts to the Swap Counterparty. The Debtors anticipate that these positions will close out on or before December 31, 2015 resulting in approximately $1.8 million becoming payable to the Debtors. The Debtors do not anticipate renewing their hedging program during the duration of these bankruptcy cases.

The Second Lien Notes Indenture

21. On May 9, 2014, in connection with the funding of the East Texas Acquisition, New Gulf Resources LLC and New Gulf Finance Corp. completed the issuance and sale of $365 million aggregate principal amount of the Senior Secured Notes at a coupon rate of 11.75% with

maturity in May 2019 (the "Second Lien Notes"). Bank of New York Mellon Trust Company, N.A. is the trustee and collateral agent (the "Second Lien Trustee") under the indenture governing the Second Lien Notes (the "Second Lien Notes Indenture"). Interest on the Second Lien Notes is payable in cash semi-annually in arrears on May 15 and November 15 of each year. As of today, the entire $365 million in aggregate principal amount of the Second Lien Notes remains outstanding plus accrued and unpaid interest, as well as approximately $63 million of a prepayment premium arising as a result of the commencement of these cases (the "Second Lien Indebtedness"). Additionally, because the Second Lien Notes have not been registered, Additional Interest (as defined in the Second Lien Notes Indenture) of approximately 1% per annum is accruing. As further described below, the Debtors did not make a scheduled interest payment to the Second Lien Noteholders in November 2015.

22. The Second Lien Indebtedness is secured by a second-priority lien and is guaranteed by NGR Texas, LLC. As described below, the liens securing the Second Lien Indebtedness (the "Second Liens") are junior and subordinate in right and priority to the liens securing the First Lien Indebtedness (the "First Liens"). Like the First Liens' the Second Lien Indebtedness is secured by validly perfected liens on approximately 80% of the Debtors' assets, after accounting for the After-Acquired Leases. As further described below, the RSA negotiated with the Ad Hoc Committee provides for the Debtors' stipulation to the amount of the Second Lien Indebtedness (including the prepayment premium) and validity, enforceability and perfection of the liens securing such indebtedness as described in this paragraph, subject to a reasonable challenge period for other parties in interest.

The Intercreditor Agreement

23. MidFirst Bank and Second Lien Trustee are parties to an Intercreditor Agreement, dated as of June 12, 2014 (the "Intercreditor Agreement"). Among other things, this agreement defines the relative rights of MidFirst Bank, the Second Lien Trustee and the holders of the Second Lien Notes, including with respect to the collateral securing the First Lien Indebtedness and the Second Lien Indebtedness. Specifically, the Intercredior Agreement provides that (i) the First Liens are senior in right, priority, and perfection to any and all Second Liens and (ii) the Second Liens are junior and subordinate in right, priority, and perfection to any and all First Liens.

Trade Creditors

24. As more fully described below and in the *Debtors' Motion For Entry Of Interim And Final Orders (I) Authorizing Debtors To Pay Or Honor Prepetition And Post-Petition (A) Obligations To Holders Of Royalty Interests And Working Interests And (B) Lease Operating Expenses; And (II) Granting Related Relief* (the "Royalty Motion") filed on the Petition Date, the Debtors are the operator for a number of their oil and gas leases, most under joint operating agreements with other parties. In the ordinary course of their business, the Debtors incur numerous exploration and production-related costs and lease operating expenses—the costs associated with operating a producing well—from various third parties, including vendors, contractors, employees, subcontractors and suppliers. The costs of maintaining leases are generally shared among the participants in the joint operating agreement according to its terms. Where the Debtors serve as an operator, the Debtors generally pay all of the operating expenses and subsequently bill holders of the non-operating interests in the applicable oil and gas properties for their respective pro rata share of operating expenses, commonly called joint

interest billings ("JIBs"), which may either be paid in cash or through deductions from the proceeds of oil and gas production distributable to the non-operating lessees and interest owners. The timing of JIB payments from non-operating working interest owners can vary, but the Debtors usually receive reimbursement within sixty days from billing.

25. In addition, New Gulf has royalty obligations and, subject to the terms of the applicable joint operating agreement, is also frequently responsible for marketing and selling oil and gas production and remitting to the applicable interest owner its respective share of production proceeds. In contrast, the Debtors also hold non-operating working interests in many oil and gas properties and in those circumstances, a third party acts as the operator. The Debtors' primary responsibility with respect to their non-operating working interests is to timely pay the operator for the Debtors' proportionate share of operating expenses through the JIB process.

26. In addition to the operating expenses the Debtors incur from their exploration and production operations—direct or indirect obligations under their joint operating agreements and their royalty obligations under their oil and gas leases and similar arrangements—the Debtors also incur obligations related to general and administrative functions that are attendant to the operation of the Debtors' businesses. Leading up to the commencement of these cases, the Debtors have stayed current on their trade and other general obligations. Nevertheless, as a result of ordinary course payment cycles in arrears, the Debtors will have prepetition obligations owed to trade and similar creditors. As of the Petition Date, the Debtors estimate that they owe approximately $10 million in the aggregate to their trade creditors, excluding amounts owed to the Subordinated PIK Noteholders. A material portion of these claims are the subject of the Royalty Motion.

Subordinated PIK Notes Indenture

27. On May 9, 2014, contemporaneously with the issuance of the Second Lien Notes, New Gulf Resources and NGR Finance Corp. also completed the issuance and sale of $135 million aggregate principal amount of the 10%/12% Senior Subordinated PIK Toggle Notes with maturity in November 2019 (the "Subordinated PIK Notes"), with the Bank of New York Mellon Trust Company, N.A., as the trustee under the Subordinated PIK Notes Indenture dated as of the same date (respectively, the "Subordinated PIK Notes Indenture" and the "Subordinated PIK Notes Trustee"). Interest on the Subordinated PIK Notes accrues, at New Gulf's option, at the rate of 10% per annum to the extent New Gulf pays interest in cash or at a rate of 12.0% per annum to the extent New Gulf pays interest by increasing the principal amount of the outstanding Subordinated PIK Notes. Additionally, because the Subordinated PIK Notes have not been registered, Additional Interest (as defined in the Subordinated PIK Notes Indenture) of approximately 1% per annum is accruing on the Subordinated PIK Note indebtedness. Whether in cash or in kind, interest on the Subordinated PIK Notes is payable semi-annually in arrears on May 15 and November 15 of each year. As of the date hereof, the entire $162 million in aggregate principal amount of the Subordinated PIK Notes, plus accrued and unpaid interest, remains outstanding.

28. The Subordinated PIK Notes indebtedness is an unsecured and subordinated obligation of New Gulf Resources and NGR Finance Corp., and is guaranteed by NGR Texas, LLC. By the terms of the Subordinated PIK Notes indenture, Subordinated PIK Notes are junior and subordinated in right of payment and other respects to the Second Lien Indebtedness and First Lien Indebtedness. In the case of any distribution or payment by the Debtors under a chapter 11 plan or otherwise in a reorganization or other insolvency proceeding, the

Subordinated PIK Note Indenture provides that such payment or distribution be made or turned over to the Second Lien Trustee unless and until the Second Lien Indebtedness has been indefeasibly paid in full.

Membership Interests in NGR

29. Membership interests in NGR are represented by Series A Units (the "Units") and the Series A Warrants (the "Warrants," the holders thereof, together with the holders of Units, the "Members"). Under the terms of NGR's operating agreement, the Members possess equal voting rights and rights to distributions upon a sale or liquidation of the company.

III. Events Leading to Bankruptcy

Market Conditions

30. The energy industry has been burdened broadly by a dramatic decline in the price of oil and gas. With oil and natural gas prices already relatively low due to the expanse in supply in North America over the past decade (due largely to hydraulic fracturing technology), oil prices began a steep descent beginning in mid-2014.[6] Aggravating the decline, in November 2014 the Organization of Petroleum Exporting Countries—after years of tempering significant fluctuations in oil prices through the control of supply—announced that it would not reduce production quotas in the face of the significant decrease in the price of oil.[7] By the end of the third quarter in 2015, the price of oil had decreased by more than 50% year over year—from approximately $92 a barrel as of September 15, 2014 to below $50 a barrel as of September 15,

[6] Clifford Krauss, *Oil Prices: What's Behind the Drop? Simple Economics*, N.Y. TIMES, http://www.nytimes.com/interactive/2015/business/energy-environment/oil-prices.html?_r=0.

[7] Stanley Reed, *OPEC Holds Production Unchanged; Prices Fall*, N.Y. TIMES (Nov. 27, 2014), http://www.nytimes.com/2014/11/28/business/international/opec-leaves-oil-production-quotas-unchanged-and-prices-fall-further.html.

2015.[8] On August 24, 2015, the price of oil hit a six-year low, dipping below $39 per barrel,[9] and within a week of the Petition Date had dropped below $37.[10]

31. These market conditions continue to affect oil and gas companies at every level of the industry. Even the largest multinational integrated oil and gas companies have been substantially affected by the current market conditions. Current equity and debt trading prices in the sector reflect the scale of the current financial distress.[11]

32. Independent E&P companies like the Debtors have been hit especially hard, as their revenues are generated from the sale of unrefined oil and gas. Several E&P companies, including American Eagle Energy Corporation, Quicksilver Resources Inc., Saratoga Resources Inc., Sabine Oil & Gas Corporation, and Samson Resources, have filed for chapter 11 relief during 2015.[12] Energy and Exploration Partners, Inc.—one of the Debtors' working-interest partners—became the subject of an involuntary chapter 11 filed on November 25, 2015, and on December 7, 2015, consented to the order for relief and certain of its affiliates filed voluntary chapter 11 petitions. I understand other E&P companies have defaulted on their debt obligations, negotiated amendments or covenant relief with creditors to avoid defaulting, or have effectuated (or are seeking to effectuate) out-of-court restructurings. The current volatility in the commodity

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8 Mella McEwen, *Low Oil Prices Continue to Hammer Permian Oil Activity*, MIDLAND REPORTER-TELEGRAM (Nov. 21, 2015), http://www.mrt.com/business/oil/top_stories/article_93da5490-8f09-11e5-9e48-fb9f40999bca.html

9 Nicole Friedman, *U.S. Oil Prices Hit Fresh Six-Year Low, Dipping Below $40 a Barrel*, THE WALL STREET JOURNAL, August 21, 2015, http://www.wsj.com/articles/oil-prices-fall-in-asia-after-weak-chinese-manufacturing-data-1440132261.

10 Barkani Krishnan, *Oil Steadies After Hitting 2009 Lows; More Pressure Seen*, Reuters (Dec. 8, 2015), http://www.reuters.com/article/us-global-oil-idUSKBN0TR03420151208#cXdx0iMQ16o8fXkF.97

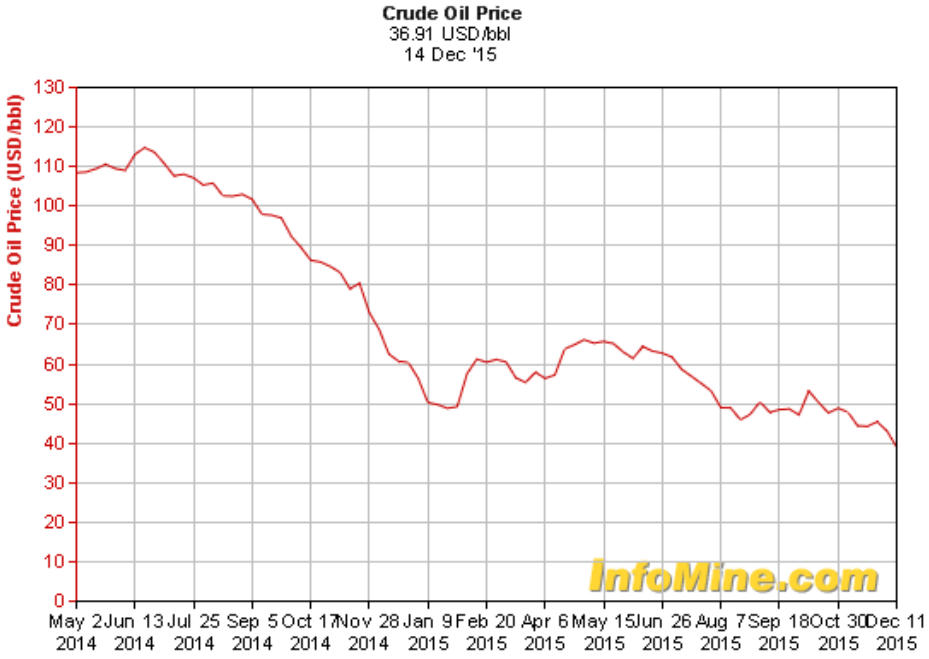
11 See the last twelve months performance of the S&P Oil & Gas Exploration & Production ETF, (Symbol: XOP) at: http://www.bloomberg.com/quote/XOP:US.

12 *In re American Eagle Energy Corp*., No. 15-15073 (Bankr. D. Colo. May 8, 2015); *In re Quicksilver Res. Inc.*, No. 15-10585 (Bankr. D. Del. Mar. 17, 2015); *In re Saratoga Res. Inc.*, No. 15-50748 (Bankr. W.D. La. June 18, 2015); *In re Sabine Oil & Gas Corp.*, No. 15-11835 (Bankr. S.D.N.Y. July 15, 2015); *In re Samson Res. Corp*., No. 15-11934 (Bankr. D. Del. Sept. 16, 2015).

markets and resulting uncertainty have made it difficult for many in the E&P space to identify and execute on a viable restructuring alternative.

Financial Constraints and the Development of Strategic Alternatives

33. The decline in commodity prices severely impacted New Gulf. The value of the Debtors' enterprise is directly tied to the value of oil and gas. As described above, the Second Lien Notes and Subordinated PIK Notes—collectively comprising more than $590 million[13] of indebtedness—were issued in connection with the East Texas Acquisition in May of 2014. Since that time, however, the price of crude has gone from $110 bbl to $34 bbl, as illustrated by the following chart:



34. New Gulf and its management team braced for the down-turn by cutting costs, reducing capital expenditure programs and managing liquidity. But as the down-cycle continued, and even worsened, it became clear that despite management's best efforts, the

[13] This includes the approximately $63 million prepayment premium claimed under the Second Lien Notes Indenture.

Company needed a more comprehensive bridge to the other side of this down-turn. New Gulf needed a solution to reduce debt, raise new cash and ultimately preserve the going concern value of the Company.

35. By mid-2015, faced with a heavy debt burden, declining revenues and a commodity price environment poised to remain depressed for a sustained period of time, New Gulf engaged restructuring advisors and began to proactively explore strategic alternatives to improve its capital structure. In light of oil prices and related financial modeling, it appeared the company's liquidity would become materially constrained by early 2016 and that the company would not be in compliance with its financial covenants to MidFirst Bank.

36. With the input and assistance of its restructuring advisors, including Barclays Capital and Baker Botts L.L.P., New Gulf marketed certain assets, considered potential sale transactions, evaluated potential new financing, explored deleveraging measures, and considered various bankruptcy-focused alternatives. In addition to this exploration of strategic alternatives, New Gulf engaged in discussions with an ad hoc committee of creditors who held in the aggregate approximately 72% of the Second Lien Notes and approximately 22% of the Subordinated PIK Notes (the "Ad Hoc Committee"). These discussions with the Ad Hoc Committee explored available options to enhance liquidity, right-size the company's debt burden, navigate the down-cycle and bridge to a recovery in commodity prices.

37. One alternative that New Gulf extensively explored was an out of court up-tier transaction, whereby holders of the Second Lien Notes and Subordinated PIK Notes would exchange their lower priority notes for a reduced position higher in the company's capital structure, as well as make a new-money contribution. As modeled, an up-tier transaction of this nature had substantial benefits for New Gulf and its noteholders. It ultimately, however, proved

infeasible. The debt exchange pricing and the ratios of participating noteholders necessary to provide an adequate recapitalization were not economically viable given the then-current price of oil and gas.

38. New Gulf also thoroughly explored various sale transactions so as to enhance liquidity and achieve covenant compliance. In particular, New Gulf and its advisors commenced a process for the sale of New Gulf's assets in the Kurten and Bedlam fields. More than 200 potential buyers were contacted for each of these fields, and New Gulf received and pursued multiple bids. Ultimately, however, New Gulf was unable to negotiate a price with any bidder that would have provided consideration sufficient to resolve the company's impending liquidity and covenant constraints.

39. Having determined that a more fundamental and comprehensive restructuring of the Debtors' capital structure would be necessary, and to preserve dwindling liquidity, the Debtors elected to forgo making a scheduled interest payment on the Second Lien Notes in the approximate amount of $23 million in November 2015. Under the terms of the Second Lien Notes Indenture, this nonpayment constituted a default that, if not cured within thirty days, would become an event of default giving rise to the potential acceleration of the Second Lien Indebtedness and the commencement of the enforcement of remedies. Moreover, under the cross-default provision of the First Lien Credit Agreement, the non-payment of interest on the Second Lien Notes was an *immediate* event of default under the First Lien Credit Agreement. This gave rise to the need for a forbearance agreement and hastened negotiations with the Ad Hoc Committee.

40. To provide certainty during the negotiating and documenting of a restructuring transaction with the Ad Hoc Committee, on November 24, 2015, New Gulf and MidFirst Bank

entered into a forbearance agreement (the "Forbearance Agreement"). Under this agreement, MidFirst Bank agreed to forbear from exercising any remedies through February 1, 2016, with respect to certain specified defaults under the First Lien Credit Agreement. Such defaults include (but are not limited to) the Debtors' failure to (i) make a semi-annual interest payment on the Second Lien Notes in November 2015, and (ii) comply with certain financial and reporting covenants under the First Lien Credit Agreement. Finally, MidFirst Bank also reaffirmed the amount of the borrowing base and its commitments under the First Lien Credit Agreement. In consideration for MidFirst Bank's agreement to forbear, the Debtors paid MidFirst Bank a $95,000 fee, half of which will be refunded to New Gulf if the First Lien Indebtedness is repaid in full or assigned to third-parties by December 31, 2015.

Negotiation of the Restructuring Support Agreement

41. On December 17, 2015, after weeks of extensive negotiations, the Debtors and the Ad Hoc Committee entered into the Restructuring Support Agreement (the "RSA").[14] Having extensively explored other alternatives, the Debtors carefully determined that the transactions negotiated with the Ad Hoc Committee presented the highest and best value available to the company and its stakeholders. The pre-arranged chapter 11 process contemplated by the RSA—described in further detail below—provides New Gulf with the most certain path to a comprehensive and efficient restructuring.

42. By a motion filed on the Petition Date, the Debtors are seeking authorization to assume the RSA and pay the fees and expenses of the Ad Hoc Committee as provided by the terms of the RSA. The Ad Hoc Committee collectively holds approximately 72% of the aggregate principal amounts outstanding under the Second Lien Notes and approximately 22% of

[14] A substantially final form of the RSA (without exhibits) is attached hereto as **Exhibit B**.

the Subordinated PIK Notes. Given the priorities of the Debtors' pre-petition capital structure and current commodity prices, the Second Lien Notes are the fulcrum securities of these cases. Due to the size of their collective position, the support of the Ad Hoc Committee is indispensable for any restructuring transaction of the Debtors.

The Prepetition Reorganization

43. The RSA, as described in more detail below, provides for a comprehensive financial restructuring of New Gulf's capital structure under a confirmable chapter 11 plan of reorganization. But to implement this or any other restructuring transaction through chapter 11, New Gulf faced substantial hurdles.

44. Under the terms of the Second Amended and Restated Limited Liability Company Agreement of New Gulf Resources, LLC, dated May 9, 2014 (the "Original LLC Agreement"), a voluntary bankruptcy filing required authorization from a majority of the company's equity holders. Under the Original LLC Agreement, the company's equity was held by the Members in the form of the "Original Units" and the "Original Warrants."[15] Many of the Members also held Subordinated PIK Notes. Obtaining this consent presented additional challenges because the Original Warrants were traded on the DTC and the Debtors could not conduct a quick vote as might be the case for a closely-held company.

45. To address these issues, among others, and with the support of the Ad Hoc Committee, on December 9, 2015, the board of Managers of New Gulf Resources authorized, in accordance with its operating agreement then in effect, a corporate reorganization (the

[15] The Original Warrants were issued in connection with the East Texas Acquisition and were provided to purchasers of the Subordinated PIK Notes as an additional inducement. With an exercise price of only $0.01, the Warrants were treated as Units for many purposes under the Original LLC Agreement—including for voting and tax matters—regardless of whether the Warrants have been formally exercised. The Warrants were exchanged for an equal number of Series A Warrants in NGR and subsequently cancelled.

"Prepetition Reorganization"). New Gulf consummated the Prepetition Reorganization on December 14, 2015, via the merger of NGRHC Acquisition LLC, a subsidiary of NGR (prior to the Prepetition Reorganization, NGR was itself a wholly owned subsidiary of New Gulf Resources) with and into New Gulf Resources. Prior to the Prepetition Reorganization, the Debtors' parent entity was New Gulf Resources, a limited liability company with pass-through taxable status. From and after the Prepetition Reorganization, the Debtors' parent entity is NGR, a limited liability company with taxable status. In addition, the Original LLC Agreement was amended and restated to provide that New Gulf Resources be managed by its sole member, NGR. The original limited liability company agreement of NGR was amended and restated in its entirety by the Amended and Restated Limited Liability Agreement of NGR Holding Company LLC, dated as of December 14, 2015 (the "LLC Agreement"). The LLC Agreement does not require the approval NGR's members to initiate a voluntary bankruptcy filing. Finally, the holders of the Original Units and Original Warrants were issued an amount of Series A Units and Series A Warrants of NGR equal to their holdings in New Gulf Resources prior to the Prepetition Reorganization, and their membership and voting rights were otherwise substantially the same as they existed prior to the Prepetition Reorganization.

46. New Gulf's organizational chart before and after Prepetition Reorganization is depicted on the attached **Exhibit A.**

IV. The Restructuring Support Agreement and the Plan

47. The Debtors negotiated the underlying economics of the Plan and other aspects of the restructuring with the Ad Hoc Committee first in connection with a term sheet and then as part of the RSA and other definitive documents, including the Plan, the Disclosure Statement, the DIP Financing Agreement, and the Backstop Note Purchase Agreement and Rights Offering

Procedures (collectively, the "Definitive Documents"). The Plan and Definitive Documents collectively provide the opportunity for the Debtors to reorganize as a going concern, continue their day-to-day operations substantially as currently conducted, and exit chapter 11 with a new capital structure and appropriate leverage.

48. As described more fully below, the Ad Hoc Committee has committed to provide $75 million in debtor-in-possession financing. In addition, the Ad Hoc Committee has agreed—subject to a 30-day diligence contingency (the "Diligence Out")—to backstop the $50 million rights offering and exchanging the DIP financing for convertible PIK debt issued by the reorganized Debtors pursuant to the Plan. In the event the Ad Hoc Committee exercises the Diligence Out, all milestones under the DIP Credit Agreement are automatically extended, giving the company a total of 180 days to formulate and implement a revised exit strategy.

49. Subject to the Court's approval and the Diligence Out, the transactions contemplated by the Plan and other Definitive Documents would satisfy all of the Debtors' financial obligations through the following principal terms:

- ***DIP Financing:*** $75 million of debtor-in-possession financing to be provided by members of the Ad Hoc Committee, a portion of which will be used to repay in full the First Lien Indebtedness, with the balance providing operational liquidity for the duration of these cases.

- ***A Confirmable Plan***: Subject to the Court's approval of the Disclosure Statement and in accordance with the RSA, the Ad Hoc Committee—which collectively holds approximately 72% of the Second Lien Notes—has agreed to vote in favor the Plan. Moreover, all other creditors impaired by the Plan (namely, the Subordinated PIK Noteholders) are contractually subordinated to the Second Lien Notes and deeply out of the money. Nevertheless, as part of the overall settlement embodied in the RSA and the Plan, the Second Lien Noteholders are voluntarily forgoing their right to part of the distributions under the Plan that they are otherwise entitled to receive so that the Debtors can (i) unimpair (or minimally impair) allowed general unsecured claims, such as the claims of suppliers and vendors, and (ii) provide for a pro rata distribution to Subordinated PIK Noteholders of a portion of the new equity of certain of the Reorganized Debtors upon emergence, as described below.

- ***The New First Lien Notes and Rights Offering***: On the Effective Date, certain of the Reorganized Debtors will issue New First Lien Notes in the original aggregate principal amount equal to $135.25 million, which is the sum of:

  - $75 million, issued to the DIP Lenders in connection with their surrender and exchange of the principal portion of their DIP Loan Claims for New First Lien Notes;

  - $5.25 million, as consideration for the Debtors' right to require the DIP Lenders to surrender all claims for payment of principal of the DIP Loans for New First Lien Notes;

  - $50 million, which will be offered Pro Rata to all holders of Allowed Second Lien Notes Claims through a Rights Offering backstopped in full by the Ad Hoc Committee; and

  - $5 million, as consideration for the right of New Gulf to call the commitments of the Backstop Parties under the Backstop Agreement to purchase all of the Unsubscribed Notes (as defined in the Backstop Agreement).

  The New First Lien Notes are convertible into New Common Units (as defined in the Backstop Agreement) in accordance with and subject to the terms and conditions of the Backstop Agreement and the Plan. The terms of the New First Lien Notes will eliminate annual debt-service obligations by allowing the Debtors (at their option) to pay all interest payments in-kind for up to 5 years.

- ***Exchange of Second Lien Notes***: The holders of Allowed Second Lien Notes Claims—whose Claims amount to approximately $365 million in aggregate principal amount outstanding, plus accrued and unpaid interest, plus the Applicable Premium (as referred to in the Second Lien Notes Indenture) in the amount of not less than $63 million—will receive 95% of the New Equity Interests upon emergence, which amount will be reduced to 87.5% if the Class of holders of Allowed Subordinated PIK Notes Claims accept the Plan, in either case subject to the Dilution Events. In addition, the holders of Allowed Second Lien Notes Claims have the right to participate Pro Rata in the Rights Offering.

- ***Exchange of Subordinated PIK Notes***: The holders of Allowed Subordinated PIK Notes Claims—whose Claims amount to approximately $162 million in aggregate principal amount outstanding—will receive their pro rata share of approximately 12.5% of the New Equity Interests, but only if they vote to accept the Plan, or 5% if they instead vote to reject the Plan. In either case, their recovery is subject to the Dilution Events.

50. In sum, the Restructuring provides for a comprehensive delevering of New Gulf's capital structure and minimizes the risk of a future restructuring by removing debt service

obligations. Following this right-sizing of their balance sheet, the Debtors will be well positioned to weather a prolonged down-cycle, and capitalize on the eventual recovery.

PART TWO: TESTIMONY IN SUPPORT OF FIRST DAY RELIEF

51. Concurrently herewith, the Debtors filed a number of "first day" motions and applications (each, a "First Day Pleading" and, collectively, the "First Day Pleadings"),[16] seeking relief that the Debtors believe is necessary to enable them to operate in chapter 11 with minimal disruption. I have reviewed each of the First Day Pleadings discussed below, and the facts set forth in each First Day Pleading are true and correct to the best of my knowledge and belief with appropriate reliance on other corporate officers and advisors.

A. DIP Financing Motion

52. The Debtors have an immediate need for postpetition financing to continue the operation of their business. Without such funds, the Debtors will be unable to pay costs and expenses, including, but not limited to, wages, salaries, professional fees, general and administrative expenses, and maintenance costs that arise in connection with the administration of the Chapter 11 Cases and in the ordinary course of the Debtors' businesses.

53. Pursuant to the DIP Financing Motion, the Debtors request the Court, among other things, to authorize the Debtors to obtain secured postpetition financing, as further described in the DIP financing motion.

54. I believe that obtaining the DIP Financing on an immediate basis is necessary to avoid the immediate and irreparable harm to the Debtors' and their estates. The Debtors have an immediate need for liquidity that has been exacerbated by the declines and volatility in the oil

[16] Capitalized terms used but not defined in this Section shall have the meaning ascribed to them in the relevant First Day Pleading.

and gas industry over at least the last year. Based on the assessment of the Debtors, their management, and the advisors, the Debtors will not have sufficient cash to operate through January 2016, and therefore, they need access to a new source of funds—particularly given that the prepetition First Lien Credit Agreement is fully drawn. Consequently, the Debtors request $55 million of the DIP Financing be provided on an interim basis, with $38 million used to refinance their First Lien Credit Agreement and $17 million used as interim working capital in order to maintain operations through the end of January, 2016, and an additional $20 million on a final basis. In addition to meeting these needs, the interim DIP loan amount will help the Debtors garner the confidence of their counterparties during an exceptionally difficult time in the oil and gas industry.

55. Given the lack of any alternative capital and funding, the Debtors will face immediate and irreparable harm if they are not able to meet their needs. For instance, if the Debtors are not able to meet their obligations as an operator or non-operating working interest owner, they may be the subject of attempts to enforce various remedies or punitive measures, which could be so drastic as to give rise to a termination of the Debtors' rights with respect to certain oil and gas leases, give rise to efforts to remove New Gulf as operator under joint operating agreements and other documents, or other measures. The threat of forfeiture of the Debtors' critical, revenue producing assets demonstrates the immediate and irreparable harm the Debtors may face which, in turn, demonstrates the need for approval of the DIP Financing.

56. I am familiar with the Debtors' cash needs and proposed DIP Financing amounts. I believe that the interim financing requested by the Debtors is sufficient to satisfy the amount needed to fund operations pending a final hearing on the DIP Financing Motion, and that the aggregate borrowings under the DIP Financing will be sufficient to fund the Debtors' operations

while they are under chapter 11 protection. Further, I believe the terms of the DIP Financing are fair and reasonable and represent the best financing available in the marketplace under the circumstances. Should the Court not grant the relief requested in the DIP Financing Motion, the Debtors will be forced to shut down their operations to the detriment to all stakeholders.

B. Cash Management Motion

57. In the ordinary course of business, the Debtors utilize a Cash Management System involving seven domestic Accounts. The Cash Management System provides a well-established mechanism for the collection, management and disbursement of funds used in the Debtors' business. The Cash Management System is essential to the efficient execution and achievement of the Debtors' strategic business objectives, and, ultimately, to maximizing the value of the Debtors' estates.

58. With the exception of their Account with MidFirst Bank, the Debtors believe the requirements of section 354(b) of the Bankruptcy Code are satisfied for each Account because the Banks where such Accounts are maintained have executed a UDA with the U.S. Trustee that brings the Accounts into compliance. Upon information and belief, MidFirst Bank is currently negotiating a UDA with the U.S. Trustee, and such UDA shall be executed within forty-five days of the date of entry of an order approving the Cash Management Motion.

59. The Debtors engage in ordinary course Intercompany Transactions, as more fully described in the Cash Management Motion. The continuation of such Intercompany Transactions in the ordinary course will permit the Debtors to conduct business as usual and avoid any disruption to the detriment of the Debtors and their stakeholders.

60. The Debtors utilize a variety of processes to ensure cash is efficiently disbursed, received and accurately accounted for and to ensure maintain proper account balances in their Cash Management System, including regarding the Intercompany Transfers.

61. If the Intercompany Transactions were to be discontinued, the Cash Management System and the Debtors' operations could be unnecessarily disrupted to the detriment of the Debtors and their creditors and other stakeholders. The Debtors request that, pursuant to section 503(b)(1) of the Bankruptcy Code, the Court accord administrative expense status to all Intercompany Transactions arising after the Petition Date.

62. I believe that the relief requested above is necessary to maintain the value of the Debtors' businesses as a going concern, and prevent harm to the Debtors' estates and stakeholders.

C. Employee Wages and Benefits Motion

63. Among other things, the Debtors request the entry of an order authorizing them to pay, continue, or otherwise honor prepetition obligations to or for the benefit of their current employees (collectively, the "Employees") for wages, salaries, and other compensation and benefits under all plans, programs, and policies implemented by the Debtors prior to the Petition Date. The Debtors further seek the authority to pay any individuals or entities hired on an independent-contractor basis, the Debtors' compensated board members, and to continue such payments postpetition in the ordinary course of their business.

64. At this critical stage, the continued and uninterrupted support of the Debtors' Employees, independent contracts and board members is essential to the Debtors' business and to the success of the Chapter 11 Cases. The skills and experience of the Employees, their relationships with key parties to the Debtors' business, such as customers and vendors, and their

knowledge of the Debtors' infrastructure and business are essential to the preservation of the value of the Debtors' estates and, thus, the ability of the Debtors to emerge from chapter 11.

65. Interruptions in payment of prepetition Employee-related Payment Obligations, including, as described more fully in the Employee Wage and Benefits Motion, payment of Employee Compensation, including amounts to independent contractors and board members, Expense Reimbursement, and various Deductions and Withholdings will impose hardship on the Employees, decrease employee morale, may lead to otherwise loyal Employees seeking new employment, and is certain to jeopardize their continued performance during this critical time.

66. Similarly, the Debtors also provide certain Employees (and their dependents) with access to a variety of Employee Programs, including, but are not limited to: (i) medical, dental, and vision care insurance; (ii) life insurance, short-term and long-term disability insurance, workers' compensation insurance and related supplemental insurance; (iii) COBRA medical coverage; (iv) paid time-off benefits; (v) incentive programs; and (vi) 401(k) and similar retirement investment plans. As with payment of the Payment Obligations above, payment for and continuation of the Employee Programs is critical to Employee morale, the continuation of the Debtors' business and a successful restructuring in the Chapter 11 Cases.

67. I believe the vast majority of the Employees rely exclusively on their compensation to pay their daily living expenses. Also, the Employee Programs are a critical component of the Employees' total compensation package, and if the Debtors are not permitted to honor their outstanding Employee obligations, I believe many Employees will be exposed to significant financial difficulties. Moreover, if the Debtors are unable to satisfy such obligations, Employee morale will be jeopardized at a time when Employee support is critical. Any resulting loss in workforce could significant hinder the Debtors' efforts in the Chapter 11 Cases. I believe

that the relief requested in the Employee Wages and Benefits Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business during the Chapter 11 Cases without disruption so as to avoid immediate and irreparable harm to Debtors' estates. Accordingly, I respectfully submit that the Employee Wages and Benefits Motion should be approved.

D. Taxes Motion

68. The Debtors seek entry of an order authorizing them, in their sole discretion, to Taxes and Fees to the applicable Authorities, including, without limitation, severance and production taxes, franchise and margin tax, other miscellaneous taxes, and business license, permit and vehicle fees and other similar assessments, in an amount not to exceed $100,000.

69. I believe the Debtors' payment of the Taxes and Fees is an exercise of sound business judgment. The Debtors must continue to pay these amounts to continue operating in certain jurisdictions and to avoid costly distractions during these Chapter 11 Cases. It is possible that the Authorities would seek to interfere with the Debtors' businesses if the Taxes and Fees were not paid on a timely basis. Additionally, to the extent that failure to pay taxes would result in the Debtors incurring priority status claims, I understand the relief requested by this motion only expedites the treatment and distribution to the Authorities that would otherwise be made at a later date.

70. Finally, it is also possible that the Authorities may assert that the Debtors' directors and officers are personally liable if the Debtors fail to meet their obligations to remit Taxes and Fees. Furthermore, the Authorities could initiate tax audits for failure to pay the Taxes and Fees. If the relief is not granted, the Debtors' directors and officers may be subject to personal tax-related lawsuits, and/or the Debtors would have to devote resources to respond to a

government audit or an attempted shut-down of operations, all of which would cause the Debtors' estates immediate and irreparable harm by distracting management, multiplying claims, and depleting resources on hand.

71. I believe that the relief requested in the Tax Motion is in the best interests of the Debtors' estates and will enable the Debtors to continue to operate their business during the Chapter 11 Cases without disruption so as to avoid immediate and irreparable harm to Debtors' estates. Accordingly, I respectfully submit that the Tax Motion should be approved.

E. Utilities Motion

72. Pursuant to the Utilities Motion, the Debtors seek entry of interim and final orders: (1) prohibiting utilities from altering, refusing, or discontinuing services, (2) deeming utilities adequately assured of future performance within the meaning of section 366 of the Bankruptcy Code, and (3) establishing procedures for determining adequate assurance of payment.

73. In connection with the operation of their business, the Debtors obtain Utility Services, including electricity, natural gas, water, telephone, internet, and/or other similar services from number of Utility Companies. Historically, the Debtors have paid all amounts owed to the Utility Companies on a timely basis. Moreover, to the best of my knowledge, there are no defaults or arrearages of any significance with respect to the Debtors' undisputed invoices for Utility Services, other than payment interruptions that may be caused by the commencement of these Chapter 11 Cases. In the six-month period prior to the Petition Date, the Debtors paid an average of approximately $26,000 per month on account of Utility Services on an aggregate basis. I estimate that the Debtors' cost for Utility Services during the next thirty days (not

including any deposits to be paid) will be approximately $35,000. Currently, the Utility Companies hold no deposits on account of the Debtors' Utility Services.

74. To provide adequate assurance of payment to the Utility Companies, the Debtors submit that an amount equal to one-half of one month's Utility Service payment (calculated as a historical average over the past twelve months) (an "Adequate Assurance Deposit"), together with the Debtors' ability to pay for future Utility Services in the ordinary course of business, provides sufficient adequate assurance of payment and that no additional deposit, security, or other assurance of payment is or should be required for the Utility Services. The Adequate Assurance Deposit will be an amount equal to $13,000.

75. Uninterrupted Utility Services are essential to the Debtors' ongoing operations and the success of the Debtors' Chapter 11 Cases. The Debtors' operations require exploration and production activities, which depend upon, among other things, fuel, water, electricity, and telecommunications. Additionally, the Debtors must perform executive and administrative functions in their corporate offices, which require electricity, telecommunications, and other standard utility services. Should any Utility Company refuse or discontinue service, even for a brief period, I believe that the Debtors' business operations could be disrupted and such disruption would jeopardize the Debtors' Chapter 11 Cases. Thus, it is my belief that it is essential that the Utility Services continue uninterrupted during the Chapter 11 Cases.

76. Even if the Utility Companies did not interrupt their services, without the requested relief, the Debtors could be forced to address numerous requests by Utility Companies during a critical period in the Chapter 11 Cases and during a time when their efforts should be more productively focused on developing strategic alternatives to emerge from bankruptcy. At

the same time, I believe the relief requested provides the Utility Companies with a fair and orderly procedure for determining requests for additional or different adequate assurance.

F. Royalties, Operating Expenses, and Critical Vendors Motion (the "Royalty Motion")

77. The Debtors own an interest in approximately 2,030 oil and gas leases, substantially all of which are subject to or burdened by royalty interests, overriding royalty interests, third-party working and non-working interests, or a sub-set or combination thereof.

78. Joint operating agreements ("JOAs") are commonly used in the oil and gas industry and are comprised of an operating party (called the operator) and one or more non-operating parties. The operator and non-operating parties pool their interests in oil and gas leases and wells in a particular geographic area for the purpose of sharing the costs and proceeds of development, operation and production in the covered area. As a general matter, the operator is responsible for assuring that the wells covered by the JOA operate and produce. The operator also often markets and sells the produced hydrocarbons for certain non-operating working interest owners and lessees (or in some instances distributes their respective share of such hydrocarbons in kind to the non-operating owners and lessees or their designees). The operator is responsible for paying or causing to be paid the applicable taxes and other amounts owing with respect to operation of the leases and wells. The costs of operating the wells and leases are shared among the participants in the JOA according to its terms and may either be paid in cash through the payment of certain joint interest billings or through deductions from the proceeds distributable to the non-operating lessees and interest owners. The Debtors are parties to numerous JOAs governing operations on their oil and gas or wellbore leases, and New Gulf, a debtor herein, serves as the operator for the majority of the oil and gas leases and wells in which the Debtors hold an interest.

79. Timely payment of the Obligations (as defined herein) is critical to the Debtors' Chapter 11 Cases and to preserve and maximize value for its stakeholders. If the Debtors fail to satisfy the Obligations as they come due, the Debtors' operations will be severely impacted and production may completely cease for certain wells. Such occurrences would directly, immediately and negatively impact the Debtors, their creditors and other parties in interest. Further, maintaining the Debtors' rights under their oil and gas leases is of paramount importance for these cases and timely payment of the Obligations is critical to this purpose. The revenues derived from the lands leased by the Debtors represent the majority of the Debtors' operating income, are at the very core of the Debtors' businesses, and represent the bulk of the Debtors' value. Moreover, the Debtors have limited or no options when it comes to arranging replacement suppliers on anything less than a medium- to long-term basis. I believe that replacing existing vendors and suppliers is time consuming, cost prohibitive, and not feasible in certain circumstances. Because of these limited replacement options, the Debtors depend on the continuous supply of essential materials from their existing supplier base. Any failure of a supplier to provide certain materials likely would adversely affect the Debtors' operations, impacting cash flow and profitability. Further, the Debtors have critical relationships with third-party shipping providers that have gained a unique understanding of the Debtors' business and operations. Replacing such service providers would be costly and time consuming as the Debtors would be forced to spend large amounts of time and resources orienting new service providers to various aspects of their business. Accordingly, the Debtors believe that satisfaction of the Obligations as they become due is in the best interests of the Debtors and their estates.

80. The Debtors are obligated, pursuant to their oil and gas leases, to remit to the lessors who own the mineral rights leased by the Debtors (the "Royalty Interest Owners") their

share of production from the producing wells located on their respective lease or leases and lands pooled or unitized therewith, free of expenses of production (the "Royalties"). Further, certain assignments of the oil and gas leases created an interest in a share of the production from the producing wells located on the respective leases or leases and lands pooled or unitized therewith, free of expenses of production, that burden the Debtors' working interest in the leases (the "ORRI"). The Debtors are obligated to remit to the owners of the ORRI (the "ORRI Owners") the share of the proceeds attributable to the ORRI.

81. In addition to the Royalties and ORRIs, certain third parties own working interests ("Working Interests") in the leases and wells operated by the Debtors under the JOAs (the "Working Interest Owners" and collectively with the ORRI Owners and Royalty Interest Owners, the "Interest Owners"). As a result, when the Debtors serve as operator, they are responsible for the timely, proper and efficient operation of the leases and wells for the benefit of themselves and the non-Debtor Interest Owners.

82. As part of discharging their obligations to act as a reasonable, prudent operator subject to the terms of the JOA, the underlying lease, or ORRI instrument, as applicable, the Debtors market and sell the hydrocarbons produced from the operated leases and wells and remit to the Interest Owners their share of the production revenue.[17] Such payments are generally paid sixty days in arrears. Amounts owed are calculated as provided for in the underlying lease or ORRI instrument, and are typically based on the production revenue received by the Debtors from first purchasers, calculated at the wellhead less applicable severance taxes and, in some

[17] Some Working Interest Owners, however, take their production in kind and market their allocable production directly.

instances, certain post-production charges. The Debtors seek only to remit undisputed,[18] prepetition Interest Owner disbursements in the Debtors' ordinary course of business in each case subject to all of the Debtors' rights under the applicable JOAs, the underlying leases, ORRI instruments, and related documents.

83. As of the Petition Date, the Debtors estimate that they owe approximately $3 million to Interest Owners in pay status, which amount does not take into account any funds disbursed directly by purchasers of oil and gas production, and approximately $4.2 million to Interest Owners held in suspense. The Debtors have approximately 102 Interest Owners. As of the Petition Date, the Debtors are unable to determine the precise amounts owed on account of Interest Owners for the months of October and November and the partial month of December. Such amounts remain accrued but unpaid obligations of the Debtors. The Debtors request approval to pay up to $1.5 million of Interest Owner disbursements on an interim basis, up to $7.2 million on entry of the Final Order, and to continue remitting the Interest Owner disbursements in the ordinary course of business on a postpetition basis. In addition, a third-party royalty manager, SEI, performs accounting and distribution services on behalf of the Debtors, for which they receive compensation on a monthly basis. As of the Petition Date, the Debtors owe SEI approximately $45,000 for accrued but unpaid services.

84. In its capacity as operator under various JOAs, New Gulf incurs numerous current lease operating expenses and other exploration and production costs from various third parties, including vendors, contractors, subcontractors, haulers, drillers and other suppliers of oilfield services (collectively, the "Mineral Contractors"), who provide services, supplies and materials

[18] To the extent that the Debtors and any Interest Owners dispute the amounts owed, the Debtors will segregate the funds they believe are owed pending an agreement or, if necessary, further orders of the Court resolving the dispute

necessary to ensure that operations continue in a timely manner, as well as certain capital expenditures (collectively, the lease operating expenses or "LOEs"). Capital expenditures associated with oil and gas production activities and developing wells not yet in production include charges from Mineral Contractors for necessary oilfield services such as seismic surveys and exploratory well drilling; constructing well pads, access roads, gathering infrastructure and ancillary facilities; hauling and drilling; connecting new wells to pipelines; and other costs of completing and bringing new wells online. The Debtors are reimbursed for part of the LOEs incurred in operating these leases and wells from the Working Interest Owners through the payment of joint interest billings or by netting the Working Interest Owners' share of production revenue against their share of the LOEs. Regardless of when an Operator is reimbursed by non-operating Working Interest Owners, the Operator must continue to pay operating expenses in a timely fashion. Failure to pay Operating Expenses when due could result in the Operator's removal as Operator under the Joint Operating Agreement. Additionally, pursuant to state law, Mineral Contractors are entitled to statutory and, in certain circumstances, constitutional liens on the Operators' interests in the Oil and Gas Leases. Failure to timely pay Mineral Contractors may result in perfection and enforcement of liens on the Operators' assets, and the JOAs typically provide that, among other things, the operator will keep the oil and gas interests that are subject to the JOA free and clear of liens and encumbrances.

85. In addition, in order for the Debtors to produce cash flow and prosecute the Chapter 11 Cases, it is imperative that the Debtors maintain and operate their producing wells in the ordinary course and to complete wells that are in various stages of construction and development without delay or interruption. The services provided by the Mineral Contractors are essential to these purposes. If Mineral Contractors are not timely paid, they will simply stop

working or shipping, causing immediate and substantial harm to the Debtors and their estates. The Mineral Contractors are familiar with the Debtors' operations and production plans. They are either on site working or providing services at the well-head unique to the Debtors' needs. Some are sole-source providers of unique goods and services, while others cannot be readily replaced without incurring unnecessary delay and increased costs. Others provide services, such as disposal services, necessary for regulatory compliance and protection of the environment. Moreover, the Debtors are receiving quality service from talented and experienced crews. An alternative service provider, in contrast, would undoubtedly have ramp-up time and delays relative to crews already in place. They also may not charge the same or better rates as what the Debtors have already negotiated and may not dedicate the same quality and experienced crews to the Debtors' well sites as what the Debtors now enjoy from their existing Mineral Contractors. Further, the Debtors and their management team have developed strong relationships with their Mineral Contractors. Such relationships cannot be easily duplicated or replaced, but will be unduly strained, perhaps irreparably, if Mineral Contractors are not timely paid. For these reasons, the Debtors submit that timely paying undisputed LOEs when due in the ordinary course is a valid exercise of the Debtors' business judgment, is necessary to avoid immediate harm to the Debtors and their business, is in the best interest of the Debtors and their estates, and will enhance the value of the Debtors' and their business for the benefit of all.

86. Given how critical Mineral Contractors are to the Debtors' operations and their ability to generate cash flow, the Debtors strive to pay their LOEs on a timely basis in accordance with contractual or customary trade terms. However, the Debtors may not have received invoices for all prepetition LOE payments, other invoices are in their payment grace period, and some invoices will cover both pre-petition and post-petition expenses. As of the

Petition Date, the Debtors estimate that they have approximately $2.4 million of accrued but unpaid lease operating expenses (excluding capital expenditures) outstanding, for which they will be reimbursed approximately $200,000 by holders of non-operating working interest owners. They also have approximately $7 million in accrued but unpaid LOEs relating to capital expenditures. The Debtors request approval to pay up to $5 million of the prepetition LOEs on an interim basis, up to $10 million upon entry of the Final Order, and to continue paying Operating Expenses in the ordinary course of business on a postpetition basis, in each case subject to the DIP Loan operating budget.

87. The Debtors also own working interests in certain leases and wells operated by third-parties under various JOAs. The Debtors receive their share of revenue from the operators of these wells, and then reimbursing the applicable operators for their share of the production costs through the payment of joint-interest billings ("JIBs," and together with the Royalties, the ORRI, the LOEs, and the obligations under the JOAs, the "Obligations"). In an average month, the Debtors pay or are otherwise responsible for approximately $50,000 in JIBs. Although the Debtors are current on JIBs as of the Petition Date, they may receive invoices post-petition for amounts incurred pre-petition. The Debtors request authority to pay these invoices in the ordinary course of business.

88. The failure to timely pay JIBs may provide grounds for the operator to assert contractual or statutory lien rights against the Debtors' interest in a well and the underlying oil and gas lease and, under the provisions of certain JOAs, possibly lead to defaults. Such property rights are a significant value driver for the Debtors' assets. Therefore, the Debtors request authority to continue to satisfy these JIBs as they arise in the ordinary course of business, to avoid the disruption and complexity that non-payment of the JIBs would cause.

89. As of the Petition Date, the Debtors estimate that they have approximately $50,000 of accrued but unpaid JIBs. The Debtors request approval to pay up to $25,000 of the prepetition JIBs on an interim basis, up to $50,000 upon entry of the Final Order, and to continue paying JIBs in the ordinary course of business on a postpetition basis.

90. The Debtors may have received certain goods or other materials from various vendors within the 20 days before the Petition Date (collectively, the "503(b)(9) Claimants"). Many of the Debtors' relationships with the 503(b)(9) Claimants are not governed by long-term contracts. Rather, the Debtors often obtain supplies on an order-by-order basis. As a result, a 503(b)(9) Claimant may refuse to supply new orders without payment of its prepetition claims. The Debtors also believe certain 503(b)(9) Claimants could reduce the Debtors' existing trade credit—or demand payment in cash on delivery—further exacerbating the Debtors' limited liquidity. The Debtors believe that as of the Petition Date, they owe approximately $35,000 on account of goods delivered within the 20 days prior to the Petition Date.

91. Because each of the 503(b)(9) Claimants provides equipment and goods that the Debtors use in their oil and gas operations, such vendors are likely Mineral Contractors and could seek to assert statutory liens on the Debtors' interests in the oil and gas leases for the reasons discussed above. However, the Debtors seek separate relief for the 503(b)(9) Claimants because the value of the goods the Debtors have received from the 503(b)(9) Claimants may be entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code. On the other hand, however, the Debtors will likely recoup at least some of the costs associated with payment of these claims—to the extent that they constitute LOEs that are entitled to allocation under the terms of the respective JOAs— upon the payment JIBs by non-operating Working Interest Owners.

92. Accordingly, the Debtors request that they be authorized to pay those undisputed claims arising from the value of such goods received by the Debtors within 20 days before the Petition Date that have been sold to the Debtors in the ordinary course of business (each, a "503(b)(9) Claim"). By the Royalty Motion, the Debtors seek authority, but not direction, to pay up to $20,000 to the 503(b)(9) Claimants on account of their prepetition claims on an interim basis and up to a maximum aggregate amount of $50,000 on account of their prepetition claims on a final basis. The Debtors do not seek to accelerate or modify existing payment terms with respect to the 503(b)(9) Claims. Rather, the Debtors will pay the 503(b)(9) Claims as they come due and payable in the ordinary course of business.

93. Non-payment of the amounts owed to the Interest Owners could jeopardize the oil and gas leases. Royalty Interest Owners are paid in arrears and must be paid promptly. Interest Owners may be able to make claims that their share of production revenue are not property of the estate or may be able to argue that lease maintenance may be called into question, leading to a lease termination claim. Additionally, holders of non-operating Working Interests often have contractual remedies under the applicable Joint Operating Agreement, including the grant of a security interest in production, the right to remove the Debtor as Operator, and the right to interest on the amount owed. Further, pursuant to state law, the Working Interest disbursements held by the Debtors prior to remittance to the appropriate Working Interest Holders may not be property of the Debtors' estates. Accordingly, the Debtors believe that the payment of the amounts owed to Interest Owners is in the best interests of the Debtors and their estates.

94. As a result, I believe that authority to pay the outstanding prepetition obligations to these critical vendors is in the best interests of the Debtors, their estates, creditors, and parties in interest and is necessary to avoid irreparable harm.

G. Equity Transfer Motion

95. The Equity Transfer Motion seeks to enforce the automatic stay by implementing narrowly tailored procedures intended to preserve potentially valuable Tax Attributes. In furtherance of a plan that maximizes the use of their Tax Attributes, the Debtors request entry of the Trading Order establishing (a) procedures with respect to the ownership, acquisition, and disposition of beneficial interests in equity securities in NGR Holding Company ("NGR"), (b) procedures restricting claims of worthlessness with respect to equity securities of NGR, and (c) an effective date for notice and potential sell-down procedures for transfers of claims. The targeted equity trading procedures sought herein are intended to give the Debtors the ability to monitor and object to proposed stock transfers and claims of worthlessness that jeopardize the estate's use of the Tax Attributes.

96. The Debtors have incurred certain net operating losses ("NOLs"), and anticipate that they will continue to incur further NOLs during the pendency of these cases. In addition, the Debtors may have net unrealized built-in losses in their assets (the "Built-in Losses") and other tax attributes, including business income tax credits ("Tax Credits" and together with the NOLs and Built-in Losses, the "Tax Attributes"). I believe that the Tax Attributes will prove to be a valuable asset to the company's business, which can maximize stakeholders' recovery in these cases, and that the termination or limitation of the NOLs could be materially detrimental to all parties in interest.

97. The NOLs are a key asset of the Debtors' estates and essential to the Debtors' restructuring. The loss of the NOLs would therefore cause immediate and irreparable harm to the Debtors' estates. The Equity Transfer Procedures are the mechanism by which the Debtors will monitor and object to certain transfers of and declarations of worthlessness with respect to Common Stock or Preferred Stock to ensure preservation of the NOLs. I further believe that the Equity Transfer Procedures and other relief requested in the Equity Trading Motion are critical for maximizing estate value and will help ensure a meaningful recovery for creditors. If no restrictions on trading or worthlessness deductions are imposed as requested in the Equity Transfer Motion, such trading or deductions could severely limit or even eliminate the Debtors' ability to utilize the NOLs. I believe that the loss of these valuable estate assets could lead to significant negative consequences for the Debtors, their estates, their stakeholders, and the overall process of the Chapter 11 Cases. Accordingly, on behalf of the Debtors, I respectfully submit the Court should grant the relief requested in the Equity Transfer Motion.

H. Motion for Joint Administration

98. Given the integrated nature of the Debtors' operations, I believe that the joint administration of these cases will provide significant administrative convenience without prejudicing the substantive rights of any party in interest. The Debtors are "affiliates" pursuant to section 101(2) of the Bankruptcy Code.

99. Joint administration of the Chapter 11 Cases will reduce parties' fees and costs by avoiding duplicative filings and objections and make the most efficient use of the Court's resources and the resources of all parties in interest. Accordingly, I believe that joint administration of the Debtors' cases is in the best interests of the Debtors, their estates and creditors, and all parties in interest.

I. Application to Employ Prime Clerk as Claims and Noticing Agent

100. The Debtors seek entry of an order pursuant to 28 U.S.C. § 156(c) approving the retention of Prime Clerk as claims and noticing agent for the Debtors, effective *nunc pro tunc* to the Petition Date. This application pertains only to the work to be performed by Prime Clerk under the Clerk of the Court's delegation of duties permitted by section 156(c) of the Judicial Code, Local Rule 2002-1(f) and the Claims Agent Protocol.

101. The Debtors have thousands of potential parties in interest in the Chapter 11 Cases. Although the Office of the Clerk of the Court ordinarily would serve notices on the Debtors' creditors and other parties in interest, it may not have the resources to undertake such tasks, especially in light of the size of the Debtors' creditor body and the expedited timelines that frequently arise in chapter 11 cases. The Debtors selected Prime Clerk because it is one of the country's leading chapter 11 administration, solicitation, and balloting agent, and Prime Clerk has expertise in facilitating other administrative aspects of chapter 11 cases. Prime Clerk also provides a competitive rate structure, and the Debtors selected Prime Clerk after reviewing the qualification and pricing proposals of three separate firms. I believe the employment of Prime Clerk as claims and noticing agent in the Chapter 11 Cases is appropriate and is in the best interests of the Debtors, their estates and creditors, and all parties in interest.

Pursuant to 28 U.S.C. § 1746, the undersigned makes the forgoing declaration as of the date of its filing under penalty of perjury.

Danni S. Morris
Chief Financial Officer of NGR Holding Company LLC, on behalf of the Debtors

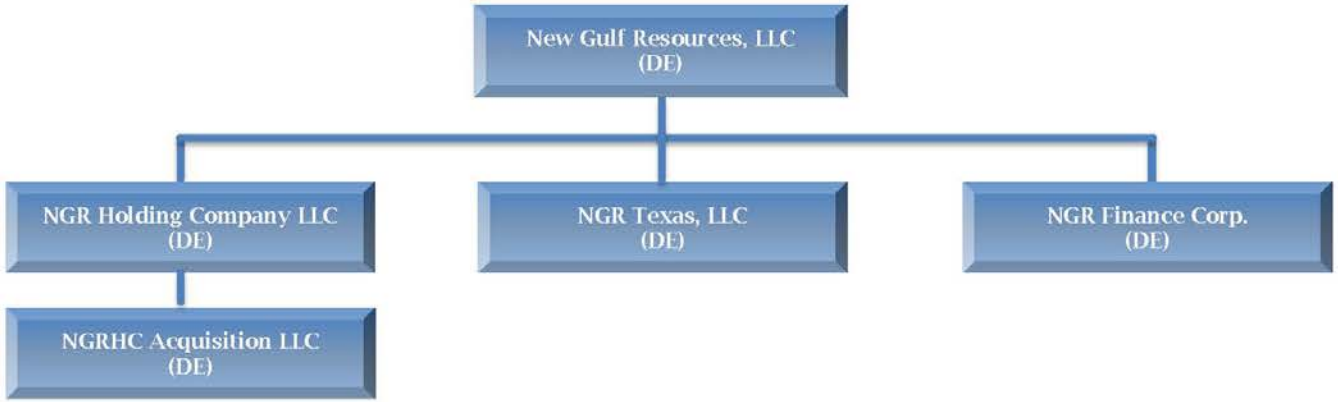
MT

Exhibit A

The Prepetition Reorganization

THE PREPETITION REORGANIZATION

Before



After

Exhibit B

Restructuring Support Agreement

THIS RESTRUCTURING SUPPORT AGREEMENT IS NOT, AND SHALL NOT BE DEEMED, AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF VOTES WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. ACCEPTANCES OR REJECTIONS WITH RESPECT TO A CHAPTER 11 PLAN OF REORGANIZATION WILL NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS RESTRUCTURING SUPPORT AGREEMENT CONTAINS MATERIAL NONPUBLIC INFORMATION AND, THEREFORE, IS SUBJECT TO FEDERAL SECURITIES LAWS.

RESTRUCTURING SUPPORT AGREEMENT

by and among

NGR HOLDING COMPANY LLC, NEW GULF RESOURCES, LLC AND ITS SUBSIDIARIES

and

THE OTHER PARTIES HERETO FROM TIME TO TIME

dated as of December 17, 2015

RESTRUCTURING SUPPORT AGREEMENT

This RESTRUCTURING SUPPORT AGREEMENT (as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof, and including all exhibits annexed hereto which are incorporated by reference herein, this "RSA" or this "Agreement"), dated as of December 17, 2015, is entered into by and among (a) NGR Holding Company LLC, a Delaware limited liability company ("NGR Holding"), New Gulf Resources, LLC, a Delaware limited liability company ("New Gulf"), and each of the undersigned direct and indirect subsidiaries of NGR Holding and New Gulf (together with NGR Holding and New Gulf, the "Company" or the "Debtors"), (b) the undersigned managers (in their capacities as such) of NGR Holding and New Gulf (the "Supporting Managers"), and (c) certain beneficial holders, or investment advisors or managers for the account of certain beneficial holders (together with their respective successors and permitted assigns, the "Noteholders") of the 11.75% Senior Secured Notes due 2019 (the "Second Lien Notes") issued pursuant to that certain indenture dated as of May 9, 2014, by and among New Gulf and NGR Finance Corp., as co-issuers, and The Bank of New York Mellon Trust Company, N.A., as indenture trustee and collateral agent (such Noteholders that are parties hereto as of the date hereof, the "Initial Supporting Noteholders," and, together with any subsequent Noteholder that becomes a party hereto in accordance with the terms hereof, the "Supporting Noteholders"). Each of the Company, the Supporting Managers and the Supporting Noteholders is referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the Company and the Supporting Noteholders have negotiated, in good faith and at arms' length, a transaction that would effectuate a comprehensive restructuring of the Company's financial obligations to be implemented in voluntary cases under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code"), before the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), pursuant to a joint chapter 11 plan of reorganization in the form attached hereto as **Exhibit A** (as it may be amended, modified or supplemented from time to time in accordance with the terms hereof, the "Exhibit Plan") and the other Definitive Documents (as defined below) (collectively, the "Restructuring");

WHEREAS, the Parties intend to implement the Restructuring through the Exhibit Plan, and in connection therewith, the Company has agreed, subject to the terms and conditions of this Agreement, to, among other things, (i) prepare and commence cases under Chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases"), (ii) file the Exhibit Plan, as it may be amended, modified or supplemented by mutual agreement of the Company and the Requisite Supporting Noteholders (the "Plan"), and the disclosure statement attached hereto as **Exhibit B** (as may be amended, modified or supplemented (including all exhibits and schedules annexed thereto or referred to therein) from time to time in accordance with the terms hereof, the "Disclosure Statement") with the Bankruptcy Court in the Chapter 11 Cases, (iii) seek Bankruptcy Court approval of the Disclosure Statement and, after obtaining such approval, solicit acceptances of the Plan from the holders of Second Lien Notes and Subordinated Notes (as defined below) in accordance with sections 1125(g) and 1126(b) of the Bankruptcy Code,

and (iv) use commercially reasonable efforts to have the Plan confirmed by the Bankruptcy Court and consummated thereafter;

WHEREAS, as of the RSA Effective Date (as defined below), the Supporting Noteholders collectively hold approximately 72% in aggregate principal amount outstanding of the Second Lien Notes; and

WHEREAS, the Parties desire to express to each other their mutual support and commitment in respect of the Restructuring and the Plan on the terms and conditions contained in this RSA.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party agrees as follows:

1. Definitions; Interpretation.

All references herein to "this Agreement," "this RSA" or "herein" shall include all exhibits. The general terms and conditions of the Restructuring, as supplemented by the terms and conditions of this Agreement, are or shall be set forth in the Definitive Documents. Unless otherwise stated, capitalized terms used and not defined in this Agreement shall have the meanings ascribed to them in the Plan.

As used in this Agreement, the following terms have the following meanings:

a. "After-Acquired Leases" means the real property interests acquired by the Company after May 9, 2014, solely to the extent such real property interests were not the subject of valid and perfected liens and security interests as of the Petition Date;

b. "Alternative Transaction" means any dissolution, winding up, liquidation, reorganization, recapitalization, assignment for the benefit of creditors, merger, transaction, consolidation, business combination, joint venture, partnership, sale, financing (debt or equity) or restructuring of the Company, other than the Exhibit Plan;

c. "Backstop Agreement" means the backstop agreement attached hereto as **Exhibit C** (as it may be amended, modified or supplemented from time to time in accordance with the terms hereof);

d. "Backstop Agreement Motion" means the motion and proposed form of order, to be filed by the Company with the Bankruptcy Court, seeking Bankruptcy Court approval of the Company's assumption of the Backstop Agreement, approval and authorization to pay the obligations thereunder, including the issuance of the Put Option Notes and the payment of the Transaction Expenses (each as defined in the Backstop Agreement) and such other fees, expenses and indemnities provided in the Backstop Agreement, as administrative expenses of the Company's estates, and approval of the Rights

Offering Procedures, each of which shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

e. "Backstop Agreement Order" means an order of the Bankruptcy Court approving the Backstop Agreement Motion, which order shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

f. "Chosen Courts" has the meaning given to such term in Section 22 hereof;

g. "Confirmation Order" means an order of the Bankruptcy Court confirming the Plan, which order shall reflect the terms set forth in the Plan, the Backstop Agreement and this Agreement and shall otherwise be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

h. "Definitive Documents" means this RSA, the Plan and all documents (including any related orders, agreements, instruments, schedules or exhibits) that are described in or contemplated by this Agreement and the Plan and that are otherwise necessary or desirable to implement, or otherwise relate to, the Restructuring Transactions, including, without limitation: (1) the RSA Agreement Motion and the RSA Agreement Order, (2) the Backstop Agreement, the Backstop Agreement Motion and the Backstop Agreement Order, (3) the Rights Offering Procedures, the Disclosure Statement Motion, the Solicitation Procedures and Materials and the Disclosure Statement Order, (4) the DIP Facility Motion and the DIP Orders, (5) the Confirmation Order, (6) the First Day Motions and orders of the Bankruptcy Court approving any First Day Motions, (7) the Plan Supplement, including the documents governing the New First Lien Notes, the organizational and governance documents governing the reorganized Company, and the list of executory contracts to be assumed or rejected (if any), and (8) any other documents, instruments, schedules or exhibits described in, related to or contemplated in, or necessary to implement, each of the foregoing;

provided, *however*, that each of the foregoing shall be consistent with the Plan, the Backstop Agreement and this Agreement and shall otherwise be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

i. "DIP Commitment Letter" means the commitment letter attached as **Exhibit D** hereto (including the DIP Term Sheet attached as an exhibit thereto) with respect to the DIP Facility;

j. "DIP Commitments" means the commitments of the DIP Lenders under the DIP Commitment Letter and the DIP Facility, subject to the terms and conditions contained therein;

k. "DIP Credit Agreement" means the credit agreement that governs the DIP Facility;

l. "DIP Facility" means the debtor-in-possession financing to be provided to the Company in accordance with and subject to the terms and conditions set forth in the DIP Commitment Letter, including all related documents, orders, agreements, instruments, schedules or exhibits to be executed and delivered in connection therewith, each of which shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the DIP Lenders;

m. "DIP Facility Motion" means the motion and the proposed form of interim and final orders, to be filed by the Company with the Bankruptcy Court, seeking approval of the DIP Facility, each of which shall be in form and substance satisfactory to the Requisite Supporting Noteholders;

n. "DIP Lenders" means the lenders under the DIP Facility;

o. "DIP Orders" means the interim and final orders of the Bankruptcy Court approving the DIP Facility, each of which shall be in form and substance satisfactory to the DIP Lenders;

p. "Disclosure Statement Motion" means the motion and the proposed form of order to be filed by the Company with the Bankruptcy Court, seeking approval of the Disclosure Statement and approval of all other Solicitation Materials and Procedures, each of which shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

q. "Disclosure Statement Order" means the order approving the Disclosure Statement as containing adequate information for purposes of Bankruptcy Code section 1125 of the Bankruptcy Code and approving all other Solicitation Procedures and Materials, which order shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

r. "DMCL" means DeGolyer and MacNaughton Canada Limited;

s. "Fiduciary Duty Out" has the meaning given to such term in Section 9 hereof;

t. "First Day Hearing Date" means that date on which the first hearing commences in the Chapter 11 Cases.

u. "First Day Motions" means the "first day" motions, applications, related documents and proposed forms of orders to be filed by the Company with the Bankruptcy Court, including, without limitation, (1) a motion seeking authority to pay prepetition royalties and operating expenses in the ordinary course and/or a motion seeking authority to pay critical vendors, (2) a motion seeking authority to enjoin trading in existing equity interests in the Company and granting certain other/related relief in order to preserve certain tax attributes, (3) the applications to employ Professionals, and (4) the motion to approve the Key Employee Retention Plan, in each case, subject to the terms

and conditions of the DIP Credit Agreement and in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

v. "Key Employee Retention Plan" means the Company's key employee retention plan that is the subject of a motion to be filed by the Debtors in the Chapter 11 Cases seeking authority and approval therefor by the Bankruptcy Court and in form and substance reasonably satisfactory to the Requisite Supporting Noteholders and the Company and otherwise consistent with the Approved Budget (as defined in the DIP Credit Agreement);

w. "Material Adverse Effect" means any event, change, effect, occurrence, development, or change of fact that has, or would reasonably be expected to have, a material adverse effect on the business, results of operations, financial condition, assets or liabilities of the Company, taken as a whole; *provided*, *however*, that "Material Adverse Effect" shall not include any event, change, effect, occurrence, development, or change of fact arising out of, resulting from or relating to (a) the commencement or existence of the Chapter 11 Cases, (b) the announcement of the Plan and the Contemplated Transactions (as defined in the Backstop Agreement), (c) compliance by the Company with the covenants and agreements contained herein or in the Backstop Agreement or in the Plan, (d) any change in the Laws of general applicability or interpretations thereof by any courts or other Governmental Bodies, (e) any action or omission of the Company taken with the prior written consent of the Requisite Supporting Noteholders, or (f) any expenses incurred by the Company in connection with this Agreement or the Contemplated Transactions (as defined in the Backstop Agreement); *provided*, *however*, that exceptions contained in clause (d) above shall not prevent a determination that there has been a Material Adverse Effect if the event, change, effect, occurrence, development, or change of fact referred to therein affects the Company, taken a whole, in a disproportionately adverse manner relative to other participants in the industries in which the Company participates (provided that any such event, change, effect, occurrence, development, or change of fact may only be considered to the extent of such disproportionate impact);

x. "Millstreet" means, as of any time of determination, the Affiliates and Related Funds (each as defined in the Backstop Agreement) of Millstreet Capital Management LLC as of such time;

y. "MNPI" has the meaning given to such term in Section 20 hereof;

z. "New Gulf LLC Agreement" means the Second Amended and Restated Limited Liability Company Agreement of New Gulf Resources, LLC dated May 9, 2014, as in effect immediately prior to the Pre-Filing Corporate Reorganization;

aa. "NGR Holding LLC Agreement" means the Amended and Restated Limited Liability Company Agreement of NGR Holding Company LLC dated December 14, 2015, as in effect upon the completion of the Pre-Filing Corporate Reorganization;

bb. "Noteholder Affiliate" has the meaning given to such term in Section 14 hereof;

cc. "Noteholder Fees and Expenses" means the reasonable and documented fees and expenses of each of the Initial Supporting Noteholders (including all Transaction Expenses (as defined in the Backstop Agreement)), including, without limitation, the fees and expenses of (1) Stroock, (2) Richards, Layton & Finger, PA, as Delaware local counsel, (3) Haynes and Boone, LLP, as Texas counsel, (4) PJT, pursuant to the terms of that certain letter agreement by and among PJT, Stroock and New Gulf dated as of October 6, 2015, (5) DMCL, pursuant to the terms of that certain letter agreement by and among DMCL, Stroock and New Gulf dated as of November 13, 2015, and (6) such other production or reserve engineers and/or consultants or other professionals as may be retained by the Initial Supporting Noteholders;

dd. "Outside Petition Date" has the meaning given to such term in Section 5(b) hereof;

ee. "PennantPark" means, as of any time of determination, the Affiliates and Related Funds (each as defined in the Backstop Agreement) of PennantPark Investment Corporation;

ff. "Periodic Financial Statements" has the meaning given to such term in Section 5(k) hereof;

gg. "Permitted Transfer" has the meaning given to such term in Section 14 hereof;

hh. "Permitted Transferee" has the meaning given to such term in Section 14 hereof;

ii. "Petition Date" has the meaning given to such term in Section 5(b) hereof;

jj. "PJT" means PJT Partners LP;

kk. "Pre-Filing Corporate Reorganization" has the meaning given to such term in Section 8 hereof;

ll. "Qualified Marketmaker" has the meaning given to such term in Section 14 hereof;

mm. "RBL Facility" means that certain Credit Agreement dated as of June 12, 2014, among New Gulf Resources, LLC, as borrower, MidFirst Bank, as

administrative agent and letters of credit issuer, and the other lenders party thereto, including any and all amounts outstanding thereunder;

nn. Related Fund" means, with respect to any Party, any fund, account or investment vehicle that is controlled or managed by (a) Party, (b) an Affiliate of such Party or (c) the same investment manager or advisor as such Party or an Affiliate of such investment manager or advisor.

oo. "Requisite Supporting Noteholders" means, as of any date of determination, (a) Initial Supporting Noteholders who hold a majority in principal amount of the Second Lien Notes then held by the Initial Supporting Noteholders in the aggregate as of such date, (b) Millstreet, only for so long as Millstreet holds at least 50% of the principal amount of the Second Lien Notes held by Millstreet on the date hereof, (c) PennantPark, only for so long as PennantPark holds at least 50% of the principal amount of the Second Lien Notes held by PennantPark on the date hereof, and (d) Värde, only for so long as Värde holds at least 50% of the principal amount of the Second Lien Notes held by Värde on the date hereof;

pp. "Restructuring Transactions" means the Restructuring and all transactions described or contemplated hereunder (including the exhibits hereto) and each of the Definitive Documents, and all transactions necessary to implement each of the foregoing;

qq. "Rights Offering" means the rights offering contemplated in the Plan, subject to the terms and conditions contained in the Backstop Agreement and the Rights Offering Procedures;

rr. "Rights Offering Procedures" means the rights offering procedures attached as an exhibit to the Backstop Agreement (as may be amended, modified or supplemented from time to time in accordance with the terms hereof);

ss. "RSA Agreement Motion" means the motion and proposed form of order, to be filed by the Company with the Bankruptcy Court, seeking authorization for the Company's assumption of the RSA and the approval and authorization to pay the obligations thereunder, including the fees and expenses provided in the RSA, as administrative expenses of the Company's estates, each of which shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

tt. "RSA Agreement Order" means an order of the Bankruptcy Court approving the RSA Agreement Motion, which order shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

uu. "RSA Effective Date" means the date on which counterpart signature pages to this Agreement shall have been executed and delivered by (i) the Company, (ii) Supporting Noteholders holding at least 72% in aggregate principal

amount outstanding of the Second Lien Notes, and (iii) each of the managers of NGR Holding and New Gulf (in their capacities as such);

vv. "RSA Support Period" means the period commencing on the RSA Effective Date and ending on the date on which this Agreement is terminated in accordance with Section 15 hereof;

ww. "Second Lien Note Claims" means any and all claims arising under the Second Lien Notes;

xx. "Solicitation Procedures and Materials" means the Disclosure Statement, the related solicitation materials and the solicitation procedures, each of which shall be in form and substance satisfactory to the Requisite Supporting Noteholders and the Company;

yy. "Stroock" means Stroock & Stroock & Lavan LLP;

zz. "Subordinated Note Claims" means any and all claims arising under the Subordinated Notes;

aaa. "Subordinated Notes" means the 10.0%/12.0% Senior Subordinated PIK Toggle Notes due 2019 issued pursuant to that certain indenture dated as of May 9, 2014, by and among New Gulf Resources, LLC and NGR Finance Corp., as co-issuers, and The Bank of New York Mellon Trust Company, N.A., as indenture trustee;

bbb. Transfer" has the meaning given to such term in Section 14 hereof;

ccc. "Transfer Agreement" has the meaning given to such term in Section 14(b) hereof; and

ddd. "Värde" means, as of any time of determination, the Affiliates and Related Funds (each as defined in the Backstop Agreement) of Värde Partners, Inc., as of such time.

In this RSA, unless the context otherwise requires:

a. words importing the singular also include the plural, and references to one gender include all genders;

b. the headings in this RSA are inserted for convenience only and do not affect the construction of this RSA and shall not be taken into consideration in its interpretation;

c. the words "hereof," "herein" and "hereunder" and words of similar import when used in this RSA shall refer to this RSA as a whole and not to any particular provision of this RSA;

d. the words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation" and the word "or" is not exclusive;

e. all financial statement accounting terms not defined in this RSA shall have the meanings determined by United States generally accepted accounting principles as in effect on the date of this RSA; and

f. references to any governmental entity or any governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, or judicial or administrative body, in any jurisdiction shall include any successor to such entity.

2. Effectiveness; Entire Agreement.

a. This Agreement shall be binding on each Party (i) upon and as of the RSA Effective Date, in the case of Parties who have entered into this Agreement prior to, or as of, the RSA Effective Date, or (ii) as of the date of such Party's execution and delivery of this Agreement, in the case of Parties who enter into this Agreement at any time after the RSA Effective Date.

b. Each of the exhibits attached hereto and the Definitive Documents are expressly incorporated herein and made a part of the RSA, and all references to this RSA shall include the exhibits. In the event of any conflict or inconsistency between the terms and conditions as set forth in the Backstop Agreement and this Agreement, the Backstop Agreement shall control. Notwithstanding the foregoing, nothing contained in this Section 2(b) shall affect, in any way, the requirements set forth herein for the amendment of this Agreement.

c. With the exception of non-disclosure and confidentiality agreements between certain of the Parties, the Backstop Agreement and the DIP Commitment Letter, this RSA (and its exhibits) shall constitute the entire agreement of the Parties with respect to the subject matter hereof and supersede all prior agreements (oral and written) and all other prior negotiations with respect to the subject matter hereof.

3. Mutual Covenants of All Parties.

For the duration of the RSA Support Period, and subject to Section 10 and the other terms and conditions of this Agreement, each of the Parties agrees and covenants severally but not jointly (except as to the Company, which agrees and covenants jointly):

a. to support, consent to and exercise commercially reasonable efforts to consummate the Plan and the Restructuring Transactions, including the Company's filing of the Chapter 11 Cases, all aspects of the DIP Facility (including the granting of a first priority priming lien on existing and after-

acquired assets of the Company pursuant to the terms of the DIP Commitment Letter), the Rights Offering and the solicitation and confirmation of the Plan;

b. to support, execute and deliver the mutual release and exculpation provisions described in the Plan;

c. to (i) negotiate in good faith, execute and deliver each of the Definitive Documents (as applicable), each of which shall be consistent with the Plan and in form and substance satisfactory to the Requisite Supporting Noteholders, and (ii) in the case of the Parties preparing the Definitive Documents, timely deliver drafts of all such Definitive Documents (as applicable) such that the other Parties (as applicable) shall have sufficient time to review and provide comments on the same;

d. to (i) cooperate with each of the other Parties, (ii) take such action as may be reasonably necessary or reasonably requested by the other Parties to carry out the purposes and intent of this Agreement, including making and filing any required regulatory filings, and (iii) refrain from taking any action that would frustrate the purposes and intent of this Agreement;

e. not seek to unwind or otherwise challenge the Pre-Filing Corporate Reorganization (as defined below);

f. subject to and without limiting the Company's rights and obligations in Section 9 hereof, not to, directly or indirectly, through any person or entity, seek, solicit, initiate, propose, encourage, support, assist, engage in negotiations in connection with, enter into agreement with any person or entity concerning, or participate in the formulation, preparation, filing or prosecution of, any actual or proposed Alternative Transaction;

g. not to, directly or indirectly, take any action that is inconsistent with or is intended or that could reasonably be expected to prevent, interfere with, delay or impede the solicitation of votes on the Plan, approval of the Disclosure Statement Motion, the Solicitation Procedures and Materials, and the confirmation of the Plan and consummation of the Restructuring Transactions; and

h. consent to the First Day Motions;

provided, *however*, that nothing in this Section 3 shall require any Supporting Noteholder to incur any material expenses, liabilities or other obligations, or agree to any commitments, undertakings, concessions, indemnities or other arrangements that could result in material expenses, liabilities or other obligations to any Supporting Noteholder (except as expressly provided in the Backstop Agreement and the DIP Commitment).

4. Additional Covenants of the Supporting Noteholders.

For the duration of the RSA Support Period (subject to Section 10 hereof and the other terms and conditions of this Agreement), each Supporting Noteholder (solely on its own behalf and not on behalf of any other Supporting Noteholder) hereby agrees and covenants severally but not jointly:

a. when, and to the extent, solicited (and subject to the acknowledgements set forth in Section 30 hereof), after the Bankruptcy Court has entered the Disclosure Statement Order and following the commencement of the solicitation and its actual receipt of the Disclosure Statement and the Solicitation Procedures and Materials, to vote each of its Second Lien Note Claims and Subordinated Note Claims now or hereafter beneficially owned by it or for which it now or hereafter serves as the nominee, investment manager or advisor for beneficial holders, if applicable, and for which it has voting power, to (A) accept the Plan by delivering its duly executed and completed ballot accepting the Plan on a timely basis, and (B) not change or withdraw (or cause to be changed or withdrawn) such vote; *provided, however*, that such vote may, upon written notice to the Company and the other Parties, be revoked by any Supporting Noteholder (and, upon such revocation, deemed void *ab initio*) within a reasonable time period in accordance with applicable Bankruptcy Court orders and Bankruptcy Rules, following the termination of this Agreement in accordance with the terms hereof;

b. to the extent entitled to vote thereon, to timely vote or cause to be voted each of its Second Lien Note Claims, Subordinated Note Claims and other claims or equity interests, if any, against any Alternative Transaction or any plan of reorganization, other than the Plan;

c. to forbear from the exercise of any rights or remedies it may have under the Second Lien Notes or Subordinated Notes, in each case, with respect to any defaults or events of default which may arise under the Second Lien Notes or Subordinated Notes occurring at any time on or before the termination of this Agreement; *provided* that except as expressly provided in this Agreement, nothing herein is intended to, does or shall be deemed in any manner to waive, limit, impair, or restrict the ability of each of the Supporting Noteholders to preserve its rights, remedies and interests, including, but not limited to, its claims against or interests in any of the Debtors or any liens or security interests it may now or hereafter have or benefit from in any assets of the Company, in each case, so long as such actions are not inconsistent with such Supporting Noteholder's obligations hereunder; and

d. not to, directly or indirectly, (i) sell, assign, transfer, permit the participation in, or otherwise dispose of any ownership (including any beneficial ownership) in the Second Lien Note Claims or the Subordinated Note Claims, in whole or in part, or (ii) grant any proxies, deposit any of such Supporting Noteholder's interests in a Second Lien Note Claim or Subordinated Note

Claim, into a voting trust, or enter into a voting agreement with respect to any such claims, unless in compliance with the requirements of Section 14 of this Agreement;

provided, *however*, that nothing in this Section 4 shall require any Supporting Noteholder to incur any material expenses, liabilities or other obligations, or agree to any commitments, undertakings, concessions, indemnities or other arrangements that could result in material expenses, liabilities or other obligations to any Supporting Noteholder (except as expressly provided in the Backstop Agreement and the DIP Commitment).

Notwithstanding the foregoing, nothing in this Agreement shall limit any of the rights or remedies of the agent or the DIP Lenders under the DIP Credit Agreement or any of the DIP Orders.

5. Additional Affirmative Covenants of the Company.

For the duration of the RSA Support Period, the Company hereby covenants and agrees severally and jointly to do (and to cause each of its direct or indirect subsidiaries to do) each of the following:

a. to take any and all necessary and appropriate actions to consummate the Restructuring Transactions;

b. to commence the Chapter 11 Cases within one (1) calendar day of the RSA Effective Date and in any event on or before December 17, 2015 (the "Outside Petition Date", and the actual commencement date, the "Petition Date");

c. to (i) file the Plan, the Disclosure Statement, the RSA Agreement Motion, the Backstop Agreement Motion and (other than as provided in (ii)) the First Day Motions with the Bankruptcy Court on the Petition Date, and (ii) file the Disclosure Statement Motion and applications to employ Professionals with the Bankruptcy Court on or within one (1) calendar day after the First Day Hearing Date, and with respect to both (i) and (ii), exercise commercially reasonable efforts to obtain approval of each of the foregoing as soon as practicable, and in any event no later than the timelines contemplated by this Agreement, the Backstop Agreement and the DIP Commitment Letter, and obtain a waiver of Bankruptcy Rule 6004(h) and request that the Backstop Agreement Order, the RSA Agreement Order and the Disclosure Statement Order each be effective immediately upon its entry by the Bankruptcy Court, and that such orders shall not be subject to revision, modification or amendment by further order of the Bankruptcy Court;

d. to file the DIP Facility Motion with the Bankruptcy Court on the Petition Date and exercise commercially reasonable efforts to obtain interim and final DIP Orders (which DIP Orders shall be in form and substance satisfactory to the Requisite Supporting Noteholders) as soon as reasonably practicable, and in any event no later than the timelines contemplated by this Agreement and the DIP Commitment Letter;

e. to obtain entry of the Confirmation Order as soon as reasonably practicable, and exercise commercially reasonable efforts to cause the Confirmation Order to become effective and enforceable immediately upon its entry and to have the period in which an appeal thereof must be filed commence immediately upon its entry, and, in any event, satisfy all conditions to the effectiveness of the Plan and consummate the Plan as soon as reasonably practicable, in each case and in any event no later than the timelines contemplated by this Agreement, the Backstop Agreement and the DIP Commitment Letter;

f. to exercise commercially reasonable efforts to obtain any and all required regulatory and/or third-party approvals for the Restructuring Transactions, if any;

g. to provide draft copies of all First Day Motions the Company intends to file with the Bankruptcy Court to Stroock at least three (3) business days prior to the Petition Date, provide draft copies of all Definitive Documents and all other motions, applications or material pleadings the Company intends to file with the Bankruptcy Court to the respective legal and financial advisors for the Initial Supporting Noteholders, afford such legal and financial advisors to the Initial Supporting Noteholders a reasonable opportunity to comment and review same in advance of any filing or execution thereof, consider in good faith any comments received from the legal and financial advisors to the Initial Supporting Noteholders with respect to any such documents and, to the extent the Company disagrees with, or determines not to incorporate, any such comments, discuss the same with the respective legal and financial advisors to the Initial Supporting Noteholders, and exercise commercially reasonable efforts to seek Bankruptcy Court approval of each of the foregoing as soon as commercially practicable, and in any event no later than the timelines contemplated by this Agreement, the Backstop Agreement and the DIP Commitment Letter;

h. to provide to Stroock as soon as reasonably practicable, and in any event no later than five (5) business days before the commencement of the hearing to consider the Disclosure Statement Motion, a schedule of executory contracts and unexpired leases (if any) the Company intends to reject, which schedule shall be in form and substance satisfactory to the Initial Supporting Noteholders, and not file with the Bankruptcy Court any motion, plan or other document seeking to reject any such executory contract or unexpired lease without the consent of the Requisite Supporting Noteholders;

i. to continue to operate the Company's assets and businesses in the ordinary course of business, consistent with past practice, and confer with the Initial Supporting Noteholders and/or their respective professionals, as reasonably requested, to report on operational matters and the general status of ongoing operations;

j. to maintain their good standing under the laws of each state in which they are incorporated or organized and each state in which they own or operate any properties;

k. to provide to the Initial Supporting Noteholders (subject to the execution of appropriate confidentiality agreements) the financial reports and information required to be delivered to the DIP Agent or the DIP Lenders under the DIP Credit Agreement (including, without limitation, the reports and information required to be delivered under Section 5.1(a) of the DIP Credit Agreement);

l. to provide the Initial Supporting Noteholders (subject to the execution of confidentiality agreements) and/or their respective professionals, upon reasonable advance notice to the Company, with (A) reasonable access (without any material disruption to the conduct of the Company's business) during normal business hours to the Company's books, records and facilities, and (B) reasonable access to the management employees and advisors of the Company for the purposes of evaluating the Company's finances and operations and participating in the planning process with respect to the Restructuring and the operations of the Company following the RSA Effective Date;

m. to convene a conference call on the second and fourth Tuesday of each month with the Initial Supporting Noteholders (subject to the execution of confidentiality agreements) and/or their respective professionals to discuss the Company's business and financial condition, which conference calls will include the Company's management and financial and legal advisors; *provided*, *however*, to the extent any such call is missed or needs to be rescheduled, the Company shall have until the immediate Tuesday thereafter to convene the call;

n. to timely file with the Bankruptcy Court a formal written objection to any motion filed with the Bankruptcy Court by a third party seeking the entry of an order (A) directing the appointment of an examiner with expanded powers or a trustee, (B) converting any of the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code, (C) dismissing any of the Chapter 11 Cases, or (D) modifying or terminating the Company's exclusive right to file and/or solicit acceptances of a plan of reorganization;

o. in the event that the Company (including all subsidiaries and representatives) receives a term sheet or other written proposal or offer or comprehensive oral proposal (binding or nonbinding) with respect to any Alternative Transaction, to provide written notice thereof to the respective professionals of the Initial Supporting Noteholders within two (2) business days following receipt of such proposal or offer, provide a copy of such proposal or offer to such professionals within three (3) business days following the Company's receipt of such proposal or offer and provide such professionals with a copy of the Company's response to such proposal or offer when such response is delivered to the party submitting such proposal or offer;

p. to provide prompt written notice to the respective professionals of the Initial Supporting Noteholders of (A) any fact, event, occurrence or failure of any event to occur, which could reasonably be likely to cause (1) any representation or warranty of the Company contained in this Agreement or the Backstop

Agreement to be untrue or inaccurate in any material respect, (2) any covenant of any of the Company contained in this Agreement or the Backstop Agreement not to be satisfied in any material respect, or (3) any condition precedent contained in the Plan, the Plan Supplement, the Backstop Agreement, any other Definitive Documents or this Agreement not to occur or become impossible to satisfy, (B) receipt of any written notice from any third party alleging that the consent of such party is or may be required in connection with the transactions contemplated by the Restructuring, (C) receipt of any written notice from any governmental body in connection with this Agreement or the transactions contemplated by the Restructuring, (D) receipt of any written notice of any proceeding commenced, or, to the knowledge of the Company, threatened against the Company, relating to or involving or otherwise affecting in any material respect the transactions contemplated by the Restructuring, and (E) any failure of the Company to comply, in any material respect, with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder or under the Backstop Agreement;

q. to promptly notify the Supporting Noteholders or their respective professionals in writing of any fact, occurrence or event which would reasonably be anticipated to have a Material Adverse Effect;

r. (1) to pay, prior to the Petition Date, all Noteholder Fees and Expenses that accrued but remain unpaid as of immediately prior to the Petition Date, and (2) to pay, following commencement of the Chapter 11 Cases, regardless of whether the Restructuring is consummated, all Noteholder Fees and Expenses actually incurred prior to the termination of this Agreement;

s. in consideration for the Company's right to call the Backstop Commitments (as defined in the Backstop Agreement) of the Backstop Parties (as defined in the Backstop Agreement) to purchase the Unsubscribed Notes (as defined in the Backstop Agreement) in accordance with and subject to the terms of the Backstop Agreement, the Debtors shall issue to the Backstop Parties (or their designees) an additional amount of New First Lien Notes in an aggregate principal amount equal to $5 million, as described in and subject to the terms and conditions set forth in the Backstop Agreement and this Agreement; and

t. in consideration for the Debtors' right to require the DIP Lenders to surrender all claims for payment of the principal portion of the DIP Loan Claims (as defined in the Plan) in exchange for DIP Exchange Notes (as defined in the Plan) in accordance with and subject to the terms and conditions of the Plan, the Debtors shall issue to the DIP Lenders (or their designees) an additional amount of New First Lien Notes in an aggregate principal amount equal to $5.25 million, as described in and subject to the terms and conditions set forth in the Backstop Agreement and this Agreement.

6. Additional Negative Covenants of the Company.

For the duration of the RSA Support Period, the Company hereby covenants and agrees severally and jointly not to do or permit to occur (and shall not permit any of its direct or indirect subsidiaries to do or permit to occur) any of the following, except in any instance as may otherwise be approved in writing by the Requisite Supporting Noteholders in their sole discretion:

a. take any action inconsistent with, or omit to take any action contemplated or required by, this Agreement, the Backstop Agreement or the other Definitive Documents (as applicable);

b. take any steps or actions, or fail to take any steps or actions, the result of which would be reasonably likely to result in the inability to satisfy each of the conditions to closing or effectiveness under the DIP Commitment Letter, the Backstop Agreement, this Agreement, the Plan or any other Definitive Documents;

c. take any action or make any filing or commencing any action challenging the validity, enforceability, perfection, priority or amount of, or seeking avoidance of the liens securing the Second Lien Note Claims, or otherwise seek to restrict the rights of the holders of the Second Lien Notes; *provided, however*, that this shall not be admission or agreement by the Debtors that the liens securing the Second Lien Notes extend to the After-Acquired Leases;

d. issue, sell, pledge, dispose of or encumber any additional shares of, or any options, warrants, conversion privileges or rights of any kind to acquire any shares of, any of its equity interests, including, without limitation, capital stock or partnership interests (other than the Rights, as defined in the Plan);

e. amend or propose to amend its respective certificate or articles of incorporation, bylaws or comparable organizational documents;

f. split, combine or reclassify any outstanding shares of its capital stock or other equity interests, or declare, set aside or pay any dividend or other distribution payable in cash, stock, property or otherwise with respect to any of its equity interests;

g. redeem, purchase or acquire or offer to acquire any of its equity interests, including, without limitation, capital stock or partnership interests;

h. acquire or divest (by merger, exchange, consolidation, acquisition of stock or assets or otherwise) (A) any corporation, partnership, limited liability company, joint venture or other business organization or division, or (B) assets of the Company, other than in the ordinary course of business;

i. fail to comply with any aspect of Section 6.21 of the DIP Credit Agreement;

j. incur or suffer to exist any indebtedness, except indebtedness existing and outstanding immediately prior to the date hereof, trade payables and liabilities arising and incurred in the ordinary course of business, and indebtedness arising under the DIP Credit Agreement;

k. incur any liens or security interests, other than those existing immediately prior to the date hereof;

l. enter into any commitment or agreement with respect to debtor-in-possession financing, cash collateral and/or exit financing, except for the DIP Credit Agreement and the Definitive Documents;

m. enter into any executive employment agreements, collective bargaining agreements or benefit plans, or modify any existing employment agreements, collective bargaining agreements or benefit plans in any manner adverse to the Company;

n. hire any executive or employee whose total annual compensation is greater than $100,000 or increase the compensation for any executive or employee whose total annual compensation is, or as a result of such increase would be, greater than $100,000, other than in respect of annual compensation increases in an amount not greater than 4% for any individual executive or employee, in each case, in the ordinary course of business consistent with past practices;

o. allow or settle claims or any pending litigation for more than $100,000 per claim individually, or $200,000 in the aggregate; or

p. except as otherwise required hereunder or under the Plan, the DIP Credit Agreement or the Backstop Agreement, NGR Holdings shall not own any assets (other than equity interests of the subsidiaries of NGR Holdings on the date this Agreement was executed), incur any liabilities (other than its guarantee of the Senior Notes, as defined in the Plan), or conduct, transact or otherwise engage in, any business, operations or activities other than activities that are incidental (i) to its ownership of the equity interests of its subsidiaries, or (ii) to the maintenance of its legal existence.

7. Automatic Stay. The Company acknowledges and agrees and shall not dispute that after the commencement of the Chapter 11 Cases, the giving of notice of termination by any Party pursuant to this Agreement or the Backstop Agreement shall not be a violation of the automatic stay of section 362 of the Bankruptcy Code (and the Company hereby waives, to the greatest extent possible, the applicability of the automatic stay to the giving of such notice).

8. Pre-Filing Corporate Reorganization. Prior to the Petition Date, the Company will have effectuated a corporate reorganization, in form and substance satisfactory to the Company and the Requisite Supporting Noteholders, by which, among other things, NGR Holdings, an entity classified as an association taxable as a corporation for U.S. federal income tax purposes, will become the parent entity of New Gulf through a merger transaction and NGR Holdings guaranteed the Second Lien Notes (the "Pre-Filing Corporate Reorganization").

9. Fiduciary Duty Out. Notwithstanding anything to the contrary contained herein, (a) nothing herein requires the Company or its board of managers or officers to breach any fiduciary obligations they have under applicable law, and (b) to the extent that such fiduciary obligations, upon advice from external counsel, require the Company, its officers or its board of managers to terminate the Company's obligations under this Agreement and the Plan, the Company may do so, upon advice from external counsel, subject to the Company's compliance with Section 5(o) and Section 15(c)(i) hereof (including the requirement to provide the Initial Supporting Noteholders with at least three (3) business days' advance written notice of the board of managers' intention to so terminate this Agreement and to consider in good faith any proposals that may be made by the Initial Supporting Noteholders during such three (3) business day period relating to potential modifications to the Plan), in which case the Company shall provide written notice of such termination to the respective professionals to the Initial Supporting Noteholders (the "Fiduciary Duty Out"); *provided*, *however*, that if the Fiduciary Duty Out is exercised as a basis to breach the Company's obligations hereunder, or if a Triggering Event (as defined in the Backstop Agreement) occurs, then the Backstop Parties (as defined in the Backstop Agreement) shall receive the Liquidated Damages Payment (as defined in the Backstop Agreement) in accordance with the terms of the Backstop Agreement.

10. Preservation of Rights.

Notwithstanding anything contained herein to the contrary, nothing in this RSA shall (i) be deemed to detract from or interfere with any exercise by any of the Supporting Noteholders of their rights under the Backstop Agreement, the DIP Credit Agreement or the Plan or obligate the Supporting Noteholders to waive any right or condition under the Backstop Agreement, the DIP Credit Agreement or the Plan, (ii) limit the ability of any Supporting Noteholder to consult with the Company, to appear and be heard or to file objections concerning any matter arising in the Chapter 11 Cases, so long as such consultation, appearance or objection is not inconsistent with such Supporting Noteholder's obligations under this Agreement or the terms of the Plan and the other transactions contemplated by this Agreement, the Backstop Agreement and the Plan, (iii) limit the ability of any Supporting Noteholder to consult with other Supporting Noteholders, the Company or any Party, or to appear, object, support and participate as a party in interest concerning any matter arising under or related to the Chapter 11 Cases, so long as such consultation, appearance, objection, support or participation is not inconsistent with such Supporting Noteholder's obligations under this RSA, the terms of the Plan, and the Definitive Documents, (iv) limit the ability of a Supporting Noteholder to sell or enter into any transactions in connection with the Second Lien Notes or Subordinated Notes or any other claims against or interests in the Company, subject to the terms of Section 14 hereof, or (v) be deemed in any manner to waive, limit, impair, or restrict the ability of each of the Supporting Noteholders to preserve its rights, remedies and interests, including, but not limited to, its claims against or interests in any of the Debtors or any liens or security interests it may now or hereafter have or benefit from in any assets of the Company, in each case, so long as such actions are not inconsistent with such Supporting Noteholder's obligations hereunder.

This Agreement and the Plan are part of a proposed settlement of a dispute among the Parties. If the transactions contemplated herein are not consummated following the date of termination of this Agreement, nothing herein shall be construed as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective

rights. This Agreement and the negotiations thereof are subject to Federal Rule of Evidence 408 and related applicable rules of evidence.

11. Mutual Representations and Warranties of All Parties.

Each Party severally but not jointly represents and warrants to each of the other Parties that, as of the date hereof (or as of the date a Supporting Noteholder becomes a party hereto):

a. such Party is validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and it has all requisite power and authority to enter into this RSA, carry out the transactions contemplated hereby and perform its obligations under this RSA;

b. the execution and delivery of this RSA and the performance of its obligations hereunder (A) have been duly authorized by all necessary action on its part; (B) do not and will not (i) violate any provision of law, rule or regulation applicable to it or any of its subsidiaries or its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries, or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party;

c. this RSA constitutes the legally valid and binding obligation of such Party, enforceable against it in accordance with the terms hereof, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or a ruling of the Bankruptcy Court; and

d. Each Party has reviewed, or has had the opportunity to review, with the assistance of professional and legal advisors of its choosing, all information it deems necessary and appropriate for such party to evaluate the financial risks inherent in the Restructuring Transactions and accept the terms of the Plan.

12. Additional Representations and Warranties by the Supporting Noteholders.

The Supporting Noteholders severally but not jointly represent and warrant that, as of the date hereof:

a. Holdings by Supporting Noteholders. Each such Supporting Noteholder (A) either (i) is the sole beneficial owner of the principal amount of the Second Lien Note Claims and (if applicable) Subordinated Note Claims set forth on such Supporting Noteholders' signature page hereto, or (ii) has sole investment or voting discretion with respect to the principal amount of such Second Lien Note Claims and (if applicable) Subordinated Note Claims as set forth herein and has the power and authority to bind the beneficial owners of such claims to the terms of the RSA, and (B) has full power and authority to

act on behalf of, vote, and consent to matters concerning such Second Lien Note Claims and (if applicable) Subordinated Note Claims and to dispose of, exchange, assign, and transfer such claims, including the power and authority to execute and deliver the RSA and to perform its obligations thereunder.

b. No Prior Transfers. As of the date hereof, with respect to the Second Lien Note Claims and (if applicable) the Subordinated Note Claims held by each Supporting Noteholder member as set forth on such Noteholder's signature page hereto, such Supporting Noteholder has made no assignment, sale, participation, grant, conveyance or other transfer of, and has not entered into any other agreement to assign, sell, participate, grant,convey or otherwise transfer, in whole in or part, any portion of its right, title, or interests in any such claims that are subject to the RSA that conflict with the representations and warranties of such Supporting Noteholder therein or would render such Supporting Noteholder otherwise unable to comply with the RSA and perform its obligations thereunder.

13. Additional Representations and Warranties by the Company.

NGR Holdings (a) does not own, and since its formation has not owned, any assets (other than equity interests of the subsidiaries of NGR Holdings on the date this Agreement was executed), (b) does not have, and since its formation has not had or incurred, any liabilities (other than in respect of any Second Lien Notes that may be guaranteed by NGR Holding in furtherance of the Pre-Filing Reorganization and the Plan), and (c) does not conduct, transact or otherwise engage in, and since its formation has not conducted, transacted or engaged in, any business, operations or activities other than activities that are incidental (i) to its ownership of the equity interests of its subsidiaries, or (ii) to the maintenance of its legal existence.

14. Transfer Restrictions.

During the RSA Support Period, no Supporting Noteholder shall (i) sell, assign, transfer, permit the participation in, or otherwise dispose of any interest (including any beneficial ownership) in such Supporting Noteholder's Second Lien Note Claims or Subordinated Note Claims, in whole or in part, or (ii) grant any proxies, deposit any of such Supporting Noteholder's interests in a Second Lien Note Claim or Subordinated Note Claim, into a voting trust, or enter into a voting agreement with respect to any such claims (collectively, the actions described in clauses (i) and (ii), a "Transfer"), unless it satisfies the following requirements (a transferee that satisfies such requirements, a "Permitted Transferee," and such Transfer, a "Permitted Transfer"):

a. the transferee thereof either (A) is already a Supporting Noteholder (in which case, the acquiring Supporting Noteholder's obligations hereunder shall automatically extend to the additional Second Lien Notes or Subordinated Notes so acquired), or (B) prior to such Transfer, agrees in writing for the benefit of the Parties to become a Supporting Noteholder and to be bound by all of the provisions of this Agreement applicable to Supporting Noteholders (including

with respect to any and all Second Lien Notes or Subordinated Notes it may already hold) by executing a joinder to this Agreement in form and substance acceptable to the Company and the Requisite Supporting Noteholders (excluding, in determining the Requisite Supporting Noteholders for purposes of approving such joinder, any Second Lien Notes that are the subject of such Transfer) and delivering an executed copy thereof to the Company; and

b. the intended transferee executes and delivers to counsel to the Company and Stroock on the terms set forth below an executed form of the transfer agreement acceptable to the Requisite Supporting Noteholders and the Company (a "Transfer Agreement") before such Transfer is effective, it being understood that any Transfer shall not be effective until notification of such Transfer and a copy of the executed Transfer Agreement is received by counsel to the Company and Stroock, in each case, on the terms set forth herein.

Upon any such Permitted Transfer, (1) such Permitted Transferee shall be deemed to be a Supporting Noteholder with respect to such transferred Second Lien Notes and/or Subordinated Notes (and any and all Second Lien Notes and/or Subordinated Notes it already may hold prior to such Transfer), and (2) the transferor shall be deemed to relinquish its rights (and be released from its obligations) under this Agreement solely to the extent of such transferred Second Lien Notes and/or Subordinated Notes (without, however, affecting its obligations under the Backstop Agreement or the DIP Commitment).

Notwithstanding anything to the contrary herein, (i) the foregoing provisions shall not preclude any Supporting Noteholder from transferring Second Lien Note Claims and Subordinated Note Claims to any related funds, managed accounts, affiliates or any other entity that it controls, is controlled by or is under common control with such Supporting Noteholder (each, a "Noteholder Affiliate"), which Noteholder Affiliate shall be automatically bound by the RSA upon the transfer of such Second Lien Note Claims or Subordinated Note Claims, provided that such entity shall execute a joinder hereto and notice shall be provided to Stroock, and (ii) a Qualified Marketmaker[1] that acquires any of the Second Lien Notes, Subordinated Notes, or other claims against or interests in the Company with the purpose and intent of acting as a Qualified Marketmaker for such Second Lien Notes, Subordinated Notes, or other claims against or interests in the Company, shall not be required to execute and deliver to counsel a Transfer Agreement or otherwise agree to be bound by the terms and conditions set forth in this RSA if such Qualified Marketmaker transfers such claims or interests (by purchase, sale, assignment, participation, or otherwise) within five business days of its acquisition to a Supporting Noteholder or Permitted Transferee (including, for the avoidance of doubt, the requirement that such transferee execute a Transfer Agreement) and the transfer otherwise is a Permitted Transfer.

[1] As used herein, the term "Qualified Marketmaker" means an entity that (a) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers Claims of the Company (or enter with customers into long and short positions in Claims against the Company), in its capacity as a dealer or market maker in claims against the Company and (b) is, in fact, regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

This RSA shall in no way be construed to preclude a Supporting Noteholder or any of its Noteholder Affiliates from acquiring additional Second Lien Notes, Subordinated Notes or any other claim against or interests in the Company. To the extent any Supporting Noteholder (i) acquires additional Second Lien Note Claims or Subordinated Note Claims, (ii) holds or acquires any other claims against the Company entitled to vote on the Plan, or (iii) holds or acquires any equity interests in the Company entitled to vote on the Plan, then, in each case, each such Supporting Noteholder shall promptly notify Stroock of such holdings and/or acquisition (including the amount of same) and each such Supporting Noteholder agrees that such claims or equity interests shall automatically be deemed subject to this Agreement (regardless of when or whether notice of such holding and/or acquisition is given), and that, for the duration of the RSA Support Period, it shall vote (or cause to be voted) any such additional claims or equity interests entitled to vote on the Plan (in each case, to the extent still held by it or on its behalf at the time of such vote) in a manner consistent with this Section 14 and Section 4 hereof.

Any Transfer made by a Supporting Noteholder in violation of this provision shall be void *ab initio*, and the Company and the other Supporting Noteholders shall have the right to enforce the voiding of such Transfer. Any Supporting Noteholder that effectuates a Permitted Transfer to a Permitted Transferee shall have no liability under this RSA arising from or related to the failure of the Permitted Transferee to comply with the terms of this RSA; *provided, however*, that such Transfer shall not release any Supporting Noteholder who is also a Backstop Party or a DIP Lender from its obligations under such Backstop Party's Backstop Commitment or DIP Commitment (as applicable), it being understood that any Transfer of Backstop Commitments or DIP Commitments shall be governed by the Backstop Agreement and the DIP Commitment Letter or the DIP Credit Agreement (as applicable).

15. Termination of Obligations.

(a) **Mutual Termination:** This Agreement and the obligations of all Parties hereunder may be terminated by mutual agreement of the Company and the Requisite Supporting Noteholders, upon the receipt of written notice delivered to all the Parties in accordance with Section 25 hereof.

(b) **Automatic Termination:** This Agreement and the obligations of all Parties hereunder shall automatically terminate without any further action or notice of any party upon the occurrence of one of the following events:

(i) the Backstop Agreement shall not have been executed by the Company prior to the Petition Date;

(ii) the Backstop Agreement shall have been terminated in accordance with its terms;

(iii) the Bankruptcy Court enters an order converting the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code, appointing a trustee or custodian for the Company or dismissing the Chapter 11 Cases; or

(iv) immediately following the date and time of the occurrence of the Effective Date under the Plan and the completion and consummation of the Restructuring Transactions.

(c) **Company Termination:** The Company may terminate this Agreement, upon receipt of written notice delivered to all the Parties in accordance with Section 25 hereof, upon the occurrence of any of the following events:

(i) a determination by the board of managers of New Gulf to exercise the Fiduciary Duty Out; *provided, however*, the board of managers shall not be entitled to terminate this Agreement pursuant to exercise of the Fiduciary Duty Out unless (x) the Company has provided the Initial Supporting Noteholders with at least three (3) business days' advance written notice of the board of managers' intention to so terminate this Agreement, and (y) the board of managers considers in good faith any proposals that may be made by the Initial Supporting Noteholders during such three (3) business day period relating to potential modifications to the Plan;

(ii) a breach by one or more of the Supporting Noteholders of its/their obligations hereunder to the extent such breach would have a material adverse impact on the consummation of the Restructuring and the Restructuring Transactions, which breach is not cured within five (5) business days after the giving of written notice by the Company of such breach to such Supporting Noteholder(s); or

(iii) the Backstop Agreement shall not have been executed by the Initial Supporting Noteholders prior to the Petition Date.

(d) **Supporting Noteholder Termination:** This Agreement may be terminated by the Requisite Supporting Noteholders, effective upon receipt of written notice delivered to all the Parties in accordance with Section 25 hereof, upon the occurrence of any of the following events:

(i) the Company shall not have commenced the Chapter 11 Cases by the Outside Petition Date;

(ii) the Debtors shall not have complied with their obligations in Section 5(c) of this Agreement;

(iii) the Bankruptcy Court shall not have entered an interim DIP Order, in form and substance satisfactory to the Requisite Supporting Noteholders, approving the DIP Motion on an interim basis, within five (5) calendar days following the Petition Date;

(iv) the Bankruptcy Court shall not have entered, within thirty (30) calendar days following the Petition Date, each of the RSA Agreement Order and the Backstop Agreement Order;

(v) the Bankruptcy Court shall not have entered, within forty-five (45) calendar days following the Petition Date, (a) a final DIP Order, in form and substance

satisfactory to the Requisite Supporting Noteholders, approving the DIP Motion on a final basis, and (b) the Disclosure Statement Order;

(vi) the Bankruptcy Court shall not have entered the Confirmation Order within 130 calendar days following the Petition Date;

(vii) the satisfaction or waiver of all conditions to the effectiveness of the Plan shall not have occurred within 150 calendar days following the Petition Date;

(viii) the DIP Commitments shall have been terminated or the Termination Date (as defined in the DIP Credit Agreement) shall have occurred;

(ix) (A) an "Event of Default" (as defined in the applicable DIP Order or the DIP Credit Agreement) shall have occurred and be continuing and not waived under the DIP Credit Agreement after expiration of any applicable cure period provided therein, or (B) the termination or repayment of the DIP Facility, other than on the effective date of the Plan, shall have occurred;

(x) since the date hereof, there shall have occurred and be continuing any Material Adverse Effect;

(xi) a breach by any of the Supporting Managers of any of its obligations contained in this Agreement, to the extent such breach would reasonably be expected to have a material adverse impact on the Restructuring and the Restructuring Transactions, shall have occurred;

(xii) the breach by the Company of Section 3, Section 5 (other than Sections (g), (l), (m) and (n)) and Section 6 hereof;

(xiii) the breach by the Company of any other obligations of the Company set forth in this Agreement or the Backstop Agreement (other than those obligations described in clause (xiv) of this paragraph), without giving effect to any "materiality" qualifiers set forth therein, and such breach remains uncured for a period of seven (7) calendar days following the Company's receipt of notice from the Requisite Supporting Noteholders pursuant to Section 25 hereof;

(xiv) any representation or warranty in this Agreement made by the Company shall have been untrue in any material respect when made or shall have become untrue in any material respect, and such untrue representation or warranty remains uncured for a period of seven (7) calendar days following the Company's obtaining Knowledge (as defined in the Backstop Agreement) of such occurrence;

(xv) the RSA Agreement Order, the Backstop Agreement Order, either of the DIP Orders, the Disclosure Statement Order, the Plan or the Confirmation Order, shall have been reversed, stayed, dismissed, vacated or reconsidered or modified or amended without the consent of the Requisite Supporting Noteholders;

(xvi) any material term or condition of any of the Definitive Documents whether or not filed with the Bankruptcy Court shall be (whether due to an order of the Bankruptcy Court or otherwise) materially different or adverse to the Supporting Noteholders than as contemplated by the Plan, and such event remains unremedied for a period of five (5) business days following the Company's receipt of notice pursuant to Section 25 hereof;

(xvii) the waiver, amendment or modification of any of the Definitive Documents, or the filing by the Company of a pleading seeking to waive, amend or modify any term or condition of any of the Definitive Documents, which waiver, amendment, modification or filing is materially inconsistent with this Agreement or the Plan;

(xviii) the Company (including its officers, managers, employees, agents or other representatives) (A) withdraws the Plan or publicly announces its intention to withdraw the Plan or to enter into, an agreement (including, without limitation, any agreement in principle, letter of intent, memorandum of understanding or definitive agreement), whether binding or non-binding, or whether subject to terms and conditions, with respect to any Alternative Transaction, (B) files any pleading or document with the Bankruptcy Court agreeing to, evidencing its intention to support, or otherwise supports, any Alternative Transaction, (C) consummates any Alternative Transaction, or (D) takes any action that is materially inconsistent with or is intended or that could reasonably be expected to prevent, interfere with, delay or impede the solicitation of votes on the Plan, approval of the Disclosure Statement Motion, the Solicitation Procedures and Materials, and the confirmation of the Plan and consummation of the Restructuring Transactions;

(xix) the Bankruptcy Court enters a judgment or order approving, in whole or in part, any motion, application or adversary proceeding challenging the validity, enforceability, perfection, priority or amount of, or seeking avoidance of the Second Lien Note Claims or the liens securing the Second Lien Note Claims or, other than as expressly contemplated by this Agreement, asserting any other cause of action against and/or seeking to restrict the rights of holders of Second Lien Notes in their capacity as such (or the Company supports any such motion, application or adversary proceeding commenced by any third party or consents to the standing of such party); *provided*, *however*, that nothing in this subsection applies with respect to the After-Acquired Leases;

(xx) the Company shall have failed to issue a press release or similar public release announcing this Agreement and directing attention to a website from which this Agreement (including all exhibits) (with such redactions as may be reasonably requested by counsel to the Initial Supporting Noteholders to the extent permitted by law) may be downloaded or otherwise accessed by the general public; *provided*, *however*, that the principal amount of Second Lien Notes and Subordinated Notes listed on each Supporting Noteholder's signature page shall be redacted and shall not be filed publicly, except as required by law;

(xxi) the Bankruptcy Court enters an order authorizing or directing the assumption, assumption and assignment, or rejection of an executory contract (including any employment agreement, severance agreement or other employee benefit plan) or unexpired lease (or the Company files, supports or consents to a motion, application or adversary proceeding

seeking such relief), in each case, without the consent of the Requisite Supporting Noteholders (which consent shall not be unreasonably withheld);

(xxii) the Bankruptcy Court grants relief that (A) is inconsistent with this Agreement in any material respect or (B) would, or would reasonably be expected to, frustrate the purposes of this Agreement, including by preventing the consummation of one or more of the Restructuring Transactions (or the Company files, supports or consents to a motion, application or adversary proceeding seeking such relief);

(xxiii) the Bankruptcy Court enters an order, modifying or terminating the Company's exclusive right to file and/or solicit acceptances of a plan of reorganization (or the Company files, supports or consents to a motion, application or adversary proceeding seeking such relief); or

(xxiv) the Bankruptcy Court grants relief terminating, annulling or modifying the automatic stay (as set forth in section 362 of the Bankruptcy Code) with regard to any assets of the Company having an aggregate fair market value in excess of $250,000 in the aggregate; *provided*, *however*, that any modification of the automatic stay expressly provided for by a DIP Order shall not permit the Requisite Supporting Noteholders to terminate this Agreement pursuant to this Section 15(d)(xxiv).

(e) **Company or Noteholder Termination:** The Company or the Requisite Supporting Noteholders may terminate this Agreement, upon receipt of written notice delivered to all the Parties in accordance with Section 25 hereof, in the event that any governmental authority, including any regulatory authority or court of competent jurisdiction, shall have issued any ruling, judgment, order, injunction or other decree which restrains, enjoins or otherwise prohibits or renders illegal the implementation of the Restructuring Transactions and/or the Plan.

(f) **Effect of Termination:** If this Agreement is terminated pursuant to this Section 15, upon such termination (and except as provided in Section 18 hereof as to those provisions that survive termination), this Agreement shall forthwith become void and of no further force or effect, and all further liabilities, obligations, commitments or agreements of each of the Parties hereunder shall be immediately and automatically terminated; *provided* that each Party shall have all rights and remedies that it would have had and shall be entitled to take all actions, whether with respect to the Restructuring or otherwise, that it would have been entitled to take had it not entered into this Agreement, including all rights and remedies available to it under applicable law. Upon a termination of this Agreement in accordance with this Section 15, no Party hereto shall have any continuing liability or obligation to any other Party hereto and the provisions of this Agreement shall have no further force or effect; *provided* that no such termination shall relieve any party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination. Upon any such termination of this Agreement, each Supporting Noteholder may, upon written notice to the Company and the other Parties, revoke its vote or any consents given by such Supporting Noteholder prior to such termination, whereupon any such vote or consent shall be deemed, for all purposes, to be null and void *ab initio* and shall not be considered or otherwise used in any manner by the Parties in connection with the Restructuring and this Agreement. If this Agreement has been terminated in accordance with this Section 15 at a time when permission of the Bankruptcy Court shall be

required for a Supporting Noteholder to change or withdraw (or cause to change or withdraw) its vote to accept the Plan, the Company shall support and not oppose any attempt by such Supporting Noteholder to change or withdraw (or cause to change or withdraw) such vote at such time, subject to all remedies available to the Company at law, equity, or otherwise, including those remedies set forth in Section 16 hereof. The Supporting Noteholders shall have no liability to the Company or to each other in respect of any termination of this Agreement in accordance with the terms hereof.

16. Specific Performance.

It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this RSA by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief (without securing or posing of a bond or the necessity of proof of actual damages) as a remedy of any such breach, including an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

17. Counterparts.

This RSA and any amendments, waivers, consents, or supplements hereto or in connection herewith may be executed in multiple counterparts (including by means of telecopied or electronically transmitted signature pages), all of which taken together shall constitute one and the same RSA. Execution copies of this Agreement may be delivered by facsimile or otherwise, which shall be deemed to be an original for the purposes of this paragraph.

18. Survival.

Notwithstanding the termination of this Agreement pursuant to Section 15 hereof, the agreements and obligations of the Parties in this Section 18 and Sections 3(h), 5(r), 7, 10, 15(f), 19, 20, 22, 26, 30 and 31 hereof (and any defined terms used in any such Sections) shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof; *provided*, *however*, that any liability of a Party for failure to comply with the terms of this Agreement shall survive such termination.

19. Disclosure / Publicity.

On or before the commencement of the Chapter 11 Cases, subject to the provisions set forth in Section 20 hereof, the Company shall disseminate a press release disclosing the existence of this Agreement and the terms hereof and of the Plan (including any schedules and exhibits thereto that are filed with the Bankruptcy Court) with such redactions as may be reasonably requested by the Initial Supporting Noteholders to maintain the confidentiality of the items identified in Section 20 hereof, except as otherwise required by law. In the event that the Company fails to make the foregoing disclosures in compliance with the terms specified herein, any such Initial Supporting Noteholder may publicly disclose the foregoing, including, without limitation, this Agreement and all of its exhibits and schedules (subject to the redactions contemplated by Section 15 hereof), and the Company hereby waives any claims or causes of action against the Initial Supporting Noteholders arising as a result of such disclosure by an Initial Supporting Noteholder in compliance with this Agreement.

The Company shall submit drafts to Stroock of any press releases, public documents that constitute disclosure of the existence or terms of this Agreement or any amendment to the terms of this Agreement at least one (1) business day prior to making any such disclosure, and shall afford Stroock a reasonable opportunity under the circumstances to comment on such documents and disclosures and shall consider any such comments in good faith. Except as required by law or otherwise permitted under the terms of any other agreement between the Company and any Initial Supporting Noteholder, no Party or its advisors shall disclose to any person (including, for the avoidance of doubt, any other Initial Supporting Noteholder), other than advisors to the Company, the principal amount or percentage of any Second Lien Notes, Subordinated Notes, or any other securities of the Company held by any Initial Supporting Noteholder, in each case, without such Initial Supporting Noteholders' prior written consent; *provided, however*, that (i) if such disclosure is required by law, subpoena, or other legal process or regulation, the disclosing Party shall afford the relevant Initial Supporting Noteholder a reasonable opportunity to review and comment in advance of such disclosure and shall take all reasonable measures to limit such disclosure (the expense of which, if any, shall be borne by the relevant Initial Supporting Noteholder), and (ii) the foregoing shall not prohibit the disclosure of the aggregate percentage or aggregate principal amount of Second Lien Notes and Subordinated Notes held by all the Initial Supporting Noteholders collectively. Notwithstanding the provisions in this Section 19, any Party may disclose, to the extent consented to in writing by an Initial Supporting Noteholder, such Initial Supporting Noteholder's individual holdings.

20. Confidentiality.

Other than as may be required by applicable law and regulation or by any governmental or regulatory authority or as may be required to comply with the terms of the RSA, no Party shall make any public announcement regarding this RSA without the consent of the other Parties, and each Party shall coordinate with the other Parties regarding communications with the press with respect to this RSA; for the avoidance of doubt, each Party shall have the right, without any obligation to any other Party, to decline to comment to the press with respect to this RSA.

Notwithstanding anything in this Agreement to the contrary, if the Company determines that any information (whether written or oral) required to be delivered under this Agreement is material non-public information within the meaning of Regulation FD of the Securities Exchange Act of 1934 ("MNPI"), the Company shall not be obligated to deliver any such MNPI to any Party (but instead shall deliver such information to such Party's professionals that have executed confidentiality agreements with the Company) unless and until, such Party has executed a confidentiality agreement, in a form reasonably satisfactory to the Company (which confidentiality agreement shall contain confidentiality arrangements substantially similar to the arrangements set forth in those certain confidentiality agreements previously entered into between the Company and the Initial Supporting Noteholders, other than with respect to the "Termination Date", as defined therein).

21. Time is of the Essence. The Parties acknowledge and agree that time is of the essence, and that they must each use best efforts to effectuate and consummate the Restructuring as soon as reasonably practicable.

22. Governing Law; Consent to Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICTS OF LAW PROVISION WHICH WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

By its execution and delivery of this Agreement, each of the Parties hereto irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit, or proceeding, shall be brought, if prior to the commencement of the Chapter 11 Cases, in any federal or state court in the Borough of Manhattan, the City of New York, or, following the Petition Date, the Bankruptcy Court (the "Chosen Courts"). By execution and delivery of this Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of the Chosen Courts, generally and unconditionally, with respect to any such action, suit, or proceeding, and waives any objection it may have to venue or the convenience of the forum. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any proceeding arising out of or relating to this Agreement or the Restructuring Transactions, (i) any claim that it is not personally subject to the jurisdiction of the Chosen Courts for any reason, (ii) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (iii) that (A) the proceeding in any such court is brought in an inconvenient forum, (B) the venue of such proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. Notwithstanding the foregoing, during the pendency of the Chapter 11 Cases, all proceedings contemplated by this Section 22 shall be brought in the Bankruptcy Court.

EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

23. Independent Analysis. Each Party hereby confirms that it has made its own decision to execute this RSA based upon its own independent assessment of documents and information available to it, as it has deemed appropriate.

24. Third-Party Beneficiaries. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties hereto and no other person or entity shall be a third party beneficiary hereof.

25. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be deemed given if in writing and delivered, if contemporaneously sent by electronic mail, registered or certified mail (return receipt requested), as follows:

(a) If to one or more Supporting Noteholders, to the address set forth in such Supporting Noteholders' signature page hereto, with a copy to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
Attention: Kristopher M. Hansen
Erez Gilad, Esq.
Email: khansen@stroock.com
egilad@stroock.com

(b) If to the Company, to:

NGR Holding Company LLC
10441 S. Regal Boulevard, Suite 210
Tulsa, Oklahoma 74133
Attention: Madeline J. Taylor
Erik Feighner
Email: mtaylor@newgulfresources.com
efeighner@newgulfresources.com

With a copy to:

Baker Botts L.L.P.
2001 Ross Avenue
Suite 600
Dallas, Texas 75201
Attention: Luckey McDowell
Email: luckey.mcdowell@bakerbotts.com

(c) If to one or more Supporting Managers, to the address set forth in such Party's signature page hereto.

26. Successors and Assigns; Severability. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, permitted assigns, heirs, executors, administrators and representatives; *provided, however*, that nothing contained in this Section 26 shall be deemed to permit Transfers of the Second Lien Notes or Subordinated Notes other than in accordance with the express terms of this Agreement. If any provision of this Agreement, or the application of any such provision to any person or entity or circumstance, shall be held invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision hereof and this Agreement shall continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon any such determination of invalidity, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a reasonably acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

27. Mutual Drafting. This RSA is the result of the Parties' joint efforts, and each of them and their respective counsel have reviewed this RSA and each provision hereof has been subject to the mutual consultation, negotiation, and agreement of the Parties, and the language used in this RSA shall be deemed to be the language chosen by the Parties to express their mutual intent, and therefore there shall be no construction against either Party based on any presumption of that Party's involvement in the drafting thereof.

28. Amendments. Except as otherwise expressly set forth herein, this RSA, the Plan, any exhibits or schedules hereto or thereto, and the Definitive Documents may not be waived, modified, amended, or supplemented without the written consent of (i) the Company and (ii) the Requisite Supporting Noteholders; *provided, however*, that (a) any increase or decrease in the DIP Commitment (as defined in the DIP Commitment Letter) or the Backstop Commitment (as defined in the Backstop Agreement) of any Supporting Noteholder, (b) any increase or decrease in the allocation of all or a portion of the DIP Payment (as defined in the DIP Commitment Letter) or the Put Option Notes (as defined in the Backstop Agreement) to any Supporting Noteholder, (c) any increase or decrease in the interest rate under the DIP Credit Agreement, or (d) any increase or decrease in the interest rate, conversion rate or premium amount due under the New First Lien Notes, shall, in each case, require the written consent of each affected Initial Supporting Noteholder; *provided further, however*, that any amendment, modification or waiver to the Plan or the Plan Supplement that would materially adversely affect the rights or increase the obligations of any Initial Supporting Noteholder thereunder in a manner that is disproportionate to the comparable rights and obligations of the other Initial Supporting Noteholders thereunder shall require the written consent of such Initial Supporting Noteholder; *provided further, however*, that (1) any waiver, modification, amendment or supplement to this Section 28 shall require the written consent of the Company and each of the Initial Supporting Noteholders, and (2) other than as expressly provided in this Section 28, neither the Backstop Agreement nor the DIP Credit Agreement shall be waived, amended, modified or supplemented in any way except in accordance with its respective terms.

No delay on the part of any Party in exercising any right, power or privilege pursuant to this Agreement will operate as a waiver thereof, nor will any waiver on the part of any Party of any right, power or privilege pursuant to this Agreement, or any single or partial

exercise of any right, power or privilege pursuant to this Agreement, preclude any other or further exercise thereof or the exercise of any other right, power or privilege pursuant to this Agreement. The rights and remedies provided pursuant to this Agreement are cumulative and are not exclusive of any rights or remedies which any Party otherwise may have at law or in equity.

29. Several, Not Joint. The agreements, representations, warranties, and obligations of the Parties (other than the Company) under this RSA are, in all respects, several and neither joint nor joint and several.

30. No Solicitation; Representation by Counsel; Adequate Information.

This Agreement is not and shall not be deemed to be a solicitation for votes in favor of the Plan in the Chapter 11 Cases or a solicitation to tender or exchange any of the Second Lien Notes or Subordinated Notes. The acceptances of the Supporting Noteholders with respect to the Plan will not be solicited until each Supporting Noteholder has received the Disclosure Statement and related ballots and solicitation materials, each as approved by the Bankruptcy Court.

Each Party acknowledges that it has had an opportunity to receive information from the Company and that it has been represented by counsel in connection with this Agreement and the transactions contemplated hereby. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement of the terms of this Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived.

Although none of the Parties intends that this Agreement should constitute, and they each believe it does not constitute, a solicitation or acceptance of a chapter 11 plan of reorganization or an offering of securities, each Supporting Noteholder acknowledges, agrees and represents to the other Parties that it (i) is an "accredited investor" as such term is defined in Rule 501(a) of the Securities Act of 1933, (ii) understands that the securities to be acquired by it pursuant to the Restructuring Transactions have not been registered under the Securities Act and that such securities are, to the extent not acquired pursuant to section 1145 of the Bankruptcy Code, being offered and sold pursuant to an exemption from registration contained in the Securities Act, based in part upon such Supporting Noteholders' representations contained in this Agreement and cannot be sold unless subsequently registered under the Securities Act or an exemption from registration is available, and (iii) has such knowledge and experience in financial and business matters that such Supporting Noteholder is capable of evaluating the merits and risks of the securities to be acquired by it pursuant to the Restructuring Transactions and understands and is able to bear any economic risks with such investment.

31. Relationship Among Parties.

It is understood and agreed that no Supporting Noteholder (or any of its professionals) has any duty of trust or confidence in any kind or form with any other Supporting Noteholder and, except as expressly provided in this Agreement, there are no commitments among or between them. It is understood and agreed that any Supporting Noteholder may trade

in the claims or other debt or equity securities of the Company without the consent of the Company or any other Supporting Noteholder, subject to applicable securities laws and the terms of this Agreement *provided, however,* that no Supporting Noteholder shall have any responsibility for any such trading to any other entity by virtue of this Agreement. No prior history, pattern or practice of sharing confidences among or between the Supporting Noteholders or the Company shall in any way affect or negate this understanding and agreement.

Notwithstanding anything to the contrary herein, nothing in this Agreement shall require any Supporting Noteholder or representative of a Supporting Noteholder that becomes a member of a statutory committee that may be established in the Chapter 11 Cases to take any action, or to refrain from taking any action, in such person's capacity as a statutory committee member; *provided, however,* that nothing in this Agreement shall be construed as requiring any Supporting Noteholder to serve on any statutory committee in the Chapter 11 Cases.

[*Signature Pages Follow*]