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ATTORNEYS FOR THE DEBTORS

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: § Chapter 11
ERG Intermediate Holdings, LLC, *et al.*,¹ § Jointly Administered
Debtors. § Case No.: 15-31858-hdh-11

**NOTICE OF FILING OF
(A) PLAN SUPPLEMENT DOCUMENTS
RELATING TO FIRST AMENDED JOINT CHAPTER 11
PLAN OF REORGANIZATION DATED SEPTEMBER 18, 2015
IN RESPECT OF ERG INTERMEDIATE HOLDINGS, LLC AND
ITS AFFILIATED DEBTORS AND (B) EXHIBITS TO DISCLOSURE STATEMENT**

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are ERG Intermediate Holdings, LLC (2521); ERG Resources, L.L.C. (0408); West Cat Canyon, L.L.C. (7377); ERG Interests, LLC (2081); and ERG Operating Company, LLC (8385). ERG Intermediate Holdings, LLC is the direct or indirect parent of each of its affiliated Debtors. The mailing address for each of the Debtors, with the exception of ERG Operating Company, LLC, is 333 Clay Street Suite 4400, Houston, TX 77002. The mailing address for ERG Operating Company, LLC is 4900 California Avenue Suite 300B, Bakersfield, CA 93309. The above addresses are listed solely for the purposes of notices and communications.

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On September 18, 2015, the above-captioned debtors (collectively, the "Debtors") and the Debtors' prepetition lenders (the "Prepetition Lenders" and, together with the Debtors, the "Plan Proponents") filed the First Amended Joint Chapter 11 Plan of Reorganization Dated September 18, 2015 in Respect of ERG Intermediate Holdings, LLC and Its Affiliated Debtors [Docket No. 518] (as amended or modified from time to time, the "Plan") and the Disclosure Statement relating to the Plan [Docket No. 519] (the "Disclosure Statement").²

2. On September 18, 2015, the Plan Proponents also filed proposed drafts of certain documents relating to the Plan and/or to be executed, delivered, assumed and/or performed in connection with the consummation of the Plan on the Effective Date, which comprise part of the Plan Supplement [Docket No. 520] (the "First Plan Supplement Filing").

3. The Plan Proponents hereby file further proposed drafts of certain documents relating to the Plan and/or to be executed, delivered, assumed and/or performed in connection with the consummation of the Plan on the Effective Date, which comprise part of the Plan Supplement (collectively, the "Second Plan Supplement Filing").

4. The applicable documents filed in this Second Plan Supplement Filing are as follows:

- Exhibit C Exempt Assets Trust Declaration;
- Exhibit H Restructuring Support Agreement; and
- Exhibit I List and Compensation of Management of Reorganized Debtors.

² Capitalized terms used but not otherwise defined herein have the meanings given to them in the Plan.

PLEASE TAKE FURTHER NOTICE OF THE FOLLOWING:

5. As an additional part of the Second Plan Supplement Filing, the Plan Proponents hereby file "redline" versions of the following Plan schedules showing changes to the treatment of certain Executory Contracts and Unexpired Leases pursuant to the Plan:

- Schedule 1 Schedule of Assumed Executory Contracts and Unexpired Leases;
- Schedule 2 Schedule of Rejected Executory Contracts and Unexpired Leases; and
- Schedule 3 Schedule of Oil & Gas Leases Related to the California Assets.

6. The documents contained in the Plan Supplement are integral to, part of, and incorporated by reference into the Plan. However, **these documents have not yet been approved by the Bankruptcy Court**. If the Plan is approved, the documents contained in the Plan Supplement will be approved by the Bankruptcy Court pursuant to the order confirming the Plan.

7. The Plan Proponents reserve all rights to amend or modify the Plan Supplement, and any of the documents contained therein, in accordance with the terms of the Plan. To the extent material amendments or modifications are made to any of these documents, the Plan Proponents will file a redline of such document with the Bankruptcy Court.

PLEASE TAKE FURTHER NOTICE OF THE FOLLOWING:

8. The Plan Proponents hereby also file the following exhibits to the Disclosure Statement (collectively, the "Disclosure Statement Exhibits"):

- Exhibit III Projections; and
- Exhibit IV Chapter 7 Liquidation Analysis.

9. The Plan Proponents expressly incorporate the Disclosure Statement Exhibits by reference into the Disclosure Statement for the purposes of (a) the solicitation of

stakeholder votes regarding the Plan, (b) final approval of the Disclosure Statement as containing adequate information within the meaning of 11 U.S.C. § 1125 and (c) confirmation of the Plan.

10. Copies of the Plan, the Plan Supplement, the Disclosure Statement Exhibits and all other pleadings filed in these cases may be obtained free of charge at <http://dm.epiq11.com/ERG>.

Dated: October 2, 2015
Dallas, Texas

Respectfully submitted,

/s/ Tom A. Howley

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ATTORNEYS FOR THE DEBTORS

EXHIBIT C

Exempt Assets Trust Declaration

EXEMPT ASSETS TRUST DECLARATION

THIS EXEMPT ASSETS TRUST DECLARATION (the “Exempt Assets Trust Declaration”), dated as of this ___ day of October 2015, is made by and among the bankruptcy estates of ERG Intermediate Holdings, LLC, *et al.* (collectively, the “Debtors”) and Jason R. Searcy (the “Exempt Assets Trustee”), on the other hand. This Declaration is executed in connection with the *First Amended Joint Chapter 11 Plan of Reorganization Dated September 18, 2015 in Respect of ERG Intermediate Holdings, LLC and Its Affiliated Debtors* (as may be amended, modified or supplemented from time to time, the “Plan”) in the United States Bankruptcy Court for the Northern District of Texas (the “Bankruptcy Court”), which provides for the establishment of a liquidating trust (as defined in the Plan, the “Exempt Assets Trust”) to resolve, liquidate and realize upon certain of the Debtors’ assets, rights, claims, and causes of action, as successor to and representative of the bankruptcy estates of the Debtors. Except as otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan.

WITNESSETH

WHEREAS, on April 30, 2015, the Debtors commenced these cases by filing voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the Bankruptcy Court;

WHEREAS, on _____, 2015, the Bankruptcy Court entered an order confirming the Plan;

WHEREAS, the Plan’s Effective Date occurred or will occur on or about _____, 2015;

WHEREAS, under the terms of the Plan, the Exempt Assets Trust shall be established pursuant to this Declaration for the purposes of (a) administering and monetizing the Exempt Assets Trust Property, (b) resolving all Convenience Claims and Unsecured Claims, and (c) making all Plan Distributions to holders of Allowed Convenience Claims and Allowed Unsecured Claims provided for under the Plan;

WHEREAS, Jason R. Searcy has agreed to serve as the Exempt Assets Trustee;

WHEREAS, the Exempt Assets Trust is created for the purpose of liquidating the Exempt Assets Trust Property for the benefit of the holders of Allowed Class 4 Convenience Claims and Allowed Class 5 Unsecured Claims, whether such Claims are Allowed prior to, on or after the Effective Date of the Plan (collectively, the “Beneficiaries”);

WHEREAS, the Exempt Assets Trustee has agreed to act as the Exempt Assets Trustee under this Declaration and the Plan for the purposes herein provided;

WHEREAS, under the terms of the Plan, the Exempt Assets Trust Property is to be conveyed to the Exempt Assets Trust on the Effective Date, evidenced hereby, for the purpose of liquidating and distributing such property to the Beneficiaries and completing the resolution of disputed Convenience Claims and Unsecured Claims in accordance with the Plan;

WHEREAS, the Exempt Assets Trust is intended to be treated as a liquidating trust pursuant to Treasury Regulation § 301.7701-4(d), and as a grantor trust subject to the provisions of Subchapter J, Subpart E of the Tax Code, owned by the Beneficiaries as grantors;

WHEREAS, the Exempt Assets Trust is intended to qualify as a “grantor trust” for U.S. federal income tax purposes, pursuant to Sections 671-677 of the Internal Revenue Code of 1986, as amended (the “IRC”), with the Beneficiaries to be treated as grantors of the Exempt Assets Trust and deemed to be owners of the Exempt Assets Trust Property (subject to the rights of creditors of the Exempt Assets Trust), and, consequently, the transfer of the Exempt Assets Trust Property to the Exempt Assets Trust shall be treated as a deemed transfer of such property from the Debtors and the Estates to the Beneficiaries followed by a deemed transfer by such Beneficiaries to the Exempt Assets Trust for federal income tax purposes.

NOW, THEREFOR, pursuant to the Plan and the Confirmation Order, in consideration of the promises and the mutual covenants and agreements contained herein and in the Plan, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and affirmed, the parties hereby agree as follows:

ARTICLE I.
PURPOSE OF THE TRUST

1.1 Purpose of the Exempt Assets Trust.

The Exempt Assets Trust shall be established for the sole purpose of liquidating its Exempt Assets Trust Property, in accordance with Treasury Regulation Section 301.7701-4(d), with no objective to continue or engage in the conduct of any trade or business, other than as necessary to liquidate its Exempt Assets Trust Property. The Exempt Assets Trust is hereby established for the purpose of (a) administering and monetizing the Exempt Assets Trust Property, including by the pursuit of the Transferred Causes of Action, (b) except as set forth in the Plan, resolving all Convenience Claims and Unsecured Claims, (c) making all Plan Distributions to holders of Allowed Convenience Claims and Allowed Unsecured Claims provided for under the Plan, and (d) taking such other actions as are reasonably necessary to accomplish these purposes. Accordingly, the Exempt Assets Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the non-Cash Exempt Assets Trust Property, make timely Plan Distributions as provided for herein and in the Plan and not unduly prolong the duration of the Exempt Assets Trust. The liquidation of the Exempt Assets Trust Property may be accomplished, as more specifically provided for herein and in the Plan, (a) through the sale of the Exempt Assets Trust Property (in whole or in combination), including the sale of any claims, rights or Transferred Causes of Action, (b) through the prosecution or settlement of any claims, rights or Transferred Causes of Action, or (c) through abandonment of any Exempt Assets Trust Property that is burdensome to the Exempt Assets Trust or of inconsequential value or benefit to the Exempt Assets Trust; provided that no Exempt Assets Trust Property may be abandoned to the Reorganized Debtors.

ARTICLE II.
ESTABLISHMENT OF THE TRUST

2.1 Transfer of Estate Assets to the Exempt Assets Trust.

Pursuant to the Plan, all of the Debtors' right, title and interest in and to the Exempt Assets Trust Property shall be, and hereby are, automatically vested in the Exempt Assets Trust on the Effective Date, free and clear of all liens, claims, encumbrances and other interests and such transfer is on behalf of the Beneficiaries (whether such Beneficiaries' Claims are Allowed Claims on or after the Effective Date of the Plan), to establish the Exempt Assets Trust. To the extent any law or regulation prohibits the transfer of ownership of any of the Estates' Assets from the Debtors to the Exempt Assets Trustee and such law is not superseded by the Bankruptcy Code, the Exempt Assets Trustee's interest shall be a lien upon and security interest in such non-transferable Exempt Assets Trust Property, in trust, nevertheless, for the sole use and purposes set forth in Section 1.1, and this Declaration shall be deemed a security agreement granting such interest thereon without need to file financing statements or mortgages. All of the Debtors' rights, title and interest in any attorney-client privilege and work-product privilege or doctrine that attaches to communications or work-product that are relevant to any Transferred Causes of Action, including but not limited to the Nabors Lawsuit, prosecuted by the Exempt Assets Trust are hereby vested and preserved in the Exempt Assets Trust. All of the Debtors' rights, title and interest in any attorney-client privilege and work-product privilege or doctrine that attaches to other conduct are hereby vested and preserved in the applicable Reorganized Debtors. By executing this Declaration, the Exempt Assets Trustee hereby accepts all of such property as the Exempt Assets Trust Property, to be held in trust for the Beneficiaries, subject to the terms of this Declaration and the Plan.

2.2 Title to the Exempt Assets Trust Property.

2.2.1 The transfer of the Exempt Assets Trust Property to the Exempt Assets Trust shall be made by the Debtors for the benefit and on behalf of the Beneficiaries, whether their Claims are allowed prior to, on or after the Effective Date. In this regard, the Exempt Assets Trust Property will be treated for tax purposes as being transferred (subject to the liabilities indicated herein, whether such Claims are Allowed Claims on or after the Effective Date of the Plan) by the Debtors to the Beneficiaries in exchange for and satisfaction of such Beneficiaries' Claims, and then by such Beneficiaries to the Exempt Assets Trust in exchange for interests (the "Exempt Assets Trust Beneficial Interests") in the Exempt Assets Trust in accordance with the Plan. Upon the transfer of the Exempt Assets Trust Property, the Exempt Assets Trustee shall succeed to all of the Debtors' rights, title and interest in the Exempt Assets Trust Property free and clear of all liens, claims, encumbrances and other interests but subject to the terms of the Plan, and the Debtors will have no further interest in or with respect to the Exempt Assets Trust Property or this Exempt Assets Trust.

2.2.2 For all federal income tax purposes, all parties, including, without limitation, the Debtors, the Exempt Assets Trustee, the Beneficiaries and the Oversight Committees (as defined below) shall treat the transfer of Exempt Assets Trust Property to the Exempt Assets Trust, as set forth in this Section 2.2 and in accordance with the Plan, as a transfer of the Exempt Assets Trust Property to the Beneficiaries, followed by a transfer of such

assets by such holders to the Exempt Assets Trust, and the Beneficiaries shall be treated as the grantors and owners hereof.

2.3 Further Instruments and Acts.

Through and including the Effective Date, the Debtors or the Committee, as appropriate, shall, upon reasonable request of the Exempt Assets Trustee, execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or appropriate to transfer to the Exempt Assets Trust any portion of the Exempt Assets Trust Property intended to be transferred herein.

2.4 Valuation of Exempt Assets Trust Property.

As soon as possible after the Effective Date, the Exempt Assets Trustee shall make a good faith determination of the fair market value of the Exempt Assets Trust Property and apprise the holders of the Exempt Assets Trust Beneficial Interests in writing of that fair market value and of each Beneficiary's proportionate share thereof. The valuation shall be used consistently by all parties and Persons (including, without limitation, the Debtors, the Exempt Assets Trustee, the Beneficiaries and the General Oversight Committee, as such term is defined in Section 7.16 below) for all federal income tax purposes.

2.5 Appointment of the Exempt Assets Trustee.

The Exempt Assets Trustee shall be Jason R. Searcy.

2.6 Identification of Holders of Exempt Assets Trust Beneficial Interests.

The Exempt Assets Trustee shall keep for such purpose at his principal office a register (the "Trust Interest Register") in which the Exempt Assets Trustee shall provide for the registration of Exempt Assets Trust Beneficial Interests and adjustments of Exempt Assets Trust Beneficial Interests as provided for herein and in the Plan, and which shall include necessary information, including, without limitation, the addresses of holders of Exempt Assets Trust Beneficial Interests. The Exempt Assets Trustee may treat the person in whose name any Exempt Assets Trust Beneficial Interest is registered on such register as the owner thereof for the purposes of receiving Plan Distributions from Exempt Assets Trust Property and for all other reasons.

THE EXEMPT ASSETS TRUST BENEFICIAL INTERESTS SHALL BE UNCERTIFICATED AND SHALL NOT BE TRANSFERABLE EXCEPT UPON THE DEATH OF THE HOLDER OR BY OPERATION OF LAW.

ARTICLE III.
AUTHORITY, POWERS, LIMITATIONS AND COMPENSATION

3.1 Powers and Authority of the Exempt Assets Trustee.

The Exempt Assets Trustee shall be the exclusive trustee of the Exempt Assets Trust Property of the Exempt Assets Trust for purposes of 31 U.S.C. Section 3713(b) and 26 U.S.C. Section 6012(b)(3). The powers and authority of the Exempt Assets Trustee shall include, without limitation other than as provided in the Plan or this Declaration, the power to: (i) invest funds of the Exempt Assets Trust, and withdraw funds of the Exempt Assets Trust, make distributions, incur obligations for reasonable and necessary expenses in liquidating and converting any remaining assets of the Exempt Assets Trust Property to Cash, and pay taxes and other obligations owed by the Exempt Assets Trust from funds held by the Exempt Assets Trustee in accordance with the Plan; (ii) perform all of the obligations and agreements of the Exempt Assets Trust and/or of the Exempt Assets Trustee provided for in the Plan and herein; (iii) hold legal title to any and all rights of the holders of the Exempt Assets Trust Beneficial Interests in or arising from the Exempt Assets Trust Property, including without limitation, the right to vote any claim or interest in a case under the Bankruptcy Code and receive any distribution therein; (iv) protect and enforce the rights to the Exempt Assets Trust Property by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity; (v) perform the duties, exercise the powers, and assert the rights of a trustee under Sections 704 and 1106 of the Bankruptcy Code, including, without limitation, commencing, prosecuting or settling Transferred Causes of Action, enforcing contracts, and asserting claims, defenses, offsets and privileges; (vi) determine, satisfy, object to and estimate any and all claims or liabilities created, incurred or assumed by the Exempt Assets Trust; (vii) pay all expenses and make all other payments relating to the Exempt Assets Trust; (viii) establish, keep and maintain any reserve for the benefit of disputed Claims (the “Disputed Claim Reserve”); (ix) account separately in the Disputed Claim Reserve for each disputed Claim until the Claim is an Allowed Claim or Disallowed Claim; (x) except as otherwise provided in the Plan, in the discretion of the Exempt Assets Trustee, set off against any Claim (and the payments or other distributions to be made pursuant to the Plan with respect to such Claims) any Transferred Cause of Action comprising Exempt Assets Trust Property against the holder of such Claim, but neither the failure to so set off any Transferred Cause of Action nor the allowance of any Claim shall constitute a waiver or release by the Exempt Assets Trust or Exempt Assets Trustee of any Transferred Cause of Action constituting Exempt Assets Trust Property; (xi) market, negotiate, enter into and perform agreements for the sale or other disposition of the Exempt Assets Trust Property; (xii) consult with and provide information to the applicable Oversight Committee at such times and with respect to such issues relating to the conduct of the Exempt Assets Trust as is appropriate; (xiii) prepare and deliver written statements or notices as required by law to be delivered to Beneficiaries and the General Oversight Committee; (xiv) prepare, or have prepared, and file with the appropriate taxing authority on behalf of the Exempt Assets Trust any and all tax and information returns with respect to the Exempt Assets Trust (including, without limitation, United States federal, state, local or foreign tax or information returns required to be filed by the Exempt Assets Trust) and pay taxes properly payable by the Exempt Assets Trust, if any, and cause all taxes payable by the Exempt Assets Trust, if any, to be paid exclusively out of the Exempt Assets Trust Property; (xv) maintain and preserve the

originals of any and all instruments and documents pertaining to the Exempt Assets Trust Property; (xvi) take any of the foregoing actions, and execute any documents relating thereto, in the Exempt Assets Trustee's own name, on behalf of the Exempt Assets Trust (including but not limited to all settlement agreements); (xvii) exercise and perform the rights, powers and duties held by the Estate, including without limitation the authority under section 1123(b)(3) of the Bankruptcy Code, to provide for the prosecution, settlement, adjustment, retention and enforcement of claims and interests of the Estates, including but not limited to the sale of non-Cash Exempt Assets Trust Property, the prosecution and settlement of the Transferred Causes of Action, and, except as otherwise set forth in the Plan, the Plan Documents and in any order of the Bankruptcy Court, the authority to exercise all rights and powers under sections 506(c), 544-551, 1106, 1107 and 1108 of the Bankruptcy Code; (xviii) engage employees and professionals to assist the Exempt Assets Trustee with respect to his responsibilities, including, but not limited to, any professionals employed by the Committee or the Debtors; (xix) prosecute, compromise and/or settle claims and Transferred Causes of Action and objections to Convenience Claims and, except as set forth in the Plan, Unsecured Claims on behalf of the Exempt Assets Trust; (xx) liquidate any remaining Assets of the Exempt Assets Trust, and provide for the Plan Distributions therefrom in accordance with the provisions of the Plan; (xxi) manage the continued liquidation of the Exempt Assets Trust's assets, and to otherwise administer the Exempt Assets Trust; (xxii) stand in the shoes of the Debtors (solely with respect to the Transferred Causes of Action) and assert or waive attorney client privilege and other privileges between the Debtors and their professionals relevant to the Transferred Causes of Action (whether such professionals represented the Debtors prior to, or after, the Petition Date), (xxiii) interpret the Plan in the Exempt Assets Trustee's reasonable discretion; and (xxiv) exercise such other powers and authority as may be vested in or assumed by the Exempt Assets Trustee by any Final Order or as may be necessary and proper to carry out the provisions of the Plan or the Exempt Assets Trust. Subject to the conditions set forth in Section 7.17 below, the Exempt Assets Trustee, on behalf of the Exempt Assets Trust, shall have discretion to pursue, not pursue and/or settle any and all Transferred Causes of Action and objections to Convenience Claims and, except as set forth in the Plan, Unsecured Claims as the Exempt Assets Trustee determines is in the best interests of the Exempt Assets Trust, and the Exempt Assets Trustee shall have no liability whatsoever for the outcome of that decision, except in the event that there is a Final Order determining that he committed gross negligence or intentional misconduct. In connection with the administration of the Exempt Assets Trust, the Exempt Assets Trustee is authorized to perform any and all acts necessary and desirable to accomplish the purposes of the Plan. In the event that the Exempt Assets Trustee cannot take any action, including without limitation the prosecution of any Transferred Causes of Action or the objection to any Convenience Claim or Unsecured Claim, by reason of an actual or potential conflict of interest, the General Oversight Committee acting by majority shall be authorized to take any such action(s) in his place and stead, including without limitation the retention of professionals (which may include professionals retained by the Exempt Assets Trustee) for such purpose of taking such actions.

3.2 Retention and Compensation of Professionals.

The Exempt Assets Trustee may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist him in fulfilling his obligations under the Plan, and on whatever fee

arrangement the Exempt Assets Trustee deems appropriate, including, without limitation, contingency fee arrangements.

Professionals engaged by the Exempt Assets Trustee shall not be required to file applications for compensation in order to receive the compensation provided for herein.

To the extent there are sufficient available funds, the Exempt Assets Trustee shall include in a reserve reasonably sufficient cash (in the judgment of the Exempt Assets Trustee) to cover the reasonably foreseeable fees and expenses of such professionals incurred, or to be incurred, after the Effective Date.

3.3 Limitation on Exempt Assets Trustee's Authority.

3.3.1 The Exempt Assets Trustee shall consult with the General Oversight Committee on a regular basis and inform the General Oversight Committee of actions that the Exempt Assets Trustee is pursuing and is planning to pursue in connection with the discharge of the Exempt Assets Trustee's duties. The Exempt Assets Trustee will exercise independent business judgment with respect to the administration of the Exempt Assets Trust.

3.3.2 Notwithstanding anything herein to the contrary, the Exempt Assets Trustee shall not and shall not be authorized to engage in any trade or business except to the extent necessary to monetize the Exempt Assets Trust Property, and shall take such actions consistent with the orderly liquidation of the Exempt Assets Trust Property as are required by applicable law, and such actions permitted under Sections 3.1, 3.2, 3.4, 3.5, 3.6, 3.7, 3.8, 4.1 and 4.2 hereof.

3.4 Disposition of Exempt Assets Trust Property.

The Exempt Assets Trustee may take such actions as are necessary and practical to dispose of Exempt Assets Trust Property.

3.5 Books and Records.

The Exempt Assets Trustee shall maintain records and books of account relating to the Exempt Assets Trust Property and otherwise maintained on a basis to facilitate compliance with the tax reporting requirements of the Exempt Assets Trust, and shall, at all reasonable times, permit any Beneficiary (or authorized representative designated by a Beneficiary) and the members of the General Oversight Committee to have access, during normal business hours and upon reasonable notice, to inspect and/or copy (at their own expense payable at the time of copying), the financial records relating to the Exempt Assets Trust Property, provided, however, that any such Person (other than General Oversight Committee members) having access shall have entered into a confidentiality agreement satisfactory in form and substance to the Exempt Assets Trustee.

3.6 Additional Powers.

Except as otherwise set forth in this Declaration or in the Plan, and subject to any applicable United States Treasury regulations promulgated under the Tax Code governing

liquidating trusts and the retained jurisdiction of the Bankruptcy Court as provided for in the Plan, but without prior or further authorization, the Exempt Assets Trustee may control and exercise authority over the Exempt Assets Trust Property and over the protection, conservation, disposition and abandonment thereof. No Person dealing with the Exempt Assets Trust shall be obligated to inquire into the authority of the Exempt Assets Trustee in connection with the protection, conservation, disposition or abandonment of the Exempt Assets Trust Property.

3.7 Application of Exempt Assets Trust Property and Other Property.

3.7.1 The Exempt Assets Trustee shall apply all Exempt Assets Trust Property and any proceeds and/or income therefrom, as follows: The Exempt Assets Trustee shall apply all Cash Exempt Assets Trust Property and any proceeds and/or income from non-Cash Exempt Assets Trust Property therefrom in the order and reflecting the priorities set forth below:

First, paid in full satisfaction of any outstanding expenses arising from the administration of the Exempt Assets Trust;

Second, retained as a reasonable reserve for the winding up of the affairs of the Exempt Assets Trust; and

Third, ratably, paid to the holders of the Exempt Assets Trust Beneficial Interests, until such holders have received, in the aggregate and from all sources (including from the ERG Plan Trust) on account of their Unsecured Claims, an amount equal to the amount of all Allowed Unsecured Claims, including interest.

The residual amount of proceeds of the Nabors Lawsuit, if any after satisfaction in full of all Allowed General Unsecured Claims, including interest, shall be remitted by the Exempt Assets Trust to former holders of Membership Interests in Intermediate Holdings.

3.7.2 Subject to the Plan, the Exempt Assets Trustee shall distribute at least annually to holders of Beneficial Interests from the Exempt Assets Trust Property all available net Cash, including as Cash for this purpose, all income from permissible investments described in Sections 4.1 and 4.2, below. All Plan Distributions to Beneficiaries shall be made in accordance with the Plan. The Exempt Assets Trustee shall withhold from amounts distributable to any Person any and all amounts, determined in the Exempt Assets Trustee's reasonable sole discretion, required by any law, regulation, rule, ruling, directive or other governmental requirement.

3.7.3 Notwithstanding anything to the contrary in Section 3.7.1 or 3.7.2 above, prior to making any Plan Distribution to Beneficiaries, the Exempt Assets Trustee may retain such amounts (i) as are reasonably necessary to meet contingent liabilities and disputed Claims and to maintain the value of the Exempt Assets Trust Property of the Exempt Assets Trust during liquidation, (ii) to pay reasonable estimated administrative expenses (including any taxes imposed or which may be imposed on the Exempt Assets Trust or in respect of the Exempt Assets Trust Property of the Exempt Assets Trust), and (iii) to satisfy other liabilities incurred by the Exempt Assets Trust (or to which the Exempt Assets Trust Property are otherwise subject), all for the term of the Exempt Assets Trust and in accordance with this Declaration or the Plan.

3.7.4 All Plan Distributions made by the Exempt Assets Trustee to Beneficiaries shall be payable to Beneficiaries of record as of the 15th day prior to the date scheduled for the Plan Distribution, unless such day is not a Business Day, then such day shall be the following Business Day. All Plan Distributions shall be in Cash, and the Exempt Assets Trustee shall distribute such Cash by wire, check, or such other method as the Exempt Assets Trustee deems appropriate under the circumstances

3.8 No De Minimis Plan Distributions.

Notwithstanding anything to the contrary in this Plan, no cash payment of less than \$25.00 will be made by the Exempt Assets Trustee to any entity holding an Allowed Claim unless a request therefor is made in writing to the Exempt Assets Trustee within ninety (90) days of the Effective Date of the Plan. No consideration will be provided in lieu of the *de minimis* distributions that are not made under this Section. Allowed Claims that are entitled to a pro rata distribution of less than \$25.00 shall continue to accrue until such time as the pro rata distribution on account of such Claim will be \$25.00 or more.

3.9 No Plan Distributions With Respect to Disputed Claims.

Notwithstanding any other Plan provision, Plan Distributions will be made on account of a disputed Claim only after, and only to the extent that, the disputed Claim becomes an Allowed Claim or is deemed to be an Allowed Claim for Plan Distribution purposes.

3.10 Undeliverable, Unclaimed Non-Negotiated Distributions.

3.10.1 Subject to Bankruptcy Rule 9010, any Plan Distribution or delivery to a holder of an Allowed Claim shall be made at the address of such holder as set forth on the latest date of the following documents: (a) the Schedules; (b) the proof of Claim filed by such holder; (c) any notice of assignment filed with the Bankruptcy Court with respect to such Claim pursuant to Bankruptcy Rule 3001(e); and (d) any notice served on the Exempt Assets Trustee by such holder giving details of a change of address. If any Plan Distribution is returned to the Exempt Assets Trustee as undeliverable, no Plan Distributions shall be made to such holder unless the Exempt Assets Trustee is notified of such holder's then current address within ninety (90) days after such Plan Distribution was returned. After such date, if such notice was not provided, a holder shall have forfeited and waived its right to receive such Plan Distribution and will be forever barred from receiving that undeliverable Plan Distribution or asserting any Claim against the Exempt Assets Trust, or its property or the Exempt Assets Trustee or the Oversight Committees. The undeliverable Plan Distribution shall automatically revert without restriction to the Exempt Assets Trust for distribution or other application in accordance with the provision of the Plan. Nothing in the Plan requires the Exempt Assets Trust, the Exempt Assets Trustee or the Oversight Committees or any of their members to attempt to locate any entity holding an Allowed Claim and whose Plan Distribution is undeliverable.

3.10.2 If an instrument delivered as a Plan Distribution to a Beneficiary is not negotiated within 120 days after such instrument was sent to the Beneficiary pursuant to Section 3.10 hereof, then the instrument shall be null and void and the Beneficiary shall be deemed to have waived such distribution.

3.11 Reporting Duties.

3.11.1 Federal Income Tax.

The Exempt Assets Trustee shall file returns for the Exempt Assets Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a).

3.11.2 IRS Form W-9 or Equivalent.

Each Beneficiary shall provide a properly executed Form-W-9 or equivalent, or Form W-8 or W-8BEN or equivalent, as appropriate, in order to receive any Plan Distributions. The Exempt Assets Trustee shall provide three notices to each Beneficiary of its obligation to submit an appropriate IRS Form to the Exempt Assets Trustee. If the Beneficiary does not provide an appropriate IRS Form to the Exempt Assets Trustee within 90 days after the third notice is sent to the Beneficiary, then such Beneficiary's Claim shall be expunged.

3.11.3 Other.

The Exempt Assets Trustee shall also file (or cause to be filed) any other statements, returns or disclosures relating to the Exempt Assets Trust that are required by any governmental authority.

3.12 Compliance with Laws.

Any and all distributions of Exempt Assets Trust Property and proceeds of borrowings, if any, shall be in compliance with the Plan and applicable laws, including, but not limited to, applicable federal and state securities laws.

ARTICLE IV.
PERMITTED INVESTMENTS OF TRUST PROPERTY

4.1 Investment of Exempt Assets Trust Property.

All Cash and other property received by the Exempt Assets Trustee shall, until distributed or paid over as herein provided or as provided in the Plan, be held in trust for the benefit of the holders of the Exempt Assets Trust Beneficial Interests, unless and to the extent required by law. The Exempt Assets Trustee shall be under no liability for interest or producing income on any monies received by him hereunder and held for distribution or payment to the holders of Exempt Assets Trust Beneficial Interests, except as such interest shall actually be received by the Exempt Assets Trustee. Investments of any moneys held by the Exempt Assets Trustee shall be administered in view of the manner in which individuals of ordinary prudence, discretion and judgment would act in the management of their own affairs; provided, however, that the right and power of the Exempt Assets Trustee to invest the Exempt Assets Trust Property, the proceeds thereof, or any income earned by the Exempt Assets Trust, shall be limited to the right and power to invest such Exempt Assets Trust Property (pending periodic distributions in accordance with Section 3.7 hereof) in demand and time deposits, such as short-term certificates of deposit, in banks or other savings institutions, or other temporary liquid investments, such as Treasury bills ("Permitted Investments"); and provided further, that the scope of the Permitted

Investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4, may be permitted to invest in, pursuant to the Treasury Regulations, or any modification in the Internal Revenue Service guidelines, whether set forth in IRS rulings, other IRS pronouncements or otherwise. Any Permitted Investment made as provided for herein must mature prior to the date of the next scheduled distribution, but in no event shall a Permitted Investment have a maturity date in excess of six (6) months from the date of the acquisition of the Permitted Investment.

4.2 Treatment and Disposition of Permitted Investments.

Any of the foregoing investments purchased with any of the Exempt Assets Trust Property shall be deemed a part of the Exempt Assets Trust Property. Any earned interest, dividends, distributions or gains from Permitted Investments shall be included in the Exempt Assets Trust Property. At such time as it shall be necessary that some or all of the Permitted Investments be redeemed, sold, liquidated or otherwise disposed of in order to raise monies to comply with the provisions of this Declaration or the Plan, the Exempt Assets Trustee shall effect such disposition, in such manner and at such time as the Exempt Assets Trustee, in his discretion, deems reasonable.

ARTICLE V.
DISTRIBUTIONS

5.1 The Source of Plan Distributions.

The sources of all Plan Distributions and payments under the Plan is the Exempt Assets Trust Property (and the proceeds thereof), including the Exempt Assets and Exempt Assets Trust Advance.

5.2 Treatment of Disputed Claims.

Except as provided in the Plan or by order of the Bankruptcy Court, the Exempt Assets Trustee shall have the exclusive right, except with respect to applications for the allowance of compensation and reimbursement of expenses of professionals under sections 330 and 503 of the Bankruptcy Code, to object to the allowance of Convenience Claims and Unsecured Claims filed with the Bankruptcy Court with respect to which the liability is disputed in whole or in part. All objections may be litigated to Final Order; however, the Exempt Assets Trustee may compromise and settle any objection to Convenience Claims and Unsecured Claims without the approval of the Bankruptcy Court. At such time as a disputed Convenience Claim or Unsecured Claim is resolved by Final Order or is settled by the Exempt Assets Trustee, and is Allowed, the holder thereof will receive, on the next distribution date, the Plan Distributions to which such holder is then entitled under the Plan.

5.3 Distribution of Property Under the Plan.

5.3.1 Manner of Cash Payments.

Cash payments to domestic entities holding Allowed Claims shall be denominated in U.S. dollars and shall be made by checks drawn on a domestic bank selected by the Exempt Assets Trustee or, at the Exempt Assets Trustee's option, by wire transfer or other commercially reasonable means from a domestic bank. Cash payments to foreign entities holding Allowed Claims may be paid, at the Exempt Assets Trustee's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction.

5.3.2 Setoff and Recoupment.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, THE EXEMPT ASSETS TRUSTEE, ON BEHALF OF THE EXEMPT ASSETS TRUST, MAY SET OFF, RECOUP, OR WITHHOLD AGAINST THE PLAN DISTRIBUTIONS TO BE MADE ON ACCOUNT OF ANY ALLOWED CLAIM, INCLUDING ANY PLAN DISTRIBUTIONS TO ANY OFFICER OR DIRECTOR ANY CLAIMS THAT THE DEBTORS OR THE ESTATES MAY HAVE AGAINST THE ENTITY HOLDING THE ALLOWED CLAIM. THE EXEMPT ASSETS TRUST AND THE EXEMPT ASSETS TRUSTEE SHALL NOT WAIVE OR RELEASE ANY CLAIM AGAINST THOSE ENTITIES BY FAILING TO EFFECT SUCH A SETOFF OR RECOUPMENT; BY ALLOWING ANY CLAIM AGAINST THE DEBTORS OR THE EXEMPT ASSETS TRUST; OR BY MAKING A PLAN DISTRIBUTION ON ACCOUNT OF AN ALLOWED CLAIM.

ARTICLE VI.
DISPUTED RESERVE

6.1 Disputed Reserves.

On the first date that Plan Distributions are made (the "Initial Distribution Date"), and after making all Plan Distributions required to be made under the Plan, a separate reserve (the "Disputed Reserve") shall be established for the payment of disputed Claims that become Allowed after the Effective Date, which reserve is held in trust by the Exempt Assets Trustee for the benefit of the holders of the beneficial interest in the Exempt Assets Trust.

6.2 Funding of Disputed Reserve.

The Exempt Assets Trust shall reserve in Cash, or other property (including proportionate shares of the Exempt Assets Trust Property) for each disputed Claim, the pro rata amount of the Exempt Assets Trust Property with respect to the full asserted amount of each disputed Claim.

6.3 Taxation of the Disputed Reserve.

The Exempt Assets Trustee shall elect to treat the Disputed Reserve as a disputed ownership fund under Treasury Regulation § 1.468B-9 which is taxable as a corporation, and

shall pay, or cause to be paid, out of the funds held in the Disputed Reserve any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in the Disputed Reserve. The Exempt Assets Trustee shall file, or cause to be filed, any tax or information return related to a Disputed Reserve that is required by any federal, state, or local taxing authority.

6.4 Distributions of Disputed Reserve.

Subject to Section 6.3 hereof, amounts in each Disputed Reserve, net of taxes payable pursuant to Section 6.3 hereof shall be distributed as follows: at such time as a disputed Claim in the Class to which the Disputed Reserve relates becomes an Allowed Claim, the holder of such disputed Claim shall receive a distribution equal to the product of (x) the amount in the Disputed Reserve and (y) a fraction whose numerator is such holder's Allowed Claim and whose denominator is the aggregate of all disputed Claims. At such time as a disputed Claim becomes a Disallowed Claim, the amount that would have been distributed to the holder of such disputed Claim in accordance with the preceding sentence had such disputed Claim become an Allowed Claim shall be removed from the Disputed Reserve and shall be included in the Exempt Assets Trust Property attributable to Beneficiaries that are holders of Allowed Claims in proportion to their Beneficial Interests in the Exempt Assets Trust.

6.5 Termination of Disputed Reserve.

The Disputed Reserve shall be closed and extinguished by the Exempt Assets Trust when all disputed Claims have been resolved and the assets in the Disputed Reserve have been distributed or transferred to the Exempt Assets Trust for the benefit of holders of Allowed Claims.

ARTICLE VII.

THE LIQUIDATING TRUSTEE, GENERAL OVERSIGHT COMMITTEE AND NABORS
OVERSIGHT COMMITTEE

7.1 Generally.

The Exempt Assets Trustee's powers are exercisable solely in a fiduciary capacity consistent with, and in furtherance of, the purposes of this Declaration and not otherwise, except that the Exempt Assets Trustee may deal with the Exempt Assets Trust Property for his or her own account as permitted by Section 3.1.

7.2 Responsibilities of the Exempt Assets Trustee.

The Exempt Assets Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the Exempt Assets Trust Property, make timely Plan Distributions and not unduly prolong the duration of the Exempt Assets Trust. In so doing, the Exempt Assets Trustee will exercise his reasonable business judgment in liquidating the Exempt Assets Trust Property. The liquidation of the Exempt Assets Trust Property may be accomplished through the sale of Exempt Assets Trust Property (in whole or in combination), including the sale of any of the Exempt Assets Trust's interest in any Transferred Causes of Action or through the prosecution or settlement of any or all Transferred Causes of Action, or otherwise. In connection therewith, the

Exempt Assets Trustee will have the power to prosecute for the benefit of the Exempt Assets Trust all claims, rights and Transferred Causes of Action transferred to the Exempt Assets Trust, whether such suits are brought in the name of the Exempt Assets Trust, or otherwise. Any and all proceeds generated from such Exempt Assets Trust Property shall be the property of the holders of the Exempt Assets Trust Beneficial Interests held by the Exempt Assets Trust. Except as expressly set forth herein or in the Plan, the Exempt Assets Trustee shall have absolute discretion to pursue or not to pursue any and all Transferred Causes of Action, as it determines are in the best interests of the holders of the Exempt Assets Trust Beneficial Interests and consistent with the purposes of the Exempt Assets Trust, and shall have no liability for the outcome of his decision. The Exempt Assets Trustee may incur any reasonable and necessary expenses in liquidating the Exempt Assets Trust Property.

7.3 Exempt Assets Trustee Compensation.

7.3.1 Exempt Assets Trustee Fees.

In lieu of any commission or fees which may be fixed by applicable law for trustees or fiduciaries (and which are hereby waived by the Exempt Assets Trustee), the Exempt Assets Trustee shall receive compensation as disclosed to the Bankruptcy Court in the Plan Supplement. Such compensation shall be paid from the Exempt Assets Trust Property. In addition, the Exempt Assets Trustee shall be entitled to reimbursement from the Exempt Assets Trust Property of all reasonable expenses and costs to administer the Exempt Assets Trust, distribute to the Beneficiaries the available Cash, litigate any Transferred Causes of Actions or take other actions contemplated herein.

7.3.2 Exempt Assets Trustee and Professional Compensation.

The Exempt Assets Trustee and any and all professionals retained by the Exempt Assets Trustee or the Exempt Assets Trust retained after the Effective Date will be paid for their services and reimbursed for their expenses without further order of the Bankruptcy Court.

7.4 Liability of the Exempt Assets Trustee.

The Exempt Assets Trustee shall not be personally liable for any claim asserted against the Exempt Assets Trust or the Exempt Assets Trustee, except as set forth below. Notwithstanding anything to the contrary set forth herein, no provision of this Declaration shall be construed to relieve the Exempt Assets Trustee from liability for his own gross negligence, fraud or willful misconduct, except that:

(i) the Exempt Assets Trustee shall be liable only for the performance of such duties and obligations as are specifically set forth in this Declaration, the Plan or the Confirmation Order; and

(ii) the Exempt Assets Trustee shall not be liable for any error of judgment made in good faith, or with respect to any action taken or omitted to be taken in good faith, unless the Exempt Assets Trustee was grossly negligent.

7.5 Reliance of the Exempt Assets Trustee.

Except as provided in Section 7.4:

(i) the Exempt Assets Trustee may rely upon and shall be protected in acting or refraining from acting upon any certificates, opinions, statements, notices, requests, consents, instruments or reports believed by it to be genuine and to have been signed or presented by the proper Person or Persons; provided, however, that the Exempt Assets Trustee shall be under a duty to have examined the same to determine whether or not such writings conform to the requirements of this Declaration or the Plan; and

(ii) the Exempt Assets Trustee may consult with and rely upon the written or oral advice of independent legal counsel to be selected by him or professionals retained by the Exempt Assets Trust, including without limitation counsel, financial advisors and advisors, and the Exempt Assets Trustee shall not be liable for any action taken or omitted to be taken by him in accordance with the advice of such counsel or other professional; and Persons dealing with the Exempt Assets Trustee shall look only to the Exempt Assets Trust Property to satisfy any liability incurred by the Exempt Assets Trustee to such Person in carrying out the terms of this Declaration, and the Exempt Assets Trustee shall have no personal obligation to satisfy any such liability.

7.6 Indemnification.

From and after the Effective Date, the Exempt Assets Trustee and the members of the Oversight Committees, and their respective members, officers, managers, directors, employees, consultants, professionals, advisors, agents, and other representatives, including, without limitation, attorneys, accountants, and financial advisors, and their respective subsidiaries and affiliates, and the successors or assigns of the foregoing, (collectively, the "Indemnified Parties" and each an "Indemnified Party") shall be, and hereby are, indemnified by the Exempt Assets Trust, to the fullest extent permissible by applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes of action, bonds, covenants, judgments, damages, attorneys' fees and defense costs and other assertions of liability (collectively, "Liability Claims") arising out of any such Indemnified Parties' good faith exercise of what such Indemnified Party reasonably understands to be its powers or the discharge of what such Indemnified Party reasonably understands to be its duties conferred by the Plan or by any order of the Bankruptcy Court entered pursuant to, or in furtherance of, the Plan, applicable law, or otherwise (except only for actions or omissions to act to the extent determined by a Final Order of a court of competent jurisdiction to be due to such Indemnified Party's own respective fraud, gross negligence or willful misconduct), including but not limited to, acts or omissions concerning pursuing or not pursuing the Transferred Causes of Action or objections to Unsecured Claims, on and after the Effective Date. The foregoing indemnification shall also extend to matters directly or indirectly, in connection with, arising out of, based on, or in any way related to (i) the Plan; (ii) the services to be rendered pursuant to the Plan; (iii) any document or information, whether verbal or written, referred to herein or supplied to the Exempt Assets Trustee; or (iv) proceedings by or on behalf of any creditor, except to the extent any member of the Oversight Committees is acting on behalf of itself as a creditor or as agent for any creditor in its individual capacity. The Exempt Assets Trust shall, on demand, advance or pay promptly out of Cash or a reserve account set up specifically for this purpose if such an account

is established by the Exempt Assets Trustee, on behalf of each Indemnified Party, reasonable attorneys' fees and other expenses and disbursements which such Indemnified Party would be entitled to receive pursuant to the foregoing indemnification obligation; provided, however, that any Indemnified Party receiving any such advance shall execute a written undertaking to repay such advance amounts if a court of competent jurisdiction ultimately determines that such Indemnified Party is not entitled to indemnification hereunder for any reason whatsoever. If any member of the Oversight Committees or the Exempt Assets Trustee has a reasonable concern that any Indemnified Party who has requested or is reasonably expected to request indemnification for any reason would not be entitled to such indemnification for the reason stated in the preceding sentence, such member may request a hearing before the Bankruptcy Court on such request (or expected request) and the Bankruptcy Court's ruling on such request (or expected request) shall be binding.

The Exempt Assets Trustee is authorized, but not required, to obtain and purchase (by using cash of the Exempt Assets Trust) insurance coverage with respect to the responsibilities, liabilities, and obligations of the Indemnified Parties (or any other professionals hired by the Exempt Assets Trustee) under the Plan. Any person entitled to indemnification shall have the right to employ such person's own separate counsel reasonably acceptable to the Exempt Assets Trustee and the applicable Oversight Committee in any such action, at the Exempt Assets Trust's expense, subject to the foregoing terms and conditions.

7.7 Expenses and Costs of the Exempt Assets Trustee and Members of the Oversight Committees.

Subject to limitations set forth in the Plan, the Exempt Assets Trust Property shall be subject to the claims of the Exempt Assets Trustee and the members of the Oversight Committees, and the Exempt Assets Trustee shall be entitled to reimburse himself and the members of the Oversight Committees out of any available Cash in the Exempt Assets Trust, for their actual out-of-pocket expenses and against and from any and all loss, liability, expense, or damage which the Exempt Assets Trustee or any such member may sustain in good faith and without willful misconduct, gross negligence, or fraud in the exercise and performance of any of the powers and duties of the Exempt Assets Trustee or the Oversight Committees under this Declaration, provided that any request for reimbursement of a single expenses (or related expenses) in an amount greater than \$5,000.00 shall be submitted, in writing, to the Oversight Committees within three (3) Business Days prior to the incurrence of such expense (unless such expense could not be reasonably anticipated in advance), and unless a majority of the members of the Oversight Committees denies such request within two (2) Business Days of the request being made, the request shall be deemed approved, provided further that, for these purposes, the provisions set forth in Section 7.4 hereof as applied to the Exempt Assets Trustee shall be deemed to apply to the members of the Oversight Committees as if the Oversight Committees were the subject of such Section 7.4. If the Cash in the Exempt Assets Trust shall be insufficient to compensate and reimburse the Exempt Assets Trustee or the members of the Oversight Committees, as the case may be, for any amounts to which they are entitled hereunder and if the Exempt Assets Trustee shall be unable to borrow funds sufficient for such compensation and reimbursement in accordance with the terms of this Declaration, then the Exempt Assets Trustee is hereby authorized, subject to Sections 3.3 and 3.7 hereof, to reduce to Cash that portion of the Exempt Assets Trust Property necessary so as to effect such compensation and reimbursement.

7.8 No Commingling of Property.

The Exempt Assets Trustee shall not commingle any of the Exempt Assets Trust Property with his own property or the property of any other Person.

7.9 Claims Against the Exempt Assets Trustee.

In accepting the Trust hereby created, the Exempt Assets Trustee acts solely as Exempt Assets Trustee hereunder, and all Persons having any claim against the Exempt Assets Trustee in connection with his performance of his rights, powers and duties as such Exempt Assets Trustee shall only look to the Exempt Assets Trust Property for payment or satisfaction thereof.

7.10 Confidentiality.

The Exempt Assets Trustee shall, during the period that he serves as Exempt Assets Trustee under this Declaration and for a period of twelve (12) months following the termination of this Declaration or following his removal or resignation hereunder, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any Person to which any of the Exempt Assets Trust Property relates or of which he has become aware in his capacity as Exempt Assets Trustee.

7.11 Removal of the Exempt Assets Trustee.

The Exempt Assets Trustee may be removed with or without cause by a majority of the members of the General Oversight Committee, or (b) the Exempt Assets Trustee's own motion to the Bankruptcy Court, with no less than thirty (30) days' prior written notice thereof to the General Oversight Committee ("Notice").

7.12 Resignation of the Exempt Assets Trustee.

The Exempt Assets Trustee may resign as Exempt Assets Trustee at any time by giving Notice; provided, however, that such resignation shall not be effective earlier than thirty (30) days after the date of such notice, unless an earlier effective date is allowed by the Bankruptcy Court or by a unanimous vote of the General Oversight Committee.

7.13 Successor Trustee.

In the event that the Exempt Assets Trustee is removed, resigns (with 30 days' notice to the General Oversight Committee) or otherwise ceases to serve as Exempt Assets Trustee, the General Oversight Committee shall use commercially reasonable efforts to select a successor Exempt Assets Trustee within twenty (20) Business Days of such resignation, removal, or cessation of service by the incumbent Exempt Assets Trustee. The General Oversight Committee shall file with the Bankruptcy Court a notice of such successor, which shall be served on the United States Trustee and all parties that have requested notice in the Chapter 11 Cases. Any successor Exempt Assets Trustee shall be subject to the same qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Exempt Assets Trustee. If the Exempt Assets Trustee ceases to act as Exempt Assets Trustee for any reason whatsoever, such Exempt Assets Trustee shall turn over to any

successor Exempt Assets Trustee, upon written request, any and all property of the Exempt Assets Trust, including without limitation business and financial records of the Exempt Assets Trust, within twenty (20) days of the receipt of such written request. References herein to the Exempt Assets Trustee shall be deemed to refer to the successor Exempt Assets Trustee acting hereunder.

7.14 Appointment of Successor upon Removal or Resignation.

If the Exempt Assets Trustee is removed pursuant to Section 7.12 or resigns pursuant to Section 7.13 and a successor Exempt Assets Trustee is not appointed or does not accept his appointment within forty- five (45) days following such action for removal or delivery of notice of resignation, as the case may be, the General Oversight Committee may appoint a successor Exempt Assets Trustee. If a successor Exempt Assets Trustee is not appointed or does not accept his appointment pursuant to the preceding sentence of this Section 7.15 within seventy-five (75) days following such action for removal or delivery of notice of resignation, as the case may be, any holder of Exempt Assets Trust Beneficial Interests may petition any court of competent jurisdiction, including the Bankruptcy Court, for the appointment of a successor Exempt Assets Trustee.

7.15 The General Oversight Committee.

An oversight committee (the “General Oversight Committee”) is established pursuant to this Declaration. As of the Effective Date, the Oversight Committee members shall be: (i) Baker Petrolite Corporation; (ii) SCS Engineers; (iii) Pacific Petroleum California, Inc.; and (iv) MMI Services, Inc. Nothing herein shall prohibit any member of the Oversight Committee from providing a proxy for such member’s vote on General Oversight Committee matters to any other member of the General Oversight Committee. Unless otherwise specified herein or in the Plan, approval of a majority of the members of such General Oversight Committee shall be required for the General Oversight Committee to act. In the event that a member of the General Oversight Committee resigns, the party or parties that designated such resigning member shall select a successor to serve in the place of the resigning member, provided, however, that if the resigning General Oversight Committee members was one identified by the Committee, to the extent the Committee is no longer in existence the successor member shall be designated by the other General Oversight Committee member designated by the Committee. The General Oversight Committee shall have the right to remove and appoint a successor Exempt Assets Trustee in accordance with the express terms of this Declaration. Except for (a) reimbursement of reasonable expenses, (b) the General Oversight Committee members’ fees and (c) indemnification, the members of the General Oversight Committee shall receive no other compensation or other payment for the performance of their duties hereunder. The General Oversight Committee may adopt by-laws with respect to its operation so long as such by-laws are consistent with the terms of the Plan and this Declaration.

7.16 The Nabors Lawsuit Oversight Committee

The Nabors Lawsuit Oversight Committee (together with the General Oversight Committee, the “Oversight Committees”) is established pursuant to the terms of the Plan. The Nabors Oversight Committee shall be a three (3) member board consisting of one (1) member appointed by Scott Y. Wood and two (2) members appointed by the Committee, provided that if

there is a settlement between Scott Y. Wood and the Committee before the Effective Date, then the Nabors Lawsuit Oversight Committee shall be a five (5) member board consisting of three (3) members appointed by Scott Y. Wood and (2) two members appointed by the Committee. In no event shall Scott Y. Wood be a member of the Nabors Lawsuit Oversight Committee.

The Exempt Assets Trustee shall keep the Nabors Lawsuit Oversight Committee reasonably apprised of the Exempt Assets Trustee's actions with respect to the Nabors Lawsuit. Notwithstanding anything else in this Declaration or the Plan to the contrary, the Exempt Assets Trustee shall not settle the Nabors Lawsuit without the approval of the majority of the members of the Nabors Lawsuit Oversight Committee as constituted at the time of any proposed settlement and without approval of the Bankruptcy Court pursuant to Bankruptcy Rule 9019. Upon the settlement or conclusion of the Nabors Lawsuit, the Nabors Lawsuit Oversight Committee shall be dissolved.

7.17 Records.

The Exempt Assets Trustee shall maintain good and sufficient books and records of account relating to the Exempt Assets Trust Property, the cash, the management thereof, all post-Effective Date transactions undertaken by the Exempt Assets Trustee, all expenses incurred by or on behalf of the Exempt Assets Trustee after the Effective Date, and all distributions contemplated or effectuated under the Plan.

ARTICLE VIII. TERMINATION

8.1 Termination of Exempt Assets Trust.

The duties, responsibilities and powers of the Exempt Assets Trustee and the Oversight Committees shall terminate after (a) all the Exempt Assets Trust Property, including Transferred Causes of Action, transferred and assigned to the Exempt Assets Trust or involving the Exempt Assets Trustee on behalf of the Exempt Assets Trust are fully resolved, abandoned or liquidated by the Exempt Assets Trust, (b) all disputed Convenience Claims and Unsecured Claims have been resolved and (c) all Plan Distributions to be made in accordance with the Plan and this Declaration have been made. The Exempt Assets Trust shall terminate no later than five (5) years from the Effective Date; provided, however, that, within six (6) months prior to the fifth (5th) anniversary of the Effective Date (or such later date as may be permitted by order of the Bankruptcy Court as described in this Section 8.1), the Bankruptcy Court, upon motion by a party in interest, may extend the term of the Exempt Assets Trust for a finite period, if such an extension is necessary to liquidate the Exempt Assets Trust Property or for other good cause. Multiple extensions of the termination of the Exempt Assets Trust may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term and the Exempt Assets Trustee receives an opinion of counsel or a favorable ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the Exempt Assets Trust as a grantor trust for federal income tax purposes. Upon the occurrence of the termination of the Exempt Assets Trust, the Exempt Assets Trustee shall file with the Bankruptcy Court a report thereof, seeking an order discharging the Exempt Assets Trustee and a final decree closing the Debtors' Chapter 11 Cases. The Exempt Assets Trustee shall not unduly prolong the duration of the Exempt Assets Trust and shall at all times endeavor to resolve, settle

or otherwise dispose of all claims that constitute Exempt Assets Trust Property and to effect the distribution of the Exempt Assets Trust Property to the holders of the Exempt Assets Trust Beneficial Interests in accordance with the terms hereof and the Plan and terminate the Exempt Assets Trust as soon as practicable. Prior to and upon termination of the Exempt Assets Trust, the Exempt Assets Trust Property will be distributed to the holders of Exempt Assets Trust Beneficial Interests, pursuant to the provisions set forth in Sections 3.7, 5.3, 6.4 and 6.5 hereof. If any Exempt Assets Trust Property is not duly claimed, such Exempt Assets Trust Property will be distributed, pro rata, according to holders' Exempt Assets Trust Beneficial Interests. Thereafter, if there is still any Exempt Assets Trust Property not duly claimed after satisfaction in full of all Allowed Unsecured Claims, including interest, such Exempt Assets Trust Property will be donated to the ABI Endowment Fund.

8.2 Bankruptcy Court Order.

Apart from any other provision of this Declaration, the Exempt Assets Trustee or any party in interest may apply to the Bankruptcy Court to terminate the Exempt Assets Trust and the Exempt Assets Trust may be terminated under such terms and conditions as the Bankruptcy Court may establish.

ARTICLE IX. JURISDICTION

Any provision of this Declaration which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

The Bankruptcy Court shall retain sole and exclusive jurisdiction over this Declaration and the Exempt Assets Trust established hereby, including without limitation the interpretation and enforcement of its provisions, for the purpose of determining all amendments, applications, claims or disputes with respect to this Declaration and the Exempt Assets Trust.

ARTICLE X. MISCELLANEOUS

10.1 Intention to Establish Grantor Trust.

This Declaration is intended to create a grantor trust for federal income tax purposes and, to the extent provided by law, shall be governed and construed in all respects as such a trust and any ambiguity herein shall be construed consistent herewith and, if necessary, this Declaration may be amended to comply with such federal income tax laws, which amendments may apply retroactively.

10.2 Reporting: Securities Laws.

Under Bankruptcy Code § 1145, the issuance of Exempt Assets Trust Beneficial Interests under the Plan shall be exempt from registration under the Securities Act of 1933 and applicable

state and local laws requiring registration of securities. If the Exempt Assets Trustee determines, with the advice of counsel, that the Exempt Assets Trust is required to comply with the reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Exempt Assets Trustee shall take any and all actions to comply with such reporting requirements and file periodic reports with the Securities and Exchange Commission.

10.3 Organization.

This Declaration is not intended to create and shall not be interpreted as creating an association, corporation, partnership or joint venture of any kind; it is intended as a trust, to be governed and construed in all respects as a trust.

10.4 Principal Office.

The Exempt Assets Trustee shall establish a principal office of the Exempt Assets Trust by written notice to the Oversight Committees, which shall be filed with the Bankruptcy Court, no later than thirty (30) days after the Effective Date.

10.5 Sale and Conveyances.

Any sale or other conveyance of a part of the Exempt Assets Trust Property made by the Exempt Assets Trustee, and pursuant to this Declaration, shall bind the Exempt Assets Trustee and shall be effective to transfer or convey all right, title and interest of the Exempt Assets Trustee in and to such Exempt Assets Trust Property. The Exempt Assets Trustee shall not assume any liability or incur any obligation or liability to any other Person in connection with the transfer by the Exempt Assets Trustee of the Exempt Assets Trust Property, and no delegation of duty of performance to the Exempt Assets Trustee or assumption of liabilities of the Debtors by the Exempt Assets Trustee is intended hereby, except as expressly set forth in the Plan or this Declaration.

10.6 Books and Records.

The Exempt Assets Trustee shall have the authority to take possession of, and the Debtors, as applicable shall allow access to, all books, records and other information of the Debtors, including, but not limited to, all books, records and other information relating to the Transferred Causes of Action and Unsecured Claims asserted against the Estates, on or before the Effective Date. The Debtors or the CRO, as applicable, shall notify the Exempt Assets Trustee before destroying or abandoning any material records or files of the intended destruction date.

10.7 Amendment and Waiver.

Any substantive provision of this Declaration may be amended or waived with the approval of a majority of the members of the General Oversight Committee, provided that any such amendment or waiver has no effect upon the Nabors Lawsuit Oversight Committee. Technical amendments to this Declaration may be made, as necessary to clarify this Declaration

or enable the Exempt Assets Trustee to effectuate the terms of this Declaration, with the consent of the Exempt Assets Trustee.

10.8 Assignment.

Except as provided herein, the obligations, duties and/or rights of the Exempt Assets Trustee under this Declaration shall not be assignable, voluntarily, involuntarily or by operation of law, and any such assignment shall be void. All covenants and agreements contained herein shall be binding upon and are personal to the Exempt Assets Trustee and shall inure to the benefit of the Exempt Assets Trustee and any Successor Trustee in the same manner.

10.9 Laws as to Construction.

This Declaration shall be governed and construed in accordance with the laws of the State of New York, without giving effect to rules governing the conflict of law.

10.10 Entire Declaration.

This Declaration, together with the related instruments expressly referred to herein, constitutes the entire agreement of the parties, and all such agreements and the Plan shall be construed as integrated and complementary of each other and intended to carry out the terms of the Plan.

10.11 Severability.

If any provision of this Declaration or the application thereof to any Person or circumstance shall be finally determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Declaration, or the application of such provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and such provision of this Declaration shall be valid and enforced to the fullest extent permitted by law.

10.12 Notices.

Any notice or other communication hereunder shall be in writing and shall be deemed to have been sufficiently given, for all purposes, if deposited by certified mail, postage prepaid, in a post office or letter box addressed to the Person for whom such notice is intended:

If to the Exempt Assets Trustee:

Jason R. Searcy
SEARCY & SEARCY P.C.
446 Forest Square
P.O. Box 3929
Longview, Texas 75606

With a copy to:

Pachulski Stang Ziehl & Jones LLP
780 Third Avenue, 34th Floor
New York, New York 10017
Attn: Robert J. Feinstein, Esq.

If to the General Oversight Committee:

Pachulski Stang Ziehl & Jones LLP
780 Third Avenue, 34th Floor
New York, New York 10017
Attn: Robert J. Feinstein, Esq.

If to the Nabors Oversight Committee:

If to a holder of a Exempt Assets Trust Beneficial Interest:

To the name and address set forth on the Trust Interest Register maintained by the Exempt Assets Trustee.

10.13 Preemption.

In the event of an inconsistency between this Declaration and the Plan, the terms of the Plan shall govern. Nothing in this Declaration shall impact the rights of the Exit Facility Lender, the Exit Facility Agent, the Administrative Agent or the Prepetition Lenders under the Plan or their respective loan documents.

10.14 Headings.

The section headings contained in this Declaration are solely for convenience of reference and shall not affect the meaning or interpretation of this Declaration or of any term or provision hereof.

IN WITNESS WHEREOF, the parties hereto have either executed and acknowledged this Declaration, or caused it to be executed and acknowledged on their behalf by their duly authorized officers all as of the date first above written.

ERG Intermediate Holdings, LLC

JASON R. SEARCY

By: _____
Name: R. Kelly Plato
Title: Managing Member

Jason R. Searcy
SEARCY & SEARCY P.C.
446 Forest Square
P.O. Box 3929
Longview, Texas 75606

The Exempt Assets Trustee

ERG RESOURCES, L.L.C.

By: _____
Name: R. Kelly Plato
Title: Managing Member

ERG INTERESTS, LLC

By: _____
Name: R. Kelly Plato
Title: Managing Member

ERG OPERATING COMPANY, LLC

By: _____
Name: R. Kelly Plato
Title: Managing Member

WEST CAT CANYON, L.L.C.

By: _____
Name: R. Kelly Plato
Title: Managing Member

EXHIBIT H

Restructuring Support Agreement

RESTRUCTURING SUPPORT AGREEMENT

This RESTRUCTURING SUPPORT AGREEMENT (this “**Agreement**”) is entered into as of April 30, 2015, by and among Scott Y. Wood, an individual (“**Mr. Wood**”), the Lenders party hereto, and CLMG CORP., a Texas corporation, as administrative agent under the Credit Agreement (as defined below) (in such capacity, the “**Administrative Agent**,” and, together with Mr. Wood and the Lenders party hereto, the “**Parties**”), and, for the limited purposes of Section 6(f) and Section 19, only, ERG Resources, L.L.C. (“**ERG**,” or, the “**Borrower**”) West Cat Canyon, L.L.C. (“**West Cat**”); ERG Intermediate Holdings, LLC (“**ERG Intermediate**”); ERG Interests, LLC (“**ERG Interests**”); and ERG Operating Company, LLC (“**ERG Operating**,” and, together with West Cat, ERG Intermediate, ERG Interests, and ERG Operating, the “**Corporate Guarantors**”).

RECITALS

WHEREAS, the Administrative Agent, the Lenders, and ERG, as borrower, are party to that certain Credit Agreement dated as of January 24, 2013, as amended by that certain First Amendment to Credit Agreement, dated as of August 14, 2014 (as further amended, restated, supplemented and/or otherwise modified from time to time, the “**Credit Agreement**”); and

WHEREAS, the Corporate Guarantors have guaranteed the Borrower’s obligations in respect of the Credit Agreement and related Loan Documents; and

WHEREAS, Mr. Wood is a party to that certain Guaranty, dated as of August 14, 2014, (as amended, restated, supplemented and/or otherwise modified from time to time, the “**Owner Guaranty**”), by which Mr. Wood has guaranteed the Borrower’s obligations in respect of the Credit Agreement and related Loan Documents; and

WHEREAS, Mr. Wood’s obligations in respect of the Owner Guaranty are secured by that certain Mortgage, Deed of Trust, Assignment, Security Agreement, Fixture Filing and Financing Statement, dated as of October 3, 2014 (as amended, restated, supplemented and/or otherwise modified from time to time, the “**Owner Mortgage**”); and

WHEREAS, certain defaults have occurred and are continuing under the Credit Agreement and the related Loan Documents, and, as a result, the Obligations under the Credit Agreement have been accelerated; and

WHEREAS, on or about March 24, 2015, Rebecca A. Roof and AP Services LLC, began providing services to assist in ERG’s restructuring and Ms. Roof was subsequently appointed Chief Restructuring Officer (“**CRO**”) of ERG by corporate resolution dated April 30, 2015, and in such capacity is the executive responsible to manage ERG; and

WHEREAS, the Administrative Agent, the Lenders, the Borrower and the Corporate Guarantors are in agreement that the best way to maximize the value of the Borrower and

Corporate Guarantors (collectively, the “**Debtors**”) and their respective assets is for the Debtors to commence proceedings under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “**Bankruptcy Court**”) in accordance with the DIP Agreement and as otherwise approved by the Administrative Agent for the purpose of, among other things, conducting a sale of the Debtors’ California Assets pursuant to section 363 of the Bankruptcy Code in accordance with an Acceptable Sale Process (the bankruptcy cases commenced in accordance with the foregoing, the “**Agreed Bankruptcy Cases**”); and

WHEREAS, the Administrative Agent and the Lenders have agreed to provide a DIP Facility, as provided in a Senior Secured Superpriority Debtor-In-Possession Agreement (the “**DIP Agreement**”) to be executed in connection therewith to fund, among other things, an Acceptable Sale Process; and

WHEREAS, the Owner Guaranty provides that Mr. Wood shall indemnify and be personally liable for certain obligations, losses, damages, costs and expenses imposed upon or incurred by the Administrative Agent or any Lender and/or, in certain circumstances, the Obligations under the Loan Documents (the “**Guaranteed Obligations**”) upon the occurrence of certain events or conditions as specified in Section 2.1 of the Owner Guaranty, which include, without limitation, (i) the commencement by the Borrower or any other Credit Party of a voluntary case under the Bankruptcy Code or (ii) the failure of the Borrower or any other Credit Party generally to pay its debts as such debts come due, or a written admission by the Borrower or any other Credit Party that it is unable to pay its debts as they come due; and

WHEREAS, the Owner Mortgage secures Mr. Wood’s obligations in respect of the Guaranteed Obligations; and

WHEREAS, the Parties desire to set forth certain agreements concerning the Bankruptcy Cases, limitations on the Administrative Agent’s enforcement rights in respect of the Credit Agreement, the Owner Guaranty, and the Owner Mortgage, and other related matters, all as more fully set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the terms, covenants and conditions contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Certain Definitions.

(a) Terms Defined in the Original Agreement. Unless the context requires otherwise or unless otherwise defined in this Agreement, each capitalized term used in this Agreement and defined in the Credit Agreement or the DIP Agreement shall have the same meaning as ascribed to such term in the Credit Agreement or the DIP Agreement, as applicable.

(b) Other Defined Terms. Unless the context requires otherwise, each capitalized term used in this Agreement and defined in this Agreement, including in this Section 1(b), shall have the meaning indicated.

“Acceptable Sale” means a sale of the California Assets pursuant to an Acceptable Sale Process.

“California Assets” means all assets of the Debtors, wherever located, relating to the Debtors’ operations in the State of California, including, without limitation, the “Mortgaged Properties” as such term is defined in that certain Mortgage, Deed of Trust, Assignment, Security Agreement, Fixture Filing and Financing Statement from ERG to Lawrence C. Adams, Trustee for the benefit of the Administrative Agent dated January 24, 2013.

“Claims” means any and all direct and indirect claims (including, without limitation, cross-claims, counterclaims, and rights of setoff and recoupment), demands, causes of action (whether direct or derivative in nature), disputes, objections, accounts, reckonings, bonds, bills, specialties, controversies, promises, variances, trespasses, executions, remedies, suits, damages and Liabilities of any nature whatsoever (including, without in any way limiting the generality of the foregoing, all direct and indirect claims either for direct, consequential or punitive damages of any kind), whether actual, contingent or otherwise, whether known, unknown, suspected, unsuspected, foreseen, unforeseen, claimed or subsequently discovered, whether arising under common law, in equity or under statute.

“Effective Date” means the first date upon which each of the conditions precedent to the effectiveness of this Agreement, as set forth in Section 2 hereof, is satisfied.

“Grant Deed” means that certain Grant Deed dated as of September 12, 2014, conveying the Lambert Road Property from CTS Properties, Ltd. to Mr. Wood.

“Lambert Road Property” means certain real property, improvements, and related assets of Mr. Wood located at 200 Lambert Road, Carpinteria, California 93013, designated by the Santa Barbara County Assessor as parcel 005-210-047, as more fully described in the Owner Mortgage.

“Post-Petition Administrative Agent” means the administrative agent under the DIP Agreement.

“Post-Petition Lender” means a lender under the DIP Agreement.

“Qualifying Plan” means a chapter 11 plan of reorganization for the Debtors which (i) treats all liabilities of the Debtors (other than those assumed by the purchaser in an Acceptable Sale) in a manner that does not impair, modify, alter, prejudice, or amend the rights of the Administrative Agent, the Lenders, the Post-Petition Agent, the Post-Petition Lenders, or the purchaser of the California Assets; and (ii) provides for the release of all avoidance actions of ERG and its Affiliates related to the Lambert Road Property.

“Qualifying Release Payment” means the payment in cash or immediately available funds in the amount of eight million five hundred thousand dollars (\$8,500,000) by Mr. Wood to the Administrative Agent on or prior to September 30, 2015 for the purpose of obtaining a release of the Owner Mortgage; *provided that* the closing of an Acceptable Sale occurs on or prior to August 31, 2015. For the avoidance of doubt, and without limitation of any of the

foregoing qualifications, no payment shall be a Qualifying Release Payment if an Acceptable Sale does not occur on or prior to August 31, 2015.

“Recourse Event” means any of the following events: (i) the failure of the Wood Financial Statements to be true in all material respects as of the date made and as of the date certified pursuant to the terms of this Agreement; (ii) the taking by Mr. Wood of any action to interfere in any material respect with the conduct of the Agreed Bankruptcy Cases, including, without limitation (a) objecting to the approval of the DIP Facility by the Bankruptcy Court; (b) objecting to the approval of the Acceptable Sale Process by the Bankruptcy Court, including the Bid Procedures; (c) objecting to the consummation of an Acceptable Sale or asserting any interest in the assets which are the subject of an Acceptable Sale; (d) taking any action to remove the CRO or limit her authority; (e) taking any action that is inconsistent with the Bid Procedures Order in any material respect; or (f) taking any action to or intended to cause the termination of the Agreed Bankruptcy Cases; *provided, however*, following the consummation of an Acceptable Sale, if any, Mr. Wood may negotiate and pursue a Qualifying Plan, and any such actions shall not be deemed to violate this clause (ii); (iii) the commencement by Mr. Wood of any action or proceeding against any Lender, Post-Petition Lender, the Administrative Agent, the Post-Petition Administrative Agent, or any of their respective Related Parties, other than an action or proceeding by Mr. Wood to enforce the terms of this Agreement; (iv) the interference by Mr. Wood with any proceeding of the Administrative Agent or the Lenders to foreclose on the Lambert Road Property, whether judicially or non-judicially, except to the extent prohibited by this Agreement, including, without limitation, by making any filing with any court with respect to such a proceeding; (v) the failure of Mr. Wood to cure any breach of his obligations under this Agreement within seven (7) days’ of delivery of written notice of such breach by the Administrative Agent and (vi) any representation or warranty under this Agreement shall have been incorrect in any material respect at the time it was made.

“Wood Financial Statements” means those financial statements delivered by Mr. Wood to the Administrative Agent dated June 30, 2014.

SECTION 2. Conditions Precedent to Effectiveness.

The following are conditions precedent to the effectiveness of this Agreement:

- (a) Execution and delivery of this Agreement by each of the Parties.
- (b) With respect to the Lambert Road Property, the recordation of the Grant Deed with the Clerk Recorder for the County of Santa Barbara, California and delivery to the Administrative Agent proof of such recordation.
- (c) The certification by Mr. Wood, in form and substance acceptable to the Administrative Agent, that the Wood Financial Statements were true and correct in all material respects when made and remain true and correct in all material respects as of the date of certification, except as expressly set forth in such certification.
- (d) The occurrence of the following events in the following sequence:

- (i) The authorization by Mr. Wood, in his capacity as the authorized person on behalf of each of the Debtors, of (i) the commencement of the Agreed Bankruptcy Cases, and (ii) the employment of the CRO to manage the Debtors during the pendency of the Bankruptcy Cases, subject to removal by the Debtors only after the consummation of an Acceptable Sale or with the written consent of the Administrative Agent;
 - (ii) The resignation by Mr. Wood from all positions and titles with respect to ERG and each of its Affiliates (other than ERG Holdings, LLC), including each of the Debtors, *provided, however*, that nothing herein shall require Mr. Wood to relinquish his equity interests in any of ERG or its Affiliates; and
 - (iii) The appointment of R. Kelly Plato as the sole manager of ERG and each of its Affiliates, including the Debtors.
- (e) The commencement of the Agreed Bankruptcy Cases in the Bankruptcy Court on or before April 30, 2015.

SECTION 3. Acknowledgements.

(a) Recitals. The Parties agree and acknowledge that the recitals to this Agreement are true and correct.

(b) Liability Under the Owner Guaranty. Mr. Wood acknowledges and agrees that, except as provided in this Agreement, as of the Effective Date, as a result of (i) the failure of the Borrower to generally pay its debts as they come due; (ii) written admissions by the Borrower concerning its inability to pay its debts as they come due; and (iii) the commencement of the Agreed Bankruptcy Cases, Mr. Wood is primarily and directly liable to the Administrative Agent and the Lenders for all of the Guaranteed Obligations, which Guaranteed Obligations include, without limitation, the Obligations of the Borrower in respect of the Loan Documents. As a result, subject to the terms of this Agreement, the Administrative Agent is entitled to foreclose on the Lambert Road Property, whether judicially or non-judicially, at any time.

(c) Loan Documents. Mr. Wood acknowledges and agrees that each of the Loan Documents, the Owner Guaranty, and the Owner Mortgage, is valid and enforceable in accordance with its terms as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights and by general principles of equity and that, except as modified by this Agreement, all of the terms and conditions thereof are legally binding upon Mr. Wood and are hereby reaffirmed and ratified.

(d) Amount of Obligations. Mr. Wood acknowledges and agrees that: (i) as of April 30, 2015, (A) the aggregate unpaid principal balance of the Loans is \$372,000,000 and (B) the aggregate amount of accrued and unpaid interest on the Loans is \$28,151,928.08; and (ii) the foregoing amounts do not include other fees, expenses

(including professional fees and expenses), and other Obligations and amounts which are chargeable or otherwise reimbursable under the Credit Agreement and the other Loan Documents.

SECTION 4. Limitation on Recourse Under Owner Guaranty, Owner Mortgage Release Option.

(a) Subject to Section 4(c) below, on and after the Effective Date, notwithstanding anything in the Owner Guaranty or Owner Mortgage, the Administrative Agent and the Lenders shall be entitled to recover the Guaranteed Obligations solely from the Lambert Road Property, and not from any of Mr. Wood's other personal assets.

(b) Subject to Section 4(c), below, on and after the Effective Date, if Mr. Wood makes the Qualifying Release Payment on or prior to September 30, 2015, the Guaranteed Obligations shall be deemed satisfied and the Administrative Agent and the Lenders shall have no further recourse against Mr. Wood or any of his assets, including the Lambert Road Property on account of the Owner Guaranty or the Owner Mortgage and Mr. Wood shall be entitled to a release of the Owner Mortgage.

(c) If a Recourse Event occurs or exists, Section 4(a) and Section 4(b), above, shall be deemed immediately void and of no force or effect and the Administrative Agent and the Lenders shall be entitled to enforce the Owner Guaranty and the Owner Mortgage in accordance with their terms without regard to Section 4(a), Section 4(b), or any other provision of this Agreement.

SECTION 5. Release of Administrative Agent and Lenders.

(a) As of the Effective Date, Mr. Wood, on behalf of himself and each of his predecessors, successors and assigns (each, a "**Wood Releasor**," and collectively, the "**Wood Releasors**"), hereby unconditionally, irrevocably and fully acquits and forever releases, remises, waives and discharges the Administrative Agent, the Lenders, and each of their respective predecessors, successors, assigns, Representatives and Affiliates (collectively, the "**Released Parties**"), of and from any and all Claims (and all defenses, including affirmative defenses, which relate to any of the foregoing), which each Wood Releasor has ever had, now has, or may in the future have against any of the Creditor Released Parties, including, without limitation, all such Claims arising under the Loan Documents, the Owner Guaranty, the Owner Mortgage, or any of the transactions contemplated in connection therewith; provided, that the foregoing releases do not include any Claims of the Wood Releasors arising under this Agreement.

(b) In connection with this Agreement, Mr. Wood, on behalf of himself and all Wood Releasors, waives any and all rights they may have under section 1542 of the California Civil Code, which provides that

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

As of the Effective Date of this Agreement, the Wood Releasors expressly and forever waive the benefits, protection and rights of California Civil Code section 1542, or any other similar provision of the law of any other jurisdiction, with respect to matters released by the Agreement.

SECTION 6. Certain Matters Pertaining to the Agreed Bankruptcy Cases.

(a) Mr. Wood's Cooperation in the Agreed Bankruptcy Cases. Mr. Wood shall take such actions as are reasonably required to provide cooperation to the Post-Petition Administrative Agent, the Administrative Agent, the Lenders, the Post-Petition Lenders and the CRO with respect to the prosecution of the Agreed Bankruptcy Cases.

(b) Further Assurances Concerning Consummation of an Acceptable Sale. Without limiting the generality of the immediately preceding paragraph, Mr. Wood shall promptly upon demand by the Post-Petition Administrative Agent or the Administrative Agent execute and deliver or cause to be executed and delivered any document reasonably necessary to disclaim and release any interest he or any of his non-Debtor Affiliates may have in any of the Debtors' assets which are the subject of any Acceptable Sale.

(c) Restriction on Enforcement Actions Against Mr. Wood's Assets During Bankruptcy Cases. The Administrative Agent and the Lenders shall forebear from exercising any state law foreclosure remedies in respect of the Lambert Road Property until the earlier of (i) the occurrence of a Recourse Event or (ii) (A) August 31, 2015, or (B), if an Acceptable Sale is consummated on or before August 31, 2015, then September 30, 2015. Upon the expiration of the forbearance period set forth in this Section 6(c), the Administrative Agent may exercise any and all of its rights and remedies in respect of the Lambert Road Property at its discretion and without opposition from Mr. Wood. Further, after the expiration of the forbearance period set forth in this Section 6(c), upon the written request of the Administrative Agent, Mr. Wood shall promptly transfer the Lambert Road Property, subject to the Administrative Agent's liens, to any entity designated by the Administrative Agent in lieu of foreclosure pursuant to documentation reasonably acceptable to the Administrative Agent.

(d) Certain Rights of Purchaser in Acceptable Sale. Mr. Wood agrees that, subject to applicable law, the purchaser in the Acceptable Sale shall be entitled, in its sole and absolute discretion, to (i) assume or not assume any liabilities of any of the Debtors; (ii) require any one or more of the Debtors to assume and assign to the purchaser one or more executory contracts of such Debtors; and (iii) decline to accept assignment of any executory contract of any Debtor (*provided that* assumption of the executory contract was not requested and effected pursuant to clause (ii)).

(e) Control of the Debtors Following Consummation of an Acceptable Sale. Notwithstanding anything else set forth in this Agreement, following the consummation of an Acceptable Sale, if any, Mr. Wood may replace R. Kelly Plato as the sole manager of ERG and each of its Affiliates, including each of the Debtors, and may serve as an officer of the Debtors, in each case without affecting the effectiveness of this Agreement.

(f) Limited Right to Termination of Certain Claims and Liens Against the Debtors. If Mr. Wood makes the Qualifying Release Payment on or prior to September 30, 2015 and a Qualifying Plan is confirmed and goes effective on or prior to October 31, 2015, the Administrative Agent and the Lenders shall, promptly following Mr. Wood's written request, (i) release any and all Liens on the capital stock of the Debtors; (ii) release any and all Liens on the property of the Debtors; and (iii) waive any unsecured deficiency claim under the Loan Documents against the Debtors. For the avoidance of doubt, if Mr. Wood fails to make a Qualifying Release Payment on or prior to September 30, 2015, the Administrative Agent and the Lenders shall have no obligation to release any Liens in any of the Debtors' property or waive any unsecured deficiency claim against any of the Debtors. Nothing herein shall limit or restrict the rights of the Administrative Agent or the Lenders to voluntarily waive (y) any Liens in property of the Debtors remaining after the consummation of an Agreed Sale, including, without limitation, the capital stock of any of the Debtors, or (z) any unsecured deficiency claims against any of the Debtors at any time in the exercise of their sole and absolute discretion. Nothing herein shall limit, impair or modify the rights of the Administrative Agent or the Lenders under the Bankruptcy Code to object to or vote against any plan of reorganization that in the Administrative Agent's view impairs, modifies, waives or otherwise prejudices the rights of the Administrative Agent and the Lenders in any manner.

(g) Sale of Claims. The Administrative Agent and the Lenders, or any of them individually, shall be entitled to sell, assign, or otherwise transfer their respective Loans and claims against any one or more of the Debtors to the fullest extent permitted (or not prohibited) by the Loan Documents and applicable law, except that any such sale, assignment, or other transfer shall be subject to the terms of this Agreement.

SECTION 7. Representations, Warranties and Covenants of Mr. Wood.

Mr. Wood hereby represents and warrants to the Administrative Agent and to each of the Lenders that:

(a) the execution, delivery and performance of this Agreement constitutes a legal, valid and binding obligation of Mr. Wood, enforceable against him in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law;

(b) the execution, delivery and performance of this Agreement does not and will not (i) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under any document evidencing Indebtedness or other obligations to which Mr. Wood is a party or affecting Mr. Wood or his properties or any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which Mr. Wood is subject; or (ii) violate any Law; and

(c) the Owner Mortgage continues to be a valid, binding, and enforceable first-priority Lien which secures the Guaranteed Obligations.

SECTION 8. Ratification of Liabilities, etc.

(a) Subject to the terms and conditions set forth in this Agreement, Mr. Wood acknowledges the effectiveness and continuing validity of the Owner Guaranty, his liability for the Guaranteed Obligations pursuant to the terms of the Owner Guaranty, and further confirms and agrees that the Liens created pursuant to the Owner Mortgage secure the Guaranteed Obligations.

(b) Mr. Wood (i) acknowledges receipt of a copy of this Agreement and all other agreements, documents and instruments executed and/or delivered in connection herewith; and (ii) consents to the terms and conditions of (A) the DIP Agreement and all orders, agreements, instruments and documents related thereto, and (B) the Acceptable Sale Process, in each case without prejudice to his liability pursuant to any of the Loan Documents and the Owner Guaranty, as applicable.

SECTION 9. Limited Indemnification of Administrative Agent and Lenders and Other Certain Other Undertakings.

(a) From and after the Effective Date, Mr. Wood shall indemnify, defend and hold harmless the Administrative Agent and the Lenders and each of their respective predecessors, successors, assigns, Representatives and Affiliates, from and against any and all Claims, damages, losses, liabilities, payments, obligations, penalties, fines, assessments, charges, costs, taxes, disbursements, or expenses (including interests, awards, judgments, settlements, costs or redemption, fees, reasonably disbursements and expenses of attorneys, accountants, and other professional advisors and of expert witnesses and costs of investigation and preparation of any kind or nature whatsoever) and court costs to the extent that any of the foregoing relate to, arise out of, or result from the failure of Mr. Wood to record on September 12, 2014 that certain Grant Deed dated September 12, 2014 and signed by Mr. Wood on behalf of CTS Properties, Ltd. purporting to transfer the Lambert Road Property from CTS Properties, Ltd. to Mr. Wood.

(b) Mr. Wood shall take such acts as may be requested by the Administrative Agent from time to time in order to provide the Administrative Agent with a valid first priority lien in the Lambert Road Property to the extent intended by the Owner Mortgage and the Owner Guaranty.

SECTION 10. Reference to and Effect upon the Owner Guaranty and Owner Mortgage.

(a) Except as expressly provided herein, all terms, conditions and covenants, contained in Owner Guaranty and the Owner Mortgage, each of the Guaranteed Obligations, and all rights of the Lenders and the Administrative Agent, shall remain in full force and effect and Mr. Wood hereby ratifies and reaffirms the same.

(b) The effectiveness of this Agreement shall not directly or indirectly (i) constitute a consent or waiver of any past, present or future violations of the Loan Documents, the Owner Guaranty, or the Owner Mortgage; (ii) amend, modify, prejudice or operate as a waiver of any provision of the Loan Documents, the Owner Guaranty, or the Owner Mortgage, or, except as expressly set forth herein, any right, remedy, power or privilege of the Lenders and/or the Administrative Agent; (iii) except as expressly set forth herein, constitute a consent to any merger or other transaction or to any sale,

restructuring or refinancing transaction; or (iv) constitute a course of dealing or other basis for altering any Guaranteed Obligation or any other contract or instrument. Except as otherwise expressly set forth in this Agreement, each of the Administrative Agent and the Lenders reserve all of their respective rights, remedies, powers and privileges under the Loan Documents, the Owner Guaranty, the Owner Mortgage, and applicable Law and/or equity. Except as otherwise expressly set forth in this Agreement, all of the provisions of the Owner Guaranty and the Owner Mortgage are hereby reiterated, and if ever waived, are hereby reinstated.

(c) This Agreement shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of the Owner Guaranty, the Owner Mortgage, or any other document.

SECTION 11. Dismissal of Foreclosure Action.

Within ten (10) days of the Effective Date, the Administrative Agent shall use commercially reasonable efforts to dismiss without prejudice the foreclosure action styled *CLMG Corp. v. ERG Resources, L.L.C., et al.* Case No. 15-CV-00515, pending in the Superior Court of the State of California for Santa Barbara County. The Administrative Agent shall have no obligation to dismiss such foreclosure action unless such dismissal is without prejudice in all respects.

SECTION 12. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any party hereto may execute and deliver a counterpart of this Agreement by delivering by facsimile or other electronic transmission a signature page of this Agreement signed by such party, and any such facsimile or other electronic signature shall be treated in all respects as having the same effect as an original signature.

SECTION 13. Severability.

The invalidity, illegality, or unenforceability of any provision in or obligation under this Agreement in any jurisdiction shall not affect or impair the validity, legality, or enforceability of the remaining provisions or obligations under this Agreement or of such provision or obligation in any other jurisdiction.

SECTION 14. Further Assurances.

Mr. Wood agrees to take all further actions and execute all further documents as the Administrative Agent may from time to time reasonably request to carry out the transactions contemplated by this Agreement and all other agreements executed and delivered in connection herewith.

SECTION 15. Section Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not constitute part of this Agreement for any other purpose.

SECTION 16. Notices.

All notices, requests, and demands to or upon the respective parties hereto shall be given in accordance with the Credit Agreement.

SECTION 17. GOVERNING LAW.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

SECTION 18. Acknowledgements.

Mr. Wood hereby acknowledges that:

(a) he has carefully read and fully understood all of the terms and conditions of this Agreement and is fully aware of their legal effect;

(b) he has consulted with and has been advised by fully competent counsel of his choosing in the negotiation, preparation, execution and delivery of this Agreement and has had the contents of the Agreement fully explained by such counsel;

(c) he has participated in the drafting of this Agreement (which has been prepared through the joint efforts of all parties hereto) and that no provision of, nor any alleged ambiguity in, this Agreement shall be construed against or interpreted or resolved against or to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of, or on the ground that, any party hereto or its counsel having or being deemed to have structured, dictated or drafted such provision or based on any other rule of strict construction;

(d) he is freely, voluntarily, knowingly and intelligently entering into this Agreement;

(e) none of the Lenders or the Administrative Agent has a fiduciary relationship to Mr. Wood, and the relationship between the Administrative Agent and the Lenders, on the one hand, and Mr. Wood, on the other, is solely that of creditor and debtor; and

(f) no joint venture exists among Mr. Wood, the Administrative Agent and the Lenders.

SECTION 19. Assignments; No Third Party Beneficiaries.

This Agreement shall be binding upon and inure to the benefit of the Lenders, the Administrative Agent, Mr. Wood, and each of their respective successors and assigns, and, with respect to Section 6(f) and this Section 19 only, the Borrower and the Corporate Guarantors; *provided* that Mr. Wood shall not be entitled to delegate any of his duties hereunder and shall not assign any of his rights or remedies set forth in this Agreement without the prior written consent of the Administrative Agent in its sole and absolute discretion (and any attempted assignment or delegation without such consent shall be null and void). No Person other than the parties hereto and each of their respective permitted successors and assigns, shall have any rights hereunder or be entitled to rely on this Agreement and all third-party beneficiary rights are hereby expressly disclaimed. Without limiting the generality of the foregoing, other than with respect to Section 6(f) and this Section 19, the Borrower and the Corporate Guarantors shall have no rights to enforce this Agreement.

SECTION 20. Amendments.

No provision of this Agreement may be amended, modified, waived or supplemented, except as provided in Section 8.2 of the Owner Guaranty.

SECTION 21. Final Agreement.

This Agreement, the Owner Guaranty, the Owner Mortgage, the other Loan Documents, and the other written agreements, instruments, and documents entered into in connection herewith and therewith (collectively, the “**Credit Support Documents**”) set forth in full the terms of agreement between the parties hereto and thereto and are intended as the full, complete, and exclusive contracts governing the relationship between such parties, superseding all other discussions, promises, representations, warranties, agreements, undertakings and understandings between the parties with respect thereto, and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. No term of the Credit Support Documents may be amended, restated, waived or otherwise modified except in a writing signed by the party against whom enforcement of the modification, amendment, or waiver is sought, unless otherwise provided in the applicable Credit Support Documents. Any waiver of any condition in or breach of any of the foregoing in a particular instance shall not operate as a waiver of other or subsequent conditions or breaches of the same or a different kind. The Lenders’ and/or the Administrative Agent’s exercise or failure to exercise any rights or remedies under any of the foregoing in a particular instance shall not operate as a waiver of its right to exercise the same or different rights, remedies, powers and privileges in any other instances. There are no unwritten oral agreements between or among the parties hereto.

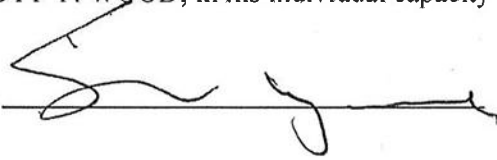
[Signature pages to follow]

SIGNATURE PAGE TO RESTRUCTURING SUPPORT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.


SCOTT Y. WOOD, in his individual capacity

By: _____


A handwritten signature in black ink, appearing to read "Scott Y. Wood", is written over a horizontal line. The signature is cursive and somewhat stylized.

SIGNATURE PAGE TO RESTRUCTURING SUPPORT AGREEMENT

CLMG CORP., as Administrative Agent

By: 
Name: James Erwin
Title: President *CAA*

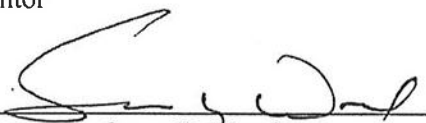
LVN CORPORATION, as Lender

By: 
Name: Jacob Cherner
Title: Executive Vice President *CAA*

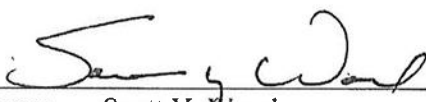
SIGNATURE PAGE TO RESTRUCTURING SUPPORT AGREEMENT

*ACKNOWLEDGED, AND,
FOR THE LIMITED PURPOSE OF SECTION 6(f) AND SECTION 19 ONLY, AGREED:*

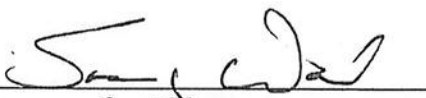
ERG RESOURCES, L.L.C., a Corporate
Guarantor

By: 
Name: Scott Y. Wood
Title:

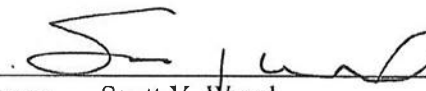
WEST CAT CANYON, L.L.C, a Corporate
Guarantor

By: 
Name: Scott Y. Wood
Title:

ERG INTERMEDIATE HOLDINGS, LLC, a
Corporate Guarantor

By: 
Name: Scott Y. Wood
Title:

ERG INTERESTS, LLC, a Corporate Guarantor

By: 
Name: Scott Y. Wood
Title:

ERG OPERATING COMPANY, LLC, a
Corporate Guarantor

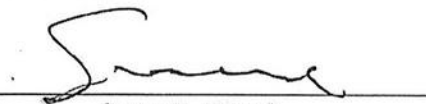
By: 
Name: Scott Y. Wood
Title:

EXHIBIT I

List and Compensation of Management of Reorganized Debtors

Disclosure of Identity and Compensation of ERG Plan Trustee

1. Identity of Trustee: Sean Clements
Managing Director, Opportune, LLP

2. Compensation:

Base Monthly Fee	\$15,000 per month (assumes 40 hours per month)
Hourly Rate	Any additional hours worked in excess of 40 hours per month will be billed at \$400/hr.
Monthly Fee Cap	\$25,000, comprised of the \$15,000 per month Base Monthly Fee plus additional hours worked at a rate of \$400 per hour, subject to the Catch Up
Catch Up	If Trustee works more than 65 hours in a month (such that the full \$25,000 is earned and paid), unpaid excess hours worked may be billed in subsequent months in which less than \$25,000 is otherwise paid. In addition, if less than \$25,000 is paid to the Trustee in a month, the difference between \$25,000 and the amount paid for such month will be accrued to a Carry-Over account which may be used to pay Catch Up amounts incurred in future months.
Performance Bonus	For any transaction resulting in proceeds in excess of the Exit Facility Claims and the Prepetition Facility Claims, a fee will be paid to Opportune of 5.0% of such proceeds in excess of such Claims.
Expense Reimbursement	Reimbursement for all reasonable and documented fees and expenses associated with this matter.

ERG TRUSTEE MATERIALS



OCTOBER 2015

3 PROPOSED TRUSTEE: RESUME

PROFESSIONAL EXPERIENCE

OPPORTUNE LLP

Managing Director (Houston, TX)

2007 to Present

Opportune is an energy consulting firm of 250+ professionals that assists clients with corporate finance and valuation, complex financial reporting, process and technology, strategy and organization, restructuring, dispute resolution, enterprise risk, tax, outsourcing and engineering support. In my capacity with Opportune, I focus largely on Oil and Gas clients with an emphasis on:

- Oil and Gas Restructuring
- Treasury Management
- Financial Planning & Analysis
- Corporate Finance and Due Diligence
- Dispute Resolution
- Valuation

TEXLA ENERGY MANAGEMENT, INC.

Advisory Board Member (Houston, TX)

2014 to Present

NAVIGANT CONSULTING, INC.

Managing Consultant (Houston, TX)

2005 to 2007

DELOITTE & TOUCHE LLP – Financial Advisory Services

Manager (London, UK)

2004 to 2005

Manager (Houston, TX)

2001 to 2004

Representative Restructuring Experience - Managed more than 10 oil and gas related financial restructurings for large banks and debtors with cases ranging from \$4.5 billion to less than \$75 million in liabilities. Work performed included:

- Sales Process Support and Consulting
- Asset and Enterprise Valuation
- Financial Modelling and Reporting
- Cash Flow Management
- Business Case Development and Oversight
- Credit Document Negotiation
- Strategy Advisory
- Testimony

Representative Transactional Experience - Managed numerous financial due diligence and financial integration projects for onshore E&P asset-based acquisitions ranging in size from \$15 million to \$500 Million. Projects resulted in:

- Validation of Purchase Economics
- Integrating Accounting and Reporting
- Identified Economic Risks
- Tested Closing and Final Settlement Statements

4 PROPOSED TRUSTEE: RESUME (CONT'D)

Representative Accounting and Financial Experience – Assisted numerous oil and gas clients with technical accounting and financial planning and analysis matters including:

- Standardized Measure Disclosures
- IFRS Disclosure Requirements
- Creation of Short-Term Cash Forecasts
- Development of Board Reporting Packages
- Purchase Price Valuations and Allocations
- Testing Variance to Acquisition Economics

Other Representative Consulting Experience

- Served as consulting expert in a valuation and damages dispute.
- Negotiated and settled, on behalf of insured parties, business interruption claims across all energy streams.

OTHER EXPERIENCE

RECENT ARTICLES, REPRESENTATIONS AND SPEAKING ENGAGEMENTS

- Capital Availability for E&Ps. *Oil and Gas Financial Journal*, June 2015
- Options & Opportunities in Energy Restructuring, *Presenter*, 2015
- Financial Restructuring in Oil & Gas, *Presenter*, 2015
- Weathering the Oil Price Decline: Risks, Challenges and Opportunities in the Energy Market, *Presenter*, 2015

EXPERT WITNESS ENGAGEMENT

- ATP Oil & Gas
- Flint Creek Valley Bank, et al., vs. Athena Energy, LLC, et al., vs. Knox LLC, et al.
Rebuttal report commenting on the valuation techniques and damage calculations presented against Nancy Hogan in an oil and gas dispute.

EDUCATION

TEXAS A&M UNIVERSITY (College Station, TX)

PROFESSIONAL PROGRAM of ACCOUNTING

December 2000

- Bachelor of Business Administration – Degree in Accounting, Magna Cum Laude
- Master of Science in Finance, GPA: 3.5

5 PROPOSED TRUSTEE: PROFESSIONAL BIOGRAPHY

PROFESSIONAL EXPERIENCE

Sean is a Managing Director in the Restructuring practice of Opportune, and is a Certified Public Accountant who specializes in financial restructurings, complex financial modeling, valuation, business interruption claims and damage analysis. Sean's experience includes management of several energy related bankruptcy projects, the negotiation of business interruption claims ranging from \$1 billion to \$25K as well as damage analyses and investigations related to asset misappropriation schemes and financial statement fraud. Prior to joining Opportune, Sean worked as a Manager in the Dispute and Investigation practices of Navigant Consulting Inc, Deloitte & Touche, US and Deloitte & Touche, UK.

AREAS OF EXPERTISE

- Oil and gas Restructuring
- Complex financial modeling
- Treasury management
- Corporate finance and due diligence
- Dispute resolution
- Valuation

REPRESENTATIVE EXPERIENCE

Managed several energy related financial restructuring projects for large bank syndicates. Work performed included valuation of assets, complex financial modeling and projections, strategic advisory and managing the banks' relationship with the company's management teams.

Served as a financial advisor to a Debtor in Possession. Work included creating business models, managing cash flow forecasting, reviewing and supervising the creation of court related schedules, testifying and negotiating debt agreements.

Built a sophisticated Coal Transportation Risk Book for one of the largest coal consumers in the United States. Tasks included understanding dynamics associated with coal contracts, coal transportation contracts and dynamics associated with coal consumption.

Managed the creation of numerous financial models, these models include detailed cash flow projections and pro forma financial statements for various E&P and energy service companies.

Created for a Midstream Natural Gas company, the analysis and documentation of two \$100+ million business interruption and property damage claims. Work was performed related to more than 10 natural gas liquid processing plants, 3 fractionators, multiple pipelines and gathering systems, a barge fleet, and marketing and retail operations.

Participated in numerous financial due diligence and integration projects for onshore E&P asset-based acquisitions ranging in size from \$15 million to \$500 Million.

CONTACT

713.237.4805 office
713.490.0355 fax
713.702.6585 mobile
sclements@opportune.com

INDUSTRIES SERVED

Energy
Petrochemical
Insurance
Manufacturing

SELECTED CLIENTS

Alcoa
Aspect Energy
ATP Oil and Gas
Black Stone Minerals
Crimson Exploration
Edge Petroleum
EnerVest
Geokinetics
Global GeoPhysical
GMX Resources
Huntsman Petrochemical
JP Morgan Chase
Natixis
NuStar Energy
SandRidge Energy
Statoil
Targa Resources
TVA
UBOC
UDS (Valero Energy)
Wells Fargo

Schedule 1

Redline Showing Changes to
Schedule of Assumed Executory Contracts and Unexpired Leases

SCHEDULE 1**SCHEDULE OF ASSUMED EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

	Debtor	Counterparty	Category	Description	Cure Amount
1.	ERG Operating Company, LLC	Elemet Markets, LLC.	Consulting Agreements	Carbon Agreement	\$0.00
2.	ERG Resources, LLC	BP Energy Company	Debt Agreements	ISDA 2002 Master Agreement	\$0.00
3.	ERG Operating Company, LLC	Chaparral Business Machines, Inc.	Equipment Leases	Office Equipment	\$925.00
4.	ERG Resources, LLC	Bright House	IT Agreements	Communications	\$421.00
5.	ERG Resources, LLC	Comcast Business	IT Agreements	Business Class Service Agreement - ID 6905723	\$0.00
6.	ERG Resources, LLC	IHS Global Inc.	IT Agreements	Software License Agreement	\$9,026.00
7.	ERG Resources, LLC	CoreLogic	License Agreements	Document Retrieval- Land Dept	\$124.00
8.	ERG Operating Company, LLC	Key Energy Services California, Inc.	Other Agreements	Drilling	\$0.00
9.	ERG Resources, LLC	AP Services, LLC	Professional Engagement Letters	Engagement Letter Dated March 24, 2015	\$0.00
10.	ERG Resources, LLC	Epiq Bankruptcy Solutions	Professional Engagement Letters	Engagement Letter Dated March 30, 2015	\$0.00
11.	ERG Resources, LLC	Jones Day	Professional Engagement Letters	Engagement Letter Dated December 10, 2014	\$0.00
12.	ERG Operating Company, LLC	Acquistapace Farms, Inc.	Purchase Agreements	Emissions	\$0.00
13.	ERG Operating Company, LLC	Phillips 66 Company	Purchase Agreements	Evergreen Purchase Agreement As Amended (No. ERL13TP50002)	\$0.00
14.	ERG Resources, LLC	Danari Bakersfield, LLC	Real Estate Leases	Office Lease - 4980 California Avenue, Suite 300B, Bakersfield CA, 93309 (As Amended)	\$0.00

	Debtor	Counterparty	Category	Description	Cure Amount
15.	ERG Resources, LLC	Holland Residential (Agent)	Real Estate Leases	Apartment Lease - #1003 E. Henry Avenue, Santa Maria, CA 93455	\$0.00
16.	ERG Resources, LLC	LNV Corporation	Royalty Agreements	ORRI from ERG Resources to LNV Corporation	\$0.00
17.	ERG Resources, LLC	Ford Motor Credit Company, LLC	Vehicle Leases	Master Lease Agreement - ERG Operating Company Master Lease (8/7/12)	\$5,027.00
18.	ERG Operating	Betteravia Farms, LLC	Other Agreements	Agreement for Purchase and Sale Nox/ROC	\$0.00
19.	ERG Operating	Williams Holding Company	Other Agreements	Horizontal Well Agreement	\$0.00
20.	ERG Resources	Williams Holding Company	Other Agreements	Agreement and Conveyance of Term	\$0.00
21.	ERG Resources	Williams Holding Company	Other Agreements	Agreement and Amendment of Agreement	\$0.00
22.	ERG Operating	Aera Energy	Other Agreements	3D survey permission	\$0.00
23.	ERG Resources, ERG Operating	Cat Canyon Royalty Owners	Other Agreements	Commingling Agreement	\$0.00
24.	ERG Resources, ERG Operating	Lawrence Michael, et al	Other Agreements	Golbal Settlement Release and Indemnity Agre	\$0.00
25.	ERG Resources, ERG Operating	Williams Holding Company	Other Agreements	Agreement	\$0.00
26.	ERG Resources, ERG Operating	Williams Holding Company, A.F. & C.A Fugler Inc., Gettty Oil	Other Agreements	Agreement and Amendment to Oil and Gas Lease	\$0.00
27.	ERG Resources, ERG Operating	US Specialty Insurance Inc. / Indemco LP	Surety Bonds	Surety Program (including any and all agreements with US Speciality and Indemco)	\$0.00
28.	ERG Resources, LLC	US Specialty Insurance Inc.	Surety Bonds	Surety Bond 007638	\$0.00

	Debtor	Counterparty	Category	Description	Cure Amount
29.	ERG Resources, LLC	US Specialty Insurance Inc.	Surety Bonds	Surety Bond 005609	\$0.00
30.	ERG Resources, LLC	US Specialty Insurance Inc.	Surety Bonds	Surety Bond 005630	\$0.00
31.	ERG Resources, LLC	US Specialty Insurance Inc.	Surety Bonds	Surety Bond 007953	\$0.00
32.	ERG Resources, LLC	Indemco, LP	Surety Bonds	Collateral Agreement	\$0.00
33.	ERG Resources, LLC	Indemco, LP	Surety Bonds	Sinking Fund Agreement	\$0.00
34.	ERG Operating Company, LLC	Area Energy LLC	Other Agreements	Joint Operating Agreement	\$0.00
35.	ERG Resources, LLC	Michael Family Trust	Other Agreements	Surface Lease, as amended	\$0.00
36.	ERG Resources, LLC	Cat Bl'ieu Enterprises Inc.	Other Agreements	Grazing Lease, as amended	\$0.00
37.	ERG Resources, LLC	Dutra Dairy Inc.	Other Agreements	Grazing Lease	\$0.00
38.	ERG Resources, LLC	Michael Ranch Trust	Other Agreements	Grazing Lease, Los Alamos Ranch	\$0.00
39.	ERG Resources, LLC	Rick Micahel	Other Agreements	Grazing Lease, Cantin	\$0.00
<u>40.</u>	<u>ERG Resources, LLC</u>	<u>US Specialty Insurance Inc.</u>	<u>Surety Bonds</u>	<u>Surety Bond B008776</u>	<u>\$0.00</u>
<u>41.</u>	<u>ERG Resources, LLC</u>	<u>US Specialty Insurance Inc.</u>	<u>Surety Bonds</u>	<u>Payment Indemnity Contract No. 0780</u>	<u>\$0.00</u>

Schedule 2

Redline Showing Changes to
Schedule of Rejected Executory Contracts and Unexpired Leases

SCHEDULE 2**SCHEDULE OF REJECTED EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

	Debtor	Counterparty	Category	Description
1.	ERG Operating Company, LLC	Ali Fakhreddine	Employment Agreements	Accepted Offer Letter
2.	ERG Operating Company, LLC	Denny Dobson	Employment Agreements	Accepted Offer Letter
3.	ERG Operating Company, LLC	Michelle Adams Layton	Employment Agreements	Accepted Offer Letter
4.	ERG Operating Company, LLC	Tom Skinner	Employment Agreements	Accepted Offer Letter
5.	ERG Operating Company, LLC	Patricia Orange	Employment Agreements	Accepted Offer Letter
6.	ERG Resources, LLC	Ben Oakley	Employment Agreements	Accepted Offer Letter
7.	ERG Resources, LLC	Betty Walker	Employment Agreements	Employment Agreement
8.	ERG Resources, LLC	Phil Hosch	Employment Agreements	Accepted Offer Letter
9.	ERG Resources, LLC	R. Kelly Plato	Employment Agreements	Employment Agreement
10.	ERG Resources, LLC	Maribel Aguielera Offer Letter	Employment Agreements	
11.	ERG Resources, LLC	John Deacon Offer Letter	Employment Agreements	
12.	ERG Operating Company, LLC	De Lage Landen Financial	Equipment Leases	Land Office Equipment
13.	ERG Resources, LLC	Konica Minolta Business Solutions U.S.A., Inc.	Equipment Leases	Premier Lease Agreement; Bizhub C554E
14.	ERG Resources, LLC	Xerox	Equipment Leases	Equipment Lease - Item W7346PCM
15.	ERG Resources, LLC	appriver	IT Agreements	Spam Filtering
16.	ERG Resources, LLC	Crosswood Technology Group	IT Agreements	IT Consulting Agreement

S3-1

	Debtor	Counterparty	Category	Description
17.	ERG Resources, LLC	Logix Communications, LP	IT Agreements	Service Agreement - Internet and Fax to Email Service
18.	ERG Resources, LLC	Citigroup Global Markets, Inc.	Professional Engagement Letters	Executed Engagement Letter dtd 12/30/14
19.	ERG Resources, LLC	DLA Piper (US)	Professional Engagement Letters	Engagement Letter
20.	ERG Resources, LLC	Macquarie Capital (USA), Inc.	Professional Engagement Letters	Executed Engagement Letter dtd 12/4/2014
21.	ERG Resources, LLC	Macquarie Capital (USA), Inc.	Professional Engagement Letters	Executed Engagement Letter, attachments and amendments
22.	ERG Resources, LLC	Reicker, Pfau, Pyle & McRoy	Professional Engagement Letters	Engagement Letter Dated April 22, 2015
23.	ERG Resources, LLC	Gray, Reed & McGraw, P.C.	Professional Engagement Letters	
24.	ERG Resources, LLC	Three Allen Center Co. LLC	Real Estate Leases	Office Lease - Three Allen Center Suite #4400 (As Amended)
25.	ERG Operating Company, LLC	AECOM Technical Services, Inc.	Service Agreements	Air Quality
26.	ERG Operating Company, LLC	B & L Equipment Rentals, Inc.	Service Agreements	Equipment
27.	ERG Operating Company, LLC	BARC	Service Agreements	Paper Recycling
28.	ERG Operating Company, LLC	BMI Pac West Inc.	Service Agreements	Air Conditioning Maintenance
29.	ERG Operating Company, LLC	Bob's Jungle	Service Agreements	Interior Plant Maintenance
30.	ERG Operating Company, LLC	Brad Modlin	Service Agreements	Labor, Steam Gen
31.	ERG Operating Company, LLC	C. D. Lyon Construction, Inc.	Service Agreements	Labor, Material

	Debtor	Counterparty	Category	Description
32.	ERG Operating Company, LLC	Central Coast Piping	Service Agreements	Labor
33.	ERG Operating Company, LLC	Collings and Associates, LLC.	Service Agreements	Legal
34.	ERG Operating Company, LLC	Compliance Services, Inc.	Service Agreements	Pipeline & Compliance Consulting
35.	ERG Operating Company, LLC	Condition Monitoring Services, Inc	Service Agreements	Emissions Testing
36.	ERG Operating Company, LLC	CSS Drilling Tools	Service Agreements	Drilling Tools
37.	ERG Operating Company, LLC	CSS Inc.	Service Agreements	Labor, Material
38.	ERG Operating Company, LLC	DHI Services Inc.	Service Agreements	Formation Evaluation Services
39.	ERG Operating Company, LLC	Diversified Project Services International	Service Agreements	Engineering Svcs
40.	ERG Operating Company, LLC	Driltek, Inc.	Service Agreements	Engineering, Planning, Operations Management
41.	ERG Operating Company, LLC	Electrical Solutions Corporation	Service Agreements	Electical Maint
42.	ERG Operating Company, LLC	Energy Link Industrial Service, Inc.	Service Agreements	Equipment, Services
43.	ERG Operating Company, LLC	Engel & Gray, Inc.	Service Agreements	Legal
44.	ERG Operating Company, LLC	Enviroscaping, Inc.	Service Agreements	Fencing
45.	ERG Operating Company, LLC	EnviroTech Consultants, Inc.	Service Agreements	Environmental
46.	ERG Operating Company, LLC	Excalibur Well Services Corp.	Service Agreements	Cement

	Debtor	Counterparty	Category	Description
47.	ERG Operating Company, LLC	H & B Equipment Co., Inc.	Service Agreements	Equipment, Services
48.	ERG Operating Company, LLC	Heritage Discoveries, Inc.	Service Agreements	Archeological Svcs
49.	ERG Operating Company, LLC	Hogg Drilling Specialty Construction, Inc.	Service Agreements	Downhole Svcs, Concrete
50.	ERG Operating Company, LLC	Hurley Company	Service Agreements	Environmental, Safety Training
51.	ERG Operating Company, LLC	J. D. Humann Landscape, Inc.	Service Agreements	Landscape Services
52.	ERG Operating Company, LLC	Lifeline Safety, LLC.	Service Agreements	Safety Consultant
53.	ERG Operating Company, LLC	MMI Services, Inc.	Service Agreements	Rig & crew, Supervision, Cement
54.	ERG Operating Company, LLC	Nextivia	Service Agreements	Phone Lines
55.	ERG Operating Company, LLC	NTS Inc.	Service Agreements	Sulfer Treat Foundation, Corridor Inst
56.	ERG Operating Company, LLC	Pacific Gas Technology Inc.	Service Agreements	Testing
57.	ERG Operating Company, LLC	Pacific Petroleum California, Inc.	Service Agreements	Labor, Rental
58.	ERG Operating Company, LLC	Packer Service Inc.	Service Agreements	Labor, Materials
59.	ERG Operating Company, LLC	Papi J's Gardening	Service Agreements	Gardening
60.	ERG Operating Company, LLC	Pat Phelan Construction	Service Agreements	Haul, Cleanup
61.	ERG Operating Company, LLC	Payette & Sons, Inc.	Service Agreements	Dust Control Soil Stabilization (Cleanup)

	Debtor	Counterparty	Category	Description
62.	ERG Operating Company, LLC	Premier Crane & Transportation, Inc.	Service Agreements	Transportation
63.	ERG Operating Company, LLC	Process Instruments, Inc.	Service Agreements	Well Tests
64.	ERG Operating Company, LLC	ProChem Solutions	Service Agreements	Chemical, Labor
65.	ERG Operating Company, LLC	PROS Incorporated	Service Agreements	Equipment
66.	ERG Operating Company, LLC	Prousys, Inc.	Service Agreements	Onsite Support
67.	ERG Operating Company, LLC	Quinn Pumps California, Inc.	Service Agreements	Material
68.	ERG Operating Company, LLC	Reese Sales Company	Service Agreements	Material, Services
69.	ERG Operating Company, LLC	Rick Teixeira Welding, Inc.	Service Agreements	Welding
70.	ERG Operating Company, LLC	Robert Jones General Engineering, Inc.	Service Agreements	Engineering Svcs
71.	ERG Operating Company, LLC	Safety Tek Industries, Inc.	Service Agreements	Equipment Supply, Repair
72.	ERG Operating Company, LLC	SAGE Institute, Inc.	Service Agreements	Production Plans, Sales Pipeline
73.	ERG Operating Company, LLC	SCEC	Service Agreements	Testing on Steam Generators
74.	ERG Operating Company, LLC	SCS Tracer Environmental	Service Agreements	Regulatory Compliance & Maint
75.	ERG Operating Company, LLC	Southern Sierra General Engineering, Inc.	Service Agreements	Labor, Materials
76.	ERG Operating Company, LLC	SPEC Services, Inc.	Service Agreements	Engineering, Coalescer

	Debtor	Counterparty	Category	Description
77.	ERG Operating Company, LLC	Speeds Oil Tool Service, Inc.	Service Agreements	Labor, Materials
78.	ERG Operating Company, LLC	Superior Tank Company, Inc.	Service Agreements	Tanks
79.	ERG Operating Company, LLC	Sweet Oil Tool Rental, Inc.	Service Agreements	Tools
80.	ERG Operating Company, LLC	TJ Cross Engineers, Inc.	Service Agreements	Engineering Svcs
81.	ERG Operating Company, LLC	Vince Lopez Jr. & Sons, Inc.	Service Agreements	Labor, Materials
82.	ERG Operating Company, LLC	West Coast Casing, LLC	Service Agreements	Casing Equipment, Tools
83.	ERG Operating Company, LLC	West Coast Welding and Construction, Inc.	Service Agreements	Labor, Materials
84.	ERG Resources, LLC	Dowden Technical Services, Inc.	Service Agreements	Electical Maint
85.	ERG Resources, LLC	Gatlin Technical Services, Inc.	Service Agreements	RAR
86.	ERG Resources, LLC	JL Marine Construction	Service Agreements	Insulation Svcs
87.	ERG Resources, LLC	PC Mechanical, Inc.	Service Agreements	Maintenance
88.	ERG Resources, LLC	Scientific Drilling	Service Agreements	Equipment, Tools, Service
89.	ERG Resources, LLC	Affordable Janitorial	Service Agreements	
90.	ERG Resources, LLC	Brazelton Leasing Incorporated	Vehicle Leases	Vehicle Lease - 2013 Chevrolet C1500
91.	ERG Resources, ERG Operating	HVI Cat Canyon	Other Agreements	Water Delivery Agreement
92.	ERG Operating Company, LLC	HVI Cat Canyon, Greka	Other Agreements	First Amendment to Gas Handling
93.	ERG Operating Company, LLC	HVI Cat Canyon, Greka	Other Agreements	Gas Handling Agreement
94.	ERG Resources	RMR Energy Resources	Other Agreements	Assignment of Oil and Gas Leases

	Debtor	Counterparty	Category	Description
95.	ERG Resources	RMR Energy Resources	Other Agreements	Assignment of Oil and Gas Leases
96.	ERG Resources, LLC	R.E. Fulton	Other Agreements	Water Reservoir Lease
<u>97.</u>	<u>ERG Operating Company, LLC</u>	<u>Accord Design Group, Inc.</u>	<u>Consulting Agreements</u>	<u>Roadway Surveying</u>
<u>98.</u>	<u>ERG Operating Company, LLC</u>	<u>Phil Sorbet</u>	<u>Employment Agreements</u>	
<u>99.</u>	<u>ERG Resources, LLC</u>	<u>Thomas Counihan</u>	<u>Employment Agreements</u>	<u>Employment Agreement</u>
<u>100</u> ±	<u>ERG Resources, LLC</u>	<u>Aspect Engineering Group</u>	<u>IT Agreements</u>	<u>Engineering Svcs</u>
<u>101</u> ±	<u>ERG Operating Company, LLC</u>	<u>Enterprise Rental</u>	<u>Other Agreements</u>	<u>Business Vehicle Rental</u>
<u>102</u> ±	<u>ERG Operating Company, LLC</u>	<u>Urban Planning Concepts, Inc.</u>	<u>Other Agreements</u>	<u>Permits</u>
<u>103</u> ±	<u>ERG Operating Company, LLC</u>	<u>Trojan Petroleum, Inc.</u>	<u>Purchase Agreements</u>	<u>Labor</u>
<u>104</u> ±	<u>ERG Operating Company, LLC</u>	<u>ACS Premier, Inc.</u>	<u>Service Agreements</u>	<u>Surveying, Mapping</u>
<u>105</u> ±	<u>ERG Operating Company, LLC</u>	<u>Aeros Environmental, Inc.</u>	<u>Service Agreements</u>	<u>Environmental</u>
<u>106</u> ±	<u>ERG Operating Company, LLC</u>	<u>Arrowhead Direct</u>	<u>Service Agreements</u>	
<u>107</u>	<u>ERG Operating Company,</u>	<u>Cannon, Corporation</u>	<u>Service Agreements</u>	<u>Field Services</u>

	Debtor	Counterparty	Category	Description
±	<u>LLC</u>			
<u>108</u> ±	<u>ERG Operating Company, LLC</u>	<u>K. B. O'Sullivan Construction</u>	<u>Service Agreements</u>	<u>Remodel of Field Office</u>
<u>109</u> ±	<u>ERG Operating Company, LLC</u>	<u>Turk's Kern Copy</u>	<u>Service Agreements</u>	
<u>110</u> ±	<u>ERG Operating Company, LLC</u>	<u>Central Coast Tank Testing (DBA Baseline Enterprises)</u>	<u>Service Agreements</u>	<u>Testing</u>
<u>111</u> ±	<u>ERG Operating Company, LLC</u>	<u>Nuzzo Environmental, Inc.</u>	<u>Service Agreements</u>	<u>Air Quality</u>
<u>112</u> ±	<u>ERG Operating Company, LLC</u>	<u>Rancho La Laguna, LLC</u>	<u>Purchase Agreements</u>	<u>Emission Reduction Credits</u>

Schedule 3

Redline Showing Changes to
Schedule of Oil & Gas Leases Related to the California Assets

SCHEDULE 3**SCHEDULE OF OIL & GAS LEASES RELATED TO THE CALIFORNIA ASSETS**

	Debtor	Counterparty	Description
1.	ERG Resources, LLC	A F & C A FUGLER INC.	A.F. & C.A. Fugler Inc. Lease APN 101-040-017 (Lessee: Rock Energy, LLC n/k/a Petrorock LLC)
2.	ERG Resources, LLC	A F & C A FUGLER INC.	A.F. & C.A. Fugler, Inc. Lease APN's 129-170-006 & 129-020-300 (Lessee: Amrich Energy Inc. et. al)
3.	ERG Resources, LLC	Arkoma Production Co of TX	Bonetti Lease APN 101-040-006 (Lessee: G. Rodges & Associates, Inc.)
4.	ERG Resources, LLC	Barbara B Green Trustee	Bonetti Lease APN 101-040-006
5.	ERG Resources, LLC	California Trust Co	UCB/Dominion Lease; Multiple APN's
6.	ERG Resources, LLC	CANTIN LAND OIL & DEV CO	Cantin Lease APN 129-180-015 (Lessee: The Texas Company)
7.	ERG Resources, LLC	CAWLEY GILLESPIE & ASSOC	Fleisher Lease APN 101-040-005 & 011
8.	ERG Resources, LLC	Charlotte H Sturgeon et al	Sturgeon Lease APN 101-070-008
9.	ERG Resources, LLC	CLINT EDWARD GARRETT	Fleisher Lease APN 101-040-005 & 011
10.	ERG Resources, LLC	DAVIS 1999 REVOCABLE LIVING TR	Preisker Lease APN 101-070-058, 101-070-068
11.	ERG Resources, LLC	DILLON DOUGLAS CAWLEY	Fleisher Lease APN 101-040-005 & 011
12.	ERG Resources, LLC	Edward McCoy	Bonetti Lease APN 101-040-006
13.	ERG Resources, LLC	Edwina Petersen 1980 Trust	Preisker Lease APN 101-070-058, 101-070-068
14.	ERG Resources, LLC	ELTON V TOGNAZZINI ETAL	Tognazzini Lease APN 129-180-011 & 129-110-020, 133-070-028, 029, 032, 033, 034 and 133-200-001 (Lessee: Gato Corporation)
15.	ERG Resources, LLC	Frank McCoy	Bonetti Lease APN 101-040-006
16.	ERG Resources, LLC	HAROLD D EINARSEN TRUST	Fleisher Lease APN 101-040-005 & 011
17.	ERG Resources, LLC	James & Patricia McLanahan Rev Trst	Preisker Lease APN 101-070-058, 101-070-068

	Debtor	Counterparty	Description
18.	ERG Resources, LLC	JAMES L WARREN	Bonetti Lease APN 101-040-006 (Lessee: G. Rodges & Associates, Inc.)
19.	ERG Resources, LLC	JEFFERY WARREN	Bonetti Lease APN 101-040-006 (Lessee: G. Rodges & Associates, Inc.)
20.	ERG Resources, LLC	Joanne Treloar	Preisker Lease APN 101-070-058, 101-070-068
21.	ERG Resources, LLC	JOHN & ELEANOR WICKENDEN FAMILY TRUST	John R. Wickenden/Dore Family Trust Lease APN 101-050-053; 054 & 017
22.	ERG Resources, LLC	JOHN A WARREN TRUST	Bonetti Lease APN 101-040-006 (Lessee: G. Rodges & Associates, Inc.)
23.	ERG Resources, LLC	JOHN BRADFORD PRUITT	Drumm Lease APN 101-070-002 (Lessee: Rock Energy LLC)
24.	ERG Resources, LLC	JORDAN DAVIDSON GARRETT	Fleisher Lease APN 101-040-005 & 011
25.	ERG Resources, LLC	Katherine P Durley	Preisker Lease APN 101-070-058, 101-070-068
26.	ERG Resources, LLC	Lynn Reynolds	Bonetti Lease APN 101-040-006
27.	ERG Resources, LLC	Mariella Edgar	Bonetti Lease APN 101-040-006
28.	ERG Resources, LLC	MICHAEL JAMES PRUITT	Drumm Lease APN 101-070-002 (Lessee: Rock Energy LLC)
29.	ERG Resources, LLC	Pamela Leigh Mueller, Life Tenant	Bonetti Lease APN 101-040-006
30.	ERG Resources, LLC	PHYLLIS FENDER	West Lease APN 101-040-013
31.	ERG Resources, LLC	Rebecca Gowing et al	Preisker Lease APN 101-070-058, 101-070-068
32.	ERG Resources, LLC	Richard D Rudd Spec Needs Tr 2005	Bonetti Lease APN 101-040-006
33.	ERG Resources, LLC	ROBERT L EINARSEN	Fleisher Lease APN 101-040-005 & 011
34.	ERG Resources, LLC	ROCHESTER MINERALS LP ETAL	Fleisher Lease APN 101-040-005 & 011
35.	ERG Resources, LLC	RONALD C RAY, TRUSTEE OF WOOD TRUST	West Lease APN 101-040-013
36.	ERG Resources, LLC	SCOTT AARON GARRETT	Fleisher Lease APN 101-040-005 & 011
37.	ERG Resources, LLC	Silverado Oil & Gas LLP	Bonetti Lease APN 101-040-006
38.	ERG Resources, LLC	Spindletop Exploration Co Inc	Bonetti Lease APN 101-040-006
39.	ERG Resources, LLC	SUN WEST TRUST	Bonetti Lease APN 101-040-006
40.	ERG Resources, LLC	Susan J Elliott	Preisker Lease APN 101-070-058, 101-070-068

	Debtor	Counterparty	Description
41.	ERG Resources, LLC	Trudi Reynolds	Bonetti Lease APN 101-040-006
42.	ERG Resources, LLC	United California Bank	UCB/Dominion Lease; Multiple APN's
43.	ERG Resources, LLC	U.S. Specialty Insurance	Blanket Performance Bond P-5PB(2), Bond No. B008776
44.	ERG Resources, LLC	U.S. Specialty Insurance	Surety Rider No. 1 to Blanket Performance Bond P-5PB(2), Bond No. B008776
<u>45</u> <u>3</u> .	ERG Resources, LLC	VIKING EXPLORATION LLC	Fleisher Lease APN 101-040-005 & 011
<u>46</u> <u>4</u> .	ERG Resources, LLC	WADE HAMPTON CAWLEY	Fleisher Lease APN 101-040-005 & 011
<u>47</u> <u>5</u> .	ERG Resources, LLC	WICKENDEN CO	Wickenden Company Lease APN 133-070-023 and 036 (Lessee: Continental Oil Company)
<u>48</u> <u>6</u> .	ERG Resources, LLC	WICKENDEN CO INC	Wickenden Company Inc. Lease APN 133-070-037; 038; 039; 023; 030; 036
<u>49</u> <u>7</u> .	ERG Resources, LLC	WILDA M GRAY TRUST	West Lease APN 101-040-013
<u>50</u> <u>8</u> .	ERG Resources, LLC	WILLIAMS HOLDING CO	Williams Holding Lease APN 129-210-006 (Lessee: Mario Perea, Individually and D/B/A RMR Energy)

	Debtor	Counterparty	Description
514 <u>9</u> .	ERG Resources, LLC	WILLIAMS HOLDING COMPANY	Williams Holding Company Lease APN 101-040-010 and 015 & 024 (Lessee: Camrich Drilling Company)
525 <u>0</u> .	ERG Resources, LLC	WILLIAMS HOLDING COMPANY	Williams Holding Company Lease APN 101-070-006
535 <u>1</u> .	ERG Resources, LLC	Los Flores and Oil Company Leases (2)	Los Flores and Oil Company Leases (2)
545 <u>2</u> .	ERG Resources, LLC	David Tompkins Lease	David Tompkins Lease

Summary report:	
Litéra® Change-Pro TDC 7.5.0.96 Document comparison done on 10/2/2015 2:22:47 PM	
Style name: JD Color	
Intelligent Table Comparison: Inactive	
Original filename: Assumed Rejected Contract Schedules filed Sept. 18.docx	
Modified filename: Assumed Rejected Contract Schedules Draft Oct. 2 1315.docx	
Changes:	
<u>Add</u>	12
Delete	10
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	18
Table Delete	2
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format Changes	0
Total Changes:	42

EXHIBIT III TO DISCLOSURE STATEMENT

Projections

Exhibit III

DEBTORS' PRO FORMA BALANCE SHEET AND LIQUIDITY PROJECTIONS

A. Introduction

The Debtors have prepared (1) a *Pro Forma* Balance Sheet reflecting estimated reorganization adjustments and the transfer of assets to the Exempt Assets Trust and (2) a Liquidity Projection for the 2 months ending December 31, 2015 and the fiscal years ending December 31, 2016 through December 31, 2018 (the "Projection Period" and together the "Projections"). These Projections were completed in September 2015, were prepared on a consolidated basis consistent with the Debtors' financial reporting practices except as noted below, and include the continuing operations of the Debtors' assets that will be transferred to the ERG Plan Trust as defined in the Plan of Reorganization. The assets held in the ERG Plan Trust will be deemed held in a "disputed ownership fund" under Treas. Reg. § 1.468B-9, and as such the ERG Plan Trust shall be a taxable entity for federal income tax purposes. No provision for any funding of federal income taxes that may be due by the ERG Plan Trust has been included in the Projections. The Projections also do not include the impact of the application of "fresh-start accounting" as required by FASB ASC 852 "Reorganizations".

The Debtors have prepared the Projections to assist the Bankruptcy Court in determining whether the Plan meets the "feasibility" requirements of section 1129(a) (11) of title 11 of the Bankruptcy Code. The Debtors believe that the Plan meets such requirements. In connection with the negotiation and development of the Plan, and for the purpose of determining whether the Plan meets the feasibility standard outlined in the Bankruptcy Code, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources during the Projection Period. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in either the Disclosure Statement or the Plan, as applicable.

The Projections assume the Plan will be implemented in accordance with its stated terms and include, to the best of the Debtors' knowledge and belief, assumptions and judgments based on an estimated emergence date around October 31, 2015 (the "Assumed Effective Date"). Although the Debtors are of the opinion that these assumptions are reasonable under current circumstances, such assumptions are subject to inherent uncertainties, including but not limited to, material changes in the economic and competitive environment, ability to attract and retain key talent, labor rates, technology related and other costs, commodity prices for crude oil, and other factors affecting the Reorganized Debtors' businesses. The Projections should be read in conjunction with the assumptions and qualifications contained herein. The likelihood, and related financial impact, of a change in any of the factors, assumptions and judgments underlying these Projections cannot be predicted with certainty. Consequently, actual financial results could differ materially from the Projections.

The Debtors do not, as a matter of course, publish their projections, strategies, or forward-looking projections of their financial position, results of operations, and cash flows. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated projections to the holders of Claims or equity interests after the date of this Disclosure Statement or to otherwise make such information public. The assumptions disclosed herein are those that the Debtors believe to be significant to the Projections and are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("**GAAP**") IN THE UNITED STATES. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY A REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS THAT MAY NOT BE REALIZED AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES THAT ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, AS TO THE ACCURACY OF THE PROJECTIONS OR THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED IN THE PROJECTIONS. HOLDERS OF CLAIMS OR EQUITY INTERESTS MUST MAKE THEIR OWN ASSESSMENT AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN MAKING THEIR DETERMINATION OF WHETHER TO ACCEPT OR REJECT THE PLAN.

B. *PRO FORMA* BALANCE SHEET

The Debtors considered factors which may impact the Reorganized Debtors' balance sheet upon emergence from Chapter 11 and applied these factors to the Debtors' most recent balance sheet dated June 30, 2015. These adjustments have yielded a *Pro Forma* Balance Sheet which takes into account these estimates and assumptions as follows.

The adjustments in the consolidated *Pro Forma* Balance Sheet are based on estimates available to the Debtors at the time this analysis was prepared and are unaudited. Actual adjustments will be based on the determined value on the Effective Date and may be materially different than those presented herein. No independent analysis on potential tax consequences of these proposed transactions has been performed, and thus could materially impact the results of the analysis presented below.

The Plan of Reorganization will be effectuated through a series of transactions on the Effective Date. Those emergence transactions are:

- (a) The Debtors will have access to the Exit Facility in the amount of up to \$150,000,000. On the Effective Date it is assumed that the Debtors will initially draw \$24,300,000. Concurrent with this initial draw, any fees associated with the Debtors' Exit Facility will be paid out of proceeds of the initial draw. As of June 30, 2015 the Debtors had a cash balance of approximately \$2,600,000 and forecast a cash balance of \$400,000 on the Effective Date.
- (b) The Debtors anticipate that as of the Effective Date, the balance on its Super-Priority Post-Petition Debtor in Possession Financing will be approximately \$17,500,000 plus any accrued and outstanding interest. This balance will be repaid with proceeds from the initial Exit Facility borrowing. As of June 30, 2015, the Debtors' outstanding balance on the Super-Priority Post-Petition Debtor in Possession Financing was \$1,800,000. The June 30, 2015 balance has been updated to reflect the projected borrowings at the Effective Date.
- (c) As part of the Plan of Reorganization the Debtors anticipate making the Confirmation Payment in the amount of \$700,000.
- (d) It is projected that as of the Effective Date there will be approximately \$2,600,000 in accrued and unpaid professional fees. These fees will be funded into an escrow account, and will be reflected as a pre-paid asset. These professional fees will be remitted to various professionals in accordance with the Plan of Reorganization and upon Bankruptcy Court approval.
- (e) In accordance with the Settlement and Transaction Support Agreement the Debtors will fund \$1,000,000 to the Exempt Assets Trust from the proceeds of the initial draw on the Exit Facility.
- (f) In accordance with the Settlement and Transaction Support Agreement the Debtors will transfer the assets associated with the Liberty County, Texas properties to the Exempt Assets Trust as well as the claims

asserted against and litigation pending with Nabors Global Holdings II Limited including various deposits held on account of the Debtors subject to that litigation.

- (g) The Debtors plan to continue to hold, as assets on the balance sheet, the outstanding balances owed to it from certain non-debtor subsidiaries and non-debtor affiliates.
- (h) Approximately \$51,000,000 in accrued and unpaid interest due on the Debtors' pre-petition credit facility will be subsumed into the existing pre-petition credit agreement and reinstated as a term loan on the balance sheet.
- (i) All pre-petition liabilities classified as Liabilities Subject to Compromise, as well as the asset retirement obligations associated with the Liberty County, TX assets, will be transferred to the Exempt Assets Trust.
- (j) Under the terms of the Plan, all existing membership interests in ERG Intermediate Holdings, LLC will be cancelled, and any gain or loss associated with the above transactions will flow through Members' Equity. Such equity cancellations follow the transfer of Texas oil and gas assets to the Exempt Assets Trust.

The summary *Pro Forma* Balance Sheet is included as Schedule 1.

C. LIQUIDITY PROJECTION

To fund the development and expansion of the Reorganized Debtors' oil and gas fields, they plan on investing approximately \$115 million (in addition to the \$24 million drawn on the effective date) during the Projection Period into a drilling and completion program to substantially increase production. These capital expenditures will be funded with a combination of both operating cash flows and borrowings on the Exit Facility. Schedule 2 includes the Liquidity Projection that demonstrates that the Debtors anticipate having sufficient liquidity during the Projection Period to satisfy all obligations that come due during the Projection Period.

SCHEDULE 1 - PROFORMA EMERGENCE B/S	Consolidated Totals		Reorganizationn Adjustments		Exempt Asset Trust Adjustments		ProForma	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Assets								
Current Assets								
Cash & Cash Equivalents	\$	2,626,825	\$	(1,226,825) (a), (c)	\$	(1,000,000) (e)		400,000
Accounts Receivable		2,403,096		-		-		2,403,096
Prepaid Expenses and Other Current Assets		1,265,004		2,600,000 (d)		-		3,865,004
Casing Inventory		1,259,512		-		-		1,259,512
Fair Value of Derivatives		-		-		-		-
Total Current Assets		7,554,437		1,373,175		(1,000,000)		7,927,612
Property and Equipment								
Oil & Gas Properties (Adjusted for Effect of Plan)		504,291,231		(36,784,885) (j)		(4,526,678) (f)		462,979,669
Other Property & Equipment		6,360,302		-		- (f)		6,360,302
		510,651,533		(36,784,885)		(4,526,678)		469,339,971
Accumulated Depletion, Depreciation, and Amortization		(35,440,733)		-		(f)		(35,440,733)
Property & Equipment, Net		475,210,801		(36,784,885)		(4,526,678) (f)		433,899,238
Other Assets								
Due from Affiliates		1,724,664		- (g)		-		1,724,664
Investment in Subsidiaries		3,059,659		- (g)		-		3,059,659
Loan Fees, Net		9,318,695		-		-		9,318,695
Emission Credits, Net		4,089,568		-		-		4,089,568
Fair Value of Derivatives		-		-		-		-
Escrow Funds		8,032,408		-		(3,144,703) (f)		4,887,705
Total Other Assets		26,224,994		-		(3,144,703)		23,080,291
Total Assets	\$	508,990,232	\$	(35,411,709)	\$	(8,671,381)	\$	464,907,141
Liabilities and Member's Equity								
Current Liabilities								
Debtor-in-Possession Financing	\$	17,500,000	\$	(17,500,000) (b)	\$	-		-
Exit Facility Borrowings		-		24,300,000 (a)		-		24,300,000
Accounts Payable and Accrued Liabilities		39,371,981		(35,980,569) (h)		(85,753) (i)		3,305,659
Current Maturities Long-Term Debt, Net of Debt Discount		5,333		(5,333)		-		-
Current Maturities of Capital Lease Obligations		62,708		-		-		62,708
Fair Value of Derivatives, Current Portion		454,842		-		-		454,842
Total Current Liabilities		57,394,864		(29,185,902)		(85,753)		28,123,209
Liabilities Subject to Compromise		20,621,839		-		(20,621,839) (i)		-
Non-Current Liabilities								
Long-Term Debt, Net of Current Maturities and Debt Discount		368,901,655		54,898,345 (h)		-		423,800,000
Asset Retirement Obligations		17,316,162		-		(6,524,472) (i)		10,791,690
Fair Value of Derivatives		2,178,933		-		-		2,178,933
Capital Lease Obligations, Net of Current Maturities		13,309		-		-		13,309
Total Non-Current Liabilities		388,410,059		54,898,345		(6,524,472)		436,783,933
Member's Equity		42,563,470		(61,124,152) (j)		18,560,683 (j)		-
Total Liabilities and Member's Equity	\$	508,990,232	\$	(35,411,709)	\$	(8,671,381)	\$	464,907,141

SCHEDULE 2 - LIQUIDITY PROJECTIONS	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016	Q1-17	Q2-17	Q3-17	Q4-17	2017	Q1-18	Q2-18	Q3-18	Q4-18	2018
Cash on the Effective Date	\$ 3,000															
Exit Facility Available for Borrowing	125,700	120,485	103,551	87,792	71,767	120,485	55,469	45,204	37,675	30,018	55,469	22,231	17,836	15,340	12,845	22,231
Cash Generated from Operations	(4,352)	(2,243)	(1,067)	(1,334)	(1,606)	(6,250)	371	3,107	2,979	2,849	9,307	3,090	4,991	4,991	4,991	18,063
Capital Maintenance/Development Expenditures	(3,863)	(14,692)	(14,692)	(14,692)	(14,692)	(58,766)	(10,636)	(10,636)	(10,636)	(10,636)	(42,544)	(7,486)	(7,486)	(7,486)	(7,486)	(29,944)
Total Liquidity	\$ 120,485	\$ 103,551	\$ 87,792	\$ 71,767	\$ 55,469	\$ 55,469	\$ 45,204	\$ 37,675	\$ 30,018	\$ 22,231	\$ 22,232	\$ 17,836	\$ 15,340	\$ 12,845	\$ 10,350	\$ 10,350
Beginning Period Liquidity	\$ 125,700	\$ 120,485	\$ 103,551	\$ 87,792	\$ 71,767	\$ 120,485	\$ 55,469	\$ 45,204	\$ 37,675	\$ 30,018	\$ 55,469	\$ 22,231	\$ 17,836	\$ 15,340	\$ 12,845	\$ 22,232
Borrowings per Projections	5,215	16,934	15,758	16,026	16,298	65,016	10,265	7,529	7,657	7,787	33,237	4,396	2,495	2,495	2,495	11,881
End of Period Liquidity	\$ 120,485	\$ 103,551	\$ 87,792	\$ 71,767	\$ 55,469	\$ 55,469	\$ 45,204	\$ 37,675	\$ 30,018	\$ 22,231	\$ 22,232	\$ 17,836	\$ 15,340	\$ 12,845	\$ 10,350	\$ 10,350

EXHIBIT IV TO DISCLOSURE STATEMENT

Chapter 7 Liquidation Analysis

ERG Intermediate Holdings, LLC
Liquidation Analysis / Best Interests Test

Introduction

Pursuant to section 1129(a)(7) of the Bankruptcy Code, often called the “best interests test”, holders of allowed claims must either (a) accept the plan of reorganization, or (b) receive or retain under the plan property of a value, as of the plan’s assumed Effective Date, that is not less than the value such non-accepting holders would receive or retain if the debtors were to be liquidated under Chapter 7 of the Bankruptcy Code. As demonstrated in the following schedules (the “Liquidation Analysis”), the Debtors believe that the Plan meets the “best interest of creditors” test as set forth in section 1129(a)(7) of the Bankruptcy Code. All capitalized terms not defined in this Liquidation Analysis have the meanings ascribed to them in the Plan and Disclosure Statement.

The Debtors believe that holders of Allowed Claims in each impaired class will receive at least as much under the Plan as they would if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. The Liquidation Analysis reflects the estimated cash proceeds, net of liquidation-related costs, which are projected to be realized if the Debtors were to be liquidated in accordance with Chapter 7 of the Bankruptcy Code.

Underlying the Liquidation Analysis are numerous estimates and assumptions regarding liquidation proceeds that, although developed and considered reasonable by the Debtors’ management and its advisors, are inherently subject to significant business, economic, regulatory, and competitive uncertainties and contingencies beyond the control of the Debtors, their management and its advisors. Accordingly, there can be no assurance that the values reflected in the Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation, and actual results could materially differ from the results herein. The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. Any balances reflected herein are unaudited and presented as such.

Unless otherwise stated, the Liquidation Analysis is based on ERG Intermediate Holdings, LLC’s consolidated balance sheet as of June 30, 2015 except for where otherwise noted. The Liquidation Analysis also assumes the court appointed Chapter 7 Trustee (the “Chapter 7 Trustee”) would promptly commence a Chapter 7 liquidation. For the purposes of this liquidation analysis it is assumed that the Chapter 7 Trustee would substantively consolidate all of the Debtors operations in advance of a liquidating scenario. Management and its advisors believe that such a consolidation in a liquidating scenario will maximize value for all stakeholders, and is consistent, in concept, with the Debtors’ proposed Plan of Reorganization. **However, if the Debtors were afforded protection under Chapter 7 of the United States Bankruptcy Code, but were not substantively consolidated for liquidation purposes, results of such a liquidation may be materially different than the results illustrated herein as to certain creditors. The Plan of Reorganization proposes that the Debtors administratively consolidate the entities; however, no proposal has been presented to substantively consolidate the Debtors’ legal entities. The Debtors’ reserve all rights as to any potential substantive consolidation that may or may not be proposed in these cases.**

It is assumed that the operations of the Debtors would continue for a six week period during the liquidation under the direction of the Chapter 7 Trustee. During this time all of the Debtors' major assets (consisting mostly of surface equipment used for the extraction of hydrocarbons, land, and other structures) would be sold or conveyed, and the cash proceeds, net of liquidation related costs, would then be distributed to the creditors in accordance with section 726 of the Bankruptcy Code. This six-week assumption is primarily based on the anticipated speed with which a Chapter 7 Trustee would need to sell and liquidate the assets of the business before critical resources dissipate along with finite cash available to the Trustee. These critical resources include, but are not limited to, continued supply and credit support from vendors in connection with the California properties and retention of California key employees. It is assumed that the Houston, Texas office lease would not be retained and subsequently, the majority of the corporate employees would be released immediately. There is the potential that the sale of the assets extends beyond the six-week sale process; however, during this extended period of liquidation, the value of the business would further deteriorate to the point where the value of the assets of the estate are discounted even further by potential acquirers, which would further reduce recoveries for all creditors. Following the sale of the assets, the Liquidation Analysis assumes the Chapter 7 Trustee will wind-down the estate in a timely manner.

There can be no assurance that the actual value realized in a sale of these assets would yield the balances assumed in the Liquidation Analysis. Furthermore, the fair market value of these assets would potentially be materially different if offered for sale during the ordinary course of business.

The Debtors are comprised of ERG Intermediate Holdings, LLC, ERG Resources, LLC, ERG Operating Company, LLC, ERG Interests, LLC, and West Cat Canyon, LLC. ERG Resources, LLC is the borrower of the Super Priority Debtor in Possession Loan and the Secured Pre-Petition Note. Each of the other Debtor entities are guarantors to those loans.

The Liquidation Analysis assumes that proceeds would be distributed in accordance with Bankruptcy Code section 726. If the Debtors were liquidated pursuant to Chapter 7 proceedings, the amount of liquidation value available to creditors would be reduced, first, by the costs of the liquidation, which includes the net operational wind-down costs, fees and expenses of the Chapter 7 Trustee appointed to manage the liquidation, the fees and expenses of other professionals retained by the Chapter 7 Trustee to assist with the liquidation, and other asset disposition expenses; second, by the carve out for professional fees in the Super-Priority Debtor-in-Possession Loan; third, by the Super-Priority Debtor-in-Possession Loan; fourth, by the Pre-Petition Credit Agreement; fifth, by Other Secured Claims; sixth, by priority tax claims; and seventh, by any remaining value would be used to satisfy the claims of unsecured claimants, including any potential deficiency claims from the secured debt holders.

The Liquidation Analysis necessarily contains an estimate of Claims that ultimately will become Allowed Claims. Estimates for various Classes of Claims are based solely upon the Debtors' review of their books and records as well as claims filed as of the date of this analysis. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the projected levels set forth in this Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected amounts of Claims that are consistent with the estimated Claims reflected in the Plan with certain modifications. The Liquidation Analysis does contain estimates of potential damage Claims with respect to executory contracts that may be rejected; however, these estimates may be substantially different if, in fact,

executory contracts were rejected. This analysis should not be construed as an admission to any potential claim value, or potential contract rejection damages claim.

General Approach and Results of the Liquidation Analysis

The Debtors directly engage in the exploration and production of crude oil and natural gas in Texas and in California. To maximize total liquidation value, the Liquidation Analysis assumes that the Debtors' operating assets are sold during a six week period after the filing of a Chapter 7 bankruptcy petition. The Debtors would then require additional time to wind-down the estate. The Debtors' have generated two scenarios in which to evaluate the range of potential outcomes in liquidation, a "High-Value scenario" and a "Low-Value scenario."

The estimated proceeds of a hypothetical Chapter 7 liquidation for all assets of the five Debtor entities were calculated based on assumptions provided herein and applied to estimated Claims values for these entities to determine recovery estimates among creditor Classes. In addition, these recovery estimates among creditor classes were compared to estimated recoveries under the Plan.

As will be demonstrated herein, all impaired creditor classes are estimated to receive less in the Liquidation Analysis than under the Plan. In the "High-Value scenario, the professional fee carve out, and the Super-Priority Debtor-in-Possession Loan receive a 100% recovery. In the "Low-Value" scenario the Super-Priority Debtor-in-Possession Loan is impaired and thus all other claims classes junior in order of priority are impaired. In the "High-Value" scenario the Pre-Petition Credit Agreement is impaired, and thus all other subsequent claims classes are impaired. In either the "High-Value scenario" or the "Low-Value scenario" the unsecured claims are both impaired and receive no consideration.

In general, it is assumed that a conversion to a Chapter 7 liquidation would result in immediate actions by a Chapter 7 Trustee to sell the Debtors' assets as quickly as possible. The Chapter 7 Trustee will be under pressure to find an immediate buyer before the business deteriorates due to loss of critical resources as key employees resign, important vendors no longer cooperate, and any other business pressures that may emerge that will erode the value of the Debtors' assets with a conversion to a Chapter 7 liquidation.

The primary assets the Debtors would liquidate in a Chapter 7 liquidation are their environmental emission credits, oil and gas surface equipment, land structures, existing accounts receivable, and cash on hand. The assets that comprise the Debtors' oil and gas producing equipment will be liquidated as quickly as possible by the Chapter 7 Trustee, which may require the Trustee to accept prices below current market value of such equipment.

It is assumed that the asset sale transactions would be effectuated as a sale of the ownership interests in the Debtors' various assets without regard to any tax liabilities or benefits resulting from those sales. The Liquidation Analysis assumes certain oil and gas equipment will be sold at prices below their book value generating a taxable benefit to the estate. These tax impacts have not been evaluated.

No analysis of potential avoidance actions have been performed for this analysis due to the uncertain nature of the potential outcome surrounding such actions.

Liquidation proceeds are distributed to creditors pursuant to the distribution priorities established under the Bankruptcy Code. For the purposes of the Liquidation Analysis, it is assumed the Claims will be satisfied in the following order:

1. Chapter 7 Administrative Claims – Chapter 7 Trustee Fees; Chapter 7 Professional Fees; well plugging and abandonment expenses, and remediation
2. Professional Fee Carve Out Claims
3. Super Priority Debtor-in-Possession Loan
4. Pre-Petition Credit Agreement
5. Other Secured Claims
6. Priority Claims
7. Unsecured Claims
8. Intercompany Claims
9. Intermediate Holdings Membership Interests
10. Other Debtor Membership Interests

The estimated recovery for each of these Claims in the Liquidation Analysis is presented below:

	Unaudited Balances Jun 30, 2015	Estimated Asset Realization Percentage		Hypothetical Liquidation Values	
		Low	High	Low	High
Table I: Total Assets and Net Proceeds Available for Distribution					
Total Assets and Net Proceeds Available for Distribution	\$ 47,892,520	32%	122%	\$ 15,409,152	\$ 58,575,819

	Estimated Balance / Allowed Claim	Estimated Creditor Recovery Percentage		Hypothetical Creditor Recovery Values	
		Low Recovery / High Claims	High Recovery / Low Claims	Low	High
Table II: Chapter 7 Administrative Claims					
Net Operational Wind-Down Costs	1,946,935			1,946,935	1,946,935
Chapter 7 Trustee Fees				1,686,597	391,597
Chapter 7 Professional Fees & Costs				50,000	40,000
Environmental Remediation				8,087,389	-
Total Chapter 7 Administrative Claims				11,770,921	2,378,532
Net Proceeds after Chapter 7 Administrative Claims				\$ 3,638,231	\$ 56,197,287

Table III: Estimated Creditor Recoveries

Class	Estimated Consolidated Claims		Estimated Creditor Recovery Percentage		Hypothetical Creditor Recovery Values	
	Low	High	Low Recovery / High Claims	High Recovery / Low Claims	Low	High
1 Professional Fee Carve Out Claims	3,707,898	4,107,898	89%	100%	3,638,231	3,707,898
2 Super Priority Debtor-in-Possession Loan	9,800,000	9,800,000	0%	100%	-	9,800,000
3 Pre-Petition Credit Agreement	400,151,928	407,980,569	0%	11%	-	42,689,389
4 Other Secured Claims	1,096,980	9,619,085	0%	0%	-	-
5 Priority Claims	993,245	3,710,385	0%	0%	-	-
6 Unsecured Claims	377,366,180	424,821,083	0%	0%	-	-
7 Intercompany Claims	Undetermined	Undetermined	0%	0%	-	-
8 Intermediate Holdings Membership Interests	Undetermined	Undetermined	0%	0%	-	-
9 Other Debtor Membership Interests	Undetermined	Undetermined	0%	0%	-	-
Total Consolidated Claims	793,116,231	860,039,020	0%	7%	3,638,231	56,197,287

Based on the estimated recoveries in the Plan and Liquidation Analysis, it is management's and its advisors' opinion that the Plan of Reorganization satisfies the "Best Interests Test." Under the Plan, each creditor class will receive at least the same value or significantly more than they would if the business were to be subject to a Chapter 7 liquidation.

Notes to Liquidation Analysis

Note A – Assets Available for Distribution

The Debtors' liquidation of assets in a Chapter 7 bankruptcy will require the Chapter 7 Trustee to liquidate assets in an expedited manner. The Debtors' advisors and management relied on the unaudited trial balance as of June 30, 2015 (except where otherwise noted) to estimate the recoveries for various asset classes with several adjustments. The Debtors' have five separate legal entities. For purposes of the Liquidation Analysis, the consolidated Debtors was evaluated independently and assumed to be liquidated without regard to the potential impacts on a non-consolidated basis. A summary of the assets available for distribution in a "High-Value" scenario and a "Low-Value" scenario is presented below for the consolidated Debtors:

	<u>Unaudited Balances Jun 30, 2015</u>	<u>Estimated Asset Realization Percentage</u>		<u>Hypothetical Liquidation Values</u>	
		<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Table I: Total Assets and Net Proceeds Available for Distribution					
Current Assets					
Cash & Cash Equivalents	\$ 2,355,905	100%	100%	\$ 2,355,905	\$ 2,355,905
Restricted Cash	3,000,000	0%	100%	-	3,000,000
Accounts Receivable	2,403,096	70%	100%	1,682,167	2,403,096
Other Inventory	1,259,512	17%	34%	212,272	422,779
Prepaid and Other Current Assets	1,265,003	4%	18%	49,446	225,393
Affiliate A/R	1,621,216	0%	0%	-	-
Property, Plant and Equipment, net					
Environmental Emission Credits	15,124,362	50%	100%	7,562,181	15,124,362
Fee Land Surface & Structures	17,443,400	20%	200%	3,488,680	34,886,800
Total Property, Plant and Equipment, net	32,567,762	34%	154%	11,050,861	50,011,162
Other Assets					
Total Other Assets	3,420,025	2%	5%	58,500	157,483
Total Assets and Net Proceeds Available for Distribution	\$ 47,892,520	32%	122%	\$ 15,409,152	\$ 58,575,819

Cash and Cash Equivalent balances for the purposes of liquidation are estimated to be the ending cash balances at the Consolidated Debtors as of 9/18/2015. The cash and cash equivalent values are assumed to be realized at a 100% recovery level. The Cash and Cash Equivalent balance does not include approximately \$422k that has been segregated in a Debtor's bank account as a security deposit for utility providers. These monies are assumed to be offset against post-petition chapter 11 administrative expenses of utility providers. Current restricted cash consists of \$3.0 million held by Nabors Global Holdings II (Nabors) subject to pending litigation. The Liquidation Analysis assumes in the "Low-Value" scenario that there is no recovery of this cash held by Nabors. In the "High-Value" scenario, the Debtors recover the entire \$3.0 million.

Accounts receivables are primarily related to the ongoing operations at the California and Texas properties, and are estimated to be liquidated for proceeds between 70-100%. The “High-Value” of the estimated recovery is attributable to the Debtors’ concentrated customer base, thus allowing accounts receivables to be collected with greater ease. The “Low-Value” scenario is based on the assumption that the Chapter 7 Trustee will be able to sell these receivables to a third party at a discount. The accounts receivables are reported at the fully recoverable value with no discount for non-collectible receipts which is consistent with historical payment history at the Debtors.

Other inventory primarily consists of piping and other equipment used for the operations and maintenance of the California assets. Additionally, other inventory includes crude oil that has been produced but not yet sold; light crude oil which is used in the production process of the Cat Canyon crude oil; and other de minimis inventories. With the exception of the crude oil inventory, it is assumed that the recoveries on the other inventory will be 10-25% due to the difficulty of finding a buyer in the market and the specialized nature of the piping inventory for the Cat Canyon field.

Prepaid and other current assets primarily consist of prepaid expenses, prepaid insurance and bonds, and a Flexible Spending Account reserve for the California employees. These assets will be exceedingly difficult to monetize or recoup in a liquidating scenario, and thus a low recovery has been placed on these assets. It is assumed that the monetization or recoupment of these assets is 4-18%.

Affiliate accounts receivable relates to the intercompany receivable on the Debtors books and records between the Debtors and certain Non-Debtor entities. As of the Petition Date, ERG Resources, LLC has an approximately \$2.0 million receivable from ERG Holdings, LLC, a Non-Debtor entity. Additionally, the Debtors have a payable to the Non-Debtor affiliates of approximately \$0.4 million. The Liquidation Analysis assumes a setoff between the Debtors’ receivables and payables, resulting in the \$1.6 million receivable reported. It is assumed that the monetization or recoupment of the receivable is 0%.

The majority of the proceeds available to creditors in a Chapter 7 bankruptcy are from the sale of the environmental emission credits, the land held in fee, and surface structures on the California properties. The emission credits have an estimated recovery ranging from 50-100%. These credits are marketable assets that are easily transferable; however, they may lose value under the time pressure during the wind-down process. The estimated recovery values for the fee land and associated structures have a wide range. In the “High-Value” scenario, it is assumed the assets would be monetized for up to 200% of its current book value due to the operations being sold as-is on an operational basis. The “Low-Value” scenario assumes that a significantly depressed valuation for land, close to scrap for structures, and expedited sales process period would result in only a 20% valuation of its current book value based on the current market dynamics in the crude oil markets.

Other assets are assigned a recovery upon liquidation of between 0% and 15%. Other assets are comprised mainly of office equipment and furniture, computer equipment, computer software, leasehold improvements, cars and trucks, land, and non-oil field structures. All other assets are reported at their book values. The ability of a Chapter 7 Trustee to recover value for these assets is very low as most of the office equipment and furniture were designed specifically for the corporate office space, and the secondary market for furniture has excess surplus at this time. Additionally, many of the trucks have been fitted with specific tools for oil field services that would narrow the potential pool of buyers.

Note B – Net Operational Wind-down Costs

The cost to operate the business during the Chapter 7 bankruptcy process is assumed to be covered by cash flow from the liquidation of the assets. For the purposes of the Liquidation Analysis, management and its advisors have assumed that the businesses rapidly deteriorate upon commencement of a Chapter 7 bankruptcy on September 30, 2015. During the liquidation process additional cash flow will be generated during October from collections of accounts receivable related to the September 2015 production; however, there will be costs associated with the ongoing wind-down of the business that exceed these revenues. During the wind-down period, the Debtors believe it is possible to collect a de minimis receipt in November for October production however that is not assumed in this analysis. The wind-down costs are primarily comprised of salaries for the employees including severance, lease operating expenses, royalty payments, and payments to administrative professionals. For the purposes of the Liquidation Analysis the net cash flow from operating the business over this six-week period will be funded through the assets sales. The estimated net cash flow for the six-week period is negative \$1.9 million.

Note C – Trustee Fees of Chapter 7 Estates

Compensation for the Chapter 7 Trustee was calculated as 3% of estimated assets available for distribution, excluding cash on hand.

Note D – Chapter 7 Professional Fees

Chapter 7 Professional Fees & Costs include ongoing professional fees associated with winding down the business. These professional fees include transaction costs, audit and accounting fees and legal support for the Chapter 7 Trustee. Once the asset sales are complete, certain corporate and administrative functions would be required to oversee the distribution of proceeds, to maintain and close the accounting records, and to prepare tax returns for the estates, among other things. It is assumed that Chapter 7 Professional Fees will be in a range of \$40,000 - \$50,000.

Note E – Environmental Remediation

The Environmental Remediation expense includes the cost associated with reclamation of the California properties. These expenses include subsurface well plugging and abandonment costs; removal of various facilities from the properties; and other costs in connection with environmental policy and standards. There is no assumed Environmental Remediation expense in the “High-Value” scenario as a result of the assets being sold as-is on an operational basis. The estimated expenses in the “Low-Value” scenario was prepared by the Debtors’ after reviewing contractual and environmental obligations outlined under their various agreements to operate the California properties. Any potential environmental liabilities may vary significantly from the estimates reported herein.

Note F – Professional Fee Carve Out Claims

Professional Fee Carve Out claims consist of accrued and unpaid professional fees that arise during the administration of the Debtors’ Chapter 11 cases. These claims are assumed to be incurred prior to the conversion to a Chapter 7 liquidation on September 30, 2015. The projected accrued but unpaid professional fees range from \$3.7 million - \$4.1 million. In both the “High-Value” and “Low-Value” scenario, it is assumed that the Professional Fee Carve Out claims are paid in full.

Note G - Super Priority Debtor-in-Possession Loan

The Super Priority Debtor-in-Possession Loan is the amount funded pursuant to the Debtors' Post-Petition Financing Order [D.I. 282] subsequent to the Petition Date. The claim will consist of the unpaid Debtor in Possession financing; which at the time of this report, is \$9.8 million of principle not including accrued but unpaid interest.

Note H – Pre-Petition Credit Agreement

The Pre-Petition Credit Agreement includes the notes outstanding and accrued but unpaid interest as of the Petition Date. The Pre-Petition Credit Agreement is secured by the assets of ERG Resources, LLC and the remaining Debtor entities as guarantors to the borrowing. The "High-Value" scenario represents the amount in the Debtors' current books and records. The "Low-Value" scenario indicates the amount of the claim filed by the administrative agent of the loan, CLMG Corp.

The Pre-Petition Credit Agreement will be satisfied by the proceeds attributable to the liquidation of the Debtors' assets if value exists after satisfaction of the Chapter 7 claims, Super Priority Debtor-in-Possession Loan, Chapter 11 Administrative Claims, and Priority Claims. As the Liquidation Analysis shows, there is a significant impairment of the Pre-Petition Credit Agreement from the liquidation of the assets.

The estimation of the recovery to the Pre-Petition Credit Agreement is as of September 18, 2015, and it is management's and its advisors estimate of the claims. It is estimated that the claims will recover between 0% and 11% in a Chapter 7 Bankruptcy.

Note I – Other Secured Claims

Other Secured Claims consist of various claims due to non-priority taxing authorities, royalty holders, vendors, and surety bond providers. Management and its advisors have developed a range of potential values for each category, as shown below:

	Estimated Consolidated Claims	
	Low	High
Taxing Authorities Asserting Secured Claims	-	28,588
Royalty Holders Asserting Secured Claims	-	3,894,029
Vendors Holding Liens Against Assets	1,096,980	1,155,916
Vendors Holding Security Deposits	-	8,738
Surety Bond Providers Holding Collateral	-	4,531,814
Other Secured Claims	1,096,980	9,619,085

Note J – Priority Tax Claims

Priority Tax Claims arise from obligations due to various domestic taxing authorities. The “High-Value” claim scenario includes the estimated escape assessment taxes; and the unpaid property and ad valorem taxes per the Debtors’ books and records. The “Low-Value” scenario assumes solely the unpaid property taxes.

Note K – General Unsecured Claims

Pre-petition General Unsecured Claims primarily consist of the deficiency claim from the Pre-Petition Credit Agreement, trade payables, accrued liabilities, employee entitlement claims, and contract rejection claims. As the Pre-Petition Credit Agreement is impaired in the Liquidation Analysis, General Unsecured Claims will not receive any value. The estimation of the consolidated Debtors’ General Unsecured Claims is \$377 million - \$425 million. If asserted, the deficiency claim by the Pre-Petition Credit Agreement is projected to range from \$361 million - \$400 million. Other significant General Unsecured Claims include the inclusion of Macquarie Capital’s \$4.2 million claim. Management and its advisors have provided a “low-claim” scenario and “high-claim” scenario for use in the liquidation analysis, as a final determination of the unsecured claims pool has yet to be determined by a finding of the court.

These estimates are based on management’s and its advisors analysis of existing claims and contracts, and should not to be considered as a final acknowledgment or settlement of any potential claims.

It is assumed that no intercompany claims, Intermediate Holdings membership interests, nor other Debtor membership interests will be satisfied in the Liquidation Analysis as more senior creditors are impaired. In addition, in the hypothetical Liquidation Analysis, the general unsecured Class is impaired, and therefore pre-petition holders of equity interests are estimated to receive no recovery in the event of liquidation under Chapter 7 of the Bankruptcy Code.