

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

.....	X	
In re:	:	Chapter 11
	:	
FOOTHILLS TEXAS, INC., <i>et al.</i> , ¹	:	Case No. 09-10452 (CSS)
	:	
Debtors.	:	
.....	X	

**DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE (MODIFIED)**

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Dated: November 17, 2009

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Foothills Texas, Inc. (xx-xxx9399); Foothills Resources, Inc. (xx-xxx9560); Foothills California, Inc. (xx-xxx4290 and xx-xxx2963); and Foothills Oklahoma, Inc. (xx-xxx0946).

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DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION

Foothills Texas, Inc., and the other debtors in the above-captioned chapter 11 cases (collectively, the “Debtors”) propose the following Debtors’ First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (Modified) (the “Plan”) dated November 17, 2009, pursuant to section 1121(a) of title 11 of the United States Code. Capitalized terms used in the Plan and not otherwise defined shall have the meanings ascribed to such terms in Section I A of the Plan.

Please refer to the Disclosure Statement, filed contemporaneously herewith, for a discussion of the Debtors’ history, businesses, properties, certain post-petition events, results of operations, projections for future operations, and risk factors, and for a summary and analysis of the Plan and certain related matters. All holders of Claims who are entitled to vote on the Plan are encouraged to read the Plan and the Disclosure Statement in their entirety before voting to accept or reject the Plan.

The Debtors are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code (as that term is defined herein). Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure 3019, and the terms of Section XII.I below, the Debtors reserve the right to alter, amend or modify this Plan, as the Debtors deem necessary, prior to its substantial consummation.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE COURT, HAVE BEEN AUTHORIZED BY THE COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

² The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Foothills Texas, Inc. (xx-xxx9399); Foothills Resources, Inc. (xx-xxx9560); Foothills California, Inc. (xx-xxx4290 and xx-xxx2963); and Foothills Oklahoma, Inc. (xx-xxx0946).

SECTION I. DEFINITIONS AND INTERPRETATION

A. Definitions.

The following terms used herein shall have the respective meanings ascribed below:

1. **'34 Act** means the Securities Exchange Act of 1934, as amended.
2. **Administrative Expense** means any right to payment constituting a cost or expense of administration of any of the Reorganization Cases allowed under Bankruptcy Code sections 503(b) and 507(a)(2), including, without limitation: (a) any actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Debtors' estates and operating the Debtors' businesses; (b) any allowances of compensation and reimbursement of expenses to the extent Allowed by Final Order under Bankruptcy Code sections 328, 330, 331 or 503, subject to any limitation contained in the DIP Order; and (c) any fees or charges assessed against the estates of the Debtors under section 1930 of chapter 123 of title 28 of the United States Code.
3. **Administrative Claim Bar Date** has the meaning set forth in Section II B of the Plan.
4. **Affiliate** means, with respect to any person or entity, a person or entity that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such person or entity.
5. **Allowed** means with respect to Claims and Interests: (a) any Claim or Interest that has been listed by a Debtor in the Schedules, as such Schedules may be amended by the Debtors from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim or interest has been timely filed; (b) any Claim or Interest as to which a proof of claim or interest has been timely filed by on or before the applicable Bar Date set forth in the Order Granting Debtors' Motion for Entry of an Order Establishing Bar Dates for Filing Proofs of Claim (including claims pursuant to Bankruptcy Code § 503(b)(9)) and Approving the Form and Manner of Notice Thereof [Docket No. 148] and as to which no objection to allowance has been timely interposed in accordance with Bankruptcy Code section 502 or as to which any objection has been determined by a Final Order to the extent such objection is determined in favor of the respective holder; or (c) any Claim or Interest expressly allowed pursuant to this Plan.
6. **Ballot** means the form or forms on which each holder of an Impaired Claim or Interest entitled to vote on the Plan indicates either acceptance or rejection of the Plan.
7. **Bankruptcy Code** means title 11 of the United States Code, as amended from time to time, and as in effect on the Petition Date or as otherwise applicable to these Reorganization Cases.
8. **Bankruptcy Court** means the United States Bankruptcy Court for the District of Delaware or, in the event the reference is withdrawn pursuant to section 157(d) of title

28 of the United States Code, the United States District Court for the District of Delaware or any other court of the United States having jurisdiction over the Reorganization Cases.

9. **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as amended from time to time, and any Local Rules of the Bankruptcy Court, as the context may require, as in effect on the Petition Date or as otherwise applicable to these Reorganization Cases.

10. **Beneficial Interest** means the interest of a Person entitled to receive PIPE Claims Proceeds pursuant to Section IV of the Plan.

11. **Business Day** means any day, other than a Saturday, a Sunday, or a legal holiday as such term is defined in Bankruptcy Rule 9006(a), on which commercial banks are open for business in Houston, Texas.

12. **Cash** means legal tender of the United States of America and equivalents thereof.

13. **Claim** has the meaning set forth in Bankruptcy Code section 101(5).

14. **Claims Agent** means Garden City Group, Inc. as set forth in the Order Under 28 U.S.C. § 156(c), Bankruptcy Rule 2002(i) and Local Rule 2002-1(f) Approving Agreement with Garden City Group, Inc. and Appointing Garden City Group, Inc. as Claims Agent [Docket No. 39].

15. **Claims Register** means the official register of claims maintained by the Claims Agent.

16. **Class** means any group of Claims or Interests classified by the Plan pursuant to Bankruptcy Code section 1122(a)(1).

17. **Common Stock** means common stock of Foothills Resources (\$0.001 par value).

18. **Common Stock Interest** means the Interest of any holder of an equity security of Foothills Resources represented by any issued and outstanding shares of Common Stock or any Option to acquire any such Common Stock.

19. **Collateral** means any property or interest in property of the estate of any Debtor subject to a Lien, charge, or other encumbrance to secure the payment or performance of a Claim, which Lien, charge, or other encumbrance is not subject to avoidance or otherwise invalid under the Bankruptcy Code or applicable non-bankruptcy law.

20. **Confirmation Date** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on its docket.

21. **Confirmation Hearing** means the hearing to be held by the Bankruptcy Court regarding confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

22. **Confirmation Order** means the order of the Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code section 1129.

23. **Convenience Claim** means: (a) an Unsecured Claim in an amount less than or equal to \$10,000 that will receive the treatment provided under the Plan in Classes A-8, B-8, C-8 or D-8, depending upon the particular Debtor against whom the Unsecured Claim is asserted; or (b) an Unsecured Claim in an amount greater than \$10,000 whereby the holder of such Claim agrees to reduce its Claim to \$10,000 and accept the treatment provided to Convenience Claims in Classes A-8, B-8, C-8 or D-8, as applicable.

24. **Convenience Claim Fund** means \$250,000 in Cash, that shall be used to satisfy the Allowed Claims in Classes A-8, B-8, C-8 and D-8.

25. **Covered Claim** means any Claim arising from an incident or occurrence that is covered under the Debtors' insurance policies, other than a workers' compensation insurance policy, but excluding any deductible or self-insured retention amounts not covered by any such policies.

26. **Debtor or Debtors** means, individually or collectively, the following entities: Foothills Resources, Inc., Foothills California, Inc., Foothills Oklahoma, Inc. and Foothills Texas, Inc.

27. **Deficiency Claim** means the portion, if any, of the Claim of a holder of a Secured Claim that exceeds the value of any Lien securing such Claim, including any Lien on Collateral.

28. **DIP Claims** means all Claims arising under the DIP Credit Agreement.

29. **DIP Credit Agreement** means that certain DIP Credit Agreement, dated as of February 23, 2009, by and among the Debtors and Regiment Capital Special Situations Fund III, L.P., and approved by the DIP Order as amended, and all other agreements and documents entered into or executed in connection therewith.

30. **DIP Lender** means Regiment Capital Special Situations Fund III, L.P., in its capacity as the lender under the DIP Credit Agreement.

31. **DIP Order** means the Final Order Under 11 U.S.C. §§ 105(a), 361, 363, And 364 and Fed. R. Bankr. P. 2002, 4001 and 9014 (I) Authorizing Debtors to Incur Post-Petition Secured Indebtedness, (II) Granting Security Interests and Superpriority Claims, and (III) Approving Use of Cash Collateral [Docket No. 80] approving the DIP Credit Agreement, as the same has been or may be amended, extended and/or modified.

32. **Disbursing Agent** means any entity in its capacity as a disbursing agent under Section V of the Plan.

33. **Disclosure Statement** means that certain disclosure document relating to the Plan, including, without limitation, all exhibits and schedules thereto, as the same may be amended, supplemented, or otherwise modified from time to time as approved by the Bankruptcy Court pursuant to Bankruptcy Code section 1125.

34. **Disclosure Statement Order** means the order of the Bankruptcy Court, dated November 13, 2009 [Docket No. 345], approving the Disclosure Statement and establishing certain procedures with respect to solicitation and tabulation of votes to accept or reject the Plan.

35. **Disputed** means, with respect to a Claim or Interest, a Claim or Interest, or any portion of a Claim or Interest, that is not yet Allowed.

36. **Distribution Reserve Account** means the segregated account or accounts established and maintained by the Reorganized Debtors consisting of assets to be distributed to or for the benefit of holders of Allowed Claims in these chapter 11 cases, which account may be funded post-Effective Date as necessary with the operating Cash of the Reorganized Debtors.

37. **Effective Date** means a Business Day selected by the Debtors, in consultation with Regime and the Exit Facility Agent, on which (a) no stay of the Confirmation Order is in effect and (b) the conditions to the effectiveness of the Plan specified in Section IX hereof have been satisfied or waived.

38. **Exit Facility** means a senior secured revolving credit facility to be entered into with effect as of the Effective Date among the Exit Facility Lenders, Wells Fargo Foothill, LLC, as agent for the Exit Facility Lenders, Reorganized Foothills Resources and the other Reorganized Debtors, as borrowers.

39. **Exit Facility Agent** means Wells Fargo Foothill, LLC in its capacity as agent for the Exit Facility Lenders.

40. **Exit Facility Lenders** means collectively, Wells Fargo Foothill, LLC and any other lender or lenders party to the Exit Facility.

41. **Face Amount** means (a) when used in reference to a Disputed Claim, the full stated amount claimed by the holder of such Claim in any proof of claim timely filed with the Bankruptcy Court or otherwise deemed timely filed by any Final Order of the Bankruptcy Court or other applicable bankruptcy law, and (b) when used in reference to an Allowed Claim, the Allowed amount of such Claim.

42. **Federal Judgment Rate** means the federal judgment rate of 0.54%, which was in effect as of the Petition Date.

43. **Final Order** means an order or judgment of the Bankruptcy Court entered by the Clerk of the Bankruptcy Court on the docket in the Reorganization Cases, which has not been reversed, vacated, or stayed and as to which: (a) the time to appeal, petition for certiorari, or move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument, or rehearing shall then be pending; or

(b) if an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari, or move for a new trial, reargument, or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order, shall not cause such order not to be a Final Order.

44. ***Foothills California*** means Foothills California, Inc.

45. ***Foothills Oklahoma*** means Foothills Oklahoma, Inc.

46. ***Foothills Resources*** means Foothills Resources, Inc.

47. ***Foothills Texas*** means Foothills Texas, Inc.

48. ***Impaired*** means with respect to any Class of Claims or Interests, a Class of Claims or Interest that is impaired under the Plan pursuant to Bankruptcy Code section 1124.

49. ***Initial Distribution Date*** means that date that is the Effective Date or as soon thereafter as is practicable, but in no event later than sixty (60) days following the Effective Date.

50. ***Intercompany Claims*** means any Claim against any Debtor held by another Debtor.

51. ***Interest*** means the legal, equitable, contractual, and other rights of any holder of an equity security of Foothills Resources, Foothills California, Foothills Oklahoma or Foothills Texas, represented by any issued and outstanding shares of Common Stock or Preferred Stock, any Option, any Subsidiary Interest or any Option, warrant, or right, contractual or otherwise, to acquire any such equity security.

52. ***Interest Accrual Limitation Date*** means the date on which the applicable Claim is satisfied in full.

53. ***Lease Terminable Royalty Claim*** means a royalty claim relating to an oil and gas lease that expressly authorizes the lessor to unilaterally terminate the lease for non-payment of royalty.

54. ***Lien*** has the meaning set forth in Bankruptcy Code section 101(37).

55. ***M&M Claim*** means any Claim asserted by a mineral contractor or mineral subcontractor against any of the Debtors or their assets.

56. ***M&M Lien Claimant*** means any entity that has a valid, perfected and unavoidable mineral contractor or mineral subcontractor Claim pursuant to Chapter 56 of the Texas Property Code or similar statute of a state other than Texas, or any Person with rights

which constitute a perfected Lien under the Texas Constitution, Article 16, Section 37 or similar laws of a state other than Texas, to the extent enforceable in a case under Title 11 of the United States Code.

57. ***New By-Laws*** means the By-Laws of each of the Reorganized Debtors, substantially in the form set forth in the Plan Supplement.

58. ***New Certificates of Incorporation*** means the Certificates of Incorporation of each of the Reorganized Debtors, substantially in the form set forth in the Plan Supplement.

59. ***New Common Stock*** means the shares of common stock in Reorganized Foothills Resources, \$0.01 par value, authorized pursuant to the Reorganized Foothills New Certificate of Incorporation, which shall be issued and distributed in accordance with the terms of this Plan in numbers as set forth in the Plan Supplement.

60. ***New Employment Agreements*** means the employment agreement for W. Kirk Bosché, substantially in the form set forth in the Plan Supplement (with any changes thereto (except for ministerial changes)), which will not become effective unless and until the Effective Date occurs.

61. ***Option*** means any option, warrant, or right, contractual or otherwise, to acquire shares of Common Stock or Preferred Stock.

62. ***Person*** means an individual, corporation, limited liability company, partnership, joint venture, trust estate, unincorporated association, unincorporated organization, governmental entity or political subdivision thereof.

63. ***Petition Date*** means February 11, 2009.

64. ***PIPE Claims*** means any Claims of Foothills Resources and Reorganized Foothills Resources against McGuire Woods LLP or others in connection with the PIPE Offerings by Foothills Resources.

66. ***PIPE Claims Proceeds*** means any proceeds recovered by or on behalf of the Trust in connection with the PIPE Claims.

67. ***PIPE Liquidated Damages Claim*** means any Claim of a Person for liquidated damages related to the PIPE Offerings, each of which is subject to subordination under Bankruptcy Code section 510(b).

68. ***PIPE Offerings*** means those certain pre-petition private offerings of equity securities in Foothills Resources that closed in April and September 2006.

69. ***Plan*** means this Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, including, without limitation, the exhibits and schedules annexed hereto and the documents included in the Plan Supplement, as the same may be amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the terms hereof.

70. **Plan Supplement** means the supplement or supplements to the Plan containing certain documents relevant to the implementation of such Plan or the treatment of Allowed Claims and Interests thereunder (including, without limitation, the New Certificates of Incorporation, the New By-Laws, and the Exit Facility).

71. **Preferred Stock** means the 25,000,000 shares (\$0.001 par value) authorized but not issued and outstanding of preferred stock of Foothills Resources.

72. **Preferred Stock Interest** means the Interest of any holder of an equity security of Foothills Resources represented by any issued and outstanding shares of Preferred Stock or any Option, warrant, or right, contractual or otherwise, to acquire any such Preferred Stock.

73. **Pre-petition Credit Agreement** means that certain Credit Agreement dated as of December 13, 2007, as amended, among the Debtors, Regiment Capital Special Situations Fund III, L.P. and Wells Fargo Foothill, LLC as Lenders, and Wells Fargo Foothill, LLC as Agent.

74. **Prime Rate** shall mean the variable rate of interest published in the *Wall Street Journal* as the prime rate of interest.

75. **Priority Non-Tax Claim** means any Claim against any of the Debtors that is not an Administrative Expense or a Priority Tax Claim, and that is entitled to priority in payment as specified in Bankruptcy Code sections 507(a)(1), (3), (4), (5), (6), (7), (9), or (10).

76. **Priority Tax Claim** means any Claim of a governmental unit of the kind entitled to priority in payment as specified in Bankruptcy Code sections 502(i) and 507(a)(8).

77. **Pro Rata** means proportionately, so that with respect to a particular Allowed Claim, the ratio of (a)(i) the amount of property distributed on account of such Claim or Interest to (ii) the amount of such Claim or Interest is the same as the ratio of (b)(i) the amount of property distributed on account of all allowed Claims or Interests of the Class in which such claim is included to (ii) the amount of all Allowed Claims or Interests in that class.

78. **Proportionate Share** means the proportion that the Face Amount of (a) a Claim in Class A-7, B-7, C-7 or D-7 bears to the aggregate Face Amount of all Claims in Classes A-7, B-7, C-7 and D-7, collectively; or (b) a Claim in Class A-8, B-8, C-8 or D-8 bears to the aggregate Face Amount of all Claims in Classes A-8, B-8, C-8 and D-8, collectively.

79. **Regiment** means Regiment Capital Special Situations Fund III, L.P., in its capacity as Lender under the Pre-petition Credit Agreement.

80. **Regiment Note** means that certain promissory note to be issued on the Effective Date and payable to Regiment, in a principal amount equal to 50% of Regiment's pre-petition claim, plus unpaid post-petition fees, interest and costs and secured by a lien on the same assets with the same right of priority as the lien or liens that secured the pre-petition Claims of Regiment and as authorized by the Court post-petition. The promissory note will accrue interest at a per annum rate equal to (i) the greater of 5.25% and the Prime Rate plus (ii) 9.25%. Interest

payments on the promissory note shall be payable quarterly, in kind, and the note shall mature six (6) years after the Effective Date, at which time all principal and unpaid accrued interest shall be due and payable, which note and associated liens shall be subject to a subordination agreement in favor of the Exit Facility Lenders.

81. **Released Parties** means each of: (a) the DIP Lender, in its capacity as such; (b) the Exit Facility Agent and Exit Facility Lenders, in their capacity as such (c) Regiment; (d) Wells Fargo Foothill; (e) with respect to each of the foregoing entities in clauses (a), (b), (c) and (d), such entities' successors and assigns; (f) any statutory committee and the members thereof in their capacity as such; (g) with respect to each of the foregoing entities in clauses (a) through (f), such entities' Affiliates, subsidiaries, officers, directors, principals, employees, agents, financial advisors, attorneys, accountants and representatives in each case in their capacity as such and only if serving in such capacity; and (h) the Debtors' and Reorganized Debtors' officers, directors, principals, employees, agents, attorneys, financial advisors, accountants and representatives, in each case in their capacity as such, and only if serving in such capacity.

82. **Reorganization Cases** means the jointly administered cases commenced under chapter 11 of the Bankruptcy Code by the Debtors on February 11, 2009 in the United States District Court for the District of Delaware and styled In re Foothills Texas, Inc., et al., Case No. 09-10452.

83. **Reorganized Debtors** means the Debtors, and any successor thereto by merger, consolidation, or otherwise, on and after the Effective Date.

84. **Reorganized Foothills Resources** means Foothills Resources, and any successor thereto by merger, consolidation, or otherwise, on and after the Effective Date.

85. **Royalty Claim** means (a) a Claim relating to or resulting from the failure to pay royalties or overriding royalties to a royalty or overriding interest owner for and on account of oil and gas production produced prior to the Petition Date, including any Lease Terminable Royalty Claims; or (b) a Claim of a working interest owner for and on account of oil and gas production produced prior to the Petition Date and marketed on behalf of such owner by the Debtors.

86. **Schedules** means, collectively, the schedules of assets and liabilities, schedules of current income and expenditures, schedules of executory contracts and unexpired leases, and statements of financial affairs filed by the Debtors under Bankruptcy Code section 521, Bankruptcy Rule 1007, and the Official Bankruptcy Forms in the Reorganization Cases, as may have been amended or supplemented through the Confirmation Date pursuant to Bankruptcy Rule 1007.

87. **Secured Claim** means any Claim that is secured by a Lien on Collateral against any obligor with respect to such indebtedness to the extent of the value of the holder of the Claim's interest in such Collateral.

88. **Secured M&M Lien Claim** means a Claim held by a M&M Lien Claimant: (a) which has been approved by a Reorganized Debtor, or (b) which is the subject of a

Final Order by the Bankruptcy Court determining (i) such Claim to be a Secured Claim; (ii) the Allowed amount of such Secured Claim; and (iii) the priority of such Claim as of the Petition Date as senior to the general unsecured claims of the applicable Debtor under the applicable state law.

89. ***Secured Tax Claim*** means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under Bankruptcy Code section 507(a)(8).

90. ***Subsidiary Interest*** means any Interest of a Debtor in another Debtor.

91. ***Trust*** means the Foothills Resources PIPE Claims Litigation Trust, a Delaware statutory trust.

93. ***Trust Beneficiaries*** means holders of Allowed Class A-2, B-2, C-2 and D-2 Secured Claims, holders of Allowed Class A-10 PIPE Liquidated Damages Claims and holders of Allowed Class A-12 Interests and who hold Beneficial Interests and who are listed as Trust Beneficiaries on Annex C to the PIPE Claims Litigation Trust Agreement.

94. ***Trust Expenses*** means PIPE Claims litigation costs, trustee's fees or other expenses of administration of the Trust, including tax liabilities of the Trust.

95. ***Unimpaired*** means, when referring to a class of Claims, that such class of Claims is not impaired pursuant to Bankruptcy Code section 1124.

96. ***Unsecured Claim*** means any Claim against any of the Debtors that is not a Convenience Claim, Secured Claim, Administrative Expense, Priority Tax Claim, Priority Non-Tax Claim, PIPE Liquidated Damages Claim, Royalty Claim or subordinated Claim.

97. ***Voting Record Date*** means the record date for voting on the Plan established by the Disclosure Statement Order.

98. ***Wells Fargo Foothill*** means Wells Fargo Foothill LLC, in its capacity as agent or lender, as applicable, under the Pre-petition Credit Agreement.

B. Rules of Interpretation and Computation of Time.

1. ***Rules of Interpretation.*** Unless otherwise specified, all article, section, schedule, or exhibit references in the Plan are to the respective article of, section in, or schedule or exhibit to the Plan, as the same may be amended, waived, or modified from time to time. The words "herein," "hereof," "hereto," "hereunder," and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan. A term used in the Plan that is not defined in the Plan shall have the meaning assigned to that term in the Bankruptcy Code. The rules of construction contained in Bankruptcy Code section 102 shall apply to the Plan. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof.

2. **Computation of Time.** In computing any period of time prescribed or allowed, the provisions of Bankruptcy Rule 9006(a) shall apply. If the date on which a transaction may occur pursuant to the Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

SECTION II. ADMINISTRATIVE AND PRIORITY CLAIMS

In accordance with Bankruptcy Code section 1123(a)(i), the DIP Claims, Administrative Expenses and Priority Tax Claims have not been classified and are thus excluded from the Classes of Claims set forth in Section III.

A. DIP Claims.

In full satisfaction, settlement, release and discharge of and in exchange for the Allowed DIP Claim, on the Effective Date the Debtors shall pay the Allowed DIP Claim in full in Cash.

B. Administrative Expenses.

Subject to the provisions of Bankruptcy Code sections 328, 330(a) and 331, and Section II C below, except to the extent that an Allowed Administrative Expense is not yet due and owing or to the extent a holder of an Allowed Administrative Expense has been paid prior to the Effective Date or agrees to different treatment, in full satisfaction, settlement, release and discharge of and in exchange for each Allowed Administrative Expense, the holder thereof shall receive Cash equal to the amount of such Allowed Administrative Expense on the later of: (i) the Effective Date, or (ii) thirty (30) days after the date on which an order allowing such Administrative Expense becomes a Final Order. Allowed Administrative Expenses not yet due and owing as of the Effective Date shall be paid by the Reorganized Debtors in the ordinary course of business. As a condition precedent to confirmation of the Plan, estimated Allowed Administrative Expenses shall not exceed in the aggregate \$1.6 million.

1. **Bar Date for Administrative Expense Claim.** Except as otherwise provided in this Section II hereof, unless previously filed, requests for payment of Administrative Expense Claims must be filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than sixty (60) days after the Effective Date. Holders of Administrative Expense Claims that are required to file and serve a request for payment of such Administrative Expense Claims, that do not file and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped and enjoined from asserting such Administrative Expense Claims against the Debtors or any Reorganized Debtors or their Estates and property. All such Claims shall, as of the Effective Date, be subject to the permanent injunction set forth in Section X.H hereof. Objections to such requests must be filed and served on the Reorganized Debtors and the requesting party by the later of (a) ninety (90) days after the Effective Date and (b) thirty (30) days after the Filing of the applicable request for payment of Administrative Expense Claims, if applicable.

2. **Compensation and Reimbursement Claims.** All Persons seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of

expenses incurred through and including the Confirmation Date under Bankruptcy Code sections 503(b)(2), 503(b)(3) (except under section 503(b)(3)(D), see below), 503(b)(4), or 503(b)(5): (i) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is sixty (60) days after the Effective Date and (ii) shall be paid in full in Cash in such amounts as are Allowed by the Bankruptcy Court (A) five (5) Business Days after the date upon which the order relating to any such Administrative Expense is entered or (B) upon such other terms as may be mutually agreed upon between the holder of such an Administrative Expense and the Debtors, or, if on or after the Effective Date, the Reorganized Debtors.

All Persons seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred during the Reorganization Cases under Bankruptcy Code section 503(b)(3)(D) shall file their respective applications prior to or on the deadline for filing objections to confirmation of this Plan.

C. Priority Tax Claims.

(a) Except to the extent that a holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date, or agrees to different treatment, on the Initial Distribution Date each holder of an Allowed Priority Tax Claim against the Debtors or any of them, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, shall receive Cash in an amount equal to such Allowed Priority Tax Claim. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Priority Tax Claim to the holder of the Priority Tax Claim in full satisfaction of the Priority Tax Claim and any Deficiency Claim shall be classified and treated as an Unsecured Claim against the applicable Debtor.

SECTION III. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

The following tables (i) designate the classes of Claims against, and Interests in, the Debtors, and (ii) specify which of those classes are (a) Impaired or Unimpaired by the Plan, (b) entitled to vote to accept or reject the Plan in accordance with Bankruptcy Code section 1126, or (c) deemed to reject the Plan. Claims against and interests in Foothills Resources are designated with the letter “A”, claims against and interests in Foothills California are designated with “B”, claims against and interests in Foothills Oklahoma are designated with “C,” and claims against and interests in Foothills Texas are designated with “D”.

A. Classes of Claims and Interests.

CLASS	DESCRIPTION	IMPAIRMENT	ENTITLED TO VOTE
A-1	Wells Fargo Foothill Secured Claim	Impaired	Yes

CLASS	DESCRIPTION	IMPAIRMENT	ENTITLED TO VOTE
B-1	Wells Fargo Foothill Secured Claim	Impaired	Yes
C-1	Wells Fargo Foothill Secured Claim	Impaired	Yes
D-1	Wells Fargo Foothill Secured Claim	Impaired	Yes
A-2	Regiment Secured Claim	Impaired	Yes
B-2	Regiment Secured Claim	Impaired	Yes
C-2	Regiment Secured Claim	Impaired	Yes
D-2	Regiment Secured Claim	Impaired	Yes
B-3	Secured M&M Lien Claims (each holder being treated as a separate class)	Impaired	Yes
C-3	Secured M&M Lien Claims (each holder being treated as a separate class)	Impaired	Yes
D-3	Secured M&M Lien Claims (each holder being treated as a separate class)	Impaired	Yes
A-4	Other Secured Claims (each holder being treated as a separate class)	Impaired	Yes
B-4	Other Secured Claims (each holder being treated as a separate class)	Impaired	Yes
C-4	Other Secured Claims (each holder being treated as a separate class)	Impaired	Yes
D-4	Other Secured Claims (each holder being treated as a separate class)	Impaired	Yes
A-5	Secured Tax Claims	Impaired	Yes
B-5	Secured Tax Claims	Impaired	Yes
C-5	Secured Tax Claims	Impaired	Yes
D-5	Secured Tax Claims	Impaired	Yes

CLASS	DESCRIPTION	IMPAIRMENT	ENTITLED TO VOTE
A-6	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
B-6	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
C-6	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
D-6	Priority Non-Tax Claims	Unimpaired	No (deemed to accept)
A-7	Unsecured Claims	Impaired	Yes
B-7	Unsecured Claims	Impaired	Yes
C-7	Unsecured Claims	Impaired	Yes
D-7	Unsecured Claims	Impaired	Yes
A-8	Convenience Claims	Unimpaired	Yes
B-8	Convenience Claims	Unimpaired	Yes
C-8	Convenience Claims	Unimpaired	Yes
D-8	Convenience Claims	Unimpaired	Yes
A-9	Intercompany Claims	Impaired	No (deemed to accept)
B-9	Intercompany Claims	Impaired	No (deemed to accept)
C-9	Intercompany Claims	Impaired	No (deemed to accept)
D-9	Intercompany Claims	Impaired	No (deemed to accept)
A-10	PIPE Liquidated Damages Claims	Impaired	Yes
B-11	Royalty Claims	Impaired	Yes
C-11	Royalty Claims	Impaired	Yes
D-11	Royalty Claims	Impaired	Yes
A-12	Interests	Impaired	Yes
B-12	Interests	Impaired	No

CLASS	DESCRIPTION	IMPAIRMENT	ENTITLED TO VOTE
			(deemed to accept)
C-12	Interests	Impaired	No (deemed to accept)
D-12	Interests	Impaired	No (deemed to accept)

B. Treatment Of Claims And Interests

1. *Class A-1: Wells Fargo Foothill Secured Claim against Foothills Resources*

(a) Description: Class A-1 consists of the Allowed Secured Claim of Wells Fargo Foothill, in the amount of \$24,644,718.45 plus all accrued but unpaid fees, interest, costs and other amounts due and owing under the Pre-petition Credit Agreement, against Foothills Resources pursuant to the Pre-petition Credit Agreement, *provided, however*, that the total amount of the Wells Fargo Secured Claim including unpaid fees, interest, costs and other amounts shall not exceed the maximum amount available to the Reorganized Debtors under the Exit Facility.

(b) Treatment: On the Initial Distribution Date, the holder of the Class A-1 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive a Cash payment equal to the amount of the Class A-1 Allowed Secured Claim, which payment shall be funded from the proceeds of the initial borrowing under the Exit Facility. The Class A-1 Wells Fargo Foothill Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

2. *Class B-1: Wells Fargo Foothill Secured Claim against Foothills California*

(a) Description: Class B-1 consists of the Allowed Secured Claim of Wells Fargo Foothill, in the amount of \$24,644,718.45 plus all accrued but unpaid fees, interest, costs and other amounts due and owing under the Pre-petition Credit Agreement, against Foothills California pursuant to the Pre-petition Credit Agreement, *provided, however*, that the total amount of the Wells Fargo Secured Claim including unpaid fees, interest, costs and other amounts shall not exceed the maximum amount available to the Reorganized Debtors under the Exit Facility.

(b) Treatment: On the Initial Distribution Date, the holder of the Class B-1 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive a Cash payment equal to the amount of the Class B-1 Allowed Secured Claim, which payment shall be funded from the proceeds of the initial borrowing under the Exit

Facility. The Class B-1 Wells Fargo Foothill Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

3. ***Class C-1: Wells Fargo Foothill Secured Claim against Foothills Oklahoma***

(a) Description: Class C-1 consists of the Allowed Secured Claim of Wells Fargo Foothill, in the amount of \$24,644,718.45 plus all accrued but unpaid fees, interest, costs and other amounts due and owing under the Pre-petition Credit Agreement, against Foothills Oklahoma pursuant to the Pre-petition Credit Agreement provided, however, that the total amount of the Wells Fargo Secured Claim including unpaid fees, interest, costs and other amounts shall not exceed the maximum amount available to the Reorganized Debtors under the Exit Facility.

(b) Treatment: On the Initial Distribution Date, the holder of the Class C-1 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive a Cash payment equal to the amount of the Class C-1 Allowed Secured Claim, which payment shall be funded from the proceeds of the initial borrowing under the Exit Facility. The Class C-1 Wells Fargo Foothill Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

4. ***Class D-1: Wells Fargo Foothill Secured Claim against Foothills Texas***

(a) Description: Class D-1 consists of the Allowed Secured Claim of Wells Fargo Foothill, in the amount of \$24,644,718.45 plus all accrued but unpaid fees, interest, costs and other amounts due and owing under the Pre-petition Credit Agreement, against Foothills Texas pursuant to the Pre-petition Credit Agreement provided, however, that the total amount of the Wells Fargo Secured Claim including unpaid fees, interest, costs and other amounts shall not exceed the maximum amount available to the Reorganized Debtors under the Exit Facility.

(b) Treatment: On the Initial Distribution Date, the holder of the Class D-1 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive a Cash payment equal to the amount of the Class D-1 Allowed Secured Claim, which payment shall be funded from the proceeds of the initial borrowing under the Exit Facility. The Class D-1 Wells Fargo Foothill Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

5. ***Class A-2: Regiment Secured Claim against Foothills Resources***

(a) Description: Class A-2 consists of the Allowed Secured Claim of Regiment in the amount of \$53,911,852.59 against Foothills Resources pursuant to the Pre-petition Credit Agreement.

(b) Treatment: On the Initial Distribution Date, the holder of the Class A-2 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive (i) 100% of the shares of the New Common Stock, and (ii) the

Regiment Note. The Class A-2 Regiment Secured Claim is expressly Allowed and not subject to subordination or recharacterization

6. ***Class B-2: Regiment Secured Claim against Foothills California***

(a) Description: Class B-2 consists of the Allowed Secured Claim of Regiment in the amount of \$53,911,852.59 against Foothills California pursuant to the Pre-petition Credit Agreement.

(b) Treatment: On the Initial Distribution Date, the holder of the Class B-2 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive (i) 100% of the shares of the New Common Stock, and (ii) the Regiment Note. The Class B-2 Regiment Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

7. ***Class C-2: Regiment Secured Claim against Foothills Oklahoma***

(a) Description: Class C-2 consists of the Allowed Secured Claim of Regiment in the amount of \$53,911,852.59 against Foothills Oklahoma pursuant to the Pre-petition Credit Agreement.

(b) Treatment: On the Initial Distribution Date, the holder of the Class C-2 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive (i) 100% of the shares of the New Common Stock, and (ii) the Regiment Note. The Class C-2 Regiment Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

8. ***Class D-2: Regiment Secured Claim against Foothills Texas***

(a) Description: Class D-2 consists of the Allowed Secured Claim of Regiment in the amount of \$53,911,852.59 against Foothills Texas pursuant to the Pre-petition Credit Agreement.

(b) Treatment: On the Initial Distribution Date, the holder of the Class D-2 Claim, in full satisfaction of all Claims against the Debtors under the Pre-petition Credit Agreement, shall receive (i) 100% of the shares of the New Common Stock, and (ii) the Regiment Note. The Class D-2 Regiment Secured Claim is expressly Allowed and not subject to subordination or recharacterization.

9. ***Class B-3: Secured M&M Lien Claims***

(a) Description: Class B-3 consists of the Secured M&M Lien Claims, if any, against Foothills California.

(b) Treatment: Except to the extent that a holder of an Allowed Class B-3 Secured M&M Lien Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Class B-3 Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive quarterly Cash payments over a 5-year

period equal to the Allowed amount of such Class B-3 Claim, beginning on the later of: (i) the Initial Distribution Date, or (ii) thirty (30) days after the date on which an Order allowing such Claim becomes a Final Order, *provided, however*, that to the extent that payments do not begin on the Initial Distribution Date because a claim which is ultimately deemed to be an Allowed Claim has not yet been Allowed as of the Initial Distribution Date, such holder of an Allowed Class B-3 Secured M&M Lien Claim shall be entitled to “catch-up” payments. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Class B-3 Secured M&M Lien Claim to the holder of the Secured Claim in full satisfaction of the Class B-3 Secured M&M Lien Claim and any Deficiency Claim shall be classified and treated in Class B-7.

(c) Interest: Allowed claims in Class B-3 shall include interest accrued after the Petition Date through the Interest Accrual Limitation Date at the contract rate determined by the Bankruptcy Court or, if there is no contract, then at the Federal Judgment Rate.

(d) Sale of Collateral: Collateral subject to the Liens of the Class B-3 creditors may be sold free and clear with such Liens attaching to the proceeds of the sale in the same priority that existed prior to the Petition Date. An amount of proceeds equal to the lesser of the value of the Collateral securing the Claim (as determined at confirmation) or the face amount of such Claim will be reserved in a Distribution Reserve Account until such time as the Allowed amount of such Claim is determined. The foregoing notwithstanding, to the extent that a Secured M&M Lien Claim in Class B-3 is not secured in whole or in part by a validly perfected and unavoidable Lien or is under-secured by the assets of the Debtor to which such Lien attaches, then any Deficiency Claim will be classified and treated in Class B-7.

10. ***Class C-3: Secured M&M Lien Claims***

(a) Description: Class C-3 consists of the Secured M&M Lien Claims, if any, against Foothills Oklahoma.

(b) Treatment: Except to the extent that a holder of an Allowed Class C-3 Secured M&M Lien Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Class C-3 Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive quarterly Cash payments over a 5-year period equal to the Allowed amount of such Class C-3 Claim, beginning on the later of: (i) the Initial Distribution Date, or (ii) thirty (30) days after the date on which an Order allowing such Claim becomes a Final Order, *provided, however*, that to the extent that payments do not begin on the Initial Distribution Date because a claim which is ultimately deemed to be an Allowed Claim has not yet been Allowed as of the Initial Distribution Date, such holder of an Allowed Class C-3 Secured M&M Lien Claim shall be entitled to “catch-up” payments. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Class C-3 Secured M&M Lien Claim to the holder of the Class C-3 Secured M&M Lien Claim in full satisfaction of the Secured Claim and any Deficiency Claim shall be classified and treated in Class C-7.

(c) Interest: Allowed claims in Class C-3 shall include interest accrued after the Petition Date through the Interest Accrual Limitation Date at the contract rate determined by the Bankruptcy Court or, if there is no contract, then at the Federal Judgment Rate.

(d) Sale of Collateral: Collateral subject to the Liens of the Class C-3 creditors may be sold free and clear with such Liens attaching to the proceeds of the sale in the same priority that existed prior to the Petition Date. An amount of proceeds equal to the lesser of the value of the Collateral securing the Claim (as determined at confirmation) or the face amount of such Claim will be reserved in a Distribution Reserve Account until such time as the Allowed amount of such Claim is determined. The foregoing notwithstanding, to the extent that a Secured M&M Lien Claim in Class C-3 is not secured in whole or in part by a validly perfected and unavoidable Lien or is under-secured by the assets of the Debtor to which such Lien attaches, then any Deficiency Claim will be classified and treated in Class C-7.

11. ***Class D-3: Secured M&M Lien Claims***

(a) Description: Class D-3 consists of the Secured M&M Lien Claims, if any, against Foothills Texas.

(b) Treatment: Except to the extent that a holder of an Allowed Class D-3 Secured M&M Lien Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Class D-3 Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive quarterly Cash payments over a 5-year period equal to the Allowed amount of such Class D-3 Claim, beginning on the later of: (i) the Initial Distribution Date, or (ii) thirty (30) days after the date on which an Order allowing such Claim becomes a Final Order, *provided, however*, that to the extent that payments do not begin on the Initial Distribution Date because a claim which is ultimately deemed to be an Allowed Claim has not yet been Allowed as of the Initial Distribution Date, such holder of an Allowed Class D-3 Secured M&M Lien Claim shall be entitled to “catch-up” payments. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Class D-3 Secured M&M Lien Claim to the holder of the Secured Claim in full satisfaction of the Class D-3 Secured M&M Lien Claim and any Deficiency Claim shall be classified and treated in Class D-7.

(c) Interest: Allowed Claims in Class D-3 shall include interest accrued after the Petition Date through the Interest Accrual Limitation Date at the contract rate determined by the Bankruptcy Court or, if there is no contract, then at the Federal Judgment Rate.

(d) Sale of Collateral: Collateral subject to the Liens of the Class D-3 creditors may be sold free and clear with such Liens attaching to the proceeds of the sale in the same priority that existed pre-bankruptcy. An amount of proceeds equal to the lesser of the value of the Collateral securing the Claim (as determined at confirmation) or the face amount of such Claim will be reserved in a Distribution Reserve Account until such time as the Allowed amount of such Claim is determined. The foregoing notwithstanding, to the extent that a Secured M&M Lien Claim in Class D-3 is not secured in whole or in part by a validly perfected and unavoidable

Lien or is under-secured by the assets of the Debtor to which such Lien attaches, then any Deficiency Claim will be classified and treated in Class D-7.

12. ***Class A-4: Other Secured Claims against Foothills Resources***

(a) Description: Class A-4 consists of Secured Claims, if any, against Foothills Resources that are not treated in other Classes in the Plan.

(b) Treatment: To the extent a Secured Claim is not otherwise classified or treated under the Plan, the holder of such Secured Claim shall receive, at the option of the Debtors, after consultation with Regiment and the Exit Facility Agent, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Class A-4 Claim, (i) Cash in an amount equal to the value of such Allowed Class A-4 Claim; or (ii) deferred cash payments equal to the amount of the Allowed Secured Claim plus interest at the Prime Rate. Such interest rate shall be fixed as of the Confirmation Date. Such payments shall be made in 60 equal monthly payments of principal and interest, with the first payment to be made 60 days after the Effective Date and continuing on a monthly basis thereafter. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Claim to the holder of the Secured Claim in full satisfaction of the Secured Claim and any Deficiency Claim shall be classified and treated in Class A-7.

13. ***Class B-4: Other Secured Claims against Foothills California***

(a) Description: Class B-4 consists of Secured Claims, if any, against Foothills California that are not treated in other Classes in the Plan.

(b) Treatment: To the extent a Secured Claim is not otherwise classified or treated under the Plan, the holder of such Secured Claim shall receive, at the option of the Debtors, after consultation with Regiment and the Exit Facility Agent, in full satisfaction, settlement, release and discharge of and in exchange for such Claim and Lien, (i) Cash in an amount equal to the value of such Allowed Class B-4 Claim; or (ii) deferred cash payments equal to the amount of the Allowed Secured Claim plus interest at the Prime Rate. Such interest rate shall be fixed as of the Confirmation Date. Such payments shall be made in 60 equal monthly payments of principal and interest, with the first payment to be made 60 days after the Effective Date and continuing on a monthly basis thereafter. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Claim to the holder of the Secured Claim in full satisfaction of the Secured Claim and any Deficiency Claim shall be classified and treated in Class B-7.

14. ***Class C-4: Other Secured Claims against Foothills Oklahoma***

(a) Description: Class C-4 consists of Secured Claims, if any, against Foothills Oklahoma that are not treated in other Classes in the Plan.

(b) Treatment: To the extent a Secured Claim is not otherwise classified or treated under the Plan, the holder of such Secured Claim shall receive, at the option of the Debtors, after consultation with Regiment and the Exit Facility Agent, in full satisfaction,

settlement, release and discharge of and in exchange for such Claim and Lien, (i) Cash in an amount equal to the value of such Allowed Class C-4 Claim; or (ii) deferred cash payments equal to the amount of the Allowed Secured Claim plus interest at the Prime Rate. Such interest rate shall be fixed as of the Confirmation Date. Such payments shall be made in 60 equal monthly payments of principal and interest, with the first payment to be made 60 days after the Effective Date and continuing on a monthly basis thereafter. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Claim to the holder of the Secured Claim in full satisfaction of the Secured Claim and any Deficiency Claim shall be classified and treated in Class C-7.

15. ***Class D-4: Other Secured Claims against Foothills Texas***

(a) Description: Class D-4 consists of Secured Claims, if any, against Foothills Texas that are not treated in other Classes in the Plan.

(b) Treatment: To the extent a Secured Claim is not otherwise classified or treated under the Plan, the holder of such Secured Claim shall receive, at the option of the Debtors, after consultation with Regiment and the Exit Facility Agent, in full satisfaction, settlement, release and discharge of and in exchange for such Claim and Lien, (i) Cash in an amount equal to the value of such Allowed Class D-4 Claim; or (ii) deferred cash payments equal to the amount of the Allowed Secured Claim plus interest at the Prime Rate. Such interest rate shall be fixed as of the Confirmation Date. Such payments shall be made in 60 equal monthly payments of principal and interest, with the first payment to be made 60 days after the Effective Date and continuing on a monthly basis thereafter. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Claim to the holder of the Secured Claim in full satisfaction of the Secured Claim and any Deficiency Claim shall be classified and treated in Class D-7.

16. ***Class A-5: Secured Tax Claims***

(a) Description: Class A-5 consists of the Secured Tax Claims against Foothills Resources.

(b) Treatment: Except to the extent that a holder of an Allowed Secured Tax Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Secured Tax Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, Cash in aggregate equal to the Allowed Amount of such Secured Tax Claim, including any post-Effective Date interest at a rate of 12% per annum. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Tax Claim to the holder of the Secured Claim in full satisfaction of the Secured Tax Claim and any Deficiency Claim shall be classified and treated in Class A-7.

17. ***Class B-5: Secured Tax Claims***

(a) Description: Class B-5 consists of the Secured Tax Claims against Foothills California.

(b) Treatment: Except to the extent that a holder of an Allowed Secured Tax Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Secured Tax Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, Cash in aggregate equal to the Allowed Amount of such Secured Tax Claim, including post-Effective Date interest at a rate of 12% per annum. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Tax Claim to the holder of the Secured Claim in full satisfaction of the Secured Tax Claim and any Deficiency Claim shall be classified and treated in Class B-7.

18. ***Class C-5: Secured Tax Claims***

(a) Description: Class C-5 consists of the Secured Tax Claims against Foothills Oklahoma.

(b) Treatment: Except to the extent that a holder of an Allowed Secured Tax Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Secured Tax Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, Cash in aggregate equal to the Allowed Amount of such Secured Tax Claim, including post-Effective Date interest at a rate of 12% per annum. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Tax Claim to the holder of the Secured Claim in full satisfaction of the Secured Tax Claim and any Deficiency Claim shall be classified and treated in Class C-7.

19. ***Class D-5: Secured Tax Claims***

(a) Description: Class D-5 consists of the Secured Tax Claims against Foothills Texas.

(b) Treatment: Except to the extent that a holder of an Allowed Secured Tax Claim has been paid prior to the Effective Date, or agrees to a different treatment, each holder of an Allowed Secured Tax Claim, in full satisfaction, release and discharge of and exchange for such Claim and Lien, shall receive in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, Cash in aggregate equal to the Allowed Amount of such Secured Tax Claim, including post-Effective Date interest at a rate of 12% per annum. Alternatively, the Reorganized Debtor may, at its option, and with the prior consent of the Exit Facility Agent, return any Collateral securing such Allowed Secured Tax Claim to the holder of the Secured Claim in full satisfaction of the Secured Tax Claim and any Deficiency Claim shall be classified and treated in Class D-7.

20. ***Class A-6: Priority Non-Tax Claim***

(a) Description: Class A-6 consists of Priority Non-Tax Claims against Foothills Resources.

(b) Treatment: On the Initial Distribution Date, except to the extent that a holder of an Allowed Priority Non-Tax Claim against any of the Debtors has been paid or agrees to a different treatment of such Claim, each such holder of an Allowed Priority Non-Tax Claim shall receive, in full satisfaction, release and discharge of and exchange for such Allowed Priority Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim.

21. ***Class B-6: Priority Non-Tax Claim***

(a) Description: Class B-6 consists of Priority Non-Tax Claims against Foothills California.

(b) Treatment: On the Initial Distribution Date, except to the extent that a holder of an Allowed Priority Non-Tax Claim against any of the Debtors has been paid or agrees to a different treatment of such Claim, each such holder of an Allowed Priority Non-Tax Claim shall receive, in full satisfaction, release and discharge of and exchange for such Allowed Priority Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim.

22. ***Class C-6: Priority Non-Tax Claim***

(a) Description: Class C-6 consists of Priority Non-Tax Claims against Foothills Oklahoma.

(b) Treatment: On the Initial Distribution Date, except to the extent that a holder of an Allowed Priority Non-Tax Claim against any of the Debtors has been paid or agrees to a different treatment of such Claim, each such holder of an Allowed Priority Non-Tax Claim shall receive, in full satisfaction, release and discharge of and exchange for such Allowed Priority Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim.

23. ***Class D-6: Priority Non-Tax Claim***

(a) Description: Class D-6 consists of Priority Non-Tax Claims against Foothills Texas.

(b) Treatment: On the Initial Distribution Date, except to the extent that a holder of an Allowed Priority Non-Tax Claim against any of the Debtors has been paid or agrees to a different treatment of such Claim, each such holder of an Allowed Priority Non-Tax Claim shall receive, in full satisfaction, release and discharge of and exchange for such Allowed Priority Non-Tax Claim, Cash in an amount equal to such Allowed Priority Non-Tax Claim.

24. ***Class A-7: Unsecured Claims***

(a) Description: Class A-7 consists of the Allowed Unsecured Claims against Foothills Resources.

(b) Treatment: Each holder of an Allowed Class A-7 Unsecured Claim shall receive its Proportionate Share of \$400,000 in Cash held in the Distribution Reserve Account, which amount shall be divided and paid in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, including post-Effective Date interest at a rate of 5% per annum. In no event shall the holder of an Unsecured Claim receive more than the Face Amount of such holder's Claim.

25. ***Class B-7: Unsecured Claims***

(a) Description: Class B-7 consists of the Allowed Unsecured Claims against Foothills California.

(b) Treatment: Each holder of an Allowed Class B-7 Unsecured Claim shall receive its Proportionate Share of \$400,000 in Cash held in the Distribution Reserve Account, which amount shall be divided and paid in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, including post-Effective Date interest at a rate of 5% per annum. In no event shall the holder of an Unsecured Claim receive more than the Face Amount of such holder's Claim.

26. ***Class C-7: Unsecured Claims***

(a) Description: Class C-7 consists of the Allowed Unsecured Claims against Foothills Oklahoma.

(b) Treatment: Each holder of an Allowed Class C-7 Unsecured Claim shall receive its Proportionate Share of \$400,000 in Cash held in the Distribution Reserve Account, which amount shall be divided and paid in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, including post-Effective Date interest at a rate of 5% per annum. In no event shall the holder of an Unsecured Claim receive more than the Face Amount of such holder's Claim.

27. ***Class D-7: Unsecured Claims***

(a) Description: Class D-7 consists of the Allowed Unsecured Claims against Foothills Texas.

(b) Treatment: Each holder of an Allowed Class D-7 Unsecured Claim shall receive its Proportionate Share of \$400,000 in Cash held in the Distribution Reserve Account, which amount shall be divided and paid in twenty equal payments, the first to occur three (3) months after the Effective Date and the last to occur five (5) years after the Effective Date, including post-Effective Date interest at a rate of 5% per annum. In no event shall the holder of an Unsecured Claim receive more than the Face Amount of such holder's Claim.

28. ***Class A-8: Convenience Claims***

(a) Description: Class A-8 consists of Allowed Unsecured Claims against Foothills Resources, each Claim in an amount less than or equal to \$10,000 or in an amount greater than \$10,000 whereby the holder agrees to reduce its claim to \$10,000 and accept

the treatment provided for in Class A-8; *provided, however*, that the aggregate distributions to the holders of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8, will not exceed \$250,000.

(b) Treatment: On the Initial Distribution Date, each holder of a Class A-8 Convenience Claim shall receive in full satisfaction of its Claim Cash in an amount equal to the Allowed portion of such Claim, or in an amount equal to such holder's Proportionate Share of the Convenience Claim Fund, if the aggregate amount of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8 is greater than \$250,000.

29. ***Class B-8: Convenience Claims***

(a) Description: Class B-8 consists of Allowed Unsecured Claims against Foothills California, each Claim in an amount less than or equal to \$10,000 or in an amount greater than \$10,000 whereby the holder agrees to reduce its claim to \$10,000 and accept the treatment provided for in Class B-8; *provided, however*, that the aggregate distributions to the holders of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8, will not exceed \$250,000.

(b) Treatment: On the Initial Distribution Date, each holder of a Class B-8 Convenience Claim shall receive in full satisfaction of its Claim Cash in an amount equal to the Allowed portion of such Claim, or in an amount equal to such holder's Proportionate Share of the Convenience Claim Fund, if the aggregate amount of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8 is greater than \$250,000.

30. ***Class C-8: Convenience Claims***

(a) Description: Class C-8 consists of Allowed Unsecured Claims against Foothills Oklahoma, each Claim in an amount less than or equal to \$10,000 or in an amount greater than \$10,000 whereby the holder agrees to reduce its claim to \$10,000 and accept the treatment provided for in Class C-8; *provided, however*, that the aggregate distributions to the holders of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8, will not exceed \$250,000.

(b) Treatment: On the Initial Distribution Date, each holder of a Class C-8 Convenience Claim shall receive in full satisfaction of its Claim Cash in an amount equal to the Allowed portion of such Claim, or in an amount equal to such holder's Proportionate Share of the Convenience Claim Fund, if the aggregate amount of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8 is greater than \$250,000.

31. ***Class D-8: Convenience Claims***

(a) Description: Class D-8 consists of Allowed Unsecured Claims against Foothills Texas, each Claim in an amount less than or equal to \$10,000 or in an amount greater than \$10,000 whereby the holder agrees to reduce its claim to \$10,000 and accept the treatment provided for in Class D-8; *provided, however*, that the aggregate distributions to the holders of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8, will not exceed \$250,000.

(b) Treatment: On the Initial Distribution Date, each holder of a Class D-8 Convenience Claim shall receive in full satisfaction of its Claim Cash in an amount equal to the Allowed portion of such Claim, or in an amount equal to such holder's Proportionate Share of the Convenience Claim Fund, if the aggregate amount of Allowed Unsecured Claims in Classes A-8, B-8, C-8 and D-8 is greater than \$250,000.

32. ***Class A-9: Intercompany Claims***

(a) Description: Class A-9 consists of all Allowed Intercompany Claims against Foothills Resources.

(b) Treatment: Holders of Class A-9 Claims shall receive no distribution on account of such Claims.

33. ***Class B-9: Intercompany Claims***

(a) Description: Class B-9 consists of all Allowed Intercompany Claims against Foothills California.

(b) Treatment: Holders of Class B-9 Claims shall receive no distribution on account of such Claims.

34. ***Class C-9: Intercompany Claims***

(a) Description: Class C-9 consists of all Allowed Intercompany Claims against Foothills Oklahoma.

(b) Treatment: Holders of Class C-9 Claims shall receive no distribution on account of such Claims.

35. ***Class D-9: Intercompany Claims***

(a) Description: Class D-9 consists of all Allowed Intercompany Claims against Foothills Texas.

(b) Treatment: Holders of Class D-9 Claims shall receive no distribution on account of such Claims.

36. ***Class A-10: PIPE Liquidated Damages Claims***

(a) Description: Class A-10 consists of PIPE Liquidated Damages Claims against Foothills Resources.

(b) Treatment: **In the event Class A-10 accepts the Plan**, on the Initial Distribution Date, each holder of an Allowed Class A-10 Claim will receive its Pro Rata share of the Beneficial Interests issued pursuant to Section IV of the Plan. **In the event Class A-10 rejects the Plan**, no Class A-10 Claim holder shall be eligible to receive any distribution on account of such Claim.

37. ***Class B-11: Royalty Claims***

(a) Description: Class B-11 consists of Royalty Claims, if any, against Foothills California.

(b) Treatment: The Debtors do not believe any holders of Class B-11 Claims exist. To the extent holders of Allowed Class B-11 Claims exist, on the Initial Distribution Date, each holder of an Allowed Class B-11 Royalty Claim shall be paid in full in Cash.

38. ***Class C-11: Royalty Claims***

(a) Description: Class C-11 consists of Royalty Claims, if any, against Foothills Oklahoma.

(b) Treatment: The Debtors do not believe any holders of Class C-11 Claims exist. To the extent holders of Allowed Class C-11 Claims exist, on the Initial Distribution Date, each holder of an Allowed Class C-11 Royalty Claim shall be paid in full in Cash.

39. ***Class D-11: Royalty Claims***

(a) Description: Class D-11 consists of Royalty Claims, if any, against Foothills Texas.

(b) Treatment: The Debtors do not believe any holders of Class D-11 Claims exist. To the extent holders of Allowed Class D-11 Claims exist, on the Initial Distribution Date, each holder of an Allowed Class D-11 Royalty Claim shall be paid in full in Cash.

40. ***Class A-12: Interests***

(a) Description: Class A-12 consists of Interests in Foothills Resources.

(b) Treatment: **In the event Class A-12 accepts the Plan**, on the Initial Distribution Date, each holder of an Allowed Interest in Foothills Resources will receive its Pro Rata share of the Beneficial Interests issued pursuant to Section IV of the Plan. **In the event Class A-12 rejects the Plan**, no holder of an Allowed Interest in Foothills Resources shall be eligible to receive any distribution on account of such Interest.

41. ***Class B-12: Interests***

(a) Description: Class B-12 consists of Interests in Foothills California.

(b) Treatment: On the Initial Distribution Date, the Interests in Foothills California will be reinstated for corporate structural purposes only. No distributions shall be made on account of Class B-12 Interests.

42. ***Class C-12: Interests***

(a) Description: Class C-12 consists of Interests in Foothills Oklahoma.

(b) Treatment: On the Initial Distribution Date, the Interests in Foothills Oklahoma will be reinstated for corporate structural purposes only. No distributions shall be made on account of Class C-12 Interests.

43. ***Class D-12: Interests***

(a) Description: Class D-12 consists of Interests in Foothills Texas.

(b) Treatment: On the Initial Distribution Date, the Interests in Foothills Texas will be reinstated for corporate structural purposes only. No distributions shall be made on account of Class D-12 Interests.

C. One Satisfaction of Wells Fargo Foothill Secured Claim

Though listed in a Class for each Debtor, there shall be only one satisfaction of the Wells Fargo Foothill Secured Claim, and it shall be Allowed and treated under this Plan as if each Debtor were jointly and severally liable thereunder.

D. One Satisfaction of Regiment Secured Claim

Though listed in a Class for each Debtor, there shall be only one satisfaction of the Regiment Secured Claim, and it shall be Allowed and treated under this Plan as if each Debtor were jointly and severally liable thereunder.

SECTION IV. MEANS FOR IMPLEMENTATION

A. Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall fund the distributions under the Plan with Cash on hand, existing assets, borrowings under the Exit Facility described below, the issuance of New Common Stock and the issuance of Beneficial Interests.

Exit Facility. On the Effective Date, the Reorganized Debtors shall enter into the Exit Facility. The Confirmation Order shall specifically approve the Exit Facility (including the transactions contemplated thereby and all actions to be taken and payment of all fees, indemnities, and expenses provided for therein) and grant authorization for the Reorganized Debtors to enter into and execute the Exit Facility documents and such other documents as may be required to consummate the Exit Facility. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan such as the

payment of Administrative Expenses and the satisfaction of the Allowed Claims of Classes A-1, B-1, C-1 and D-1.

New Common Stock. On the Effective Date, Reorganized Foothills Resources shall issue New Common Stock for distribution pursuant to Section III B of the Plan.

Trust. On the Effective Date, the Reorganized Debtors shall establish the Trust. The sole assets of the Trust will be all right, title and interest in and to the PIPE Claims. The Trust Beneficiaries shall consist of the Reorganized Debtors, all holders of Allowed Class A-10 PIPE Liquidated Damages Claims (if Class A-10 votes to accept the Plan) and holders of Allowed Class A-12 Interests (if Class A-12 votes to accept the Plan). The trustee will maintain a record each Trust Beneficiary's Beneficial Interest. The trustee shall, upon written request of a Trust Beneficiary, provide reasonably adequate documentary evidence of such Trust Beneficiary's Beneficial Interest, as indicated in the books and records of the Trust. The expense of providing such documentation shall be borne by the requesting Trust Beneficiary. The Trust shall prosecute the PIPE Claims and distribute the PIPE Claims Proceeds to the Trust Beneficiaries. The Trust shall have no public reporting responsibilities.

The sum of (i) 100% of the first \$1,000,000 of PIPE Claims Proceeds plus (ii) 75% of any PIPE Claims Proceeds in excess of \$1,000,000 up to \$5,000,000 in the aggregate plus (iii) 50% of any PIPE Claims Proceeds in excess of \$5,000,000 in the aggregate will be distributed as follows: 51% to holders of Allowed Class A-10 Claims, who voted in favor of the Plan and 49% to holders of Allowed Class A-12 Interests who voted in favor of the Plan, according to their Beneficial Interests.

The sum of (i) 25% of any PIPE Claims Proceeds in excess of \$1,000,000 up to \$5,000,000 in the aggregate; plus (ii) 50% of any PIPE Claims Proceeds in excess of \$5,000,000 in the aggregate will be distributed to Reorganized Foothills Resources, with such PIPE Claim Proceeds to be applied to the Exit Facility in a manner consistent with the application of other Cash receipts.

Distribution will be made promptly upon receipt by the trustee of PIPE Claims Proceeds to the Trust Beneficiaries as reflected in the trustee's register thereof, net and after payment of any accrued and unpaid Trust Expenses and/or advances in respect thereof, together with interest accrued thereon. Trust Beneficiaries will be required to maintain current documentation with the trustee with respect to their qualification for exemption from federal income tax withholding on distributions, failing which the trustee shall be entitled to withhold such portion of their distributions as may be required by law.

Neither Reorganized Foothills Resources, nor any of its subsidiaries, nor any Trust Beneficiary will have any responsibility with respect to Trust Expenses. Upon confirmation of the Plan, the trustee will enter into an agreement with one or more persons (which, with the prior consent of the Exit Facility Agent, may include Reorganized Foothills Resources) pursuant to which such person(s) would advance to the trustee all funds necessary to cover Trust Expenses, with such advances to be repaid, with interest at a per annum rate of 18%, compounded monthly, from PIPE Claims Proceeds prior to any distributions to the Trust Beneficiaries. In order to prosecute the PIPE Claims and protect the interests of all Trust

Beneficiaries, the trustee is authorized to borrow funds from the Beneficial Interest holders (the “Trust Expense Financing”). The suggested loan amount for each holder is based upon the number of Beneficial Interest held by such holder.

Loans made to the trustee will only be repaid if the trustee receives a distribution of PIPE Claims Proceeds. In accordance with the terms of the Foothills Resources PIPE Claims Litigation Trust Agreement, the debts and expenses of the trustee (including without limitation the amounts loaned to the trustee by the Trust Certificate holders and other lenders) will be repaid before any PIPE Claims Proceeds are paid to the Trust Beneficiaries.

Senior Management Severance. As set forth in more detail in the Disclosure Statement, the Debtors’ senior management shall have an option to purchase from Reorganized Foothills Resources all of the capital stock, or substantially all of the assets, of each of reorganized Foothills California and reorganized Foothills Oklahoma. Fifty percent (50%) of any proceeds realized as the result of the exercise of the foregoing senior management option related to the retained participation rights shall be used by the Reorganized Debtors to permanently pay down the Exit Facility.

B. New Corporate Structure for Reorganized Debtors.

Except as otherwise set forth in the Plan, prior to or as of the Effective Date, and subject to the terms and conditions of the Exit Facility, Foothills Resources may cause any or all of the Debtors to engage in any restructuring transactions deemed necessary or appropriate (including, without limitation, merging, dissolving, or transferring assets between or among the Debtors) to implement the provisions of this Plan.

C. Intercompany Claims.

Notwithstanding anything to the contrary herein, Intercompany Claims will be adjusted, continued, or discharged to the extent determined by the Debtors or the Reorganized Debtors, as applicable, in their discretion after consultation with Regiment and the Exit Facility Agent. Any such transaction may be effected on or subsequent to the Effective Date without further action by the stockholders of the Debtors or Reorganized Debtors.

D. Authorization of Plan Securities.

The issuance by Reorganized Foothills Resources of the New Common Stock is hereby authorized without the need for any further corporate action and without any further action by holders of Claims or Interests. Such New Common Stock shall be distributed as described in Section III B of the Plan. None of the New Common Stock shall be registered under applicable securities law and neither the Debtors nor the Reorganized Debtors shall have any obligation to register the New Common Stock.

E. Cancellation of Existing Securities and Agreements.

On the Effective Date, each share of Preferred Stock, each share of Common Stock and the Options shall be cancelled and the holders thereof shall have no further rights or

entitlements in respect thereof against the Debtors except the rights to receive the distributions to be made to such holders under the Plan, if any.

F. Reorganized Debtors' Boards of Directors.

The initial board of directors of each Reorganized Debtor shall consist of James S. Bold and Kyle P. O'Neill.

G. Officers of Reorganized Debtors.

W. Kirk Bosché shall serve all officer positions of the Reorganized Debtors on and after the Effective Date. W. Kirk Bosché shall serve in accordance with applicable non-bankruptcy law and the New Employment Agreements. The relevant details of W. Kirk Bosché's compensation to be paid by the Reorganized Debtors is disclosed in the Plan Supplement.

H. Corporate Action; By-laws and Certificates of Incorporation.

On the Effective Date, each Reorganized Debtor shall file a New Certificate of Incorporation. The New Certificates of Incorporation shall prohibit the issuance of nonvoting equity securities, subject to further amendment of such New Certificates of Incorporation as permitted by applicable law. The Boards of Directors of the Reorganized Debtors shall adopt the New By-Laws.

SECTION V. DISTRIBUTIONS

A. Record Date for Distributions.

As of the date of the entry of the Confirmation Order, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents shall be deemed closed, and there shall be no further changes made to reflect any new record holders of any Claims or Interests. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Confirmation Date.

B. Date of Distributions.

Unless otherwise provided herein, the initial distributions and deliveries to be made hereunder to the holders of Allowed Claims and Interests shall be made on the Initial Distribution Date. Such distributions shall be deemed made on the Effective Date. However, all distributions to holders of Secured Claims shall be made within fifteen (15) days of the Effective Date. Notwithstanding the foregoing, all distributions to be made to the holders of the Wells Fargo Secured Claims shall be made on the Effective Date.

C. Subsequent Distributions.

Unless otherwise provided in the Plan, to the extent Cash or New Common Stock are available subsequent to the Effective Date from undeliverable, time-barred, or unclaimed distributions to holders of Allowed Claims or Interests pursuant to this Plan, such Cash or New Common Stock shall be transferred to the Reorganized Debtors pursuant to Section V F to be

used for general corporate purposes and such New Common Stock shall become treasury stock to be held by the Reorganized Debtors. Unless otherwise provided in the Plan, to the extent Beneficial Interests are available subsequent to the Effective Date from undeliverable, time-barred or unclaimed distributions to holders of Allowed Claims or Interests pursuant to this Plan, such Beneficial Interests shall be transferred to the Trust and used for the Trust's purposes.

D. Setoffs.

Subject to the provisions in Section III B expressly allowing certain claims in full, and except with respect to the Intercompany Claims, the Debtors, may, but shall not be required to, setoff against any Claim (for purposes of determining the Allowed amount of such Claim in respect of which distribution shall be made), any claims of any nature whatsoever that the Debtors may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors of any such Claim the Debtors may have against the holder of such Claim; *provided, however*, that in the event the Debtors seek to exercise such setoff rights against the holder of a Claim that is a debtor in a case under the Bankruptcy Code, the Debtors shall comply with the requirements of the Bankruptcy Code, including seeking relief from the automatic stay. Any creditor with a valid right of setoff shall retain the ability to effectuate such setoff prior to the Effective Date; *provided, however*, that in no event shall such holder be considered a holder of a Secured Claim or receive a distribution in accordance with Section III B 1 - 19 on account of its right of setoff.

E. Delivery of Distributions.

Subject to Bankruptcy Rule 9010, all distributions to any holder of an Allowed Claim shall be made at the address of such holder as set forth on the Schedules filed with the Bankruptcy Court or on the books and records of the Debtors or their agents, unless the Debtors have been notified in writing of a change of address, including, without limitation, by the filing of a proof of claim or interest by such holder that contains an address for such holder different from the address reflected on such Schedules for such holder. In the event that any distribution to any holder is returned as undeliverable, the Disbursing Agent shall use reasonable efforts to determine the current address of such holder, but no distribution to such holder shall be made unless and until the Disbursing Agent has determined the then current address of such holder, at which time such distribution shall be made to such holder; *provided, however*, that such distributions shall be deemed unclaimed property under Bankruptcy Code section 347(b) at the expiration of the second anniversary from the date of distribution. After such date, all New Common Stock shall become treasury stock to be held by the Reorganized Debtors, and Cash shall be returned to Reorganized Foothills Resources to be used for general corporate purposes, and the claim of any other holder to such property or interest in property shall be discharged and forever barred, and all unclaimed Beneficial Interests shall be transferred to the Trust for the Trust's purposes and the claim of any holder to such property or interest in property shall be discharged and forever barred.

F. Manner of Payment Under the Plan.

All distributions of Cash, New Common Stock and Beneficial Interests to the creditors and/or holders of the Interests of each of the Debtors under the Plan of Reorganization

shall be made by or on behalf of the applicable Reorganized Debtor. Where the applicable Reorganized Debtor is a subsidiary of Reorganized Foothills Resources, Reorganized Foothills Resources shall be treated as if it were making a capital contribution, either directly or indirectly, to the applicable Reorganized Debtor equal to the amount distributed (other than the Cash distributed from such Reorganized Debtor's own funds), but only at such time as, and to the extent that, the amounts are actually distributed to holders of Allowed Claims.

At the option of the Debtors, after consultation with Regiment, any Cash payment to be made hereunder may be made by a check or wire transfer from a domestic bank or as otherwise required or provided in applicable agreements.

G. No Fractional Distributions.

No fractional shares of New Common Stock or Beneficial Interests, and no fractional dollars shall be distributed. For purposes of distribution, fractional shares of New Common Stock and fractional Beneficial Interests shall be rounded up or down, as applicable, to the nearest whole number, or, in the event of a Cash payment, up or down, to the nearest whole dollar.

H. Withholding and Reporting Requirements.

In connection with the Plan and all instruments issued in connection therewith and distributed thereon, the Disbursing Agent shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements.

I. Time Bar to Cash Payments.

Checks issued by the Disbursing Agent in respect of Allowed Claims shall be null and void if not negotiated within 120 days after the date of issuance thereof. Any party that is entitled to receive a check under this Plan but fails to cash such check within 120 days of its issuance shall be entitled to receive a reissued check from Reorganized Foothills Resources for the amount of the original check if the party requests that the Disbursing Agent reissue such check and provides the Disbursing Agent with such documentation as the Disbursing Agent requests to verify that such party is entitled to such check, prior to the later of (a) the second anniversary of the Effective Date or (b) six (6) months after any such Claim becomes an Allowed Claim. If a party fails to cash a check within 120 days of its issuance and fails to request reissuance of such check prior to the later to occur of (a) the second anniversary of the Effective Date or (b) six (6) months following the date such party's Claim becomes an Allowed Claim, such party shall not be entitled to receive any Distribution under this Plan with respect to the amount of such check.

J. Transactions on Business Days.

If the Effective Date or any other date on which a transaction may occur under the Plan shall occur on a day that is not a Business Day, the transactions contemplated by the Plan to occur on such day shall instead occur on the next succeeding Business Day.

K. Minimum Distributions.

There shall be no distribution to any holder of a Claim with an aggregate economic value of \$500 or less unless a request therefor is made in writing to the Disbursing Agent (at the addresses provided in the Plan). After the second anniversary of the Effective Date, any property or interest in property not distributed pursuant to this Section V shall be deemed unclaimed property under Bankruptcy Code section 347(b). Such property or interest in property shall be returned by the Disbursing Agent to the Reorganized Debtors and shall revert to Reorganized Foothills Resources, and the Claim of any other holder to such property or interest in property shall be discharged and forever barred.

L. Allocation of Distributions.

Distributions to any holder of an Allowed Claim shall be allocated first to the principal portion of any such Allowed Claim (as determined for federal income tax purposes), and, only after the principal portion of any such Allowed Claim is satisfied in full, to any portion of such Allowed Claim comprising prepetition interest, costs, expenses, and fees (including any redemption premium) (but solely to the extent that such interest, costs, expenses, fees, or redemption premium are an allowable portion of such Allowed Claim).

M. Rights and Powers of Disbursing Agent.

All distributions under the Plan shall be made by Reorganized Foothills Resources as Disbursing Agent or such other entity designated by Reorganized Foothills Resources as a Disbursing Agent. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court; and, in the event that a Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by Reorganized Foothills Resources.

The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan, (ii) make all distributions contemplated hereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Disbursing Agent on or after the Effective Date (including, without limitation, taxes) and any reasonable compensation and expense reimbursement claims (including, without limitation, reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by Reorganized Foothills Resources.

SECTION VI. PROCEDURES FOR TREATING DISPUTED CLAIMS

A. No Distribution Pending Allowance.

Notwithstanding any other provision of the Plan, no Cash shall be distributed under the Plan on account of any Claim that is not Allowed, unless and until such Claim becomes an Allowed Claim. Moreover, notwithstanding any other provision of the Plan, no interest shall accrue or be Allowed on any Claim during the period after the Petition Date, except as provided for in the DIP Order or under Bankruptcy Code section 506(b).

B. Resolution of Disputed Claims.

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Debtors and, after the Effective Date, Reorganized Foothills Resources, shall have the right to the exclusion of all others (except as to applications for allowances of compensation and reimbursement of expenses under Bankruptcy Code sections 330 and 503) to make and file objections to Claims and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than the latest of: (a) 180 days after the Effective Date; (b) 180 days after a proof of Claim with respect to the Claim objected to has been filed with the Claims Agent appointed in the Reorganization Cases; or (c) such later date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clauses (a) and (b) above. From and after the Effective Date, all objections shall be litigated to a Final Order except to the extent Reorganized Foothills Resources elects to withdraw any such objection or Reorganized Foothills Resources and the claimant elect to compromise, settle, or otherwise resolve any such objection, in which event they may settle, compromise, or otherwise resolve any Disputed Claim without the necessity of Bankruptcy Court approval.

C. Estimation of Claims.

The Debtors and, after the Effective Date, Reorganized Foothills Resources, may request that the Bankruptcy Court estimate any Disputed Claim pursuant to Bankruptcy Code section 502(c) regardless of whether the Debtors have previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including, without limitation, during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any Disputed Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation, and resolution procedures are cumulative and not exclusive of one another. On and after the Effective Date, Claims that have been estimated may be compromised, settled, withdrawn, or otherwise resolved, without further order of the Bankruptcy Court, but in a manner consistent with the treatment of such Claims under the Plan.

D. Allowance of Disputed Claims.

If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall, on the fifteenth Business Day of the first month following the month

in which the Claim becomes an Allowed Claim, distribute to the holder of such Allowed Claim, Cash, New Common Stock, and/or Beneficial Interests, as applicable, in an aggregate amount sufficient to provide such holder with the amount that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

SECTION VII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. General Treatment.

All executory contracts and unexpired leases to which any of the Debtors are parties are hereby assumed as of and subject to the occurrence of the Effective Date, except for any executory contract or unexpired lease that: (a) has been assumed or rejected pursuant to Final Order of the Bankruptcy Court; (b) is specifically designated or generally described in the Plan Supplement, as a contract or lease to be rejected; or (c) is the subject of a separate motion filed under Bankruptcy Code section 365 by the Debtors prior to the Confirmation Date. Not less than ten (10) days prior to the deadline to object to confirmation of the Plan, the Debtors shall file, as part of the Plan Supplement, a list of contracts to be assumed along with the proposed cure amounts, if any, associated with such assumption. The Debtors shall serve the list of contracts to be assumed on each contract counterparty. Any party objecting to the proposed cure amounts shall file an objection to such proposed cure amount not less than twenty (20) Business Days following the filing and service of such proposed cure amounts.

For purposes hereof, each executory contract and unexpired lease listed or generally described in the Plan Supplement as a contract or lease to be rejected that relates to the use or occupancy of real property shall include (a) modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument, or other document is listed in the Plan Supplement as a contract or lease to be rejected, and (b) executory contracts or unexpired leases appurtenant to the premises listed in the Plan Supplement as a contract or lease to be rejected including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, vault, tunnel, or bridge agreements, or franchises, and any other interests in real estate or rights *in rem* relating to such premises to the extent any of the foregoing are executory contracts or unexpired leases, unless any of the foregoing agreements are specifically rejected.

A non-Debtor party to an executory contract or unexpired lease that is being rejected hereunder may request that the Debtors assume such contract or lease by sending written notice to the Debtors, which notice shall include a waiver of any defaults (including any payment defaults) and any right to any cure payment under such contract or lease. The Debtors may assume such contract or lease without further action of the Bankruptcy Court. The Debtors reserve their right to, prior to the Effective Date, add any executory contract or unexpired lease to the Plan Supplement as a contract or lease to be rejected.

B. Cure of Defaults.

Except to the extent that different treatment has been agreed to by the non-debtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section VII, the Debtors shall, pursuant to the provisions of Bankruptcy Code sections 1123(a)(5)(G) and 1123(b)(2) and consistent with the requirements of Bankruptcy Code section 365, not less than ten (10) days prior to the deadline to object to Confirmation of the Plan file as part of the Plan Supplement a list of contracts to be assumed along with the proposed cure amounts, if any, associated with such assumption. The parties to such executory contracts to be assumed by the Debtors shall have twenty (20) days to object to the cure amounts listed by the Debtors. If there are any objections filed, the Bankruptcy Court shall hold a hearing. If the Bankruptcy Court determines that the cure amount is greater than the cure amount listed by the Debtors, the Debtors may reject the contract at such time rather than paying such greater amount.

C. Rejection Claims.

If the rejection of an executory contract or unexpired lease by any of the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages, if not heretofore evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against the Debtors, or their respective properties or interests in property as agents, successors, or assigns, unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for the Debtors on or before the date that is thirty (30) days after the later of the Effective Date or the date of such rejection.

SECTION VIII. ACCEPTANCE OR REJECTION OF THE PLAN

A. Voting of Claims.

Each holder of an Allowed Claim or Interest in an Impaired Class of Claims or Interests as of the Voting Record Date that is entitled to vote on the Plan shall be entitled to vote separately to accept or reject the Plan, as provided for in the Disclosure Statement Order.

B. Acceptance by a Class.

Consistent with Bankruptcy Code section 1126(c) and except as provided for in Bankruptcy Code section 1126(e), a Class of creditors shall have accepted the Plan if it is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Allowed Claims of such Class that have timely and properly voted to accept or reject the Plan. Pursuant to Bankruptcy Code section 1126(d), a Class of Interests shall have accepted the Plan if it is accepted by at least two-thirds in amount of the Allowed Interests of such Class held by holders that have timely and properly voted to accept or reject the Plan.

SECTION IX. CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

A. Conditions to Confirmation.

This Plan may not be confirmed unless each of the conditions set forth below is satisfied. Except as provided in Section IX C below, any one or more of the following

conditions may be waived at any time by the Debtors, in consultation with Regiment and the Exit Facility Agent.

(a) An Order finding that the Disclosure Statement contains adequate information pursuant to Bankruptcy Code section 1125 shall have (i) been issued by the Bankruptcy Court, (ii) been entered on the docket maintained by the Clerk of the Bankruptcy Court, and (iii) become a Final Order.

(b) The Confirmation Order shall be in a form acceptable to the Debtors, Regiment and the Exit Facility Agent.

(c) The estimated Allowed Administrative Claims shall not exceed \$1.6 million.

B. Conditions to Occurrence of Effective Date.

The Effective Date for this Plan may not occur unless and until each of the conditions set forth below is satisfied. Except as provided in Section IX C below, any one or more of the following conditions may be waived at any time by the Debtors, in consultation with Regiment and the Exit Facility Agent.

(a) A Confirmation Order, in form and substance satisfactory to the Debtors, Regiment and the Exit Facility Agent, shall have been entered by the Bankruptcy Court and such order shall have become a Final Order.

(b) No request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall have been made, or, if made, shall remain pending.

(c) All actions and all agreements, instruments, or other documents necessary to implement the terms and provisions of the Plan are effected or executed and delivered, as applicable, in form and substance satisfactory to the Debtors and Regiment.

(d) All authorizations, consents, and regulatory approvals, if any, required by the Debtors in connection with the consummation of the Plan are obtained and not revoked.

(e) All agreements, instruments and other documents necessary for the consummation of the Exit Facility, including, but not limited to, an intercreditor agreement between the Exit Facility Lenders and Regiment, in form and substance satisfactory to the Exit Facility Agent, shall have been executed and delivered.

C. Waiver of Conditions.

The Debtors may, at their option, after consultation with Regiment and the Exit Facility Agent, waive any of the conditions set forth in sections IX A and IX B, *provided, however*, that the Debtors may not waive entry of the Order approving the Disclosure Statement, entry of the Confirmation Order, or any condition the waiver of which is proscribed by law. Any such waivers shall be evidenced by a writing, signed by the waiving parties, served upon the

United States Trustee, and filed with the Bankruptcy Court. The waiver may be a conditional one, such as to extend the time under which a condition may be satisfied.

D. Effect of Failure of Conditions.

Except with respect to the condition specified in Section IX C, if the conditions specified in Section IX B have not been satisfied or waived in the manner provided in section IX B within twenty (20) days following the Confirmation Date or such later date as may be agreed to by the Debtors, Regiment, and the Exit Facility Agent: (a) the Confirmation Order shall be vacated and shall, together with this Plan, be null and void and of no further force and effect; (b) no distributions under the Plan shall be made; (c) the Debtors and all holders of Claims and Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; (d) all the Debtors' obligations with respect to the Claims and Interests shall remain unchanged and nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors; and (e) the time within which the Debtors may assume, assume and assign or reject all executory contracts and unexpired leases shall be extended for a period of sixty (60) days after the date the Confirmation Order is vacated. Upon the occurrence of such failure, the Debtors shall file a written notification with the Bankruptcy Court and serve it upon the United States Trustee.

SECTION X. EFFECT OF CONFIRMATION

A. Vesting of Assets.

Upon the Effective Date, pursuant to Bankruptcy Code sections 1141(b) and (c), all property of the Debtors' bankruptcy estates shall vest in the Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges, and other interests, except as provided herein, in the Exit Facility Agreement, or in the Confirmation Order. From and after the Effective Date, the Reorganized Debtors may operate their businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, subject to the terms and conditions of the Plan.

B. Binding Effect.

Subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind all current and former holders of a Claim against, or Interest in, the Debtors and such holder's respective successors and assigns, whether or not the Claim or Interest of such holder is Impaired under the Plan, whether or not such holder has accepted the Plan, and whether or not such holder is entitled to a distribution under the Plan.

C. Discharge of Claims and Termination of Interests.

Except as otherwise provided herein or in the Confirmation Order, the rights afforded in the Plan and the payments and distributions to be made hereunder shall discharge all existing debts and Claims and terminate all Interests of any kind, nature, or description

whatsoever against or in the Debtors or any of their assets or properties to the fullest extent permitted by Bankruptcy Code section 1141. Except as provided in the Plan, upon the occurrence of the Effective Date, all existing Claims against and Interests in the Debtors, shall be, and shall be deemed to be, discharged and terminated, and all holders of Claims and Interests shall be precluded and enjoined from asserting against the Reorganized Debtors, their successors or assigns, or any of their assets or properties, any other or further Claim or Interest based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, whether or not such holder has filed a proof of Claim or proof of Interest and whether or not the respective facts or legal bases were known or existed prior to the Effective Date.

D. Release and Discharge of Debtors.

Upon the occurrence of the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Interest and any Affiliate of such holder shall be deemed to have forever waived, released, and discharged the Debtors, to the fullest extent permitted by Bankruptcy Code section 1141, of and from any and all Claims, Interests, rights, and liabilities that arose prior to the Effective Date. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to Bankruptcy Code section 524, from prosecuting or asserting any such discharged Claim against or terminated Interest in the Debtors.

E. Term of Injunctions or Stays

Unless otherwise expressly provided herein or in the Confirmation Order, all injunctions or stays arising under or entered during the Reorganization Cases under Bankruptcy Code sections 105 or 362, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

F. Indemnification Obligations

Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the Petition Date to indemnify, defend, reimburse, or limit the liability of directors or officers who were directors or officers of the Debtors against any claims or causes of action as provided in the Debtors' certificates of incorporation, bylaws, or applicable state law, shall be treated as Unsecured Claims in Classes A-7, B-7, C-7 or D-7 or are otherwise discharged. Nothing contained in this Plan shall be deemed to affect or alter any rights or obligations of any director or officer on the one hand and any insurer on the other hand with respect to the Debtors' directors' and officers' insurance policies.

G. D&O Tail Coverage Policies

The Reorganized Debtors will obtain a directors' and officers' insurance policy with tail coverage for a period of six (6) years with the same coverage limit as is in existence on the Effective Date for the current and former officers and directors of the Debtors; provided, however, that the cost of such tail coverage shall not exceed \$250,000.

H. Injunction Against Interference with Plan

Except as otherwise expressly provided herein or in the Confirmation Order, all Persons who have held, hold, or may hold Claims against or Interests in the Debtors shall be permanently enjoined, from and after the Effective Date, from: (i) commencing or continuing in any manner any action or other proceeding of any kind on any such Claim or Interest against any of the Reorganized Debtors on account of such Claims or Interests; (ii) the enforcement, attachment, collection, or recovery by any manner or means of any judgment, award, decree, or order against any Reorganized Debtor with respect to such Claim or Interest; (iii) creating, perfecting, or enforcing any encumbrance of any kind against any Reorganized Debtor against the property or interests in property of any Reorganized Debtor with respect to such Claim or Interest; (iv) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation owed to any Reorganized Debtor against the property or interest in property of any Reorganized Debtor with respect to such Claim or Interest; and (v) pursuing any Claim released pursuant to this Section X.

I. Exculpation.

On the Effective Date, any Disbursing Agent selected by the Debtors, as well as the respective current and former officers, directors, employees, members, affiliates, financial advisors, professionals, accountants, and attorneys, as applicable, of the Debtors and any Disbursing Agent selected by the Debtors shall be exculpated by the Debtors and any holder of any Claim or Interest for any act or omission in connection with, or arising out of, the Reorganization Cases, the confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or property to be distributed under the Plan, except for willful misconduct, gross negligence or intentional fraud.

J. Limited Releases.

1. ***Releases by the Debtors.*** Pursuant to Bankruptcy Code section 1123(b), and except as otherwise specifically provided in the Plan or the Plan Supplement, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtors, the Reorganized Debtors, and the estates from any and all Claims, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative Claims asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, that the Debtors, the Reorganized Debtors, the estates, or their Affiliates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Person, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Reorganization Cases, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests prior to or in the Reorganization Cases, the negotiation, formulation, or preparation of the Plan and Disclosure Statement, or related agreements, instruments, or other documents, upon any other act

or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes a failure to perform the duty to act in good faith, with the care of an ordinarily prudent person and in a manner the Released Party reasonably believed to be in the best interests of the Debtors (to the extent such duty is imposed by applicable non-bankruptcy law) where such failure to perform constitutes willful misconduct or gross negligence.

2. ***Avoidance Actions.*** Except as noted below, and other than any releases of the Released Parties granted in the Plan, by the Confirmation Order, and by Final Order of the Bankruptcy Court, as applicable, from and after the Effective Date, Reorganized Foothills Resources shall have the right to prosecute any avoidance or recovery actions under Bankruptcy Code sections 105, 502, 510, 542 through 551, and 553 that belong to the Debtors or debtors in possession, and the proceeds of such actions shall be retained by the Reorganized Debtors.

3. ***Injunction Regarding Worthless Stock Deduction.*** Unless otherwise ordered by Bankruptcy Court, on and after the Confirmation Date, any “fifty percent shareholder” within the meaning of section 382(g)(4)(D) of the Internal Revenue Code of 1986, as amended, shall be enjoined from claiming a worthless stock deduction with respect to any Interests for any taxable year of such shareholder ending prior to the Effective Date.

SECTION XI. RETENTION OF JURISDICTION

A. Jurisdiction of the Bankruptcy Court.

On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, and related to the Reorganization Cases and the Plan pursuant to, and for purposes of, Bankruptcy Code sections 105(a) and 1142, including, without limitation:

(a) To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases and the allowance of Claims resulting therefrom and any disputes with respect to executory contracts or unexpired leases relating to facts and circumstances arising out of or relating to the Reorganization Cases;

(b) To determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on the Confirmation Date;

(c) To ensure that distributions to holders of Allowed Claims and Allowed Interests are accomplished as provided herein;

(d) To consider Claims or the allowance, classification, priority, compromise, estimation, objection to, or payment of any Claim, Administrative Expense, or Interest;

(e) To hear and determine all actions pursuant to Bankruptcy Code sections 105, 502, 510, 505, 542, 543, 544, 545, 547, 548, 549, 550, 551, and 553, any collection matters related thereto, and settlements thereof;

(f) To hear and determine any disputes or issues arising under the settlement agreements referred to in this Plan or any other settlements of Claims approved by the Bankruptcy Court;

(g) To enter, implement, or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified, or vacated;

(h) To issue injunctions, enter and implement other orders, and take such other actions that are not inconsistent with the terms of this Plan as may be necessary or appropriate to restrain interference by any Person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(i) To hear and determine any application to modify the Plan in accordance with Bankruptcy Code section 1127, to remedy any defect or omission or reconcile any inconsistency in the Plan, the Disclosure Statement, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(j) To hear and determine all applications of retained professionals under Bankruptcy Code sections 330, 331, and 503(b) for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;

(k) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby or any agreement, instrument, or other document governing or relating to any of the foregoing; *provided, however*, that the Bankruptcy Court shall not retain jurisdiction to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of, or any other matters related to, the Exit Facility;

(l) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following consummation;

(m) To determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(n) To hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146 (including, without limitation, any request by the Debtors prior to the Effective Date or request by the Reorganized Debtors after the Effective Date for an expedited determination of taxes under Bankruptcy Code section 505(b));

(o) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

(p) To enter a final decree closing the Reorganization Cases; and

(q) To recover all assets of the Debtors and property of the Debtors' estates, wherever located.

SECTION XII. MISCELLANEOUS PROVISIONS

A. Revocation or Withdrawal of Plan.

The Debtors reserve the right, to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interest by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

B. Payment of Statutory Fees.

On the Effective Date, and thereafter as may be required, the Debtors or Reorganized Debtors, as applicable, shall pay in Cash all fees payable pursuant to section 1930 of chapter 123 of title 28 of the United States Code.

C. No Deemed Waiver of Causes of Action.

Notwithstanding any payment on account of an Allowed Claim to a creditor or a settlement with a creditor with respect to a Disputed Claim, unless expressly provided, there shall be no deemed waiver of any rights of any Debtor or any other party in interest to bring a cause of action.

D. Administrative Agent as Claim Holder.

Consistent with Bankruptcy Rule 3003(c), the Reorganized Debtors shall recognize proofs of Claim timely filed by Wells Fargo Foothill in respect of any Claims under the Pre-petition Credit Agreement. Accordingly, if the administrative agent files proofs of Claim for the Secured Class A-1, B-1, C-1, D-1, or A-2, B-2, C-2, D-2 Claims, any other proofs of Claim for the Secured Class A-1, B-1, C-1, D-1, or A-2, B-2, C-2, D-2 Claims, filed by the registered or beneficial holders of such Claims, are disallowed as duplicative of the Claims of Wells Fargo Foothill, without any further action of the Bankruptcy Court.

E. Expedited Determination of Taxes.

The Reorganized Debtors may request an expedited determination of taxes of the Reorganized Debtors under Bankruptcy Code section 505(b) for all returns filed for, or on behalf of, the Reorganized Debtors for all taxable periods (or portions thereof) ending after the Commencement Date through and including the Effective Date.

F. Substantial Consummation.

On the Effective Date, the Plan shall be deemed to be substantially consummated under Bankruptcy Code sections 1101 and 1127(b).

G. Section 1145 Exemption

The issuance of the New Common Stock and the Beneficial Interests under this Plan shall be exempt from registration pursuant to Bankruptcy Code section 1145 and other applicable law.

H. Exemption from Transfer Taxes.

Pursuant to Bankruptcy Code section 1146(a), the issuance, transfer, or exchange of notes or issuance of debt or equity securities under the Plan, the creation of any mortgage, deed of trust, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Plan, including, without limitation, the New Common Stock, the Exit Facility, any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Plan, shall not be subject to any stamp, real estate transfer, mortgage recording, sales, or other similar tax. All sale transactions specifically provided for by this Plan, or consummated by the Debtors and approved by the Bankruptcy Court on and after the Confirmation Date, including, without limitation: (i) the sales by or to the Debtors of property or assets pursuant to Bankruptcy Code section 363(b); (ii) the assumptions, assignments, and sales by the Debtors of unexpired leases of non-residential real property pursuant to Bankruptcy Code section 365(a); and (iii) settlements pursuant to Bankruptcy Rule 9019(a), shall be deemed to have been made under, in furtherance of, or in connection with the Plan and, therefore, shall not be subject to any stamp, real estate transfer, mortgage recording, sales, or other similar tax.

I. Amendments.

1. ***Plan Modifications.*** The Plan may be amended, modified, or supplemented by the Debtors, after consultation with Regiment and the Exit Facility Agent, in the manner provided for by Bankruptcy Code section 1127 or as otherwise permitted by law without additional disclosure pursuant to Bankruptcy Code section 1125, except as the Bankruptcy Court may otherwise direct. In addition, after the Confirmation Date, so long as such action does not materially adversely affect the treatment of holders of Claims or Interests under the Plan, the Debtors may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order with respect to such matters as may be necessary to carry out the purposes and effects of the Plan.

2. ***Other Amendments.*** Prior to the Effective Date the Debtors may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court, provided that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims or Interests.

J. Governing Law.

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit hereto provides otherwise, the rights, duties, and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof.

K. Severability.

If the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void, or unenforceable, the Bankruptcy Court shall, with the consent of the Debtors, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

L. Headings.

Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

M. Exhibits.

All exhibits and Schedules to the Plan and Plan Supplement are incorporated into and are a part of the Plan as if set forth in full herein.

N. Notices.

All notices, requests, and demands to or upon the Debtors to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

Foothills Resources, Inc.
4540 California Avenue
Suite 550
Bakersfield, CA 93309
Telephone: 661-716-1320
Facsimile: 661-716-1340]

- and -

Akin Gump Strauss Hauer & Feld LLP
Attorneys for Debtors and Debtors in Possession
1700 Pacific Avenue, Suite 4100
Dallas, TX 75201
Attn: Charles R. Gibbs
David F. Staber
Sarah Link Schultz
Telephone: 214.969.2800
Facsimile: 214.969.4343

Dated: Houston, Texas
November 17, 2009

Respectfully submitted,

FOOTHILLS RESOURCES, INC.
(for itself and on behalf of each of the Debtors)

By: /s/ W. Kirk Bosché
Name: W. Kirk Bosché
Title: Chief Financial Officer

Plan Supplement

Shall include, but shall not be limited to each of the following:

- Bylaws for each of the Reorganized Debtors
- New certificates of incorporation for each of the Reorganized Debtors
- List of executory contracts and unexpired leases to be rejected
- Initial board of directors for each the Reorganized Debtors (if not previously disclosed)
- New Employment Agreements
- Termination and Severance Agreement
- Summary of Certain Trust Expense
- Non-exhaustive list of potential avoidance action targets
- Exit Facility Agreement