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

In re:	§	
	§	
GOLDKING HOLDINGS, LLC;	§	**Case No. 13-37200**
	§	
GOLDKING ONSHORE OPERATING, LLC; AND	§	**Case No. 13-37201**
	§	
GOLDKING RESOURCES, LLC	§	**Case No. 13-37202**
	§	
	§	**Chapter 11**
Debtors.	§	**(Jointly Administered under Case No. 13-37200)**
	§	

DISCLOSURE STATEMENT FOR DEBTORS' FIRST AMENDED JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: ~~May 27,~~June 25, 2014

Haynes and Boone LLP

Patrick L. Hughes
Texas Bar No. 10227300
Ian T. Peck
Texas Bar No. 24013306
Christopher L. Castillo
Texas Bar No. 24065022
Haynes and Boone, LLP
1221 McKinney Street, Suite 2100
Houston, Texas 77010
Telephone: (713) 547-2000
Facsimile: (713) 547-2600

COUNSEL TO THE DEBTORS AND DEBTOR-IN-POSSESSION

TABLE OF CONTENTS

DISCLOSURE STATEMENT FOR THE FIRST AMENDED PLAN OF REORGANIZATION OF GOLDKING HOLDINGS, LLC AND ITS DEBTOR SUBSIDIARIES UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

THE DEBTORS RESERVE THE RIGHT TO MODIFY, AMEND OR SUPPLEMENT THIS ~~PROPOSED~~ DISCLOSURE STATEMENT OR ANY EXHIBITS HERETO AT OR BEFORE APPROVAL OF THE DISCLOSURE STATEMENT, AND TO WITHDRAW THE PLAN AND DISCLOSURE STATEMENT AS TO ANY OR ALL OF THE DEBTORS AT ANY TIME PRIOR TO CONFIRMATION OF THE PLAN.

UNTIL APPROVED BY THE BANKRUPTCY COURT, THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN. ~~ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT.~~ CERTAIN EVENTS, TRANSACTIONS AND OTHER MATTERS DISCUSSED IN THIS DISCLOSURE STATEMENT ~~HAVE~~MAY NOT YET HAVE OCCURRED OR REMAIN SUBJECT TO BANKRUPTCY COURT APPROVAL.

I. INTRODUCTION

Goldking Holdings, LLC ("Holdings") and its two wholly owned subsidiary affiliates Goldking Onshore Operating, LLC ("GOO") and Goldking Resources, LLC ("Resources") (collectively, the "Debtors") in the above-captioned Chapter 11 cases (the "Chapter 11 Cases") provide this *Disclosure Statement for Debtors' Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code*, as it may be amended, supplemented or modified (the "Disclosure Statement") to all of the Debtors' creditors in order to permit such creditors to make an informed decision in voting to accept or reject the proposed *Debtors' Joint Plan Of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code* (the "Plan"), as it may be amended, supplemented or modified (the "Plan") filed by the Debtors as proponents of the Plan within the meaning of Section 1129 of the Bankruptcy Code. A copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.[1] Whenever the words "include," "includes," or "including" are used in this Disclosure Statement, they are deemed to be followed by the words "without limitation."

This Disclosure Statement is presented to impaired Claim holders owning Claims against the Debtors pursuant to Section 1125 of Title 11 of the United States Code, as amended (the "Bankruptcy Code"), which requires that a disclosure statement provide information sufficient to enable a hypothetical and reasonable investor typical of the Holders of Claims or Interests in these Chapter 11 Cases to make an informed judgment whether to accept or reject the Plan. The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the financial information regarding the Debtors and the liquidation analyses relating to the Debtors, is included for purposes of soliciting acceptances of the Plan, but, as to contested matters and adversary proceedings, is not to be construed as admissions or stipulations, but rather as statements made in settlement negotiations. This Disclosure Statement may not be relied upon for any other purpose.

[1] Capitalized terms used herein but not otherwise defined shall have the meanings assigned to such terms in the Plan.

This Disclosure Statement is based upon the following sources of information:

1. information provided by the Debtors' management based on information contained within the Debtors' books and records, which information has not been audited;
2. information that is publicly available in filings and pleadings filed with the Bankruptcy Court; and
3. Information contained in the Plan, which is attached as **Exhibit A** hereto.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE AND THEY MUST BE CONSIDERED TOGETHER FOR THE READER TO BE ADEQUATELY INFORMED BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. NO REPRESENTATIONS CONCERNING THE DEBTORS (PARTICULARLY AS TO VALUE OF THEIR PROPERTY) ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS AND ANY SOLICITATION MATERIALS APPROVED BY THE BANKRUPTCY COURT AND ACCOMPANYING THIS DISCLOSURE STATEMENT AS TRANSMITTED BY THE DEBTORS. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN OTHER THAN AS SET FORTH ABOVE SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTORS, WHO WILL IN TURN DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING ANY EXHIBITS CONCERNING THE FINANCIAL CONDITION OF THE DEBTORS AND THE OTHER INFORMATION CONTAINED HEREIN, HAS NOT BEEN SUBJECT TO AN AUDIT OR INDEPENDENT REVIEW EXCEPT AS EXPRESSLY SET FORTH HEREIN. ACCORDINGLY, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THE INFORMATION CONCERNING THE DEBTORS OR THEIR FINANCIAL CONDITION IS ACCURATE OR COMPLETE. THE PROJECTED INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PRESENTED FOR ILLUSTRATIVE PURPOSES ONLY AND, BECAUSE OF THE UNCERTAINTY AND RISK FACTORS INVOLVED, THE ACTUAL RESULTS MAY NOT BE AS PROJECTED HEREIN.

ALTHOUGH AN EFFORT HAS BEEN MADE TO BE ACCURATE, THE DEBTORS DO NOT WARRANT OR REPRESENT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND ITS EXHIBITS IS CORRECT. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. EACH CREDITOR IS STRONGLY URGED TO REVIEW THE PLAN PRIOR TO VOTING ON IT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT UNLESS ANOTHER

TIME IS SPECIFIED. THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH SINCE THE DATE OF THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT WILL NOT BE CONSTRUED TO BE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN. EACH CREDITOR SHOULD, THEREFORE, CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISERS AS TO ANY SUCH MATTERS CONCERNING THE SOLICITATION, THE PLAN OR THE TRANSACTIONS CONTEMPLATED THEREBY.

This Disclosure Statement with the Plan attached was filed with the Bankruptcy Court and after notice the Disclosure Statement was approved. The Bankruptcy Court will hold a hearing on confirmation of the Plan beginning at ~~__~~2:~~__ a/~~00 p.m. (Central Time) on ~~_____~~August 18, 2014 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, located at 515 Rusk Avenue, Courtroom 400, Houston, Texas 77010 (the "Confirmation Hearing"). At the Confirmation Hearing, the Bankruptcy Court will consider whether the Plan satisfies the requirements of the Bankruptcy Code, including whether the Plan is in the best interests of the Holder of Claims and Interests. The ~~court~~Court will review a ballot report concerning votes cast for acceptance or rejection of the Plan.

To obtain free additional copies of this Disclosure Statement or of the Plan, please visit Epiq's website at http://dm.epiq11.com/GKH/Project and click on "Key Documents" on the top right corner of the page. To obtain free copies of other documents filed in these Chapter 11 Cases, click on "Docket" on the top right corner of the foregoing webpage.

A. Overview of the Plan

THE DESCRIPTION OF THE PLAN SET FORTH BELOW CONSTITUTES A GENERAL, NON-COMPREHENSIVE SUMMARY ONLY AND IS QUALIFIED, IN ITS ENTIRETY, BY THE PLAN AND THE PLAN SUPPLEMENT. CREDITORS AND OTHER PARTIES IN INTEREST ARE URGED TO REVIEW THE SUMMARY OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT AND THE PLAN ITSELF. THE PLAN IS ATTACHED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT. THE PLAN CONTROLS IN THE EVENT OF ANY INCONSISTENCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN.

Chapter 11 is the chapter of the Bankruptcy Code primarily used for business reorganizations and liquidations. The fundamental purpose of a Chapter 11 case is to formulate a plan to restructure or liquidate a debtor company's finances so as to maximize recoveries for its creditors. Upon confirmation of the plan, it becomes binding on the debtor and all of its creditors and stakeholders, and the obligations owed by the debtor to those parties are compromised and exchanged for the obligations specified in the plan.

The following is a brief overview of the material provisions of the Plan. This overview is qualified in its entirety by reference to the provisions of the Plan and the exhibits thereto, as amended from time to time.

Class	Designation	Estimated Amount of Claims[2]	Impairment	Entitled to Vote	Treatment
Class Holdings – H1	TX Secured Ad Valorem Tax Claims	A. -0- B. $90,000	Impaired	Yes	Paid in full over time
Class Holdings – H2	LA Secured Ad Valorem Tax Claims	A. -0- B. -0-	Impaired	Yes	Paid in full over time
Class Holdings – H3	Holdings Equity Interests	Not applicable	Impaired	No	Cancelled
Class GOO – O1	M&M Secured Claims	A. -0- B. $121,000	Impaired	Yes	Treated as General Unsecured Claims
Class GOO – O2	TX Secured Ad Valorem Tax Claims	A. $180,000 B. $240,000	Impaired	Yes	Paid in full over time
Class GOO – O3	LA Secured Ad Valorem Tax Claims	A. $225,000 B. -0-	Impaired	Yes	Paid in full over time
Class GOO--04	Priority Unsecured Tax Claims	A. $16,000 B. $123,000	Impaired	Yes	Paid in full over time
Class GOO – O45	Intercompany Interests	Not applicable	Not Impaired	No	~~Reinstated~~Cancelled
Class Resources – R1	M&M Secured Claims	A. -0- B. None	Impaired	Yes	Treated as General Unsecured Claims
Class Resources – R2	TX Secured Ad Valorem Tax Claims	A. $2,000 B. $2,000	Impaired	Yes	Paid in full over time
Class Resources – R3	LA Secured Ad Valorem Tax	A. -0- B. -0-	Impaired	Yes	Paid in full over time

[2] Projected as of proposed August 1, 2014 Confirmation Date. Where stated, Item "A" is the amount the Debtors believe is the correct amount; Item "B" the amount reflected from initial review of the filed proofs of claims, despite Debtors' objections or views the claims may include invalid claims. Note, does not include the Wayzata administrative and Allowed Secured Claim under the Final DIP Order, which claim is a post-petition claim and is projected to be approximately $17.1 million on the Confirmation Date.

	Claims				
Class Resources – R4	White Oak Secured Claims	A. $300,000 B. -0-	Impaired	Yes	Paid in full over time and liens retained, ~~if fully secured~~ and ~~no~~paid in full on sale or foreclosure
Class Resources – R5	Royalty Legal Suspense Claims	A. $80,000 B. N/A	Impaired	Yes	Paid
Class Resources – R6	Assumption Cure Amount Claims	-0-[3]	Impaired	Yes	Paid
Class Resources – R7	All General Unsecured Claims	A. $1.6 to $2 million B. $12 million	Impaired	Yes	To receive Pro Rata Share of Unsecured Creditors Asset Pool
Class Resources – R8	All Subordinated Unsecured Claims	Subject to Litigation -- Unknown	Impaired	Yes	No payment
Class Resources – R9	Intercompany Interests	Not applicable	Not Impaired	No	Reinstated

The Committee (as defined below) has requested further disclosure regarding the amount of claims asserted that may comprise unsecured claims against the Debtors which are to be transferred and assigned to the Creditors' Trust, and the amount of unsecured claims which the Debtors contend are ultimately expected to be Allowed Unsecured Claims in the Creditors' Trust. The Debtors currently estimate the correct amount of General Unsecured Claims in Class Resources – R7 to be approximately $1.6 to $2.1 million, with the latter amount reflective of possible lease rejection damages claims on the Debtors' office, if the landlord is unsuccessful in leasing the office space to another tenant before March 2016. The current amount of General Unsecured Claims filed against the Debtors which would be included in Class Resources – R7, based upon the Debtors' initial review of the filed proofs of claim, is approximately $12 million, or which approximately $3 million in asserted claims have previously been stricken or expunged by previous court order. By way of general summary, the additional amounts asserted over the estimated allowed amounts are largely attributable to the following disputed claims:

- Proofs of claim filed by (i) parties who are defendants in adversary proceedings initiated by the Debtors, or (ii) related to wells which are the subject of the disputes in those adversary proceedings, centering upon alleged counterclaims asserted by working interest owners in the "Wiley" property, which has already been plugged and abandoned

[3] Amounts remain subject to final determination and calculation, and may also include amounts compromised under agreement in dispute with Seitel, Inc. with regard to geophysical information agreement which will be subject to further motion filed under Bankruptcy Rule 9019, if agreement is reached.

and for which the Debtors' are seeking significant unpaid joint interest billings. The total amount of these proofs of claim is approximately $8.42 million.

Note: Pursuant to the *Order Granting Goldking Onshore Operating, LLC's Motion to Compromise Controversy Under Bankruptcy Rule 9019 With DEIMI Exploration, LLC and DEI Oil & Gas, LLC* (Doc. No. 472), approximately $3 million of the $8.42 million in proofs of claim above have already been expunged. The Debtors are pursuing disallowance of the remainder, and are awaiting document production from these parties regarding their claims, and have requested deposition of their principal witness in latter July 2014.

- Proofs of claim filed by certain of the Tallerine Parties. The total amount of these proofs of claim is approximately $830,000. Each is subject to dispute by the Debtors in litigation pending before the Court. It is expected these claims will be disallowed, or subordinated.

- A proof of claim filed by Continental Land & Fur for $2 million. This proof of claim was filed as contingent and is related to possible future plugging and abandonment obligations of the Debtors, given that Continental Land & Fur is apparently in the chain of title and may have secondary contingent liability only if the plugging and abandonment operations are not performed whenever those do mature. The Debtors own and operate this lease and intend to retain the related properties, absent some future sale or exchange transaction wherein plugging and abandonment operations would be assumed by such future acquirer. The Debtors contest any matured or current liability on this claim, and would expect it to be disallowed as a claim against the Debtors, or against the Creditors' Trust. As a result, they intend, absent its withdrawal, to file an objection to this claim.

The Committee (as defined below) contends that to the extent there remain disputed claims against the Creditors' Trust as outlined above, that the Debtors and Wayzata may lack financial incentives to continue to pursue these objections after confirmation if these comprise solely claims against the Creditors' Trust. Although the Plan Agent may be the only party with financial incentive to object to these claims, it may not have sufficient funds to do so, barring recoveries on those Avoidance Actions transferred to the Creditors' Trust.

B. Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only Classes of Claims against or equity Interests in a debtor that are "impaired" under the terms of the Plan are entitled to vote to accept or reject the Plan. A Class is "impaired" if the legal, equitable or contractual rights attaching to the Claims or Interest of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims and Interest that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, classes of Claims and Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan.

THE DEBTORS STRONGLY RECOMMEND EACH CREDITOR ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN. VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. A VOTE TO ACCEPT THE PLAN, OR FAILURE TO VOTE BY A CREDITOR ENTITLED TO VOTE, CONSTITUTES AN ACCEPTANCE OF ALL OF THE TERMS AND PROVISIONS CONTAINED IN THE CHAPTER 11 PLAN, INCLUDING, BUT NOT LIMITED TO, THE INJUNCTIONS, EXCULPATION, RELEASES AND OTHER LIMITATIONS OF LIABILITY OF THE CHAPTER 11 PLAN.

PLEASE CAREFULLY FOLLOW ALL OF THE INSTRUCTIONS CONTAINED ON THE BALLOT PROVIDED TO YOU. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS OR IF YOU HOLD MULTIPLE GENERAL UNSECURED CLAIMS OR UNDER CERTAIN CIRCUMSTANCES, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY HAYNES AND BOONE LLP C/O KENNETH RUSINKO (THE "SOLICITATION AGENT') BY ~~_____~~AUGUST 8, 2014 AT ~~_____~~4:00 P.M. (CENTRAL TIME) (THE "VOTING DEADLINE").

VOTES CANNOT BE TRANSMITTED ORALLY OR BY ~~FACSMILE OR~~ E-MAIL. ACCORDINGLY, YOU ARE URGED TO RETURN YOUR SIGNED AND COMPLETED BALLOT, BY HAND DELIVERY, OVERNIGHT SERVICE ~~OR REGULAR~~, FACSIMILE (713-236-5401), OR FIRST CLASS U.S. MAIL, PROMPTLY.

ANY BALLOT RECEIVED BY THE SOLICITATON AGENT WHICH FAILS TO INDICATE ACCEPTANCE OR REJECTION OR WHICH INDICATE BOTH ACCEPTANCE AND REJECTION OF THE PLAN WILL NOT BE COUNTED AS A VOTE TO ACCEPT OR REJECT THE PLAN. SIMILARLY, BALLOTS THAT ARE NOT PROPERLY SIGNED WILL NOT BE COUNTED AS A VOTE TO ACCEPT OR REJECT THE PLAN.

THE PROPONENTS OF THE PLAN CURRENTLY EXPECT TO SEEK CONFIRMATION OF THE PLAN PURSUANT TO SECTION 1129(A)(8). IF ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN:

- THE PLAN PROPONENTS MAY SEEK TO SATISFY THE REQUIREMENT FOR CONFIRMATION OF THE PLAN UNDER THE "CRAMDOWN" PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION; OR

- THE PLAN MAY BE MODIFIED OR WITHDRAWN WITH RESPECT TO A PARTICULAR DEBTOR WITHOUT AFFECTING THE PLAN AS TO OTHER DEBTORS, OR IN ITS ENTIRETY.

IF YOU ARE ENTITLED TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, YOU MAY OBTAIN A REPLACEMENT BALLOT FROM THE DEBTORS' SOLICITATION AGENT BY REQUESTING THE SAME BY EITHER: (1) CALLING (713) 547-2250; (2) EMAILING kenneth.rusinko@haynesboone.com; OR (3) WRITING TO THE SOLICITATION AGENT AT THE FOLLOWING ADDRESS: HAYNES AND BOONE LLP, C/O KENNETH RUSINKO, 1221 MCKINNEY, SUITE 2100, HOUSTON, TEXAS 77010.

C. Confirment Hearing

The Bankruptcy Court has scheduled the hearing to consider confirmation of the Plan for ~~_____~~August 18, 2014 at ~~__~~2:~~___~~ ~~a~~00 p.m. (Central Time) (the "Confirmation Hearing") before The Honorable Judge David R. Jones, at the U.S. Bankruptcy Court for the Southern District of Texas, located at 515 Rusk Avenue, Courtroom 400, Houston, Texas 77010. Objections to the confirmation of the Plan must be filed by ~~_____~~August 8, 2014 at ~~__~~4:~~___~~ ~~a~~00 p.m.~~]~~ (Central Time).

The Confirmation Hearing may be adjourned from time to time without notice except as given in the courtroom at the Confirmation Hearing, or at any subsequent adjourned Confirmation Hearing, or by the filing of a notice on the docket in these Chapter 11 Cases which docket may be accessed for free at http://dm.epiq11.com/GKH/Project and clicking on "Docket" on the top right corner of the page, which will take you to the Debtors' unofficial replica of the official Bankruptcy Court docket for the Chapter 11 Cases (the "Docket").

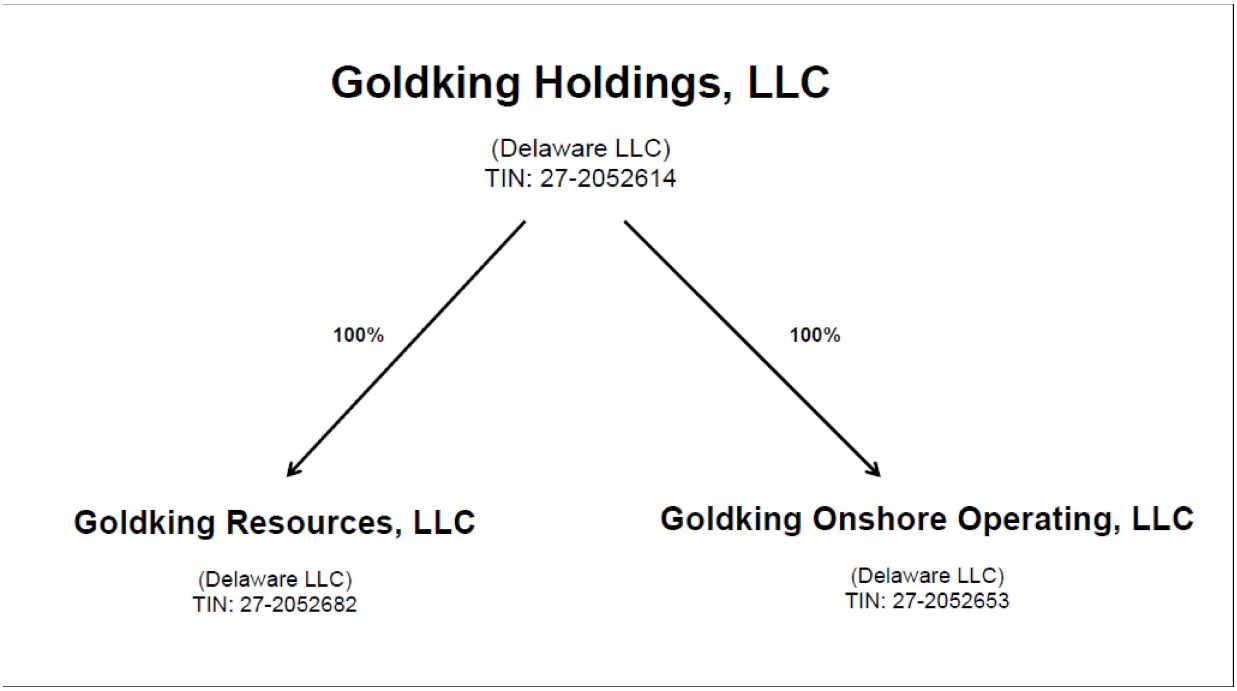
II. BACKGROUND OF THE DEBTORS

A. The Debtors

1. Corporate Structure

The Debtors comprise three (3) privately held companies. Goldking Holdings, LLC, a Delaware limited liability company ("Holdings"), wholly owns the membership interests in two (2) other companies, Goldking Onshore Operating, LLC ("GOO") and Goldking Resources, LLC ("Resources"), both of which are also Delaware limited liability companies. GOO operates the properties, and was the "operating" company. Resources holds title to the oil and gas properties.

At the Petition Date, Holdings was owned approximately 94.2% by Wayzata Opportunities Fund II, L.P. ("Wayzata") and approximately 5.8% by Goldking LT Capital Corp. ("GKLT Capital"), a company understood to be wholly owned by Leonard Tallerine. As a result of prepetition capital calls, these percentages may be adjusted in favor of Wayzata to the extent there remain unfunded cash calls payable from GKLT Capital. The chart below shows the Debtors' corporate structure.



2. The Debtors' Assets and Business Operations

The Debtors operate an integrated oil and gas exploration and production company in Louisiana and Texas. The oil and gas properties are located in the Gulf Coast region of the United States. The Debtors own certain leasehold interests in lands in Louisiana and Texas, which are leased from both government entities and private landowners. In Texas, the properties are located in East Texas and South Texas. The Debtors' leasehold positions total approximately 9,000 net acres, with approximately 34% leased from government entities and the remaining 66% leased from third-parties. The Debtors currently operate properties located in Iberville, Terrebonne, Vermilion Parishes, Louisiana, and in Aransas, Hardin and Jasper Counties, Texas. At the time these Chapter 11 Cases were filed, the Debtors' operations included 47 wells (12 in Louisiana and 35 in Texas). A summary of these properties marketed to possible buyers is attached in **Exhibit B**.

3. Pre-Petition Capital Structure

The Debtors have secured prepetition bank debt. On November 5, 2010, Resources, as borrower, and Holdings and GOO, as guarantors, entered into a Credit Agreement (as amended, modified or supplemented from time to time prior to the Petition Date, the "Prepetition Credit Agreement")[4] with Bank of America, N.A. ("BofA"), as administrative agent

[4] Capitalized terms used but not otherwise defined in the Plan have the meanings ascribed to them in the Prepetition Credit Agreement, which was filed as Exhibit A to the Debtors' Motion for Interim and Final Orders, Pursuant to Sections 105, 361, 362, 363, 364 and 507 of the Bankruptcy Code, (1) Approving Post-Petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, (5) Modifying Automatic Stay, (6) Scheduling a Final Hearing, and (7) Granting Certain Related Relief with Respect to the Debtors' Hedging Obligations (Doc. No. 11) (the "DIP Motion").

and lender. The Prepetition Credit Agreement had a notional Commitment of $200 million, which was subject to a Borrowing Base initially set by BofA at $12 million and, by amendment dated June 15, 2011, was increased to $22 million. The Debtors' obligations under the Prepetition Credit Agreement: (i) are secured by substantially all of their assets; (ii) are evidenced by the Note in the amount of the aggregate outstanding principal amount of each Advance, together with accrued but unpaid interest on the principal amount of each such Advance; and (iii) matured on November 5, 2013 (the "Maturity Date").

On January 24, 2013 (the "Assignment Date"), the Debtors, BofA and Wayzata entered into a (i) Resignation, Assignment and Release Agreement, (ii) an Assignment and Acceptance, and (iii) a Release Agreement (as amended, modified or supplemented from time to time, collectively, the "Assignment Documents"), pursuant to which Wayzata took assignment of all of the rights and obligations of BofA under the Prepetition Credit Agreement.

Prior to the Assignment Date, certain Events of Default under the Prepetition Credit Agreement (together, the "Existing Events of Default") had occurred as a result of Resources' failure to comply with the Interest Rate Coverage Ratio and the Debt to EBITDA Ratio in sections 6.15 and 6.17, respectively, of the Prepetition Credit Agreement for the compliance periods ending June 30, 2012 and September 30, 2012. Additionally, because of contemporaneously discovered prior actions of the Debtors' past Chief Executive Officer, Leonard C. Tallerine, Jr., the Debtors were not during this time in a position to make basic representations and warranties regarding their financial condition and financial statements, a problem which also served as a practical bar to an attempt to procure third-party financing. On account of these Existing Events of Default and attendant circumstances, BofA sought to accelerate the maturity of the Note, at which point Wayzata decided to take assignment of BofA's rights and obligations under the Prepetition Credit Agreement and contemporaneously provided modified terms to the Debtors with necessary breathing room to resolve repayment of their secured indebtedness. As of the Assignment Date, the Borrowing Base under the Prepetition Credit Agreement was $18 million,[5] the aggregate outstanding principal amount of Advances was approximately $10.291 million, and the outstanding amount of interest was approximately $53,000. Through the Third Amendment, the Existing Events of Default were waived. Certain covenants and representations and warranties were similarly modified to address the circumstances and to avoid recurring defaults. There have been further amendments to the Prepetition Credit Agreement as well. Commencing with the Third Amendment, those which were done prepetition are summarized as follows:

> 3rd Amendment: This implemented the assignment of the Prepetition Credit Agreement and collateral from BOA to Wayzata, and provided relief for the Debtors from payment and default terms.
>
> 4th Amendment: This clarified that interest would be capitalized, and not paid currently, and clarified the accruing interest rate at 15% per annum.

[5] Prior to the execution by the Debtors and Wayzata of a January 24, 2013 amendment to the Prepetition Credit Agreement (the "Third Amendment"), under the Prepetition Credit Agreement, the Borrowing Base was generally to be re-determined each May 1 and November 1. The Third Amendment removed this requirement.

Since the execution of the Assignment Documents, there were no further Advances under the Prepetition Credit Agreement, as the Commitment was terminated and no more Advances permitted. Furthermore, since the Assignment Date, the Debtors have not made any payments on account of principal or interest, which accrues as payment-in-kind, as Wayzata and the Debtors both believed it was best for the Debtors to use their cash to facilitate operations and the potential sale of assets.

As of the date of filing of the Chapter 11 Cases, with respect to the Prepetition Credit Agreement, the aggregate outstanding principal amount of Advances was approximately $11.446 million and the outstanding amount of accrued interest was approximately $136,000. No letters of credit are currently outstanding under the Prepetition Credit Agreement.

B. Events Leading to Chapter 11

On August 31, 2010, shortly after their formation, the Debtors acquired certain oil and gas assets in Louisiana and East Texas owned by White Oak Energy V, a partnership which was established and managed by White Oak Energy Company ("White Oak"), for a purchase price of approximately $41 million (collectively, the "White Oak Properties"). Thereafter, on February 22, 2011, the Debtors' completed the purchase of additional oil and gas assets comprising the Nine Mile Point Field in South Texas from EOG Resources, Inc., for a purchase price of approximately $21 million (collectively, the "Nine Mile Properties"). Shortly thereafter, 12.5% of the working interest in the Nine Mile Properties was sold to White Oak Energy IV, LLC, and another 2.5% divided equally between two other parties: Roemer Interests and Cornerstone Oil Company.

The Debtors were formed for the purpose of acquiring oil and gas prospects which the Debtors' management and technical teams could further explore and develop. The executive management of the new business was overseen by Mr. Tallerine, who served as both the chief executive officer and as a board member. Mr. Tallerine has had a long career in the oil and gas business.

When the White Oak Properties and Nine Mile Properties were acquired the Debtors' dedicated resources to prepare for initial exploration efforts. The planned development was designed and promoted by Mr. Tallerine as being well crafted and likely to succeed. At the time, he represented to Wayzata's representatives and to his other two board members that he was fully dedicated to the success of the Debtors' business and its efforts. The Wayzata board members had no inkling, nor did they have any reason to suspect, that from the outset Mr. Tallerine was engaged in activities with the assistance of two other officers of the Debtors, Paul Culotta, the CFO, and Denna Ramsey, an Assistant Vice President, that enabled him to siphon company money and resources to his other personal business interests.

In the first half of 2011, the Debtors incurred significant exploratory costs drilling three (3) wells on the White Oak Properties that did not generate meaningful returns. The Debtors have alleged the failure to generate meaningful returns was largely attributable to the failure of the Debtors' then-management team to take the necessary steps to study and understand the White Oak Properties. Flawed decisions were made on how and where to drill those

properties. Eventually, later in the first quarter of 2011, the Debtors drilled a fourth well, but this, too, did not realize a significant return.

After these unsuccessful efforts, the Debtors abandoned further development of the White Oak Properties and the Nine Mile Properties, and Mr. Tallerine devoted significant time in latter 2011 and thereafter to investigate and attempt to acquire new oil and gas properties to add to the Debtors' portfolio. Because the Debtors had been unsuccessful in expanding producing reserves, the Debtors found themselves operating at a deficit through 2012. The operating deficits culminated in covenant defaults occurring in the Fall of 2012 on the BofA Credit Documents. The cumulative impact of unsuccessful oil and gas development, the siphoning of funds and opportunities, and general mismanagement at the highest levels through the end of 2012, were devastating. By early 2013, the Debtors had invested approximately $70 million in the acquisition, operation, and unsuccessful development of the White Oak Properties and the Nine Mile Properties; but development had failed to generate any meaningful increase in proved and developed reserves, the *sine qua non* of an oil and gas exploration and production company.

Unbeknownst to Wayzata until late in 2012, the Debtors were suffering not only the increasingly harmful financial effects of a failed development program directed by Mr. Tallerine, but also had been the subject of significant self-dealing by Mr. Tallerine. In blatant disregard of his fiduciary duties and business ethics, Mr. Tallerine—with the help of his trusted subordinates and hand-picked officers or consultants, Denna Ramsey and Paul Culotta—engaged in a calculated, pervasive, and deceptive scheme to embezzle a substantial and material amount of money from GOO's operating accounts for his and his cohorts' personal financial gain and use. When later discovered and further investigated, the litany of self-dealing transactions make plain that Tallerine treated the Debtors as a source of capital for his purely personal interests. An investigation uncovered that he was assisted in many of these transactions by (i) Paul Culotta, who was the Debtors' CFO through the end of 2011 and after that was deployed at Tallerine's urging as a consultant, and (ii) by Denna Ramsey, another of the Debtors' officers. Once the misappropriations were discovered and then confirmed without any reasonable explanation, Mr. Tallerine's role as the President and CEO was terminated in a December 17, 2012 board meeting.

The self-dealing by Tallerine and his assistants was not open and obvious. Only after reports surfaced in late 2012 about financial irregularities, was it discovered that starting with the very first days of Mr. Tallerine's employment and continuing until he was terminated, Mr. Tallerine and the others undertook a wide range of deceptive and elaborate acts to drain GOO's accounts for Mr. Tallerine's personal benefit. The many transactions have significant complexity, and will be further disclosed below in the discussion of the underlying litigation. In sum, however, they involve sophisticated accounting manipulations designed to make the self-dealing transfers difficult to discover, and equally difficult to explain and prove. They include instances of: (i) wiring GOO funds directly to Mr. Tallerine's personal bank account or the accounts of entities owned by Tallerine; (ii) directing GOO to pay Mr. Tallerine's personal expenses that were unrelated to GOO business; (iii) receiving significant cash advances for business travel without the proper approvals and then failing to provide a subsequent true-up of actual expenses incurred; (iv) submitting fabricated invoices from fake vendors and doctored invoices from real vendors to GOO for payment to Tallerine and his affiliates or to pay for Mr. Tallerine's personal expenses; (v) invoicing GOO for employees' work already paid for and

performed for another entity Tallerine controlled, which funds Mr. Tallerine and his affiliates kept for themselves; (vi) stealing checks payable to GOO and depositing them in accounts of entities owned by Mr. Tallerine; (vii) stealing GOO checks made out to GOO vendors and depositing them in accounts of entities owned by Mr. Tallerine; and (viii) using GOO employees and assets for other personal business ventures.

The termination of Mr. Tallerine and others identified as aiding and abetting his misappropriations of company funds and opportunities plainly was, in hindsight, highly disruptive to the Debtors' overall operations. It undermined operations. Moreover, the financial irregularities were discovered at the same time the Debtors were determined to have committed certain covenant defaults in their loan and credit facilities with BofA. The immediate impact of these covenant defaults were temporarily addressed and postponed through negotiated temporary waivers of default on the BofA debt. But BofA pressed for resolution. After efforts to refinance the BofA debt through alternative lenders failed to materialize on terms that made sense to the Debtors, Wayzata later acquired and took assignment of BofA's first lien collateral interests by spring 2013. Thereafter, to address a growing liquidity problem the Debtors faced which resulted from the ongoing obligations to pay full debt service imposed under the BofA loan documents, Wayzata agreed to an interim restructuring of the credit terms by which the Debtors operated under the secured financing. This allowed for deferral of current payments of interest and other accruing costs and waiver of defaults, providing the Debtors with needed breathing room.

With restructuring relief provided by Wayzata of the current debt service requirements, the Debtors were then confronted with the need to review all options for addressing the harm already done to the business, and finding a path forward. As a result of this process, the new business team started to evaluate all options and opportunities facing the Debtors. This included a review of development, and other strategic options. Ultimately, a decision was made by mid-2013 to select a going concern sale option that could best satisfy emerging financial difficulties, and the Debtors commenced a market oriented process to further prepare the assets for sale and then sell all or substantially all of the assets. In this manner, it was expected that the value recoverable would satisfy all claims, and leave value for the equity class.

Through the summer of 2013 the Debtors reviewed all of the underlying assets and sought to evaluate the best manner to generate value that would enable all creditors to be fully paid, while at the same time allowing for some return to equity. Further development opportunities were identified among existing prospects. Significant added proved behind pipe and undeveloped reserves were identified, which management reasonably believed would increase the expected value of the oil and gas assets in the planned sale process. At the same time, since the magnitude of the misappropriation was now manifest and better documented from the initial review done in December 2012, the Debtors initiated litigation in Texas state court against Mr. Tallerine and others who appeared to be complicit or beneficiaries in the self-dealing transactions in issue.

By October 2013, the Debtors' inability to procure additional capital for development coupled with the burgeoning cost of the litigation with Mr. Tallerine and others, who in turn had filed their own counterclaims for relief, required further action. The Debtors needed to address the (i) looming maturity of the secured debt arising under the BofA Credit Agreement, now assigned to Wayzata and accruing interest, (ii) the lack of funding under any

credit arrangements to provide for any further development of the Debtors' oil and gas properties, (iii) the downsizing or departure of key employees, (iv) the resignation of board members with replacement of board members not employed by any shareholder and (v) the fact that there remained open litigation amongst shareholders that made further funding doubtful, absent some process to implement a sale. As a result of these factors, a new independent board reviewed the state of affairs, the options for proceeding, and in conjunction with new legal counsel, reviewed the means for restructuring the Debtors' indebtedness and capital structure to implement a sales process in circumstances where the company ownership was in litigation with each other. This resulted in further review of options and issues, and the negotiation of additional credit facilities that could enable the Debtors to continue operating as a going concern through a sale process that was expected to yield substantial value above the indebtedness. In order to implement the restructuring and to implement a newly launched sales process, the Bankruptcy Cases were commenced.

C. The Tallerine Litigation

As noted above, the Debtors' financial distress occurred in the midst of the discovery of significant self-dealing by the Debtors' CEO, Mr. Tallerine, and others who assisted him. The series of misappropriations and fiduciary breaches was not discovered until late 2012. In November 2012, after hearing reports of questionable transactions involving the CEO which appeared unrelated to the Debtors' core business, the Wayzata-designated board members authorized an investigation by outside forensic accounting investigators of financial transactions concerning the Debtors with a number of entities and persons affiliated with Mr. Tallerine. Based on the initial findings of that investigation, the Debtors' board conducted a December 17, 2012 meeting to address these and other issues facing the Company. In that meeting, the board terminated Mr. Tallerine's employment. In addition, other officers and consultants who aided and abetted in the improper transfers of the Debtors' funds to or for the personal benefit of Mr. Tallerine or his separate business were also terminated for cause. Michael Strain, an employee of Wayzata Capital Management and member of Holdings' Board of Managers, replaced Mr. Tallerine as Chief Executive Officer of Holdings and GOO, and a new management team, including members of the current management team who were not involved in the illegal transfers of the Debtors' funds to or for the benefit of Mr. Tallerine, immediately began to focus on restructuring the Debtors' cost structure, in an effort to stabilize the business in order to evaluate options.

The initial investigation of the financial manipulation of the Debtors by Mr. Tallerine included preliminary determinations made by independent forensic analysts at FTI Consulting. This investigation determined financial improprieties had taken place and had been ongoing for a significant period of the Debtors' operating history. These findings were shared with Mr. Tallerine at the December 2012 board meeting. Mr. Tallerine failed to provide any satisfactory explanation for a series of improper transactions identified at that point in time. In the immediate aftermath of the board's determination to terminate Mr. Tallerine as CEO, further investigative activities occurred. The ongoing forensic fraud investigation also continued, and in the ensuing months more facts, documents and transactions were identified wherein the Debtors' accounts and resources were used time and again by Mr. Tallerine to facilitate his own personal interests.

Mr. Tallerine never revealed this self-dealing to his fellow members of Holdings' Board of Managers or to anyone at Wayzata. In fact, later investigation reveals that Tallerine, Culotta and Ramsey actively took steps in 2011 and 2012 to keep these acts hidden from the other board members, Wayzata, and the independent auditors from Hein and Associates, the CPA's who handled the Debtors' annual audit requirements. Tallerine and his cohorts succeeded in keeping much of what they had done a secret -- until late 2012. These improper activities were not isolated events that amounted to simple "mistakes," as Mr. Tallerine has suggested in response to the litigation, and further investigation has revealed that the corruption was extensive.

Mr. Tallerine's Initial Conduct was Secretly Tainted by Fraud and Fiduciary Breach

From his very first days working for the Debtors, Mr. Tallerine submitted false requests for reimbursement of "transition costs." One of these involved a billing from Goldking Energy Corporation for alleged services that were not actually provided to GOO. For example, in late 2010/early 2011, Tallerine requested reimbursement on behalf of Goldking Energy Corporation for an invoice from Cawley Gillespie, a reservoir engineering company he represented had performed GOO-related work, which he claimed he had paid from his personal funds at Goldking Energy Corporation. Based on these representations, GOO reimbursed Goldking Energy Corporation for the $18,092.48 allegedly paid to Cawley Gillespie. This invoice, as it turns out, was doctored and had nothing to do with GOO. However, defrauding GOO once was not good enough.

After being paid once on this fraudulent invoice, Tallerine sought payment again several months later. On September 24, 2011, Tallerine, with Ramsey's assistance, requested reimbursement and caused GOO to pay Cawley Gillespie $18,092.48—the exact same amount Tallerine had represented he and/or Goldking Energy Corporation had already paid to the vendor. GOO's investigation of the invoice uncovered that not only had Tallerine not paid Cawley Gillespie as he originally reported, he had also submitted a fake Cawley Gillespie invoice to support his initial reimbursement. Indeed, Tallerine and/or someone acting at his direction had altered the original Cawley Gillespie invoice to hide that it was for work related to Tallerine's personal investments, not GOO's business. In short, Tallerine caused GOO to pay a fraudulent invoice (that had nothing to do with GOO business) two times: once for his own personal benefit and once to the vendor.

Equally as deceptive, shortly after GOO had formed but before its payroll procedures were put in place, Tallerine submitted reimbursement requests—again, on behalf of his entity Goldking Energy Corporation—to GOO for alleged employee payroll costs for work allegedly performed on GOO-related business (specifically, the acquisition of a set of oil and gas properties known as the "White Oak Acquisition"). In reality, much of the employees' time was spent working for Walker Street Consulting, which, upon information and belief is another of Tallerine's personal ventures even though it is technically owned by Culotta. Walker Street Consulting managed assets sold by East Cameron Partners ("ECP")—for which Tallerine's entity Goldking Capital Management, LLC ("GCM") served as Chief Restructuring Officer in the company's bankruptcy proceeding—to EC Offshore Properties, Inc. ("ECOP"). But Walker Street Consulting had already paid those employees for their work via its receipt of $127,500 per

month from ECP. GOO paid approximately $200,000 in false salary/wage claims for June through October 2010, which were not passed on to the employees, but instead were deposited in Tallerine's Goldking Energy Corporation business accounts for his personal use.

In addition, Tallerine and Ramsey created a bogus vendor, Vermillion Contracting, and authorized GOO to pay over $24,000 in false invoices to Vermillion Contracting, whose accounts Tallerine and Ramsey controlled. Specifically, GOO paid Vermillion $3,750 on November 7, 2010, $1,500 on December 15, 2010, $7,750 on April 30, 2011, and $11,000 on November 16, 2011. Vermillion Contracting is the assumed "doing business as" name of Reta Wellwood, one of Tallerine's ex-wives. But Reta Wellwood was the "owner" of Vermillion Contracting in name only; the entity was operated entirely by Tallerine and Ramsey – from within GOO's office. Tallerine and Ramsey created and submitted false invoices from Vermillion Contracting to GOO for alleged work that was not performed at various oil fields and wells. When the veracity of Vermillion Contracting's "work" was questioned, Tallerine intimidated a GOO employee into "authorizing" the expenses so Mr. Tallerine could get paid. Tallerine deliberately concealed, and has never disclosed, his relationship and involvement with Vermillion Contracting to GOO, Holdings, Holdings' Board or Wayzata.

On May 26, 2011, Tallerine and/or Ramsey falsified another invoice and submitted it to GOO for payment. Specifically, a vendor named Anderson and Sons Boatlifts, Inc. provided services at a residence in Jamaica Beach in Galveston related to a boat ramp. Upon information and belief, the Galveston residence is (or was) owned by Denna Ramsey or Tallerine in some capacity. Anderson and Sons Boatlifts, Inc. provided an estimate of the work to Ramsey and Cal Ray (Tallerine's pilot). Tallerine and/or Ramsey altered and/or falsified this estimate to make it appear that it was a GOO-related expense and presented it for payment. Tallerine and/or Ramsey: (i) altered the "Anderson and Sons Boatlifts" logo by deleting "and Sons Boatlifts" from the name (so the vendor name appeared only as Anderson) and removing the boat sails from the graphic; (ii) blacked out the location of the services as being on Jamaica Beach, and wrote "NM!," an abbreviation for "Nine Mile" Point, a location where GOO does own properties; (iii) deleted terms such as "boat lift," "jet ski cradle," "slip," and "Rinker outboard"; and (iv) typed at the bottom, in a different font, "CASH PRICE" $3,000. Based on this false invoice, GOO issued a check in the amount of $3,000.00 to Cal Ray (who GOO was told would pay the vendor directly). Tallerine falsely coded this invoice as a GOO operating expense chargeable to the Nine Mile Point property.

Mr. Tallerine also coerced another GOO employee to create a false invoice for a bogus GOO-related expense. Specifically, upon information and belief, Mr. Tallerine requested that this GOO employee seek reimbursement from GOO for $1,000.00 for Tallerine's purported purchase of a gift for the son of a Wayzata executive. The employee's April 2012 expense report submits what is, upon information and belief, a false invoice for catering of food from "Bayou Crawfish & Catering" in the amount of $1,000.00. GOO "reimbursed" this false expense on May 25, 2012.

Mr. Tallerine Uses Checks Payable to GOO for Deposit into His Personal Accounts

Mr. Tallerine, with Denna Ramsey's assistance, had checks payable to GOO endorsed and intentionally deposited into accounts owned by Mr. Tallerine or other non-GOO related entities. For example:

(a) In 2010, GOO renovated its office space at Two Shell Plaza. Hines, the building's management company, agreed to reimburse GOO for the cost of the renovations. GOO paid Tejas Interior Renovations, Inc. $12,755.10 for its work on the renovations. In December 2010, Hines' reimbursement check was deposited into the account of Goldking Energy Corporation (an entity solely owned by Tallerine) instead of GOO's account;

(b) On April 15, 2011, a $35,593.51 check payable to GOO from Pioneer Drilling Services for an overpayment on a turnkey drilling project was deposited into a non-GOO account belonging to Goldking Energy Partners II, LLC, one of the entities owned and controlled by Tallerine;

(c) On June 14, 2011, a $38,124.90 check payable to GOO from Russo Exploration for its share of a cash call on a GOO-operated property was deposited into Goldking Energy Corporation's (an entity solely owned by Tallerine) bank account; and

(d) On January 30, 2012, a $7,650.00 check payable to GOO from WCA Waste Corporation was endorsed over to, and deposited in the account of, Goldking Energy Corporation.

Tallerine Deposited GOO Checks Made Payable to Vendors in His Personal Accounts

The investigation has also uncovered that Mr. Tallerine, again with Ramsey's assistance, also took GOO checks made payable to third-party vendors used by GOO, and intentionally deposited them into accounts owned by Tallerine's personal, non-GOO related entities.

Specifically, in late May 2011, GOO prepared three checks totaling $234,767, two of which were payable to Phoenix Exploration ($59,805.74 and $57,921.69) and one of which was payable to Pioneer Drilling Services ($117,039.85), two actual vendors that performed work for GOO. At that time, Tallerine approved all GOO disbursement checks prior to mailing, and he had possession of them in his GOO office. Tallerine brought the three checks back to GOO's accounting staff, and informed them they were not to be paid and the checks were to be voided. Shortly thereafter, when GOO's operating account was overdrawn, GOO employees discovered the three "voided" vendor checks had cleared GOO's account and had been deposited into the account of Goldking Energy Partners I, LP, an entity owned and controlled by Tallerine. The Pioneer Drilling Services check was deposited on May 23, 2011, and the Phoenix Exploration checks a few days later on May 25, 2011. Tallerine and Ramsey had diverted these funds into Goldking Energy Partners' account by using a check scanning device that allowed them to

deposit the funds into the incorrect account without interference by GOO's bank. GOO was forced to subsequently pay these vendors for the (still) outstanding amounts.

On June 3, 2011, a $15,811.50 GOO check payable to Charter Capital was held by Tallerine and then deposited into the account of Goldking Capital Management, LLC (another entity owned and controlled by Tallerine). As a result of this misappropriation, GOO had to submit a replacement check to Charter Capital.

Tallerine's Diversion of GOO's Cash to Pay Personal Expenses or Support Personal Investments

Tallerine, with the assistance of Ramsey, diverted GOO's cash into his personal accounts and directed GOO's cash be used to pay his personal expenses or support his personal investments. For example:

(a) On April 14, 2011, Tallerine and/or Ramsey caused $100,000 to be wired from GOO's operating account to the account of Goldking Energy Corporation, an entity owned by Tallerine, with no explanation or documentation supporting such a transfer of funds. Upon information and belief, the transfer was related to an acquisition—Hemus—that Tallerine was considering. While $100,000 was returned to GOO in late October, Goldking Energy Corporation did not pay interest for the unauthorized and unapproved loan;

(b) On April 28, 2011, Tallerine and/or Ramsey directed $8,064.63 to be paid out of GOO's operating account to Ponce Services for the demolition of a house in the Heights in Houston that, upon information and belief, is (or was at the time) owned by Tallerine or one of his affiliates;

(c) On May 31, 2011, Tallerine and/or Ramsey caused $23,800.00 to be wired from GOO's account to the account owned by Tallerine and his wife, with no explanation or documentation supporting such transfer before it was made;

(d) In June 2011, Tallerine and/or Ramsey caused $101,000 of GOO's cash to be used to pay two vendors for the construction and design of a blow-dry bar owned by Tallerine's daughter, with indisputable knowledge aforethought that such expenses had nothing to do with GOO's business. Specifically, GOO paid $28,255.11 to Jackson Ryan Architects on June 6, 2011, and $73,228.32 to Tejas Interiors on June 13, 2011;

(e) On June 6, 2011, Tallerine and/or Ramsey directed that $6,474.75 be paid out of GOO's operating account to Robert Longoria Painting, for painting services performed at Tallerine's residence;

(f) On June 16, 2011, Tallerine and/or Ramsey ordered a $24,967.90 wire from GOO's operating account to Gulfstream Aerospace. Upon information and belief, this payment relates to an aircraft owned by Tallerine through his entity Goldking Energy Corporation;

(g) On June 17, 2011, Tallerine and/or Ramsey caused $43,000 to be wired from GOO's bank account to Tallerine's personal bank account, with no explanation or documentation supporting such a transfer of funds. Upon information and belief, the transfer was made because Tallerine's personal bank account was overdrawn by $43,000;

(h) In August 2011, Tallerine and/or Ramsey caused GOO to pay an invoice submitted by SMBology, which included over $533 for IT services provided to Tallerine's wife, not GOO;

The extent of the self-dealing and misuse of company resources extended to other personal interests of Mr. Tallerine. Mr. Tallerine and/or Ramsey caused GOO to pay at least two vendors (Lacey Construction and Chrestia Staub Pierce) for work relating to the identification and renovation of buildings in New Orleans. Holdings' Board of Managers had informed Tallerine that Holdings and GOO had no interest in opening up a satellite office in New Orleans. Despite this unequivocal "no," Mr. Tallerine arranged for GOO to pay Lacey Construction $2,983.24 for New Orleans property due diligence, and Chrestia Staub Pierce $10,305.10 for architect and designer services anyway;

In 2012, Tallerine and/or Ramsey also caused GOO to pay the following expenses that, upon information and belief, relate to Tallerine's personal life and/or personal businesses, not GOO business:

Payee	Description	Amount
New Orleans Business Council	Non-GOO related dues and memberships	$14,000.00
Busycon Properties (rent)	Two Shell Plaza Lease for suites 2500A, 2510 and 2535; used by Tallerine's personal business entities, not GOO	$40,658.64[6]
Baker & Hostetler	Non-GOO related legal fees	$9,839.50
Netherland Sewell & Associates	Vaquillias Ranch Field	$11,033.65
Harold J. Anderson	Non-GOO related properties	$7,573.46
GEC expense reimbursement	Expense reimbursement to GEC for Its pension and profit sharing	$6,325.00

[6] Tallerine represented to other members of the Board that this space was being leased by the Debtors and to the extent it was used for any other purpose, the Debtors were being reimbursed. Adding insult to injury, one of Tallerine's controlled entities, Goldking Energy Corporation, charged Walker Street Consulting $10,000 per month in rent for this facility. So Tallerine lied to the Debtors about who leased the space, fraudulently caused the Debtors to pay for the leased space and then collected $10,000 per month in rent from Walker Street Consulting for its purported use of the space. Upon information and belief, Walker Street Consulting is an entity controlled by Culotta.

The self-dealing continued throughout 2012, albeit still not known to Wayzata or the other two Holdings board members. In summer 2012, Mr. Tallerine decided to acquire a New Orleans restaurant in a chapter 11 case; Felix's Oyster Bar. To meet his legal needs he retained a law firm that was already doing other legal work for the Debtors: Lugenbuhl, Wheaton, Peck, Rankin & Hubbard ("Lugenbuhl"). While dealing with Lugenbuhl, Mr. Tallerine solicited the law firm to use its trust account to funnel the cash he needed to fund a "DIP" loan that Mr. Tallerine's company Goldking Capital Management, LLC ("GK Management") would provide. Tallerine had Lugenbuhl get Court approval for GK Management to fund a post-bankruptcy "DIP" loan to Felix's, on terms that would get GK Management a highest priority lien as well as sizable "loan fees" and an enhanced interest rate. As is typical for such transactions, the loan terms approved gave considerable protection to GK Management of the loan to be extended. It also gave the lender, GK Management, and of course Mr. Tallerine, detailed information and access to the Felix's operating cash flows, business information, and the details on how the restaurant was doing. Implicit in the approval of this loan was that GK Management, as lender, would indeed be the lender, and that it had ready funds to make this loan. But unbeknownst to Felix the debtor getting the loan, what transpired indicates that GK Management apparently never did have the funds needed to make this loan that was approved by the New Orleans bankruptcy court. Immediately after getting the court approval for the DIP loan to Felix's, and only after inducing Lugenbuhl to make its trust account the conduit for this loan funding transaction approved by the New Orleans bankruptcy court, Mr. Tallerine directed Debtors to send a $32,200 wire from GOO's operating account to Lugenbuhl on September 5, 2012. In this manner, GK Management funded the bankruptcy court approved DIP loan in the Felix's chapter case using GOO's cash. Soon thereafter, Mr. Tallerine parlayed that DIP loan into an actual bankruptcy court-approved purchase of the Felix's restaurant, through yet another entity Mr. Tallerine had Lugenbuhl organize named 739 Iberville, LLC, which apparently surpassed competing bidders in the live bankruptcy court auction that followed.

Subsequent events provide further proof of the deliberate intent of Mr. Tallerine and Culotta to orchestrate this theft of GOO's money for his purely personal investment. First, Mr. Tallerine realized that action was needed to clean up the improper transaction from an accounting standpoint on the Debtors' books and records. To accomplish this, Mr. Tallerine needed to bypass Mr. Eddie Hebert, the Debtors' CFO who had been induced on false pretenses by Mr. Tallerine to help wire the money at issue for what Mr. Hebert thought was GOO's legitimate business with Lugenbuhl. Mr. Tallerine turned to the Debtors' former CFO, Mr. Culotta. Culotta, who had gone from formal CFO to "consultant" at the end of 2011, had already proven from his earlier 2012 efforts he was adept at helping cover up the financial self-dealing committed in 2011. In November 2012, Culotta used his past role as CFO and current role as consultant to arrange, without any immediate awareness from the CFO, for the $32,200 to be returned to GOO via Lugenbuhl's trust account, thus maintaining the appearance of propriety since the Lugenbuhl firm was still attorneys for the Debtors. Then Tallerine and Culotta instructed Lugenbuhl to send the balance of funds in the Lugenbuhl trust account -- a total of

$6,772.80 -- representing interest and other amounts realized on GK Management's DIP loan to other entities solely owned by Tallerine.[7]

In addition to these instances of direct transfer of monies to or for Tallerine's benefit, Debtors contend Mr. Tallerine received a number of improper "travel" or "expense" advances (totaling at least $53,700.00) that were not approved by Holdings' Board of Managers per Tallerine's employment agreement and were made in violation of GOO's corporate expense reimbursement policy. Mr. Tallerine also failed to submit expense reports after the travel to "true up" or offset actual expenses against the advance. Mr. Tallerine took at least the following improper advances, the timing and amount of which establish the cash was not intended to be used to offset legitimate GOO-related travel expenses:

5/23/11	-	$3,500.00
6/03/11	-	$1,200.00
8/26/11	-	$12,500.00
8/31/11	-	$10,000.00
9/07/11	-	$12,500.00
10/11/11	-	$10,000.00
2/23/12	-	$500.00
6/29/12	-	$500.00
7/18/12	-	$500.00
7/25/12	-	$500.00
8/23/12	-	$500.00
9/25/12	-	$500.00
10/01/12	-	$500.00
11/01/12	-	$500.00

Tallerine's Flagrant Misuse of Expense Reports

Mr. Tallerine flagrantly misused expense reports to pay for even more of his personal expenses and cover up his conversion of GOO's funds. Tallerine submitted expense reports both for himself and on behalf of Goldking Energy Corporation. Some expense reports

[7] At this time, Debtors do not make claims against Lugenbuhl that its actions were intentional, deliberate or in breach of its fiduciary duties as lawyers for the Debtors. These matters are the subject of further review. The Debtors have reserved all rights they have in connection with any claim or relief to which Debtors may be entitled arising from these transactions.

requested reimbursement checks. Others—submitted primarily in late 2011 after Tallerine's long-term misappropriation of company funds had been uncovered by GOO staff (but not yet disclosed to Wayzata or the GOO Board of Managers)—were submitted to "offset" the amount of money Tallerine and his entities owed GOO for stealing GOO's cash.

The vast majority of these expense reports failed to follow the terms of Tallerine's employment letter, as well as GOO's corporate expense reimbursement policies. For example, Tallerine rarely submitted his expense reports in a timely manner—at times submitting expense reports for expenses purportedly incurred over a year before—and the reports lacked sufficient explanation to support the business reason for the charges. More egregiously, Tallerine's expense reports were often approved only by Tallerine himself, a clear violation of his employment letter, which required the approval of designated Board of Managers appointee Mike Strain before payment. Debtors' preliminary analysis of Tallerine and Goldking Energy Corporation's expense reports indicates that Tallerine and/or Goldking Energy Corporation received at least $140,000.00 in expense reimbursements and/or credits that were not approved by Mr. Strain per corporate policy.

The Debtors' analysis of Tallerine's expense reports also—perhaps unsurprisingly at this point—uncovered many instances of improper reimbursement for non-GOO related expenses, including charges at Mercedes-Benz dealerships, Sirius XM subscriptions, Astros tickets, parking fines, and almost $10,000 in fuel charges in and around Houston. Debtor's preliminary analysis indicates Mr. Tallerine and/or Goldking Energy Corporation received at least $76,000.00 in expense reimbursements for expenses that do not appear to be related to GOO, or that are too insufficiently documented to tell (in violation of GOO policy).

On February 13, 2013, Holdings and GOO filed an original petition (the "Original Petition") in the 61st Judicial District Court, Harris County Texas, captioned *Goldking Onshore Operating, LLC and Goldking Holdings, LLC* v. *Leonard C. Tallerine, Jr., Goldking Energy Corporation, Goldking Energy Partners I, LP, Goldking Energy Partners II, LLC, Goldking Capital Management, LLC, Reta Wellwood d/b/a Vermillion Contracting Co., Denna Ramsey and Paul Culotta*, Cause No. 2013-08724 (the "LT Litigation"). In the Original Petition, Holdings and GOO asserted causes of action against various combinations of Mr. Tallerine, Goldking Energy Corporation, Goldking Energy Partners I, LP, Goldking Energy Partners II, LLC, Goldking Capital Management, LLC, Reta Wellwood d/b/a Vermillion Contracting Co., Denna Ramsey and Paul Culotta (the "Defendants") for: conversion, violations of the Texas Theft Liability Act, fraud, unjust enrichment, business disparagement, breach of contract, breach of the duty of good faith and fair dealing, aiding and abetting breach of fiduciary duty and fraud, and conspiracy.

Subsequently, on March 26, 2013, Mr. Tallerine, Goldking Energy Corporation, Goldking Energy Partners II, LLC, Goldking Capital Management, LLC, Reta Wellwood d/b/a Vermillion Contracting Co., Paul Culotta, and Goldking LT Capital Corporation (the "Counterclaim Plaintiffs") filed an Original Answer and Counterclaim (the "Original Counterclaim"), complaining of wrongful conduct of, among others, Holdings, GOO, Wayzata, and certain members of the Debtors' current management team, including Edward Hebert, then the Vice President-Finance. The Original Counterclaim asserted nineteen (19) claims against various combinations of the counterclaim defendants, including, among others: (i) claims against

Wayzata for breach of fiduciary duty, shareholder oppression, breach of the duty of good faith and fair dealing, fraud, tortuous interference with contract, failure to pay consulting fee, and theft of plane services; (ii) claims against Holdings and GOO for breach of contract, indemnification and advancement of expenses, and failure to pay plane expenses; (iii) claims against all counterclaim defendants for aiding and abetting breach of fiduciary duty, civil conspiracy, trespass to real property, invasion of property, and conversion of personal property; and (iv) derivative claims (on behalf of Holdings) for breach of fiduciary duty, waste, breach of the duty of good faith and fair dealing, and civil conspiracy.

On April 30, 2013, the District Court ordered that many of the Counterclaim Plaintiffs' counterclaims were subject to arbitration pursuant to Holdings' LLC Agreement. They were, accordingly, dismissed.

On September 26, 2013, the Counterclaim Plaintiffs and Louis Belanger, Jr. (the "Amended Counterclaim Plaintiffs") filed a First Amended Answer and Counterclaim (the "First Amended Counterclaim"), which dropped the claims compelled to arbitration. The First Amended Counterclaim asserts claims against: (i) Wayzata for fraud, failure to pay consulting fee, and theft of plane services; (ii) Holdings and GOO for indemnification and advancement of expenses and failure to pay plane expenses; and (iii) all counterclaim defendants for trespass to real property, invasion of property and conversion of personal property. The LT Litigation is in the discovery phase. The LT Litigation was subsequently removed to the Bankruptcy Court. On May 5, 2014, Holdings and GOO filed their First Amended Complaint in the removed case.

The Debtors contend their business and going concern values were materially impaired as a result of the actions taken by Mr. Tallerine and the others who aided and abetted his ongoing misappropriation and misuse of the Debtors' accounts, business, and activities. The investigation into the extent and impact of the wrongful conduct is ongoing. But even as recently as this month the Debtors' have uncovered preliminary reports and evidence that Mr. Tallerine may have also secretly obtained for himself a substantial "finders" fee in connection with the Debtors' acquisition of the Nine Mile Properties, wherein he directed that the Debtors' sell off 15% of what they acquired from EOG to White Oak. Recently, documents were obtained revealing White Oak indeed credited Mr. Tallerine with a six figure finder's fee credit on the sale of 15% of the Nine Mile Properties to White Oak. It remains unknown whether similar finder's fees were obtained by Mr. Tallerine in connection with other business conducted for the Debtors, but these will be further investigated.

Suffice to state, the impact on the Debtors from the continuing series of financial self-dealing transactions is hard to quantify. The debilitating impact on the ultimate financial results and value cannot be discounted. The harm done is not simply a netting of the amount taken by Mr. Tallerine and his co-conspirators against some alleged credits paid or claimed through offsetting amounts under dubious expense report claims. What has now become apparent is that the impact of Mr. Tallerine's actions was not completely evident until long after the fraud occurred—in part due to the central role Tallerine, Culotta and Ramsey had in making sure the financial irregularities were not discovered by others in the company or by outside auditors. Moreover, the complexities of the accounting transactions are impressive, rendering them more difficult than the norm to fully identify. However, with the fraud now discovered, a picture has developed as to how Defendants' pattern of irresponsible and fraudulent conduct truly

impacted Debtors over time. Tallerine's use of Debtors' resources for his own agenda, both personal and for his separately-owned businesses (which also helped him cure or defer his unrelated personal financial setbacks), constituted a pattern of fiduciary breaches that caused substantial injury to Debtors and materially contributed to their bankruptcy. Tallerine's actions, whether by theft or grossly erroneous choices, have ultimately resulted in the ruination of Debtors' business, whereby properties acquired and developed at a cost of over $70 million dollars in capital and debt are now valued at only a pittance, as now confirmed after a robust sales process that documents a substantially diminished market value.

It is expected Tallerine, Culotta, and Ramsey may contend any "fair" disclosure here must state that the above-outlined instances of misappropriation, embezzlement, and theft were innocent "mistakes" or "accidents." Debtors contest that this is necessary, and contend any such excuse is belied by the now realized fact that the Debtors and Wayzata have developed evidence that Tallerine has an extensive past and practice of looting the businesses he has been entrusted to operate when placed in a position of fiduciary trust. That Mr. Tallerine has engaged in this precise behavior before in order to pay his personal expenses and fund a high profile lifestyle refutes that his repeated self-dealing here was simply a mistake.

Tallerine has orchestrated previous schemes—with the help of Ramsey twice, and Culotta once, to embezzle and defraud at least two companies he had been involved with before Holdings and GOO. Several of these schemes involved ECP, for which Tallerine and his entity Goldking Capital Management, LLC ("GCM") served as Chief Restructuring Officer ("CRO") in connection with ECP's bankruptcy filing in the Western District of Louisiana. As CRO, Tallerine had access to ECP's accounts and the ability to authorize the payment of invoices and fees and the transfer of cash. In the LT Litigation it has been alleged that Tallerine frequently caused ECP to make advances to or for the benefit of himself and his controlled entities out of ECP's accounts that were never disclosed to or approved by the Louisiana Bankruptcy Court. Stated another way, Tallerine and GCM used the ECP estate's property as a free (and unlimited) line of credit. Among the cited examples, Tallerine caused ECP to make approximately $2.8 million in payments to GCM, while the total Bankruptcy Court approved fees and expenses totaled only $1.6 million. Of the roughly $1.2 million difference, GCM only repaid approximately $870,000, while roughly $173,000 in unapproved funds were paid to GCM and never paid back.

While CRO of ECP, Tallerine also altered invoices for personal expenses, turned them into fictitious invoices for business expenses of ECP, and authorized such false invoices to be paid by ECP. In the LT Litigation the Debtors allege that Tallerine caused ECP to pay two invoices in the amount of $44,543.71 and $55,408.56 to Lacey Construction, a home remodeling contractor in New Orleans, for construction services performed on Tallerine's home. The monthly operating reports to the Bankruptcy Court altered the name of Lacey Construction to code it as a vendor called "R. Lacey" or "Lacey Co." Tallerine and/or Ramsey also doctored at least one Lacey Construction invoice to appear that it was for work done on behalf of ECP.

Upon information and belief, Tallerine also caused ECP to pay $22,625 to a Houston-based interior designer, Mary Ann Smith, who transacts business under the trade name "Tejas Interiors." ECP's November 2009 Monthly Operating Report, which was signed by Tallerine under penalty of perjury, codes Tejas Interiors as "Tejas Consulting," a provider of

"Engineering Services," and Tallerine caused ECP to issue a check payable to "Tejas Consulting." However, the deposit slip for the check plainly reveals "Mary Ann Smith d/b/a Tejas Interiors" is the actual recipient of the check.

The Debtors have also alleged, albeit on information and belief, that Tallerine also submitted at least $23,000 in false invoices to ECP for work purportedly (but not actually) done by Vermillion Contracting, which—as explained above—is a sham entity owned by one of Tallerine's ex-wives and controlled by Tallerine and Ramsey. Moreover, it appears that Walker Street Consulting ("WSC") received substantial fixed monthly fees that were similarly allocated by and through accounts, including lawyer trust accounts, in ways that made it to Tallerine under circumstances that will be investigated further as part of the proof of habit and custom here.

Tallerine continued his wrongdoing when ECP's assets were purchased out of bankruptcy by EC Offshore Properties, Inc. ("ECOP"). Upon information and belief, Tallerine established a scheme through another subcontractor, Island Operating Co., Inc. ("Island Operating"), whereby Island Operating would include in its invoices to ECOP a monthly $10,000 charge in the name of one of Tallerine's employees. That $10,000 was paid out of ECOP to Island Operating, who then forwarded the funds to the employee. That employee would then—each month—deposit the check in his personal account and then transfer the entire $10,000 to Ramsey.

Tallerine engaged in similar conduct during his time as CEO and President of Goldking Operating Company, an entity that was sold to Dune Energy in 2007. Upon information and belief, following the sale, the former majority owner of Goldking Operating Company uncovered over $300,000 in improper transfers of corporate funds to Tallerine's personal accounts and use of corporate funds to pay for or reimburse Tallerine's personal expenses. For example, the former owner alleged that: (i) Tallerine directed a $98,000 wire be made to his personal account that was not earned compensation; (ii) Tallerine had the company purchase a $60,000 life insurance policy for Tallerine and his wife without proper approval; (iii) Tallerine was improperly reimbursed for over $80,000 in expenses relating to his private jet; (iv) over $50,000 of Tallerine's personal expenses were either paid by the company or were improperly reimbursed, including charges for personal clothing, Tallerine's personal tailor, Tallerine's personal trainer and Tallerine's Astros tickets; (v) Tallerine gave Ramsey an unauthorized $18,000 bonus; and (vi) Tallerine used company funds to pay for his daughter's BMW lease.

These facts belie claims that the alleged misdeeds were merely an accident, or a mistake. The claim of mistake is in Debtors' view also dubious because virtually all of the so called "mistakes" made always went to benefit Mr. Tallerine and his wholly owned interests, not the other way around.

As set forth in further detail in the Plan and the Plan Supplement, nothing under the Plan shall affect, and the Debtors and Reorganized Debtors hereby reserve any and all rights in respect of, any right of setoff they may hold with respect to the claims asserted against them in the LT Litigation and the efforts by the Debtors to obtain full and complete judgment against all of those involved to the fullest extent possible. The Reorganized Debtors intend to retain and fully prosecute the LT Litigation after the Effective Date.

Response by Tallerine Parties

In the interest of full disclosure, the Tallerine Parties have sought the inclusion of the following statement in this Disclosure Statement: The Tallerine Parties have and continue to vigorously contest the Debtors' allegations set forth herein and above, and in the pending LT Litigation. The Tallerine Parties invite all interested parties to review the relevant pleadings filed in the LT Litigation for a complete picture of the positions of and responses by the Tallerine Parties to the allegations by the Debtors, as well as the Tallerine Parties' counterclaims against the Debtors.

III. THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Cases

The Debtors were confronted with a maturing secured credit facility and a refusal for additional development loans absent some process to generate value from a sale process. On the October 30, 2013 (the "Petition Date"), the Debtors filed voluntary petitions (collectively, the "Petitions") for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), in United States Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court"), in an effort to preserve and maximize the value of their business, assets and chapter 11 estates through the prosecution of these chapter 11 cases (collectively, the "Chapter 11 Cases"). On November 20, 2013, the United States Bankruptcy Court for the District of Delaware entered an order (Doc. No. 88) transferring venue of these bankruptcy cases to the United States Bankruptcy Court for the Southern District of Texas, Houston Division.

The Chapter 11 Cases are being jointly administered, for procedural purposes only, pursuant to an Order of the Delaware Bankruptcy Court entered October 31, 2013 (Doc. No. 31). The Debtors continue to manage and operate their business as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these Chapter 11 Cases.

B. First Day Orders

Concurrently with the filing of the Petitions, the Debtors filed a number of motions and other pleadings (collectively, the "First Day Motions") seeking approval of so-called "First Day Orders" in order to facilitate the transition between the Debtors' pre-petition and post-petition business operations and authorize the Debtors to continue with certain ordinary course business practices that may not be specifically authorized under the Bankruptcy Code, or for which the Bankruptcy Code requires prior Bankruptcy Court approval. The First Day Motions included the following motions to facilitate the Debtors' transition into and operations under the Chapter 11 Cases:

- to obtain debtor-in-possession financing and utilize cash collateral (Doc. No. 11) which is explained in further detail below;

- to pay pre-Relief Date wages and maintain employee benefit programs to the Debtors' employees (Doc. No. 10);
- to maintain existing bank accounts and cash management system and use of existing business forms, books and records (Doc. No. 9);
- to pay certain prepetition obligations on account of royalties, overriding royalty interests and working interest owner payments (Doc. No. 7);
- to pay adequate assurance payments to utility companies, prohibiting utility companies from altering, refusing or discontinuing services, and establishing procedures for resolving requests for additional assurances (Doc. No. 5);
- to pay certain pre-Relief Date claims of certain critical vendors that provide essential and irreplaceable services to the Debtors (Doc. No. 8); and
- to retain Epiq, the Debtors' claims and noticing agent (Doc. No. 4).

The First Day Motions were granted with certain modifications or adjustments to accommodate the objections, comments, and concerns of the Bankruptcy Court, the U.S. Trustee and other parties in interest, as reflected in the orders that are publicly available on the Docket.

C. Critical Vendor Motion and Interim Order

On the Petition Date and before transfer of the bankruptcy cases to the Southern District of Texas, the Debtors, by and through their Delaware counsel, filed the *Debtors' Motion for an Order, Pursuant to Sections 104(a), 363, 364, 503(b), 1107(a) and 1008 of the Bankruptcy Code, (I) Authorizing the Debtors to Pay Certain Prepetition Obligations of Critical Vendors and (II) Authorizing Banks to Honor and Process Related Checks and Electronic Transfers* (the "Critical Vendor Motion") (Doc. No. 8). In the Critical Vendor Motion, the Debtors requested authority to pay certain pre-Petition Date claims of certain critical vendors that provide essential and irreplaceable services to the Debtors. The Critical Vendor Motion contains further information concerning the critical vendors, including (a) the nature of the services provided to the Debtors by critical vendors (b) the necessity of payment of the critical vendors pre-Petition Date claims (c) a general description of the terms upon which the Debtors could condition payment of such pre-Petition Date claims.

On October 31, 2013, the Court entered its *Interim Order, Pursuant to Sections 104(a), 363, 364, 503(b), 1107(a) and 1008 of the Bankruptcy Code, (I) Authorizing the Debtors to Pay Certain Prepetition Obligations of Critical Vendors and (II) Authorizing Banks to Honor and Process Related Checks and Electronic Transfers* (the "Interim Critical Vendor Order") (Doc. No. 24). Among other things, the Interim Critical Vendor Order authorized the Debtors to pay Critical Vendor Claims (as defined in the Critical Vendor Motion) in the ordinary course of their businesses up to an aggregate amount of $1 million, and to condition such payment on the agreement of critical vendors to continue supplying services to the Debtors on certain terms and conditions (as described in the Critical Vendor Motion and the Critical Vendor Order). The Critical Vendor Order also set a final hearing on the Motion for November 26, 2013 (the "Final

Hearing"). Venue of the bankruptcy cases was transferred to the Southern District of Texas before the Final Hearing, on November 20, 2013. The Debtors previously dropped their request for any further hearing or any additional requests to pay other critical vendors.

Twenty-three (23) different creditors were paid a total of $995,770.60 as critical vendors pursuant to the Interim Critical Vendor Order. All of these critical vendors, had they not been paid, would have had prepetition claims that, pursuant to the Plan, would have been paid out of the Unsecured Creditors Asset Pool. Thus, the parties classified as critical vendors have received full payment on their prepetition claims, while the holders of allowed general unsecured claims not paid as critical vendors will share pro rata from the Unsecured Creditors Asset Pool. The Committee (as defined below) believes the payout to those not paid as critical vendors will be substantially less than full payment of their prepetition claims.

In addition to having their claims paid in full pursuant to the Critical Vendor Order, the Plan Supplement provides that any claims the Debtors might have against those who were paid under the Interim Critical Vendor Order, including any Avoidance Actions, will be retained by the Reorganized Debtor and will not be a part of the Unsecured Creditors Asset Pool and assigned to the Creditors Trust. *See* Plan Supplement, Exhibit E at ¶2.e. The Committee asserts that the net result of the Reorganized Debtor's retention of these claims against critical vendors is that those claims will not be pursued. Thus, in addition to full payment of their prepetition claims, critical vendors will also be relieved of the risk of litigation with the Creditors' Trust over preferential payments or other claims that might belong to the Debtors.

D. ~~C.~~ Retained Professionals for the Debtors

The Bankruptcy Court has authorized the Debtors to retain certain professionals to represent them and assist them in connection with the Chapter 11 Cases. Specifically, the Debtors retained, and the Bankruptcy Court approved the retention of, the following professionals who are principally located respectively at the indicated addresses:

Lead Bankruptcy Counsel:

After transfer to the Southern District of Texas:

Haynes and Boone LLP
1221 McKinney, Suite 2100
Houston, TX 77010

Before transfer to the Southern District of Texas:

Young Conaway Stargatt & Taylor LLP
1000 North King Street, Rodney Square
Wilmington, DE 19801

Asset Sales Advisor:

E-Spectrum Advisors LLC ("E-Spectrum")
5850 San Felipe, Suite 500
Houston, Texas 77057

Noticing Agent:

Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

Special Litigation Counsel:

Gibbs & Bruns, LLP
1100 Louisiana, Suite 5300
Houston, TX 77002

Additionally, the Bankruptcy Court authorized the Debtors to retain, employ, compensate and reimburse the expenses of certain professionals who have rendered services to the Debtors to assist with the operations of the Debtors' businesses in the ordinary course or incident to the LT Litigation.

E. ~~D.~~ Debtor-in-Possession Financing

On December 10, 2013, the Bankruptcy Court entered an order (the "Final DIP Order") (Doc. No. 26) that, among other things, approved a senior secured superpriority debtor-in-possession revolving facility with a final maximum amount of $17.1 million (the "DIP Facility") pursuant to the Prepetition Credit Agreement (as defined in the Final DIP Order), as amended and ratified by the Ratification Agreement (as defined in the Final DIP Order). The DIP Facility provided the Debtors with immediate and necessary liquidity to continue to operate their business and preserve and maintain going concern value. The DIP Facility also included a roll up of the Pre-Petition Obligations (as defined in the Final DIP Order). The DIP Facility was amended in order to ensure transition from the Prepetition Credit Agreement, and to address matters as they arose during the bankruptcy cases:

> 5th Amendment: This set forth terms under which, in exchange for valuable consideration and premised upon approval of the Bankruptcy Court upon due and proper notice, that the Prepetition Credit Agreement would be extended into a form of debtor in possession financing, and sets forth milestones for accomplishing certain matters in the bankruptcy case, including the sale of assets and filing of a plan and disclosure statement.
>
> 6th Amendment: This amendment extended certain of the milestones specified in the 5th Amendment, as defined in the Final DIP Order (as defined below).
>
> 7th Amendment: This amendment further extends certain of milestones and relaxes any requirement to implement a sale of substantially all assets.

The DIP Lenders were granted a first priority security interest in all of the Debtors' assets subject only to those Permitted Liens and Claims (as defined in the Final DIP Order). This financing and the milestones have since been extended during the Cases.

F. ~~E.~~ Sale of Assets

The DIP Facility required the Debtors to meet certain sale-related milestones. Since the DIP Facility was put into place, the Debtors and their asset broker advisor in these Chapter 11 Cases, E-Spectrum Advisors, LLC ("E-Spectrum"), in consultation with Wayzata, designed and attempted a robust sales process to maximize the value of the Debtors' assets for the benefit of their creditors and respective estates.

Among other things, the Debtors, together with E-Spectrum, updated and populated a virtual data room (the "VDR") containing thousands of documents regarding the Debtors' historical and current financial affairs and business operations. The sales process also included soliciting interest from potential buyers and entering into non-disclosure agreements (each, an "NDA") with parties who expressed initial interest in acquiring some or all of the Debtors' assets. More than 1700 potential buyers identified by E-Spectrum were solicited, including competitors as well as other strategic and financial investors. Moreover, the sales notice and associated materials were served on more than 1500 creditors and parties in interest in the Chapter 11 Cases. In addition, further specific and targeted possible buyers were identified, provided or pursued through further work and referral from legal counsel for the Debtors, through the efforts of E-Spectrum, through contacts provided by management, and upon referral from Wayzata and also from the advisor proposed for the Committee (as defined below). Over thirty (30) potential purchasers thereafter entered into NDAs and conducted various degrees of due diligence, and in some instances had in person technical meetings with the Debtors' management and E-Spectrum, and field visits and physical inspections.

The sales efforts designed, implemented and administered by E. Spectrum emanated from an earlier effort launched in mid-October, 2013 by Lantana Oil & Gas Partners ("Lantana"), another advisory firm that specializes in the marketing and sale of oil and gas properties. Lantana had been retained by the Debtors earlier in 2013 to organize and facilitate the planned sale of substantially all of the debtors' oil and gas properties after it became apparent the Debtors' lacked financing to complete and drill the properties in accordance earlier plans. Lantana launched a sales process in mid-October 2013 with transmitted "teasers" describing the sale and purchase opportunity to more than 1000 potentially interested parties interested in oil and gas asset sales. Unexpectedly, in early November 2013, Lantana stated it did not wish to continue its role in marketing the Debtors' properties. As a result, the Debtors were forced to interview several firms and chose E. Spectrum to assume and continue the sales process to a conclusion.

In December 2013, the Court approved the Lantana exit and corresponding replacement by E. Spectrum. By the settlement, Lantana's significant work product and research was available to E. Spectrum to complete additional research and diligence into the properties for the revived sales process. The VDR included detailed information on the properties to be sold and other due diligence materials, and the sales process further re-launched in early January, 2014.

The assets to be sold were divided geographically into the three areas: Louisiana, East Texas and South Texas. They were made available separately or in any combination. Over thirty (30) companies undertook review of the VDR. A smaller number undertook physical data room visits and review, were given management presentations, and undertook physical inspection of the Debtors' oil and gas operations in the field. In the view of E. Spectrum, the sale was conducted in accordance with standard industry practices and norms, and the sale process was customary and usual for a sale of this type. It was a robust process, and to Debtors' belief, fully exposed its assets to the market.

To implement the expected sale, on February 10, 2014, the Bankruptcy Court entered its *Order (I) Scheduling A Hearing On The Approval Of The Sale Of All Or Substantially All Of The Debtors' Assets, And The Assumption And Assignment of Certain Executory Contract And Unexpired Leases, (II) Approving Certain Bidding Procedures, Assumption And Assignment Procedures, And The Form And Manner Of Notice Thereof, And (III) Granting Related Relief* (Doc. No. 331) (the "Sale Procedures Order"), which, among things, approved certain bidding and auction procedures (the "Bidding Procedures") for the sale by auction of all or any of the Debtors' assets (the "Auction"). The Bidding Procedures described, among other things, the assets available for sale, the manner in which bids become "qualified," the coordination of diligence efforts among the bidders and the Debtors, the receipt and negotiation of bids received, the conduct of any Auction, and the selection and approval of a prevailing bidder and the selection of the second-highest bid. The Bidding Procedures reflected the Debtors' objective of conducting the Auction in a controlled, but fair and open, manner, while ensuring the highest or best bids were generated for the Debtors' properties. The procedures were prepared after careful consideration and discussion by and among the Debtors, the professionals for the Debtors, including its legal counsel and E-Spectrum, as well as applicable precedent in connection with the sale of oil and gas assets of the type owned by the Debtors. In addition, the procedures included provisions for the review and assignment of the underlying contracts and leases associated with the operation of the properties, to enable the sale to take advantage of a going concern sale which would yield the highest and best value.

The market's response to the sale process did not yield sufficient initial bids. On March 11, 2014, the Bankruptcy Court entered its *Order to Modify Order (I) Scheduling A Hearing On The Approval Of The Sale Of All Or Substantially All Of The Debtors' Assets, And The Assumption And Assignment of Certain Executory Contract And Unexpired Leases, (II) Approving Certain Bidding Procedures, Assumption And Assignment Procedures, And The Form And Manner Of Notice Thereof, And (III) Granting Related Relief* (Doc. No. 405) (the ""Sales Procedures Modification Order"). The Sales Procedures Modification Order modified certain of the specifically defined deadlines referenced by and/or in the Bidding Procedures and Sales Procedures Order. This extension sought to attract higher bids.

While the Debtors were encouraged by the response to its sales effort, no single bidder emerged to take the role of a "stalking horse" bidder. Instead, interested parties were encouraged to provide bids and given in each instance an opportunity to formally tender a bid for the Debtors' properties. Ultimately, bids were received for certain of the properties by the final bid deadline (under the Sales Procedures Modification Order).

After careful review of the tendered bids and various alternatives, the Debtors in their business judgment elected to not proceed with the Auction. Instead, the Debtors sought to negotiate with Wayzata on the terms by which a confirmable plan of reorganization could be proposed which would, among other things, pay other creditors and seek to distribute value to unsecured creditors. In this negotiation, the Debtors sought to maximize the recovery for all creditors, and particularly unsecured creditors, taking into account the results of the sale did not necessarily even ensure the Debtors' obligations to Wayzata under Final DIP Order would be satisfied in full. As a result of the negotiations, and after further efforts to solicit terms from the Committee, the terms of the Plan were reached as described herein (and in the Plan).

G. ~~F.~~ The Claims Process and Bar Dates

On December 19, 2013, the Bankruptcy Court established the following bar dates (each, a "Bar Date") for the filing of proofs of claim against the Debtors in these Chapter 11 Cases:

- February 28, 2014 as the Bar Date for the filing of all proofs of claim for (i) claims arising prior to the commencement of the Chapter 11 Cases (this Bar Date does not apply to claims that are subject to one of the other specific Bar Dates set forth below); and (ii) claims for the value of any goods received by the Debtors within 20 days before the commencement of these Chapter 11 Cases, which goods were sold to the Debtors in the ordinary course of the Debtors' business; and

- April 28, ~~2013~~2014 as the Bar Date for the filing of all proofs of claim by any "governmental unit" as that term is defined in Section 101(27) of the Bankruptcy Code;

- For claims arising from the Debtors' rejection of any executory contract or unexpired lease, the Bar Date is the later of (a) February 28, 2014; (b) thirty (30) days after the entry of any order authorizing the rejection of an executory contract or unexpired lease pursuant to which the entity assert the claim is a party.

On December 20, 2013, the Debtors filed their schedules of assets and liabilities (the "Schedules") and statements of financial affairs in these Chapter 11 Cases. On February 20, 2014, the Debtors amended certain of their schedules of assets on the dockets of their respective Chapter 11 Cases.

The Debtors are continuing their review and analysis of the proofs of claims filed in the Chapter 11 Cases. As of the date of this Disclosure Statement, and reflected above, sizable claims have been filed against various of the Debtors. The Debtors anticipate they have valid objections to certain of the Claims that have been filed and thus, the ultimate total Allowed amount of such Claims will be less than the asserted amounts. Consequently, the amount of the Pro Rata share that ultimately will be received by any particular Holder of an Allowed Claim may be adversely affected by the outcome of the claims reconciliation process.

H. ~~G.~~ Unsecured Creditors Committee

On February 6, 2014, the U.S. Trustee appointed a creditors committee to serve in the Debtors' Cases (the "Committee"). The appointment named the following three (3) creditors to the Committee, together with the dollar amounts claimed by each:

Gulf Coast Chemical, LLC
(Privately held)
Amount claimed:
$85,695.10

Moncla Marine Operations, LLC
(privately held)
Amount claimed:
$16,500.00

Fesco, Ltd.
(privately held)
Amount claimed:
$10,895.31

On or about February 14, 2014, the members of the Committee met and sought to retain the following law firm to represent its interests:

Daren R. Brinkman
Brinkman Portillo Ronk, PC
4333 Park Terrace Dr., Ste 205
Westlake Village, CA 91361
Phone: (818) 597-2992
Fax: (818) 597-2998

On February 21, 2014, the Committee filed its *Application for an Order Authorizing and Approving the Employment and Retention of Brinkman Portillo Ronk, APC as Counsel to the Official Committee of Unsecured Creditors, Effective as of February 7, 2014* (the "BPR Retention Application") (Doc. No. 356). Subsequently, on or about February 27, 2014, the Committee proposed the retention of the following additional professionals:

As proposed legal counsel:

Matthew S. Okin (Matt)
Partner
Okin Adams & Kilmer LLP
1113 Vine Street, Suite 201
Houston TX 77002
Phone: (713) 228-4100
Fax: (888) 865-2118
E-mail: mokin@oakadams.com

As proposed financial advisor:

Mr. Douglas J. Brickley CTP, CIRA
Managing Director
The Claro Group, LLC
1221 McKinney Street, Suite 2850
Houston TX 77010
Phone: (713) 454-7741
Mobile: (713) 398-5088
Fax: (713) 236-0033

E-mail: dbrickley@theclarogroup.com

On March 13, 2014, the Bankruptcy Court entered its *Order Authorizing the Employment and Retention of Okin & Adams LLP as Counsel for the Committee* (Doc. No. 409). On April 16, 2014, the Committee filed its Notice of Withdrawal of the BPR Retention Application (Doc. No. 465). On April 24, 2014, the Bankruptcy Court entered an *Agreed Order Authorizing the Employment and Retention of the Claro Group as Financial Advisor to the Committee* (Doc. No. 479). The Brinkman Law Firm has since withdrawn its application to be retained.

I. ~~H.~~ Plan Exclusivity Extension

Before expiration of deadlines imposed under the Final DIP Order and the statutory period for filing and seeking approval of a plan of reorganization in the Cases, the Debtors filed a *Motion Pursuant to § 1121(d) of the Bankruptcy Code For Extension of Debtors' Exclusive Period to File Plan of Reorganization and Solicit Votes In Connection Therewith*. This Motion was granted, providing the Debtors with a ninety (90) day corresponding extension of the periods for filing a plan and seeking approval of the plan. As needed, further extensions have been timely requested.

IV. CHAPTER 11 PLAN -- SUMMARY DESCRIPTION

CERTAIN PROVISIONS OF THE PLAN AND THE TREATMENT OF CLASSES OF ALLOWED CLAIMS AND ALLOWED EQUITY INTERESTS ARE SUMMARIZED BELOW. THE SUMMARY IS NOT COMPREHENSIVE AND IS ENTIRELY QUALIFIED BY THE PLAN, AND PARTIES-IN-INTEREST SHOULD CAREFULLY REVIEW THE RELEVANT PORTIONS OF THE PLAN PRIOR TO VOTING ON THE PLAN. THE PLAN IS ATTACHED HERETO AS EXHIBIT A. THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY OF CERTAIN TERMS CONTAINED IN THE PLAN. IF THERE IS AN INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN WILL GOVERN THE RIGHTS AND OBLIGATIONS OF THE PARTIES.

Generally, the Plan provides for the collapse of the Debtors into a simple operating enterprise and the allocation of the Debtors' remaining assets in order to address creditor claims in a manner in recognition of their relative legal rights and interests. The treatment will take into account the priority scheme established by the Bankruptcy Code and other applicable law. It also takes into account the need in certain selected and identified instances to address and implement a compromise of controversies to allow for implementation of the Plan. Notwithstanding that the strict adherence to the priority scheme would leave no available assets or value for unsecured creditors, it does make available some value allocation for distribution to unsecured creditors because the DIP Lender has consented to waiver its entitlement to be paid on its Allowed Claims out of assets designated as the Unsecured Creditors Asset pool, and by its provision of Exit Financing, to enable payment in full to other claims. The Plan also contemplates certain post-bankruptcy activities and provides means to ensure these activities are able to be performed as contemplated.

A. Treatment of Unclassified Claims

Administrative Claims:

(a) General: Subject to the bar date provisions of the Plan and excluding Ordinary Course Liabilities and DIP Claims, unless otherwise agreed to by the parties, each holder of an Allowed Administrative Claim shall receive Cash equal to the unpaid portion of such Allowed Administrative Claim within ten (10) days after the later of (a) the Effective Date, (b) the date such Administrative Claim is Allowed, or (c) such date as is mutually agreed upon by the Reorganized Debtor and the holder of such Claim. A reserve in the amount set forth in the Budget shall remain available and funded on and after the Effective Date for payment of Administrative Claims that are approved by further Order of the Court.

(b) Payment of Statutory Fees: All fees payable pursuant to 28 U.S.C. § 1930 shall be paid in Cash equal to the amount of such Administrative Claim when due.

(c) Bar Date for Administrative Claims:

Generally, requests for payment of Administrative Claims must be included within a motion or application and Filed soon after the Effective Date on the date set forth in the Plan or by such earlier deadline governing a particular Administrative Claim contained in an order of the Bankruptcy Court entered before the Effective Date. As set forth in the Plan, other provisions apply for all professionals or other entities requesting compensation or reimbursement of expenses pursuant to sections 327, 328, 330, 331, 503(b) and 1103 of the Bankruptcy Code for services rendered before the Effective Date (including, without limitation, any compensation requested by any professional or any other entity for making a substantial contribution in the Bankruptcy Cases) and all requests for payment of Administrative Claims and other Claims by a Governmental Unit for taxes (and for interest and/or penalties related to such taxes) for any tax year or period, which accrued or was assessed within the period from and including the Petition Date through and including the Effective Date ("Post-Petition Tax Claims") and for which no bar date has otherwise been previously established.

DIP Claims: The DIP Lender shall receive on the DIP Claim 100% of the equity in the Reorganized Debtor to be issued under the Plan, with such equity having a value of $5.2 million credited to the DIP Claim. The balance of the DIP Claims and Wayzata Secured Claims are fully allowed, but have been agreed to not be payable from assets comprising the Unsecured Creditors Asset Pool, and will be subordinated to distributions from the Reorganized Debtor on and after the Effective Date to provide for priority and unsecured creditors which are otherwise junior to Wayzata's Allowed Claim.

Ordinary Course Liabilities: The Debtors shall pay each Ordinary Course Liability pursuant to the payment terms and conditions of the particular transaction giving rise to the Ordinary Course Liability. Holders of an Ordinary Course Liability will not be required to file or serve any request for payment of an Ordinary Course Liability.

B. Classification and Treatment of Classified Claims and Interests

The Plan treatment for Allowed Claims and Allowed Equity Interest is detailed in the Plan. In summary, the Plan provides the following treatment for the various Allowed Claims and Allowed Interests:

Treatment of Allowed M&M Secured Claims (Class GOO – O1 and Class Resources R1)

Allowed M&M Secured Claims shall be deemed to be unsecured claims in accordance with section 506 of the Bankruptcy Code. They are subordinate in lien rights and value to Wayzata's secured claim because (i) Wayzata's perfected liens relate back to the inception of the BofA Credit Documents in 2010 and (ii) no M&M Secured Claim involved services performed before such date, and (iii) the value of any oil and gas asset securing any properly perfected M&M lien claim is only a fraction of Wayzata's Secured Claim, as confirmed by the results of the sale process. The creditors in this class shall be treated as Allowed General Unsecured Claims. If an asserted M&M Secured Claim objects to this treatment, then further contested proceedings will occur to determine the value of such claim. If this results in a determination of secured status, then such M&M Secured Claim will be paid the Allowed Amount of such claim over 16 equal quarterly installments, at 6% interest.

Class GOO – O1 and Class Resources – R1 are Impaired. Therefore, holders of these Allowed Claims are entitled to vote to accept or reject the Plan.

Treatment of Priority Unsecured Tax Claims (GOO Class—04)

Allowed Priority Unsecured Tax Claims whether filed against any of the Debtors will be included in this class, and such Allowed Claims will be paid in full in equal quarterly installments of principal plus any post-petition interest at the federal judgment rate from and after the Effective Date, in an amount amortized in accordance with the terms of payment provided in the Bankruptcy Code section 1129(a)(9)(C).

The Debtors scheduled a priority unsecured claim in favor of the Louisiana Department of Revenue, which claim was superseded by a filed proof of claim by such tax creditor for $16,000 on account of severance taxes. Other disputed claims in this class have been filed including a $88,225.58 claim by the United States for alleged payroll taxes, which Debtors believe have been paid, and smaller amounts from various taxing authorities for other taxes in amounts that the Debtors are reviewing. The total amount of filed, but not approved or agreed taxes, in this class as filed is $123,551.39.

Class GOO—04 is Impaired. Therefore holders of Allowed Claims in Class GOO—04 are entitled to vote to accept or reject the Plan.

Treatment of TX Secured Ad Valorem Tax Claims (Class Holdings – H1, Class GOO – O2, and Class Resources – R2)

Allowed TX Secured Ad Valorem Tax Claims shall retain the lien upon property subject to such taxing authority to the extent of prepetition tax and any interest thereon. Such Claims shall be paid by the owner of the Property subject to such ad valorem tax claim within six (6) years of the Effective Date, and shall accrue interest at 6% per annum pending payment.

Class Holdings – H1, Class GOO – O2 and Class Resources – R2 are Impaired. Therefore, holders of these Allowed Claims are entitled to vote to accept or reject the Plan.

Treatment of LA Secured Ad Valorem Tax Claims (Class Holdings – H2, Class GOO – O3, and Class Resources – R3)

Allowed LA Secured Ad Valorem Tax Claims shall retain the lien upon property subject to such taxing authority to the extent of prepetition tax and any interest thereon. Such Claims shall be paid by the owner of the Property subject to such ad valorem tax claim within six (6) years of the Effective Date, and shall accrue interest at 6% per annum pending payment.

Class Holdings – H2, Class GOO – O3 and Class Resources – R3 are Impaired. Therefore, holders of these Allowed Claims are entitled to vote to accept or reject the Plan.

Treatment of White Oak Secured Claims (Class Resources – R4)

The asserted Secured Claim of White Oak as previously addressed and provided in the *Final Order Pursuant To 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507 (1) Approving Post-Petition Financing, (2) Authorizing Use of Cash Collateral, (3) Granting Liens and Providing Superpriority Administrative Expense Status, (4) Granting Adequate Protection, and (5) Modifying Automatic Stay* (~~Docket #~~Doc. No. 198), shall be maintained and preserved with any liens, Claims and encumbrances attaching to the ~~Properties and paid~~White Oak Properties. The Allowed Secured Claim of White Oak shall comprise a first lien ahead of the lien asserted by Wayzata upon the White Oak Properties, and be payable in cash, in full, upon any post -Effective Date conveyance of the White Oak Properties~~ or foreclosure of the White Oak Properties by Wayzata. In the event neither of these events occur, then any partial or fully secured claim that White Oak can establish with respect to the value of its lien upon the White Oak Properties shall, absent objection under section 506, be amortized over 16 quarterly installments, together with interest after December 31, 2014.~~ .

The White Oak Secured Claim comprises an ~~asserted~~Allowed Secured Claim in the amount of ~~approximately $300,000 in principal after setoff of unpaid joint interest billings due from White Oak to the Debtors. To the extent any additional amounts are asserted to be owed to White Oak for amounts above any Allowed Secured Claim, then these additional asserted amounts shall be subject to objection, further negotiation and/or claim resolution, and paid within ten (10) days after an order is entered determining any such additional asserted amount to be an Allowed Secured Claim. In the event that any portion of the asserted White Oak Secured Claim~~

~~is determined to be unsecured based upon the value of its collateral, then such Claim shall be an Unsecured Claim.~~$300,000.00 in principal.

The White Oak Secured Claim shall be paid in full two (2) years after the Effective Date, together with interest that accrues on the unpaid principal balance from and after January 1, 2014 at the rate of 5% per annum.

There shall be added to the Allowed White Oak Secured Claim reasonable attorney's fees and costs. Wayzata and/or the Debtors shall reserve the right to further negotiate and/or object to the claimed attorney's fee amounts sought, if asserted to be unreasonable. In the event of a disagreement, the issue will be resolved by the Bankruptcy Court.

White Oak and the Debtors each reserve their respective rights with regard to the amount of joint interest billing obligations each may owe, as a non-operator on certain oil and gas properties operated by the other. Each party shall provide the other with a reconciliation of amounts that are claimed to be due as between the parties, with any net balance agreed to be owed either (i) offset if owed to Debtors against the $300,000 Allowed Secured Claim, or (ii) paid as an Assumption Cure Claim if owed by Debtors to White Oak. In the event that the parties cannot reach agreement as to the amounts owing as between them on account of the properties each operates for the other, these matters will be presented for resolution to the Bankruptcy Court in further proceedings initiated by the Reorganized Debtor after the Effective Date.

Class Resources-R4 is impaired. Therefore holders of Allowed Claims in ~~this~~ Class Resources-R4 are entitled to vote to accept or reject the Plan.

Treatment of Royalty Suspense Claims (Class Resources – R5)

Allowed Royalty Suspense Claims shall be entitled to receive payment of their Allowed Class Resources-R5 Claims on such date as each severally satisfies and cures all legal contingencies associated with the suspense of the amounts due thereon, at which time each shall be entitled within 30 (thirty) days to receive payment of the amount due, together with interest actually accruing on the Legal Suspense Account. On the Effective Date, the Reorganized Debtor shall establish and maintain a Legal Suspense Escrow Account in a federally insured interest bearing demand account and fund the amount of such claims over time per the Plan.

Class Resources – R5 is Impaired. Therefore, holders of Allowed Claims in this Class are entitled to vote to accept or reject the Plan.

Treatment of Assumption Cure Claims (Class Resources – R6)

Allowed Assumption Cure Claims shall receive the amount necessary to satisfy any monetary amount listed by Debtors as owing on account of each such Claim, which amount will be payable within 30 (thirty) days after the Effective Date.

Class Resources – R6 is Impaired. Therefore, holders of Allowed Claims in this Class are entitled to vote to accept or reject the Plan.

Treatment of Allowed General Unsecured Claims (Class Resources R7)

Holders of all Allowed General Unsecured Claims against any of the Debtors will be transferred to the Creditors Trust. The Creditors Trust will be assigned the assets in the Unsecured Creditors Asset Pool. These assets are defined in the Plan. They include rights in specified Rights of Action, and a Contingent Value Right percentage in the LT Litigation, among other value opportunities. The distributions to the Class are difficult to forecast. They are dependent upon (i) the total amount of the Allowed Claims and (ii) the net recoveries from the assigned assets in the Unsecured Creditors Asset Pool. The Debtors believe this class has approximately $1.6 to $2.0 million in total claims expected to be ultimately allowed, though the filed claims are much higher largely as a result of claims asserted, and which are disputed, associated with the Wiley well operations.

Class Resources – R7 is Impaired. Therefore, holders of Allowed Claims in this Class are entitled to vote to accept or reject the Plan.

Treatment of Allowed Subordinated General Unsecured Claims (Class Resources – R8)

Holders of any Allowed Subordinated Unsecured Claims shall receive nothing on account of a Allowed Subordinated Unsecured Claim until full payment of all Allowed General Unsecured Claims is made, plus interest on all such Allowed General Unsecured Claims, calculated from and after the Effective Date to the date of payment at the rate of 3% per annum. If Allowed General Unsecured Claims are not paid in full then this Class shall receive no distribution.

Class Resources – R8 is Impaired and are deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code. Therefore, Holders of Claims in Class Resources – R8 are not entitled to vote to accept or reject the Plan.

Treatment of Holdings Equity Interests (Class Holdings – H3)

Holders of Holdings Equity Interests will not receive any distribution on account of such Holdings Equity Interests, and all Holdings Equity Interests shall be discharged, cancelled, released, and extinguished as of the Effective Date, except to whatever extent necessary to effect the consolidation of the Debtors into Resources.

Class Holdings – H3 is Impaired and is deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code. Therefore, Holders of Claims in this Class are not entitled to vote to accept or reject the Plan.

Treatment of Intercompany Interests (Class GOO – O45 and Class Resources – R7)

Intercompany Interests shall be cancelled, and the equity in the surviving entity Resources issued to Wayzata in accordance with the treatment of the Wayzata Allowed Secured Claim.

Class GOO – O45 and Class Resources – R7 are impaired, and Holders in these Classes are conclusively presumed to have rejected the Plan pursuant to Section 1126(f) of the Bankruptcy Code. Therefore, Holders of Claims in these Classes are not entitled to vote to accept or reject the Plan.

Confirmation Pursuant to Sections 1129(a)(8) and 1129(b) of the Bankruptcy Code

The Debtors shall seek confirmation of the Plan pursuant to Section 1129(a)(8) of the Bankruptcy Code. The Debtors reserve the right to modify the Plan to the extent, if any, that confirmation pursuant to Section 1129(a)(10) or Section 1129(b) of the Bankruptcy Code requires modification. For any impaired class voting to reject the Plan, the Debtors shall seek to cramdown that Class under Section 1129(b).

C. Means for Implementation of the Plan

Generally and in summary, the Plan will be implemented via:

(1) Maintenance of operations between the Confirmation Date and the Effective Date by treating claims arising therein in accordance with the terms of the Budget and as Ordinary Course liabilities;

(2) the provision of all amounts and securities necessary for implementation of the Plan by Wayzata, under the Exit Financing, from the Plan Agent and Creditors' Trust;

(3) the issuance of New Equity as described in the Plan;

(4) provision of the Exit Financing by Wayzata;

(5) the cancellation of certain securities and agreements as provided for in the Plan;

(6) the substantive consolidation of the Debtors and their respective Estates for purposes of voting on, and the planned Distributions to holders of General Unsecured Claims, the Plan and Creditors' Trust;

(7) transfer of the Unsecured Creditors Asset Pool to the Creditors' Trust on the Effective Date;

(8) termination of the Creditors' Committee and appointment of the Plan Agent;

(9) preservation of certain Avoidance Actions and Rights of Action as set forth in

the Plan and Plan Supplement;

(10) protection of certain parties-in-interest via exculpation of the Debtors' Parties and the Wayzata Parties;

(11) the release of liens; and

(12) the compromise and exchange of releases between Wayzata, the Wayzata Parties, and the Debtors' Management and Directors.

The Committee contends that the funding provided to the Creditors' Trust as proposed is insufficient to cover the administrative costs associated with retention of a Plan Agent and the costs of administering the Creditors' Trust, including the retention of professionals. The Committee notes that as a result, the costs of administration for the Creditors' Trust will be borne out of net recoveries to be obtained from pursuit of Avoidance Actions that are assigned to the Creditors' Trust.

D. Executory Contracts and Unexpired Leases

Unless set forth on the list of Executory Contracts to be rejected in the Plan Supplement, each Executory Contract shall be assumed as of the Confirmation Date (which assumption shall be effective on the Effective Date). Any Claim arising out of the rejection of an Executory Contract pursuant to the Confirmation Order or prior order of the Bankruptcy Court must be filed with the Bankruptcy Court on or before thirty (30) days after the Confirmation Date, and shall be served on counsel for the Debtors and the Reorganized Debtor. Each Allowed Claim arising from the rejection of an Executory Contract shall be treated as an General Unsecured Claim. All Unsecured Claims arising from rejected Executory Contracts shall be transferred to the Creditors' Trust. For Assumption Cure Claims, these will be assumed by the Reorganized Debtor and the cure amount paid 30 days after the Effective Date.

E. Discharge; Release and Extinguishment of Liens, Claims, Interests and Encumbrances; Exculpation

The Plan generally provides for the discharge of the Debtors, and the compromise and settlement of certain possible claims which will include the issuance of certain releases in favor of the DIP Lender, releases in favor of the Wayzata Parties, the Debtors' Parties and the Committee, and releases from each holder of a Claim who votes in favor of the Plan or accepts a Distribution under the Plan in favor of the Debtors and the DIP Lender, and exculpations in favor of the Debtors, the Debtors' Officers and Directors, the Debtors' Professionals, the DIP Lender, the Committee's Professionals from any holder of a Claim or Equity Interest.

The ~~Plan comprises a settlement of possible disputes and issuance of releases associated with any possible disputes as between certain parties, including between parties who have asserted claims against the Wayzata Parties. In the course of the administration of the cases and the negotiation and development of the Plan, the Debtors have undertaken to investigate and evaluate whether there are claims and causes of action for which the Debtors' alone have standing. Included in this process is a review of the operative claims in the LT Litigation, and~~

~~review of the underlying accounting records associated with that . The investigation included review and discussion of the initial and further amended review of the financial transactions involved, and in reviewing the conduct of the parties in the claims.~~ discharge and releases being proposed in the Plan are as follows:

~~The Plan will provide for the exchange of consideration and issuance of releases by and between several parties and the Debtors and will include releases in favor of Wayzata for other claims made against it and the Wayzata Parties.~~

~~The claims released include all claims, known or unknown. They largely, but not exclusively, consist of alleged derivative conduct and claims raised by Mr. Tallerine in his original counterclaim, and which were dropped and never pursued by him after being referred to arbitration by the state court early in the LT Litigation proceedings. The Debtors have found no credible basis for the allegations made for derivative or direct wrongdoing, nor has any basis been supplied by Mr. Tallerine or anyone else. By the settlement, Wayzata will be providing substantial consideration toward funding the chapter 11 plan and process, including forgoing recovery rights on amounts otherwise allocable to the unsecured creditors and priority unsecured creditors which will permit some value recovery. Mr. Hebert has agreed to reduce his administrative claim commensurate with the lack of merit or basis toward any claims against him, which in any event are all subject to claims for indemnity under the Debtors' corporate governance documents.~~

DISCHARGE; RELEASE AND EXTINGUISHMENT OF LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES; EXCULPATION

Discharge of Debtors. Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims against the Debtors or Estate Property and termination of all Equity Interests. Except as provided in the Plan or the Confirmation Order, on the Effective Date: (a) each Debtor, each Reorganized Debtor shall be discharged from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) all Equity Interests and other rights of Equity Interests in each of the Debtors shall be terminated, except for the New Equity as expressly provided in the Plan. Except as otherwise provided in the Plan, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors arising before the Effective Date. Pursuant to Bankruptcy Code section 524, the discharge granted under this section shall avoid any judgment against the Debtor at any time obtained (to the extent it relates to a discharged Claim), and operates as an injunction against the prosecution of any action against the Debtors, Estate Property, and the Reorganized Debtor (to the extent such action related to a discharged claim).

Releases.

Wayzata Parties Release: On the Effective Date, the Debtors and Debtors' Parties and any holder of a Claim or Equity Interest (except as specifically opting out in any ballot submitted) shall release the Wayzata Parties and each of the current officers, directors, managers, employees, insurers, attorneys, advisors, and professionals from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Cases or during the course of the Bankruptcy Cases (including through the Effective Date), including any such claims or causes of action that (any holder of a Claim or Equity Interest) would have been legally entitled to assert on behalf of the Debtors or their bankruptcy estates. THE FOREGOING RELEASE ALSO INCLUDES ANY HOLDER OF A CLAIM OR EQUITY INTEREST THAT ANY CREDITOR OR INTEREST HOLDER MAY BRING AGAINST ANY WAYZATA PARTIES. For the avoidance of doubt, nothing contained herein shall operates as a release of any claims against the Tallerine Parties.

Officer and Manager Release: On the Effective Date, each of (i) the Debtors; (ii) the DIP Lender; and (iii) the Creditors' Committee and Plan Agent, as applicable, shall be deemed to have released each of the Debtors' Parties (solely in their respective capacities as officers and managers of the Debtors) and their professionals, from any and all claims, causes of actions, and other liabilities accruing on or before the Effective Date, and arising from or relating to any actions taken or not taken in connection with the decision to file bankruptcy on behalf of the Debtors, any shutdown of any of the Debtors' operations, the operation of the Debtors during chapter 11, the administration of the Bankruptcy Cases, the negotiation and implementation of the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions thereunder), the administration of the Plan, and the property to be distributed under the Plan. THE FOREGOING RELEASE ALSO INCLUDES ANY CLAIMS THAT ANY PARTY MAY BRING AGAINST ANY OF THE DEBTOR PARTIES. For the avoidance of doubt, nothing contained herein shall operate as a release of any claims against the Tallerine Parties.

Creditor Release: Effective on the Effective Date, each holder of a Claim who votes in favor of the Plan or accepts a Distribution under the Plan (except as specifically opting out in any ballot submitted) shall be conclusively presumed to have released the Debtors, the Debtors' Parties, the Creditors' Committee, the DIP Lender, the Wayzata Parties, and each of their respective officers, directors, managers, employees, insurers, attorneys, advisors, and professionals from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Cases or during the course of the Bankruptcy Cases (including through the Effective Date), in any way relating to the Debtors, the Bankruptcy Cases, or the ownership, management, and operation of the Debtors. For the avoidance of

doubt, nothing contained herein shall operate as a release of any claims against the Tallerine Parties.

Execution of Releases: The parties to the releases specified herein shall either (i) execute written release agreements in accordance with the terms and requirements of this Plan upon request or (ii) be deemed to have provided their consent to have executed on their behalf a form of release which implements and supplements the terms herein. For the avoidance of doubt, nothing contained herein shall operate as a release of any claims against the Tallerine Parties.

Exculpation: On the Effective Date, each of (i) the Debtors and Debtors' Parties (solely in their respective capacities as officers and managers of the Debtors); (ii) the Debtors' attorneys, advisors and other professionals; (iii) the DIP Lender and Wayzata Parties, and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives and professionals; and (iv) the Creditors' Committee and its members, attorneys, advisors and other professionals, shall have no liability to any holder of a Claim or Equity Interest or to any other person for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtors, any shutdown of any of the Debtors' operations, the operation of the Debtors during chapter 11, the administration of the Bankruptcy Cases, the negotiation and implementation of the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions hereunder), the administration of the Plan, and the property to be distributed under the Plan (except as to rights, obligations, duties, and Claims established under the Plan). In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Cases and under the Plan. Any and all Claims, causes of actions, rights, or any liabilities described above held by any person or party in interest against the foregoing parties listed in subsections (i)-(iv) above are fully waived, barred, released, and discharged in all respects (except as to rights, obligations, duties, and claims established under the Plan). Nothing contained in this section shall operate as a release, waiver, or discharge of any Claim, cause of action, right, or other liability against members of the Creditors' Committee in any capacity other than as a member of the Creditors' Committee and which comprise Claims in the Unsecured Creditors Asset Pool. For the avoidance of doubt, nothing contained herein shall operate as an exculpation of the Tallerine Parties.

For the avoidance of doubt, no releases or injunctions herein shall in any manner benefit or extend to (i) any of the Tallerine Parties or (ii) to any person against whom the Debtors have asserted any claim on or before the Effective Date, or (iii) any person identified in the Rights of Action and Avoidance Actions Reserved Under the Plan, as set forth in the Plan Supplement, and nothing contained herein constitutes a release by the Debtors or Wayzata Parties of their respective claims against the Tallerine Parties.

For the avoidance of doubt, nothing contained herein shall operate as a release of any person's claims against the Tallerine Parties.

The Debtors contend there is consideration for the releases requested because (i) as to the Wayzata Parties, Wayzata has an unpaid superpriority administrative expense claim and post-petition secured claim exceeding $10 million that is entitled to be paid from the first proceeds of any assets, sales or avoidance action recoveries. Under the terms of the Plan, Wayzata is allowing certain assets to be available to the unsecured creditors which would not otherwise be available to them; (ii) as to the Debtors' Parties, there have been no meaningful claims discovered or asserted having any value. With respect to claims asserted, the only officer and director of the Debtors having any asserted claim of liability is Mr. Eddie Hebert, who was named as a third party defendant in the Tallerine Litigation, on account of alleged and disputed actions taken at the time Mr. Tallerine was terminated for cause. Investigation of these claims as raised by the pleadings and upon review of the facts and the law reveals that Mr. Hebert vigorously contests and disputes any liability; there is no evidence he had any involvement in any alleged acts complained of, and he otherwise was not in any manner involved in any decision made to terminate Mr. Tallerine. Mr. Hebert has agreed to reduce his allowed administrative claim entitlement under his employment incentive plan by $20,000 to provide consideration for the release, which amount was viewed as sufficient and proper based upon the lack of any substance to the claims asserted against him.

The Committee has objections to the scope of the releases being sought for the Debtors' Parties and the Wayzata Parties from creditors. The Committee contends that the value being provided by these recipients of the releases is insufficient. The Committee also contends the disclosure of the releases included in the Plan should be expanded to include the actual releases being proposed.

F. Injunction Against Enforcement of Preconfirmation Claims and Equity Interests

The Plan generally provides for an broad injunction against all Persons who have been, are, or may be holders of Claims against or Equity Interests in the Debtors arising on or before the Effective Date from taking a variety of actions against or affecting the Debtors, as set forth more specifically in the Plan.

V. CONFIRMATION OF THE PLAN

A. Confirmation of the Plan by the Bankruptcy Court

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing to consider whether the Debtors have fulfilled the confirmation requirements of Section 1129 of the Bankruptcy Code.

The Bankruptcy Court has scheduled the hearing to consider confirmation of the Plan for ~~_____, 2013~~August 18, 2014 at ~~__~~2:~~____ a/~~00 p.m. (Central Time) (the "Confirmation Hearing"). The Confirmation Hearing will be held before The Honorable David R. Jones, at the U.S. Bankruptcy Court for the Southern District of Texas, located at 515 Rusk Avenue, Courtroom 400, Houston, Texas 77010. Objections to the confirmation of the Plan must be in writing, they must specifically describe the objection and explain the legal and factual

bases therefor, and be filed by ~~_____~~,August 8, 2014 at ~~__~~5:~~____~~ ~~a~~/00 p.m. (Central Time).

The Confirmation Hearing may be adjourned from time to time without notice except as given at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing or other notice filed on the Docket in these Chapter 11 Cases.

B. Confirmation Standards

In order for the Plan to be confirmed, the Bankruptcy Code requires, among other things, the Plan be proposed in good faith and comply with the applicable provisions of Chapter 11 of the Bankruptcy Code. The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements enumerated in Section 1129 of the Bankruptcy Code have been met, including the requirements that: (i) with respect to each class of claims or interests, such class has accepted the Plan or is not impaired by the Plan; (ii) confirmation of the Plan is not likely to be followed by the need for further financial reorganization; and (iii) the Plan is in the "best interest of creditors"; and (iv) the Plan is "fair and equitable" with respect to each Class of Claims or Interests which is impaired under the Plan. The Debtors believe that the Plan satisfies all of the foregoing requirements for confirmation.

A plan is accepted by an impaired class of claims if holders of at least two-thirds (2/3rds) in dollar amount, and more than 50% in number of claims of that class, vote to accept the plan. Only those holders of claims who actually vote (and who were entitled to vote) to accept or to reject a plan are counted in this tabulation.

Section 1129(b) of the Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, so long as at least one impaired class of claims has accepted it, without counting the votes of insiders. Confirmation under these provisions is generally referred to as a "~~cramdown~~cram down."

Pursuant to the ~~cramdown~~cram down provisions of Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm the Plan over the objection of a non-accepting Class if the Plan satisfies one of the alternative requirements of Section 1129(b)(2)(A) of the Bankruptcy Code.

The Bankruptcy Court may confirm the Plan over the objection of non-accepting Holders of Claims or Interests within a particular Class, which Class has otherwise accepted the Plan, if (i) such Holders will receive the full value of their Claims or Interests, or (ii) the non-accepting Holders of Claims or Interests are to receive less than full value but no Class of junior priority will receive anything on account of their pre-petition Claims or Interests.

If the Plan does not meet the ~~cramdown~~cram down requirements as set forth above, in the Debtors' sole discretion, the Plan may be revoked.

THESE ARE COMPLEX STATUTORY PROVISIONS, AND THE PRECEDING PARAGRAPHS ARE NOT INTENDED TO BE A COMPLETE SUMMARY OF THE LAW. IF YOU DO NOT UNDERSTAND THESE PROVISIONS, PLEASE CONSULT WITH YOUR ATTORNEY.

VI. FEASIBILITY OF THE PLAN

A. Best Interests Test

Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan, the Bankruptcy Court must determine the Plan is in the best interests of each Holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an Impaired Class does not unanimously accept the Plan, the "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of such Impaired Class a recovery on account of the member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution each such member would receive if the applicable Debtor or Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each Impaired Class of Claims or Interests would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if each of the Chapter 11 Cases were converted to a Chapter 7 case under the Bankruptcy Code and each of the respective Debtor's assets were liquidated by a Chapter 7 trustee (the "Liquidation Value"). The Liquidation Value of a Debtor would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any cash held by the Debtor.

The Liquidation Value of the Debtors' assets available to Holders of General Unsecured Claims and Interests would be reduced by, among other things: (a) the Claims of Secured Creditors to the extent of the value of their collateral; (b) the costs, fees and expenses of the liquidation, as well as other administrative expenses of the Debtors' Chapter 7 cases; (c) unpaid Administrative Claims of the Chapter 11 Cases; and (d) Priority Claims and Priority Tax Claims. The Debtors' costs of liquidation in Chapter 7 cases would include the compensation of trustees, as well as of counsel and of other professionals retained by such trustees, asset disposition expenses, applicable taxes, litigation costs, claims arising from the operation of the Debtors during the pendency of the Chapter 7 cases and all unpaid Administrative Claims incurred by the Debtors during the Chapter 11 Cases that are allowed in the Chapter 7 cases. These foregoing costs, expenses and Claims would be required to be paid in full from the Debtors' liquidation proceeds before the balance would be made available to pay General Unsecured Claims or Interests.

Please see the Liquidation Analysis which is attached as **Exhibit B** hereto.

The Debtors believe a Chapter 7 liquidation of the Debtors would result in the diminution of value to be realized by the Holders of Claims, as compared to the proposed distributions under the Plan, because of, among other factors: (a) the negative impact of conversion of each of the Chapter 11 Cases to cases under Chapter 7; (b) additional costs and expenses involved in the appointment of trustees, attorneys, accountants and other professionals to assist such trustees in the Chapter 7 cases; and (c) additional expenses and Claims, some of which would be entitled to priority in payment, that would arise by reason of the liquidation.

Consequently, the Debtors~~, as well as the Committee~~ and DIP Lender, believe the Plan will provide a greater ultimate return to Holders of Claims than such Holders would receive in Chapter 7 liquidations of the Debtors.

The Committee contends that the inability to project value recovery from the Rights of Action and Avoidance Actions assigned to the Creditors' Trust makes these assets potentially worthless to the Creditors' Trust, and thus it cannot determine if this Plan is better than otherwise provided to unsecured creditors in Chapter 7. The Debtors contend that to the extent these assets, which otherwise would go exclusively as to any recoveries to the superpriority administrative claim that Wayzata still has absent its voluntary allowance of these assets to go the Creditors' Trust, does provide property to the unsecured creditors which would not be available in Chapter 7.

B. Post-Effective Date Litigation

As set forth in the Plan Supplement, all Rights of Action of the Debtors, including Avoidance Actions, shall be (i) retained by the Reorganized Debtors, unless otherwise released pursuant to the Plan, and will continue to be or may be prosecuted (as applicable) by the Reorganized Debtors after the Effective Date, or (ii) retained by the Reorganized Debtors and transferred to the Unsecured Creditors Asset Pool.

ALL CREDITORS, RECIPIENTS OF PAYMENTS OR TRANSFERS FROM THE DEBTORS AND OTHER PARTIES IN INTEREST ARE INSTRUCTED TO REVIEW THE PLAN SUPPLEMENT FOR FURTHER INFORMATION WITH RESPECT TO SUCH RIGHTS OF ACTION AND AVOIDANCE ACTIONS.

C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires the Debtors be able to perform their obligations under the Plan. For purposes of determining whether the Plan meets this requirement, the Debtors analyzed their ability to meet their obligations under the Plan. The Debtors believe they will be able to meet their obligations under the Plan.

D. Risk Factors That May Affect Distributions Under the Plan

Distributions under the Plan for classes having a priority to the claims that comprise Allowed Unsecured Claims have minimal risk to receive their distributions, presuming Wayzata funds the Exit Facility. Allowed Unsecured Claims have some risk associated with future distributions to the extent those distributions are dependent upon future litigation results, which in turn are further dependent if successful upon future collection upon successful litigation results. The Unsecured Creditors Asset Pool is comprised of the interests set forth in the Plan. As a result, the ability to recover comprises the primary risk factor for these distributions.

VII. ALTERNATIVES TO THE PLAN

Although this Disclosure Statement is intended to provide information to assist a Holder of a Claim or Interest in determining whether to vote for or against the Plan, a summary of the alternatives to confirmation of the Plan may be helpful.

If the Plan is not confirmed with respect to any of the Debtors, it is likely some or all of the assets of the Debtors will be sold to the DIP Lender via credit bid, followed by conversion of the bankruptcy cases to cases under Chapter 7 of the Bankruptcy Code.

The alternative to the Plan is not likely to benefit Holders of Claims or Equity Interests. The Debtors believe conversion of the bankruptcy cases to Chapter 7 cases would result in (i) significant delay in distributions to Holders of Claims who would have received a Distribution under the Plan and (ii) diminished recoveries for certain Classes of Claims.

VIII. DISCLAIMER AND MISCELLANEOUS PROVISIONS

A. The Debtors Have No Duty To Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

B. No Representations Outside the Disclosure Statement Are Authorized by the Bankruptcy Court or the Bankruptcy Code Other Than as Set Forth in This Disclosure Statement

No representations concerning the Debtors (particularly as to the value of their property) are authorized by the Debtors other than as set forth in this Disclosure Statement and its Exhibits and any solicitation materials approved by the Bankruptcy Court and accompanying this Disclosure Statement as transmitted by the Solicitation Agent. Any representations or inducements made to secure your acceptance, or rejection, of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to Debtors' counsel and the Office of the U.S. Trustee.

C. All Information Was Provided by the Debtors and Was Relied Upon by Professionals

Counsel for the Debtors and other Professionals retained by the Debtors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Counsel for the Debtors and other professionals retained by the Debtors have performed certain limited due diligence in connection with preparing this Disclosure Statement but they have not verified independently the information contained herein.

D. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or Interest should consult his, her or its own legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Interest.

This Disclosure Statement is not legal advice to you. You may not reasonably rely upon this Disclosure Statement for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

E. No Admissions Made

Nothing contained herein shall constitute an admission of any fact or liability by any party (including, without limitation, any of the Debtors) on account of any litigation position, claim, or defense which inure to the Debtors' estates, or be deemed evidence of the tax or other legal effects of the Plan on the Debtors or on any Holders of any Claims or Interests.

F. No Waiver of Right To Object or Recover Transfers and Estate Assets

The vote of a Holder of a Claim or Interest for or against the Plan does not constitute a waiver or release of any claims or rights of the Debtors (or any party in interest, as applicable) to object to that creditor's Claim, or, pursuant to the Plan Supplement, to recover any preferential, fraudulent or other voidable transfer or estate assets, regardless of whether any claims of the Debtors or their respective estates are specifically or generally identified herein, except to the extent such claims are expressly released and/or waived under the Plan.

G. Pending Litigation or Demands Asserting Pre-Petition Liability

As of the date of this Disclosure Statement, the Debtors may be involved in various legal proceedings arising in the ordinary course of business operations, including employment matters, contractual disputes and environmental claims. Such claims, matters and disputes may have an impact on the distributions to the Holders of Allowed Claims under the Plan.

IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. General

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, YOU ARE HEREBY NOTIFIED THAT THE DISCUSSION OF THE U.S. FEDERAL TAX MATTERS SET FORTH IN THIS DISCLOSURE STATEMENT WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND MAY NOT BE USED, BY ANY HOLDER FOR THE PURPOSES OF AVOIDING TAX-RELATED PENALTIES UNDER U.S. FEDERAL OR STATE TAX LAW. EACH

HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM ITS OWN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax consequences of the Plan to the Debtors and certain Holders of Allowed Claims. This discussion does not purport to be tax advice and may not be applicable, depending upon the particular situation of a Holder of any Allowed Claims. **Holders of Allowed Claims should consult their own tax advisors with respect to the current and future federal, state, local and foreign tax consequences of the Plan**.

This summary is directed solely at Holders of Allowed Claims that hold such Claims as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This summary does not apply to Holders of Allowed Claims that are not "United States persons" (as such term is defined in the Code) or that are otherwise subject to special treatment under U.S. federal income tax law, such as partnerships, financial institutions, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, tax-exempt investors, expatriates, former long-term U.S. residents, and U.S. citizens who reside outside of the U.S. This summary does not discuss the tax laws of any state, local or foreign government that may be applicable to Holders of Allowed Claims.

This summary is based on the Code, the Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and all of which are subject to change, possibly with retroactive effect, or to different interpretations. No ruling has been requested from the Internal Revenue Service (the "IRS") in connection with the Plan nor will the Debtors obtain an opinion of counsel with respect to any aspect of the Plan, and no assurance can be given that the treatment described herein will be accepted by the IRS or, if challenged, by any U.S. court.

THIS SUMMARY IS NOT INTENDED AS TAX ADVICE TO ANY PARTICULAR HOLDER OF CLAIMS, WHICH MAY BE RENDERED ONLY IN LIGHT OF THAT HOLDER'S PARTICULAR TAX SITUATION. ACCORDINGLY, EACH HOLDER OF CLAIMS IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE PLAN TO SUCH HOLDER. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS.

B. Certain United States Federal Income Tax Consequences of Payment of Allowed Claims

The federal income tax consequences of the implementation of the Plan to the Holders of Allowed Claims will depend, among other things, on the consideration to be received by each such Holder, whether the Holder reports income on the accrual or cash method, whether the Holder receives distributions under the Plan in more than one taxable year, whether the Holder's Claim is Allowed or Disputed on the Effective Date, and whether the Holder has taken a bad debt deduction with respect to all or any of its Claim.

1. Recognition of Gain or Loss

In general, a Holder of an Allowed Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the Holder's tax basis in the Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Allowed Claim and the Holder, the length of time the Holder held the Claim and whether the Claim was acquired at a market discount. If the Holder realizes a capital loss, the Holder's deduction of the loss may be subject to limitation. The Holder's tax basis for any property received under the Plan generally will equal the amount realized. The Holder's amount realized generally will equal the sum of the Cash and the fair market value of any other property received by the Holder under the Plan on the Effective Date or a subsequent Distribution, less the amount (if any) treated as interest, as discussed below.

2. Market Discount

Holders who exchange Claims for Cash may be affected by the "market discount" provisions of the Code. Under these provisions, some or all of the gain realized by a Holder on an exchange of its Claims may be treated as ordinary income (instead of capital gain), to the extent of the amount of accrued "market discount" on such Claims.

Generally, a debt obligation with a fixed maturity of more than one year that is acquired by a Holder on the secondary market is considered to be acquired with "market discount" as to that Holder if the debt obligation's stated redemption price at maturity exceeds the tax basis of the debt obligation in the Holder's hands immediately after its acquisition. However, a debt obligation is not a "market discount bond" if the excess is less than a statutory de ~~minimis~~minimus amount.

Any gain recognized by a Holder on the taxable disposition of Claims that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claims were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

3. Accrued But Untaxed Interest

Pursuant to the Plan, distributions in respect of an Allowed Claim that is comprised of indebtedness and accrued but unpaid interest thereon will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to accrued but unpaid interest. However, there is no assurance the IRS will respect such allocation for U.S. federal income tax purposes. Holders of Allowed Claims who were not previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be treated as receiving taxable interest to the extent any consideration they receive under the Plan is allocable to such accrued but unpaid interest. Holders previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be entitled to recognize a deductible loss, to the extent that such accrued but unpaid interest is not satisfied under the Plan.

HOLDERS SHOULD CONSULT THEIR OWN INDEPENDENT TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR ALLOWED CLAIMS AND THE U.S. FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

4. Post-Effective Date Distributions

Because certain Holders of Allowed Claims, including Disputed Claims that ultimately become Allowed Claims, may receive Cash distributions after the Effective Date, the imputed interest provisions of the Internal Revenue Code may apply and cause a portion of the subsequent distribution to be treated as interest. Additionally, because Holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the Holder may be deferred. All Holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their Claims.

5. Bad Debt Deduction

A Holder who receives in respect of an Allowed Claim an amount less than the Holder's tax basis in the Claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under Section 166(a) of the Internal Revenue Code. The rules governing the character, timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Allowed Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

6. Information Reporting and Backup Withholding

Under the Internal Revenue Code's backup withholding rules, the Holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless the Holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

THE FOREGOING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. EACH HOLDER SHOULD CONSULT ITS OWN INDEPENDENT TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN. NONE OF THE DEBTORS, THE PROPONENTS NOR THEIR PROFESSIONALS WILL HAVE ANY LIABILITY TO ANY PERSON OR HOLDER

ARISING FROM OR RELATED TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN OR THE FOREGOING DISCUSSION.

X. CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe confirmation of the Plan is preferable to all other alternatives. Consequently, the Debtors recommend Holders of Claims and Equity Interests vote to ACCEPT the Plan and to evidence such acceptance by returning their ballots so they will be RECEIVED by the Debtors' Solicitation Agent, no later ~~———,~~than August 8, 2014 at ~~4~~:00 p.m. (Central Time).

Dated: ~~May 27,~~June 25, 2014

Respectfully submitted,

Goldking Holdings, LLC
Goldking Onshore Operating, LLC
Golding Resources, LLC

By: Eddie Hebert
Name: Edward Hebert
Title: Chief Executive Officer

HAYNES AND BOONE, LLP

1221 McKinney, Suite 2100
Houston, Texas 77010
Telephone (713) 547-2000
Facsimile (713) 547-2600

/s/Patrick L. Hughes
Patrick L. Hughes
Texas Bar No. 10227300
Ian Peck
Texas Bar No. 24013306
Christopher L. Castillo
Texas Bar No. 24065022

EXHIBIT A

CHAPTER 11 PLAN

EXHIBIT B

GENERAL DESCRIPTION OF DEBTORS OIL AND GAS PROPERTIES
ATTACH TEASER

EXHIBIT C

LIQUIDATION ANALYSIS

EXHIBIT D

DEBTORS' CLAIMS IN PENDING LITIGATION

Goldking Onshore Operating, LLC and Goldking Holdings, LLC v. Leonard C. Tallerine, Jr., Goldking Energy Corporation, Goldking Energy Partners I, LP, Goldking Energy Partners II, LLC, Goldking Capital Management, LLC, Reta Wellwood D/B/A Vermillion Contracting Co., Denna Ramsey, and Paul Culotta, Adv. Proc. No. 14-03144 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Holdings, LLC, Goldking Onshore Operating, LLC, and Goldking Resources, LLC, v. Leonard C. Tallerine, Jr., Goldking Energy Corporation, Paul V. Culotta, and Whitney L. Belanger a/k/a Louis Belanger, Jr., Adv. Proc. No. 14-03146 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Onshore Operating, LLC v. Carson Energy, Inc., Adv. Proc. No. 14-03019 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Onshore Operating, LLC v. CCW Interests Inc., Adv. Proc. No. 14-03020 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Onshore Operating, LLC v. DEI Oil & Gas, LLC, Adv. Proc. No. 14-03022 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (Notice of Dismissal filed, pending final docket dismissal designation by the Court)

Goldking Onshore Operating, LLC v. DEIMI Exploration, LLC, Adv. Proc. No. 14-03023 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (Notice of Dismissal filed, pending final docket dismissal designation by the Court)

Goldking Onshore Operating, LLC v. DPH Oil & Gas LLC, Adv. Proc. No. 14-03024 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Onshore Operating, LLC v. Hawkeye Stratigraphic, Inc., Adv. Proc. No. 14-03025 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Onshore Operating, LLC v. Mills Energy, LLC, Adv. Proc. No. 14-03026 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Goldking Onshore Operating, LLC v. Michael P. Maraist, Adv. Proc. No. 14-03031 in the United States Bankruptcy Court for the Southern District of Texas, Houston Division

Document comparison by Workshare Compare on Wednesday, June 25, 2014 9:22:31 AM

Input:	
Document 1 ID	interwovenSite://HOUDMS01/HOU/1024835/8
Description	#1024835v8<HOU> - Goldking: Disclosure Statement (final)
Document 2 ID	interwovenSite://HOUDMS01/HOU/1024835/9
Description	#1024835v9<HOU> - Goldking: Disclosure Statement (Post 5/27/14 modification)
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	134
Deletions	94
Moved from	4
Moved to	4
Style change	0
Format changed	0
Total changes	236