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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:

**HERITAGE CONSOLIDATED LLC, *et*
al.,**

DEBTORS.

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CASE NO. 10-36484-HDH-11

Chapter 11

(Jointly Administered)

JOINT PLAN OF REORGANIZATION FOR THE DEBTORS

Date: September __, 2010

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JOINT PLAN OF REORGANIZATION FOR THE DEBTOR

Heritage Consolidated LLC and Heritage Standard Corporation, debtors and debtors-in-possession in the above-referenced bankruptcy cases, together with the Lender, and CIT Capital, hereby propose this *Joint Plan of Reorganization for the Debtors* dated September __, 2010 pursuant to the provisions of chapter 11 of the Bankruptcy Code for the resolution and treatment of the Debtors' outstanding Claims, Liens and Equity Interests. Reference is hereby made to the *Disclosure Statement for the Joint Plan of Reorganization for the Debtors* for a discussion of, among other things, the history, businesses, properties, results of operations, risk factors, and a summary and analysis of this Plan, and related matters of the Debtors. All holders of Claims, Liens and Equity Interests are encouraged to read both this Plan and the Disclosure Statement before voting to accept or to reject this Plan. In the event of any inconsistencies between this Plan and the Disclosure Statement, the terms and provisions of this Plan shall control. The Plan Proponents reserve the right to alter, amend, modify, revoke, or withdraw this Plan prior to its Substantial Consummation pursuant to the terms of this Plan.

ARTICLE I.

DEFINITIONS

Except as expressly provided or unless the context otherwise requires, the terms set forth in this ARTICLE I shall have the following meanings when used in initially capitalized form in this Plan. Any term used in initially capitalized form in this Plan that is not defined herein but that is defined in the Bankruptcy Code shall have the meaning assigned to such term in the Bankruptcy Code. Such meanings shall be equally applicable to both the singular and plural forms of such terms.

1.01 Ad Valorem Tax Claim means a Claim for taxes (together with any related interest, penalty, addition to tax or additional amount imposed by any Governmental Authority) which is assessed based upon the value of the applicable Debtor's property and which is secured by a statutory Lien upon that property, or the net proceeds from the sale of such property, to the extent of the value, as of the Effective Date (or such other date as is established by the Bankruptcy Court) of such Lien as determined by a Non-Appealable Order or as otherwise agreed upon in writing by the holder of such Claim and (a) the applicable Debtor (if such agreement is effectuated prior to the Effective Date) and the Lender; or (b) the applicable Reorganized Debtor (if such agreement is effectuated on or after the Effective Date).

1.02 Administrative Claim means a Claim for payment of an administrative expense of the kind specified in Bankruptcy Code § 503(b) and entitled to priority pursuant to Bankruptcy Code § 507(a)(2), including Professional Fee Claims and U.S. Trustee Fees.

1.03 Allowed means, with reference to a Claim or any portion thereof: (a) a Claim against one or more of the Debtors, proof of which, if required, was Filed on or before the Bar Date (or with respect to an Administrative Claim, the Post-Confirmation Bar Date), which is not a Disputed Claim; (b) if no Proof of Claim was so Filed, a Claim against one or more of the

Debtors which has been or hereafter is listed by one or more of the Debtors in the Bankruptcy Schedules as liquidated in amount and not disputed or contingent and on account of which payment has not been made; or (c) a Claim allowed hereunder or by a Non-Appealable Order. An Allowed Claim does not include any Claim, or portion thereof, which is a Disallowed Claim or which has been subsequently withdrawn, disallowed, released or waived by the holder thereof or pursuant to a Non-Appealable Order. Unless otherwise specifically provided in this Plan, or by a Non-Appealable Order of the Bankruptcy Court or otherwise allowed under applicable bankruptcy law, an Allowed Claim shall not include any amount for punitive or exemplary damages, penalties, fines, post petition interest, attorney's fees or other costs.

1.04 Allowed Amount means the amount of any Allowed Claim.

1.05 Alternative Transaction Agreement means any Bankruptcy-Court approved agreement(s), including any schedules, addendums, exhibits, annexes, or other attachments thereto, to effectuate a transaction proposed by a Successful Bidder that is not the Permian Entities pursuant to the Sale Procedures Order.

1.06 Apollo Litigation means the litigation pending in the District Court of Winkler County, Texas, 109th Judicial District styled *Heritage Standard Corporation v. Apollo Perforators, Inc.*; Cause No. 15,831.

1.07 Assumed Contracts means any and all Designated Contracts that are assumed by one or more of the Debtors on or before the Effective Date and assigned to one or more of the Newco Entities as set forth in ARTICLE XI of this Plan.

1.08 Available Cash means, with respect to each Reorganized Debtor, the amount of Cash computed as follows: Available Cash equals Cash held by the applicable Reorganized Debtor minus Cash held on deposit in the Distribution Reserve Accounts of the applicable Reorganized Debtor.

1.09 Avoidance Actions means any and all rights, claims and causes of action which a trustee, one or more of the Debtors, or other appropriate party in interest would be able to assert on behalf of one or more of the Estates under applicable state statutes or the avoidance provisions of chapter 5 of the Bankruptcy Code, including actions under one or more of the provisions of Bankruptcy Code §§ 506, 542 through 551, and 553.

1.10 Ballot means each of the ballot forms distributed with the Disclosure Statement to holders of Impaired Claims entitled to vote on which the holder is to indicate acceptance or rejection of this Plan in accordance with the voting instructions and make any other elections or representations required pursuant to this Plan or the Disclosure Statement Order.

1.11 Bankruptcy Code means title 11 of the United States Code, as amended.

1.12 Bankruptcy Court means the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.

1.13 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure, the Official Bankruptcy Forms, the Federal Rules of Civil Procedure, and the Local Rules of the

United States District Court for the Northern District of Texas, each as now in effect or as hereafter amended, to the extent applicable to the Cases or proceedings therein, as the case may be.

1.14 Bankruptcy Schedules means the schedules of assets and liabilities, lists of executory contracts and unexpired leases, statements of financial affairs, and related information Filed by the Debtors pursuant to Bankruptcy Code § 521 and Bankruptcy Rule 1007, as same may be amended, supplemented or modified from time to time.

1.15 Bar Date means the deadline set by the Bankruptcy Court by which a Proof of Claim must have been Filed, which is (a) _____, 2010 for non-governmental entities; (b) _____, 2010 for governmental entities; (c) thirty days after the entry of an Order of the Bankruptcy Court approving the rejection of an executory contract or unexpired lease in the case of a Claim for damages arising from the rejection of an executory contract or unexpired lease; and (d) such other date as the Bankruptcy Court may fix.

1.16 Business Day means any day, excluding Saturdays, Sundays or “legal holidays” (as referenced in Bankruptcy Rule 9006(a)), on which commercial banks are open for business in Dallas, Texas.

1.17 Buyer means the Permian Entities, or if the Permian Entities are not the Successful Bidder, such Successful Bidder.

1.18 Cases means the Debtors’ chapter 11 cases which are pending before the Bankruptcy Court and jointly administered under Case No. 10-36484 styled *In re Heritage Consolidated LLC, et al.*

1.19 Cash means legal tender of the United States of America or equivalents thereof.

1.20 Causes of Action means any and all rights, claims, causes of action, litigation, suits, proceedings, rights of setoff, rights of recoupment, complaints, defenses, counterclaims, cross-claims and affirmative defenses of any kind or character whatsoever whether known or unknown, asserted or unasserted, reduced to judgment or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, currently existing or hereafter arising, whether set forth in the Bankruptcy Schedules and whether arising under the Bankruptcy Code or other applicable law, in contract or in tort, in law, in equity or otherwise, based in whole or in part upon any act or omission or other event occurring, prior to the Effective Date, including, but not limited to (a) claims pursuant to Bankruptcy Code § 362; (b) claims and defenses such as fraud, mistake, duress and usury; (c) claims under Bankruptcy Code § 510(c); and (d) all Avoidance Actions.

1.21 Capital Expenditures means, with respect to the Transferred Properties, the sum of (a) the cost of (i) drilling and completion of any development and/or exploration well; (ii) providing surface, lease, and well equipment to produce such wells; (iii) deepening and/or recompleting an existing wellbore to a formation which has not previously produced; and (iv) renewing or extending any existing Lease included in the Properties; and (b) imputed interest on such costs calculated at a rate equal to 10% per annum from the date such costs are incurred until such costs are repaid in full.

1.22 **CIT Capital** means CIT Capital USA Inc.

1.23 **Claim** means a claim as defined in Bankruptcy Code § 101(5) against one or more of the Debtors.

1.24 **Class** means all of the holders of Claims or Equity Interests with respect to any Debtor having characteristics substantially similar to the other Claims or Equity Interests with respect to such Debtor and which have been designated as a Class in this Plan.

1.25 **Closing** shall have the meaning given to such term in the Purchase and Sale Agreement.

1.26 **Closing Date** means the date of the Closing.

1.27 **Collateral** means any property or interest in property of any of the Debtors subject to a valid, enforceable Lien that secures the payment or performance of any Claim, which Lien is not subject to avoidance and is not otherwise invalid under the Bankruptcy Code or other applicable law.

1.28 **Committee** means any Official Committee of Unsecured Creditors appointed in the Debtors' Cases pursuant to Bankruptcy Code § 1102(a).

1.29 **Confirmation** means the entry of the Confirmation Order on the Bankruptcy Court's docket.

1.30 **Confirmation Date** means the date on which the Confirmation Order is entered on the Bankruptcy Court's docket.

1.31 **Confirmation Hearing** means the hearing or hearings before the Bankruptcy Court at which the Bankruptcy Court will consider the Confirmation of this Plan pursuant to Bankruptcy Code § 1128, as such hearings may be adjourned or continued from time to time.

1.32 **Confirmation Order** means the Order entered by the Bankruptcy Court confirming this Plan pursuant to Bankruptcy Code § 1129, as such Order may be amended, modified or supplemented.

1.33 **Consolidated** means Heritage Consolidated, LLC, a Texas limited liability company and one of the jointly-administered Debtors in these Cases.

1.34 **Creditor** means a holder of a Claim.

1.35 **Cross Canyon** means Cross Canyon Energy Corporation, a Delaware corporation.

1.36 **Cryogenic Plant** means the surface lease dated May 15, 1975 initially by and between the City of Midland and Atlantic Richfield Company for the Crittendon Gas Plant together with all physical plant equipment, compressors, machinery, parts, tools, furniture, and improvements located in or on the leased property.

1.37 Cure Claim means a Claim relating to amounts that the Bankruptcy Court determines by Non-Appealable Order to be necessary to cure all defaults, if any, and to pay all losses that have resulted from defaults, under an Assumed Contract.

1.38 Debtors in Possession means the Debtors, when acting in their capacities as representatives of the Estates.

1.39 Debtors means Consolidated and Standard, as debtors and debtors in possession of their respective Estates.

1.40 Designated Contracts means any and all contracts, agreements, leases, licenses, indentures, notes, bonds, sale and purchase orders, instruments or other commitments, whether oral or written (including any amendments or modifications thereto) which may be assumed by one or more of the Debtors pursuant to Bankruptcy Code § 365 and which one or more of the Newco Entities desire to be assigned to it or them on the Effective Date as set forth in ARTICLE XI of this Plan.

1.41 DIP Agent means CIT Capital, as administrative agent under the DIP Credit Agreement, or any successor thereto.

1.42 DIP Claim means the entirety of any Claim arising out of or under the DIP Credit Agreement, or any other DIP Lien Documents, in each case as such amount may be adjusted from time to time consistent with Orders of the Bankruptcy Court.

1.43 DIP Credit Agreement means that certain DIP Credit Agreement dated September __, 2010 by and among Consolidated, Standard, the DIP Agent, and the lenders party thereto, as amended.

1.44 DIP Documents means the DIP Credit Agreement and all promissory notes, instruments, agreements, deeds of trust, mortgages, security agreements, assignments, pledges, and financing statements that evidence, secure or relate to the DIP Credit Agreement or any Liens securing the DIP Claim.

1.45 Disallowed Claim means a Claim, or any portion thereof, that (a) has been disallowed by a Non-Appealable Order; (b) is Scheduled at zero or as contingent, disputed, or unliquidated and as to which no Proof of Claim or request for payment has been Filed or deemed timely Filed by the applicable Bar Date; or (c) is not Scheduled and as to which no Proof of Claim or request for payment has been Filed or deemed timely Filed by the applicable Bar Date.

1.46 Disclosure Statement means the Disclosure Statement for the Joint Plan of Reorganization for the Debtors dated September 17, 2010, including all exhibits and schedules thereto, as amended, supplemented or modified from time to time.

1.47 Disclosure Statement Order means the Order entered by the Bankruptcy Court approving the Disclosure Statement pursuant to Bankruptcy Code § 1125, as such Order may be amended, modified or supplemented

1.48 Disposal means Heritage Disposal Corporation, a Texas corporation.

1.49 Disposal Agreement means that certain Salt Water Disposal Agreement dated as of August 1, 2006 by and between Gathering and Standard, as the same may be amended, supplemented, or otherwise modified.

1.50 Disputed Claim means a Claim, or any portion thereof, that is set forth in a Filed Proof of Claim that (a)(i) has not been Scheduled; or (ii) has been Scheduled at zero or as contingent, unliquidated or disputed; (b) differs in nature, amount or priority from the Bankruptcy Schedules; or (c) is the subject of an objection Filed by one or more of the Debtors or the Committee and which objection has not been withdrawn or overruled by a Non-Appealable Order; provided, however, that with respect to an Administrative Claim, "Disputed Claim" means an Administrative Claim that has not been paid, that has not been Allowed by Non-Appealable Order or that is a Disallowed Claim.

1.51 Distribution means the payment of Cash or the issuance of other property to the holders of Allowed Claims pursuant to this Plan.

1.52 Distribution Reserve Accounts means the Expense Reserves, Senior Claim Distribution Reserves, and the Undeliverable Distribution Reserves established by the Plan Administrator pursuant to this Plan.

1.53 Effective Date means the later of (a) the first Business Day on which all conditions precedent to the effectiveness of this Plan have been satisfied or waived as provided in Section 6.01 of this Plan; and (b) such other date agreed to by all of the Plan Proponents; provided, however, that the Effective Date shall occur simultaneously with the Closing Date.

1.54 Equity Interest means an existing membership, stock, and/or equity interest in either of the Debtors or equity security (within the meaning of Bankruptcy Code §101(16)), in or to either of the Debtors, including, without limitation, all issued, unissued, authorized or outstanding shares of stock or other equity interests (including common and preferred) of either of the Debtors, together with any warrants, options, other derivative securities, convertible securities, liquidating preferred securities or contractual rights to purchase or acquire any such membership or equity interests at any time and all rights arising with respect thereto.

1.55 Estates means the estates created by Bankruptcy Code § 541 upon the commencement of the respective Cases.

1.56 Eunice Litigation means the litigation pending in the District Court of Winkler County, Texas, 109th Judicial District styled *ABC Rental Tools, Inc. and Eunice Well Servicing Co. v. Heritage Standard Corporation*; Cause No. 15,484.

1.57 Excluded Tubb Wells means the J.B. Tubb 1-A well and Tubb 2 Unit #1 well owned by Consolidated and located on the T-Bar Ranch in the Crittendon Production Field in West Texas.

1.58 Expense Reserves means (a) segregated accounts established by the Plan Administrator for each Reorganized Debtor; or (b) book entry accounts for each Reorganized Debtor, in the sole discretion of the Plan Administrator, established in accordance with Section 9.04 of this Plan.

1.59 Face Amount means (a) when used in reference to a Disputed or Disallowed Claim, the full, stated amount claimed by the holder of such Claim in any Proof of Claim timely Filed or otherwise deemed timely Filed by a Non-Appealable Order or other applicable bankruptcy law; (b) when used in reference to Cure Claims, the full stated amount claimed by the holder of such Claim; and (c) when used in reference to an Allowed Claim, the Allowed Amount of such Claim.

1.60 Federal Insurance Company means Federal Insurance Company together with any of its successors or assigns.

1.61 Federal Insurance Policies means Policy Nos. 3730-94-54DAL and 7984-37-37DAL issued by Federal Insurance Company under which Standard and/or others are each a named insured.

1.62 Fee Application means an application to the Bankruptcy Court for allowance of a Professional Fee Claim pursuant to Bankruptcy Code § 330 and Bankruptcy Rule 2016(a).

1.63 Filed means filed with the clerk of the Bankruptcy Court or, in the case of a Proof of Claim, filed with the clerk of the Bankruptcy Court.

1.64 Free and Clear means free and clear of all Liens, Claims, Causes of Action, encumbrances, interests, claims, pledges, security interests, rights of setoff, restrictions or limitation on use, successor liabilities, conditions, rights of first refusal, options to purchase, obligations to allow participation, agreements or rights, rights asserted in litigation matters, rights asserted in adversary proceedings in these Cases, competing rights of possession, obligations to lend, matters filed of record that relate to, evidence or secure an obligation of one or more of the Debtors or the Estates, and all expenses, and charges, of any type under, among other things, any document, instrument, agreement, affidavit, matter filed of record, cause, or state or federal law, whether known or unknown, legal or equitable, and all liens, rights of offset, replacement liens, adequate protection liens, charges, obligations, or claims granted, allowed or directed in any Order, except any Permitted Encumbrances that are not otherwise released or satisfied under this Plan.

1.65 Gathering means Heritage Gathering Corp., a Texas corporation.

1.66 Gathering Agreements means that certain Transportation Agreement dated as of September 1, 2004 by and between Standard and Gathering and that certain Transportation Agreement dated as of March 1, 2010 by and between Standard and Gathering, as the same may be amended, supplemented, or otherwise modified.

1.67 General Accounts means one or more general accounts for each Reorganized Debtor into which shall be deposited all funds not required or permitted to be deposited into any other account or reserve described in or contemplated under this Plan.

1.68 General Unsecured Claim means a Claim that is not a DIP Claim, Administrative Claim, Ad Valorem Tax Claim, Priority Claim, Lender Secured Claim (including the Lender Bridge Secured Claim), Standard Secured Claim, Other Secured Claim, M&M Secured Claim, Subordinated Claim, or Cure Claim.

1.69 Governmental Authority means any transnational, domestic or foreign federal, state or local, governmental unit, authority, department, court, agency or official, including any political subdivision thereof, or any tribal authority.

1.70 Hydrocarbons means crude oil, natural gas, condensate, casinghead gas, drip gasoline, natural gasoline, petroleum, natural gas liquids, products, liquids and other hydrocarbons.

1.71 Impaired means, when used with reference to a Claim or Equity Interest, a Claim or Equity Interest that is impaired within the meaning of Bankruptcy Code § 1124.

1.72 Lender means any holder of a Claim under the Lender Credit Agreements or any other Lender Credit Documents.

1.73 Lender Bridge Secured Claim means that portion of the Lender Secured Claim arising under that certain Promissory Note dated July 30, 2010 by Standard and Consolidated, as maker, and CIT Capital, as holder, or any related Lender Credit Documents.

1.74 Lender Credit Agreements means that certain Credit Agreement dated October 30, 2008 by and among Consolidated, CIT Capital, as administrative agent, and the lenders party thereto, as amended, and that certain Promissory Note dated July 30, 2010 by Standard and Consolidated, as maker, and CIT Capital, as holder.

1.75 Lender Credit Documents means the Lender Credit Agreements, and all promissory notes, instruments, agreements, deeds of trust, mortgages, security agreements, assignments, pledges, and financing statements that evidence, secure or relate to the Lender Credit Agreements or any Liens securing the Lender Secured Claim.

1.76 Lender Secured Claim means the entirety of any Claim arising out of or under the Lender Credit Agreements, or any other Lender Credit Documents, in each case as such amount may be adjusted from time to time consistent with Orders of the Bankruptcy Court.

1.77 Lien means, with respect to any property or asset, any mortgage, lien, interest pledge, charge, security interest, encumbrance, mechanics' lien, materialman's lien, statutory lien or right, and other consensual or non-consensual lien, whenever granted and including, without limitation, those charges or interests in property within the meaning of "lien" under Bankruptcy Code § 101(37).

1.78 M&M Liens means any Liens or Claims of any Persons, other than Liens or Claims asserted by operators of oil and gas properties arising under operating agreements to which a Debtor is a party, to the extent arising and properly perfected on or before the Bar Date on account of labor performed, or services, materials, goods or equipment furnished with respect to development, drilling, completion, maintenance, repair, operations or related activity on or with respect to any lands, material, machinery, supplies, improvements, oil and gas leases, or wells or pipelines owned, in whole or in part, by Standard, to the extent arising under these categories and under applicable law, including without limitation, the Texas Property Code Chapter 56.

1.79 M&M Secured Claim means a Secured Claim that is secured by an M&M Lien.

1.80 Net Cash Flow means (a) the proceeds from settlements, proceeds from judgment and other recoveries associated with the Apollo Litigation and Pathfinder Litigation received by one or more of the Newco Entities in accordance with Section 6.06(f) of this Plan; plus (b) proceeds from production on the Transferred Properties or sale of the Transferred Properties received by one or more of the Newco Entities in accordance with Section 6.06 of this Plan; less (c) the sum of the following to the extent related to the Transferred Properties: lease operating expenses, Capital Expenditures, reasonable well workover expenses, financing costs, severance taxes, ad valorem taxes, allocated G&A expenses, and other reasonable direct costs associated with operating the Transferred Properties.

1.81 New Consolidated Membership Interests means membership interests in Consolidated issued pursuant to the Plan.

1.82 New Standard Equity Interests means equity interests in Standard issued pursuant to the Plan.

1.83 Newco Entities means one or more existing or prospective legal entities, whether it or they be corporations, limited liability companies, general partnerships, limited partnerships, or other forms of organization, to be designated by the Buyer and to whom the Transferred Properties, including the Assumed Contracts, shall be transferred and/or assigned Free and Clear (except as otherwise provided in this Plan) on the Effective Date pursuant to the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable).

1.84 Non-Appealable Order means an order entered by the Bankruptcy Court or other court of competent jurisdiction on its docket as to which (a) the time to appeal, petition for certiorari, or move for reargument, new trial or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument, new trial or rehearing shall then be pending; or (b) in the event that any appeal, writ of certiorari, reargument, new trial or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari has been denied, or from which reargument, new trial or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument, new trial or rehearing shall have expired; provided, however, that no order shall fail to be a Non-Appealable Order solely because of the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure or a similar rule under the Federal Rules of Bankruptcy Procedure may be filed with respect to such order.

1.85 Non-Section 6 Assets means all assets owned by Consolidated identified on Exhibit 1-A attached hereto and all assets relating thereto.

1.86 Non-Section 6 JOAs means the following joint operating agreements: (a) Operating Agreement dated February 10, 1966 initially by and between Roden Oil Company, as Operator, and Sinclair Oil and Gas Company and Others, as Non-Operators; (b) Operating Agreement dated September 12, 1968 initially by and between Sinclair Oil and Gas Company, as Operator, and Getty Oil Company and Others, as Non-Operators; (c) Operating Agreement dated February 1, 1977 initially by and between Atlantic Richfield Company, as Operator, and

Superior Oil Company and Others, as Non-Operators; (d) Operating Agreement dated May 15, 1984 initially by and between Heritage Resources, Inc., as Operator, and Wisenbaker Production Company and Others, as Non-Operators; (e) Operating Agreement dated November 23, 1984 initially by and between Heritage Resources, Inc., as Operator, and Tribal Drilling Company and Others, as Non-Operators; (f) Operating Agreement dated October 23, 1985 initially by and between Heritage Resources, Inc., as Operator, and A.G. Hill Oil Producer and Others, as Non-Operators; (g) Operating Agreement dated August 1, 1987 initially by and between Heritage Resources, Inc., as Operator, and ARCO Oil & Gas Company and Others, as Non-Operators; and (h) Operating Agreement dated February 1, 1986 initially by and between Heritage Resources, Inc., as Operator, and Jack C. Bestram & Associates and Others, as Non-Operators.

1.87 Non-Section 6 Newco means the Newco Entity to which the Non-Section 6 Assets that are Transferred Properties will be transferred under the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable).

1.88 Oil and Gas Leases means any contract, agreement, lease, license, instrument, or other document, whether oral or written, pursuant to which one or more of the Debtors leases, has rights of ingress, egress, easement or passage, or otherwise has rights in or access to surface or subsurface real property and/or Hydrocarbons or other minerals and materials of every kind and description located thereon or thereunder for the purpose or use of exploration, drilling, production, gathering, or transportation of Hydrocarbons.

1.89 Operator Newco means the Newco Entity that will serve as operator under any Non-Section 6 JOAs and Pat Howell JOA that are Assumed Contracts.

1.90 Order means an order of the Bankruptcy Court.

1.91 Other Secured Claim means a Secured Claim that is not an Ad Valorem Tax Claim, DIP Claim, Lender Secured Claim, Standard Secured Claim, or M&M Secured Claim.

1.92 Pat Howell JOA means the Section 6 JOA or a joint operating agreement to be executed by Newco, Pat Howell LLC, and such other appropriate parties on terms acceptable to those parties in substantially the same form as will be included in the Plan Supplement.

1.93 Pathfinder Litigation means the litigation pending in the District Court of Winkler County, Texas, 109th Judicial District styled *Heritage Standard Corporation v. Pathfinder Energy Services, LLC*; Cause No. 15,830.

1.94 Payout Date means the date and time at which Net Cash Flow equals the Payout Obligations.

1.95 Payout Obligations means the sum of the Allowed DIP Claim, the Allowed Lender Secured Claim (which shall bear interest at a rate of 12% per annum from the Petition Date until such Claim has been satisfied in full), a work fee of \$250,000, the Lender's unpaid attorney's fees and other out-of-pocket expenses, and the Allowed Standard Secured Claim.

1.96 Permian Entities means the Permian Atlantis LLC and Permian Phoenix LLC.

1.97 Permitted Encumbrances shall have the meaning given to the term “Permitted Encumbrances” in the Purchase and Sale Agreement or the Alternative Transaction Agreement (as applicable).

1.98 Person means any person, entity or Governmental Authority of any nature whatsoever, specifically including an individual, firm, company, corporation, partnership, trust, joint venture, association, joint stock company, limited liability company, estate, unincorporated organization or other entity or organization.

1.99 Petition Date means September 14, 2010, the date on which the Debtors commenced these Cases in the Bankruptcy Court.

1.100 Plan means this Joint Plan of Reorganization for the Debtors dated September __, 2010, as the same may be amended, supplemented, or otherwise modified.

1.101 Plan Administrator means Bridge Associates LLC and any successor.

1.102 Plan Documents means all documents, forms, lists, and agreements contemplated under this Plan to effectuate the terms and conditions hereof.

1.103 Plan Interest Rate means of 6.00% per annum.

1.104 Plan Proponents means the Debtors, the Lender, and CIT Capital.

1.105 Plan Supplement means the compilation of Plan Documents and any other documents, forms, exhibits, lists, and schedules as specified in this Plan and the Disclosure Statement which will be Filed with the Bankruptcy Court, as such documents may be altered, restated, modified, or supplemented from time to time.

1.106 Post-Confirmation Bar Date means 4:00 p.m., prevailing Central time, on the first Business Day which is at least thirty days after the Effective Date.

1.107 Priority Claim means a Claim that is entitled to priority under Bankruptcy Code § 507(a)(4)-(7), (9)-(10).

1.108 Priority Tax Claim means a Claim that is entitled to priority under Bankruptcy Code § 507(a)(8).

1.109 Pro Rata means the proportion that the amount of an Allowed Claim in a Class bears to the aggregate amount of all Claims in that Class, including Disputed Claims but excluding Disallowed Claims. For purposes of this calculation, the amount of a Disputed Claim will equal the lesser of (a) its Face Amount; and (b) the amount estimated as allowable by the Bankruptcy Court.

1.110 Professional means any Person employed in the Cases pursuant to Bankruptcy Code §§ 327 or 1103.

1.111 Professional Fee Claim means an Administrative Claim of a Professional for compensation for services rendered and/or reimbursement of costs and expenses incurred on and after the Petition Date and prior to the Effective Date.

1.112 Proof of Claim means a written statement setting forth a Creditor's Claim and conforming substantially to the appropriate official form.

1.113 Purchase and Sale Agreement means the Purchase and Sale Agreement dated as of September 7, 2010 by and among Permian Atlantis LLC, Permian Phoenix LLC, and the Debtors, and any schedules, addendums, exhibits, annexes, or other attachments thereto [Docket No. ____].

1.114 Released Parties means the Debtors, the Debtors' present directors and officers, the Estates, the Reorganized Debtors, Michael B. Wisenbaker, the Plan Administrator, the Lender, CIT Capital, Cross Canyon, Gathering, Disposal, Permian Atlantis LLC, Permian Phoenix LLC, the Buyer (if the Permian Entities are not the Successful Bidder), and the Newco Entities.

1.115 Reorganized Consolidated means Consolidated on and after the Effective Date.

1.116 Reorganized Debtors means Reorganized Consolidated and Reorganized Standard.

1.117 Reorganized Standard means Standard on and after the Effective Date.

1.118 Sale Procedures Order means the *Order (A) Approving Sale Procedures and Bid Protections in Connection with Sale of Assets; (B) Approving Form and Manner of Notice of Sale and of Assumption and Assignment of Executory Contracts and Unexpired Leases; and (C) Granting Related Relief* [Docket No. ____] entered by the Bankruptcy Court.

1.119 Scheduled means, with respect to any Claim or Equity Interest, the status and amount, if any, of such Claim or Equity Interest as set forth in the Bankruptcy Schedules.

1.120 Secured Claim means (a) any Claim or portion thereof that is reflected in the Bankruptcy Schedules or a Proof of Claim as secured by a perfected security interest in, or Lien upon, any Collateral, or the net proceeds from the sale of such Collateral, in which one or more of the Debtors has an interest, to the extent of the value, as of the Petition Date (or such other date as is established by the Bankruptcy Court) of such security interest or Lien as determined by a Non-Appealable Order pursuant to Bankruptcy Code § 506 or as otherwise agreed upon in writing by the holder of such Claim, the Lender and (i) the applicable Debtor (if such agreement is effectuated prior to the Effective Date), or (ii) the applicable Reorganized Debtor (if such agreement is effectuated on or after the Effective Date); or (b) a Setoff Claim.

1.121 Section 6 Assets means all assets owned by Consolidated identified on **Exhibit 1-B** attached hereto and all assets relating thereto.

1.122 **Section 6 JOA** means that certain Operating Agreement dated January 25, 2008 initially by and between Stratco Operating Company, Inc., as Operator, and George G. Staley and Others, as Non-Operators.

1.123 **Section 6 Newco** means the Newco Entity to which the Section 6 Assets that are Transferred Properties will be transferred under the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable).

1.124 **Senior Claim Distribution Reserves** means (a) segregated accounts for each Reorganized Debtor established by the Plan Administrator, or (b) book entry accounts for each Reorganized Debtor, in the sole discretion of the Plan Administrator, established in accordance with Section 9.03 of this Plan.

1.125 **Setoff Claim** means a Claim of a holder that has a valid right of setoff with respect to such Claim which right is enforceable under Bankruptcy Code § 553 as determined by a Non-Appealable Order or as otherwise agreed in writing by the holder of such Claim, the Lender, and (a) the applicable Debtor (if such agreement is effectuated prior to the Effective Date); or (b) the applicable Reorganized Debtor (if such agreement is effectuated on or after the Effective Date), to the extent of the amount subject to such right of setoff.

1.126 **Sidetrack Costs** means any and all costs, expenses, or charges associated with the Sidetrack Drilling Operation.

1.127 **Sidetrack Drilling Operation** means the sidetrack of the Pat Howell #1 Well located in Section 6, Block 74, Winkler County, Texas.

1.128 **Standard** means Heritage Standard Corporation, a Texas corporation and one of the jointly administered Debtors in these Cases.

1.129 **Standard Secured Claim** means any and all Claims under the Non-Section 6 JOAs and the Section 6 JOA.

1.130 **Subordinated Claim** means any Claim (a) arising from rescission of a purchase or sale of a security of any of the Debtors or of an affiliate of any of the Debtors; (b) for damages arising from the purchase or sale of such a security; (c) for reimbursement or contribution allowed under Bankruptcy Code § 502 on account of a Claim described in (a) or (b) above; (d) otherwise subordinated pursuant to Bankruptcy Code § 510; (e) subordinated by Non-Appealable Order; (f) based on fines, penalties, forfeiture or for multiple, exemplary, or punitive damages; or (g) of one or more affiliates or insiders of either of the Debtors, including those Persons identified on Exhibit 3 attached hereto.

1.131 **Substantial Consummation** means the consummation of the transactions (including the Closing) required, as applicable, under ARTICLE VI in accordance with Bankruptcy Code § 1101(2), which shall occur on the Effective Date.

1.132 **Successful Bidder** shall have the meaning given to such term in the Sale Procedures Order.

1.133 Transaction Documents means the documents contemplated to be executed under the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable).

1.134 Transferred Properties means the Transferred Properties as defined in each of the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable).

1.135 U.S. Trustee Fees means fees payable pursuant to 28 U.S.C. § 1930.

1.136 Undeliverable Distribution Reserves means (a) segregated accounts for each Reorganized Debtor established by the Plan Administrator, or (b) book entry accounts for each Reorganized Debtor, in the sole discretion of the Plan Administrator, established in accordance with Section 9.02 of this Plan.

1.137 Undeliverable or Unclaimed Distribution means a Distribution by the Plan Administrator under this Plan that is either (a) attributable to a holder of an Allowed Claim that has failed to prepare, execute and return to the Plan Administrator an Internal Revenue Service Form W-9 if so requested by the Plan Administrator; or (b) returned to the Plan Administrator as undeliverable or otherwise unclaimed.

1.138 Unimpaired means, when used with reference to a Claim or Equity Interest, a Claim or Equity Interest that is not Impaired.

1.139 Vested Assets means any property of either of the Debtors that is not Transferred Properties, which property shall include (a) the Causes of Action relating to the Apollo Litigation, Eunice Litigation, and Pathfinder Litigation subject to Section 6.06(f) of this Plan; (b) the Cryogenic Plant, (c) the Excluded Tubb Wells; and (d) the Avoidance Actions.

1.140 Voting Deadline means the date and time, as fixed by an Order of the Bankruptcy Court and set forth in the Disclosure Statement, by which all Ballots to accept or reject this Plan must be received in order to be counted.

1.141 Voting Record Date means the record date for voting on this Plan, which shall be _____, 2010.

1.142 Working Interest Back-In shall have the meaning given to it in the Purchase and Sale Agreement.

ARTICLE II

TREATMENT OF ADMINISTRATIVE CLAIMS

2.01 Treatment. Except as otherwise provided herein, the holder of an Allowed Administrative Claim, in full satisfaction, settlement, release and discharge of, and in exchange for such Claim, shall be paid by the applicable Reorganized Debtor such holder's Allowed Claim in one Cash payment on the later of (i) the Effective Date (or as soon as reasonably practicable thereafter) or (ii) fifteen Business Days following the date such Claim is Allowed by Non-Appealable Order; or (b) receive such other less favorable treatment that may be agreed upon in writing by the applicable Debtor, the Lender, and the holder of such Claim.

2.02 General Administrative Claims. Except as otherwise set forth in this ARTICLE II, each holder of an Administrative Claim shall be required to file with the Bankruptcy Court, and to serve upon all parties required to receive notice, an application for allowance of such Administrative Claim on or before the Post-Confirmation Bar Date or be forever barred and discharged from doing so; provided, however, the DIP Lenders shall not be required to file an application for allowance of their respective DIP Claims. The Administrative Claims subject to the Post-Confirmation Bar Date include (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; and (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. An Administrative Claim with respect to which an application has been properly and timely filed pursuant to this Section 2.02 shall be treated and paid as an Administrative Claim only to the extent allowed by Non-Appealable Order; provided, however, that Administrative Claims incurred and paid by the Debtors in the ordinary course of business on and after the Petition Date shall be deemed Allowed Claims and shall not be required to submit applications for approval of Administrative Claims.

2.03 DIP Claim. The DIP Claim is an Allowed Claim. On the Effective Date, one-half of the DIP Claim shall be applied to reduce the Distribution to be made to the holder of the Allowed Standard Secured Claim under Section 4.02(a)(iv) of this Plan. The unpaid portion of the DIP Claim shall be satisfied by the Newco Entities on the terms set forth in Section 6.06 of this Plan.

2.04 Treatment of Priority Tax Claims. Each holder of an Allowed Priority Tax Claim shall be paid by the applicable Reorganized Debtor in Cash in full on the Effective Date. The Cash payment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Priority Tax Claim.

2.05 Professional Fee Claims. Each Professional whose retention with respect to the Debtors' Cases has been approved by the Bankruptcy Court and who holds or asserts an Administrative Claim that is a Professional Fee Claim shall be required to File with the Bankruptcy Court, and to serve on all parties required to receive notice, a final Fee Application on or before the Post-Confirmation Bar Date. The failure to timely File the Fee Application shall result in the Professional Fee Claim being forever barred and discharged. A Professional Fee Claim with respect to which a Fee Application has been properly and timely Filed pursuant to this Section 2.05 shall be treated and paid as an Administrative Claim only to the extent allowed by Non-Appealable Order. No Professional Fee Claims shall be allowed on account of any services rendered by a Professional whose retention with respect to the Cases has not been approved by the Bankruptcy Court.

2.06 U.S. Trustee Fees. All unpaid U.S. Trustee Fees shall be paid by the applicable Debtor in Cash in full on and after the Effective Date (or as soon as reasonably practicable after such fees become due).

ARTICLE III

DESIGNATION OF CLASSES OF CLAIMS AND INTERESTS

3.01 Introduction. In accordance with Bankruptcy Code § 1123(a)(1), all Claims and Equity Interests (except for Administrative Claims) are placed in the Classes described below for all purposes, including voting on, confirmation of, and Distributions under this Plan. Administrative Claims have not been classified.

A Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Equity Interest falls within the description of that Class and is classified in other Classes only to the extent the other portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to this Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

3.02 Claims against and Equity Interests in Consolidated. The Claims against and Equity Interests in Consolidated are classified as follows:

<u>Class</u>	<u>Class Description</u>	<u>Status</u>	<u>Voting Rights</u>
Class 1	Allowed Ad Valorem Tax Claims	Unimpaired	Not Entitled to Vote
Class 2	Allowed Priority Claims	Unimpaired	Not Entitled to Vote
Class 3	Allowed Lender Secured Claim	Impaired	Entitled to Vote
Class 4	Allowed Standard Secured Claim	Impaired	Entitled to Vote
Class 5	Allowed Other Secured Claims	Unimpaired	Not Entitled to Vote
Class 6	Reserved	N/A	N/A
Class 7	Allowed General Unsecured Claims	Impaired	Entitled to Vote
Class 8	Allowed Subordinated Claims	Impaired	Entitled to Vote
Class 9	Allowed Equity Interests	Impaired	Entitled to Vote

3.03 Claims against and Equity Interests in Standard. The Claims against and Equity Interests in Standard are classified as follows:

<u>Class</u>	<u>Class Description</u>	<u>Status</u>	<u>Voting Rights</u>
Class 1	Allowed Ad Valorem Tax Claims	Unimpaired	Not Entitled to Vote
Class 2	Allowed Priority Claims	Unimpaired	Not Entitled to Vote
Class 3	Allowed Lender Bridge Secured Claim	Unimpaired	Not Entitled to Vote
Class 4	Reserved	N/A	N/A
Class 5	Allowed Other Secured Claims	Unimpaired	Not Entitled to Vote
Class 6	Allowed M&M Secured Claim	Impaired	Entitled to Vote
Class 7	Allowed General Unsecured Claims	Impaired	Entitled to Vote
Class 8	Allowed Subordinated Claims	Impaired	Entitled to Vote
Class 9	Allowed Equity Interests	Impaired	Entitled to Vote

ARTICLE IV

**PROVISIONS FOR SATISFACTION
OF CLAIMS AND INTERESTS**

4.01 Introduction. The Claims and Equity Interests as classified in ARTICLE III shall be treated and satisfied in the manner set forth in this ARTICLE IV. The payments or Distributions may be made as more particularly set forth in this Plan.

4.02 Treatment of Classified Claims and Equity Interests.

(a) **Consolidated – Treatment of Classified Claims and Equity Interests.**

(i) **Class 1 (Allowed Ad Valorem Tax Claims).** Each holder of an Allowed Ad Valorem Tax Claim against Consolidated's Estate shall, at the election of the Plan Administrator, (A) receive Distributions from Reorganized Consolidated out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Ad Valorem Tax Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Ad Valorem Tax Claim.

(ii) **Class 2 (Allowed Priority Claims).** Each holder of an Allowed Priority Claim against Consolidated's Estate shall, at the election of the Plan Administrator, (A) receive Distributions from Reorganized Consolidated out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Priority Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Priority Claim.

(iii) **Class 3 (Allowed Lender Secured Claim).** On the Effective Date, the Lender Secured Claims shall be Allowed in the aggregate amount of \$18,035,100 of principal as of the date of this Plan, subject to upward adjustment based on, among other things, any and all interest, attorney's fees, and other fees and expenses to which the holder of the Lender Secured Claim may be entitled under the Lender Credit Agreement, this Plan, and Orders of the Bankruptcy Court. Included in the Allowed Lender Secured Claim shall be the Lender Bridge Secured Claim, which shall be \$400,000 of principal as of the date of this Plan, subject to upward adjustment based on, among other things, any and all interest, attorney's fees, and other fees and expenses to which the holder of the Lender Bridge Secured Claim may be entitled under that certain Promissory Note dated July 30, 2010 by Standard and Consolidated, as maker, and CIT Capital, as holder, or any related Lender Credit Documents. On the Effective Date, one-half of the Allowed Lender Bridge Secured Claim shall be applied to reduce the Distribution to be made to the holder of the Allowed Standard Secured Claim under Section 4.02(a)(iv) of this Plan. The unpaid portion of the Allowed Lender Bridge Secured Claim shall be satisfied by the Newco Entities on the terms set forth in ARTICLE VI of this Plan.

(iv) **Class 4 (Allowed Standard Secured Claim)**. On the Effective Date, the Standard Secured Claim shall be Allowed in the aggregate amount of **no more than** \$16,100,000. Standard, as holder of the Allowed Standard Secured Claim against Consolidated's Estate, shall (A) be paid, by Newco the amount of \$3.56 million (subject to the adjustments set forth in Sections 2.03, 4.02(a)(iv) (specifically, the second-to-last sentence of Section 4.02(a)(iv)), and 4.02(b)(iii) of this Plan) in one Cash payment on the Effective Date (or as soon as reasonably practicable thereafter); and (B) receive the treatment set forth in ARTICLE VI of this Plan. Subject to Section 6.06(c) of this Plan, Standard shall retain its liens in connection with the Allowed Standard Secured Claim against the Section 6 Assets until such Claim is satisfied as provided herein. This treatment shall be in exchange for and in full satisfaction and discharge of the Allowed Standard Secured Claim, which shall include any and all Cure Claims under the Non-Section 6 JOAs and Pat Howell JOA. As a result, Standard shall waive any and all deficiencies with respect to any Claim under the Non-Section 6 JOAs and the Pat Howell JOA. The Allowed Standard Secured Claim shall be reduced to the extent that the Allowed Standard Secured Claim exceeds the aggregate amount of Allowed Claims in Standard Classes 6 and 7, and such reduction shall be offset against any Distributions made to holders of Allowed Standard Secured Claim under Section 6.06(c).

(v) **Class 5 (Other Secured Claim)**. Each holder of an Allowed Other Secured Claim against Consolidated's Estate shall, at the election of the Plan Administrator, (A) receive Distributions from Reorganized Consolidated out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Other Secured Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; (B) receive title to such holder's Collateral; (C) be paid by Reorganized Consolidated under the terms of the agreement under which the Other Secured Claim arose provided that Reorganized Consolidated shall cure any arrearages under such agreement on the later of (I) the Effective Date (or as soon as reasonably practicable thereafter) and (II) fifteen Business Days following the date such Claim is Allowed by Non-Appealable Order; or (D) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Other Secured Claim.

(vi) **Class 6.** [Reserved]

(vii) **Class 7 (Allowed General Unsecured Claims)**. Each holder of an Allowed General Unsecured Claim against Consolidated's Estate shall, at the election of the Plan Administrator, (A) receive its Pro Rata share of Distributions of Available Cash from Reorganized Consolidated out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed General Unsecured Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed General Unsecured Claim.

(viii) **Class 8 (Allowed Subordinated Claims)**. Each holder of an Allowed Subordinated Claim shall, at the election of the Plan Administrator, (A) receive its Pro Rata share of Distribution of Available Cash from Reorganized Consolidated out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Subordinate Claim until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Subordinated Claim.

(ix) **Class 9 (Allowed Equity Interests)**. On the Effective Date, each then-issued and outstanding Equity Interest in Consolidated shall be cancelled and extinguished, and a New Consolidated Membership Interest shall be issued to such holder in place of the cancelled and extinguished Equity Interest in Consolidated. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Equity Interest.

(b) **Standard – Treatment of Classified Claims and Equity Interests.**

(i) **Class 1 (Allowed Ad Valorem Tax Claims)**. Each holder of an Allowed Ad Valorem Tax Claim against Standard's Estate shall, at the election of the Plan Administrator, (A) receive Distributions from Reorganized Standard out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Ad Valorem Tax Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Ad Valorem Tax Claim.

(ii) **Class 2 (Allowed Priority Claims)**. Each holder of an Allowed Priority Claim against Standard's Estate shall, at the election of the Plan Administrator, (A) receive Distributions from Reorganized Standard out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Priority Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Priority Claim.

(iii) **Class 3 (Allowed Lender Bridge Secured Claim)**. On the Effective Date, the Lender Bridge Secured Claim shall be Allowed in the aggregate amount of \$400,000 of principal as of the date of this Plan, subject to upward adjustment based on, among other things, any and all interest, attorney's fees, and other fees and expenses to which the holder of the Lender Bridge Secured Claim may be entitled under that certain Promissory Note dated July 30, 2010 by Standard and Consolidated, as maker, and CIT Capital, as holder, or any related Lender Credit Documents. On the Effective Date, one-half of the Allowed Lender Bridge Secured Claim shall be applied to reduce the Distribution to be made to the holder of the Allowed Standard Secured Claim under Section 4.02(a)(iv) of this Plan. The unpaid portion of

the Allowed Lender Bridge Secured Claim shall be satisfied by the Newco Entities on the terms set forth in Section 6.06 of this Plan.

(iv) **Class 4.** [Reserved]

(v) **Class 5 (Other Secured Claim).** Each holder of an Allowed Other Secured Claim against Standard's Estate shall, at the election of the Plan Administrator, (A) receive Distributions from Reorganized Standard out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Other Secured Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; (B) receive title to such holder's Collateral; (C) be paid by Reorganized Standard under the terms of the agreement under which the Other Secured Claim arose provided that Reorganized Standard shall cure any arrearages under such agreement on the later of (I) the Effective Date (or as soon as reasonably practicable thereafter) and (II) fifteen Business Days following the date such Claim is Allowed by Non-Appealable Order; or (D) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Other Secured Claim.

(vi) **Class 6 (M&M Secured Claim).** Each holder of an Allowed M&M Secured Claim against Standard's Estate shall, at the election of the Plan Administrator, (A) receive its Pro Rata share of Distributions of Available Cash from Reorganized Standard out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed M&M Secured Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder, the Lender and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed M&M Secured Claim.

(vii) **Class 7 (Allowed General Unsecured Claims).** Each holder of an Allowed General Unsecured Claim against Standard's Estate shall, at the election of the Plan Administrator, (A) receive its Pro Rata share of Distributions of Available Cash from Reorganized Standard out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed General Unsecured Claim plus interest at the Plan Interest Rate from the Petition Date until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such holder and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed General Unsecured Claim.

(viii) **Class 8 (Allowed Subordinated Claims).** Each holder of an Allowed Subordinated Claim shall, at the election of the Plan Administrator, (A) receive its Pro Rata share of Distribution of Available Cash from Reorganized Standard out of its Senior Claim Distribution Reserve in the amount of such holder's Allowed Subordinate Claim until such Claim has been satisfied in full as and at the time provided under ARTICLE VIII of this Plan; or (B) receive such other less favorable treatment that may be agreed upon in writing by such

holder and the Plan Administrator. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Subordinated Claim.

(ix) **Class 9 (Allowed Equity Interests)**. On the Effective Date, each then-issued and outstanding Equity Interest in Standard shall be cancelled and extinguished, and a New Standard Equity Interests shall be issued to such holder in place of the cancelled and extinguished Equity Interest in Standard. This treatment shall be in exchange for and in full satisfaction and discharge of the holder's Allowed Equity Interest.

4.03 Designation of Impaired and Unimpaired Classes.

(a) **Impaired Classes of Claims.** Consolidated Classes 3, 4, 7, and 8 and Standard Classes 6, 7, and 8 are Impaired, and therefore, holders of Claims in such Classes are entitled to cast Ballots with respect to this Plan.

(b) **Impaired Classes of Equity Interests.** Consolidated Class 9 and Standard Class 9 are Impaired, and therefore, holders of Equity Interests in such Classes are entitled to cast Ballots with respect to this Plan.

ARTICLE V

ACCEPTANCE OR REJECTION OF THIS PLAN

5.01 Classes Entitled to Vote. Each Impaired Class of Claims that will receive or retain property or any interest in property under this Plan shall be entitled to vote to accept or reject this Plan as provided in the Disclosure Statement Order or any other Order.

5.02 Acceptance by Impaired Classes of Claims. An Impaired Class of Claims shall have accepted this Plan if (a) the holders (other than any holder designated under Bankruptcy Code § 1126(e)) of at least two-thirds in dollar amount of the Allowed Claims actually voting in such Class have voted to accept this Plan; and (b) the holders (other than any holder designated under Bankruptcy Code § 1126(e)) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept this Plan.

5.03 Cramdown. If each Impaired Class of Claims and Equity Interests does not accept this Plan, the Plan Proponents request Confirmation of this Plan under Bankruptcy Code § 1129(b). The Plan Proponents reserve the right to modify this Plan to the extent, if any, that Confirmation pursuant to Bankruptcy Code § 1129(b) requires modification or for any other reason in their discretion.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THIS PLAN

6.01 Conditions Precedent to the Effective Date. Each of the following events shall occur on or before the Effective Date; provided however, except as otherwise provided in this Section 6.01, the Plan Proponents may waive in writing any or all of the following events, whereupon the Effective Date shall occur without further action by any Person:

(a) the Confirmation Order, in a form and substance reasonably acceptable to each of the Plan Proponents and the Buyer shall have been entered by the Bankruptcy Court on or before December 8, 2010 and shall not be subject to a stay and shall include one or more findings that (i) this Plan is confirmed with respect to the Debtors; (ii) the Plan Proponents and the Buyer have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code as set forth in Bankruptcy Code § 1125(e); (iii) the Purchase and Sale Agreement are approved; and (iv) the Debtors are authorized to take all actions and consummate all transactions contemplated under the Purchase and Sale Agreement and this Plan;

(b) each of the conditions to closing set forth in the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable) shall have occurred (or occur on the Effective Date) or have been waived in accordance with such agreement;

(c) all documents, instruments, and agreements provided under, or necessary to implement, this Plan and the Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable) shall have been executed and delivered by the applicable parties (except with respect to such documents, instruments, and agreements contemplated to be executed at the Closing);

(d) all other documents required to be included in the Plan Supplement, each in form and substance reasonably acceptable to the Plan Proponents, shall have been duly and validly executed and delivered by the parties thereto and all conditions to their effectiveness shall have been satisfied or waived;

(e) the Bankruptcy Court shall have approved the transfer of the Transferred Properties to the respective Newco Entities Free and Clear, the cancellation and issuance of Equity Interests in the Debtors, and the assumption of the Designated Contracts by the respective Debtors and the assignment of the same to the respective Newco Entities;

(f) all necessary material consents and approvals have been obtained from, among others, governmental authorities, to transfer to the appropriate Newco Entities all permits, approvals, franchises, licenses or other rights granted by any governmental authority and necessary for the lawful ownership of any of the Transferred Properties or other lawful conduct of the Debtors' respective businesses as currently conducted; and

(g) all material documents, instruments, and agreements provided under, or necessary to implement, the Plan, including, but not limited to, one or more bills of sale and assignment and assumption agreements providing for the assignment and conveyance by the respective Debtors of all of the Transferred Properties, special warranty deeds, and intellectual property assignment agreements (all of which shall be in a form and substance acceptable to the Buyer) shall have been executed and delivered by the applicable parties.

6.02 Sale Procedures Order and Alternative Transactions. Pursuant to the Sale Procedures Order, the offers set forth in the Purchase and Sale Agreement are subject to higher and better offer on the terms set forth in the Sale Procedures Order. Under certain circumstances set forth in the Sale Procedures Order, the Plan may be withdrawn prior to Confirmation to effectuate a transaction under an Alternative Transaction Agreement.

6.03 Plan is Motion to Transfer Transferred Properties. This Plan shall be considered a motion pursuant to Bankruptcy Code §§ 105, 363, and 365 to transfer and assign to the Newco Entities Free and Clear, but subject to their obligations under the Plan, any and all Transferred Properties as of the Effective Date and with all benefits to the Estates under such sections of the Bankruptcy Code. Any objections to such transfer and assignment must be made as an objection to Confirmation of this Plan to be heard at the Confirmation Hearing.

6.04 Transfer of Transferred Properties. Except as otherwise set forth in this Plan or the Confirmation Order, on the Effective Date, (a) the Transferred Properties shall be transferred to the appropriate Newco Entities Free and Clear; and (b) the Designated Contracts shall be assumed by the respective Debtors as provided in ARTICLE XI and assigned to the appropriate Newco Entities. On the Effective Date, Operator Newco shall be elected and/or designated as the operator under all Non-Section 6 JOAs and the Pat Howell JOA that are Assumed Contracts. The Confirmation Order shall contain findings and conclusions that Operator Newco has been so elected or designated as operator under such joint operating agreements, those findings and conclusions shall serve as the written consent of the counterparties to the Non-Section 6 JOAs and Pat Howell JOAs, and those findings and conclusions shall be binding on all parties to such joint operating agreement(s).

After the Effective Date, the Newco Entities may present such Order(s) or assignment(s) to the Bankruptcy Court, suitable for filing in the records of every county or governmental agency where the Transferred Properties is or were located, which provide that such property is conveyed to one or more of the Newco Entities. The Order(s) or assignment(s) may designate all Liens, Claims, encumbrances, or other interests which appear of record and/or from which the property is being transferred and assigned. This Plan shall be conclusively deemed to be adequate notice that such Lien, Claim, encumbrance, or other interest is being extinguished, and no notice, other than by this Plan, shall be given prior to the presentation of such Order(s) or assignment(s). Any Person having a Lien, Claim, encumbrance, or other interest in or against any Transferred Properties shall be conclusively deemed to have consented to the transfer and assignment of such Transferred Properties Free and Clear to the appropriate Newco Entities by failing to object to confirmation of this Plan, except as otherwise provided in this Plan; provided, however, nothing herein shall be deemed to be a release of any Lien, Claim, encumbrance or other interest on, in or against property that is not a Transferred Property or that is a Permitted Encumbrance.

6.05 Oil and Gas Leases. To the extent any of the Oil and Gas Leases constitute executory contracts or unexpired leases of real property under Bankruptcy Code § 365, such Oil and Gas Leases shall be assumed by the respective Debtor and assigned to the appropriate Newco Entity and, unless otherwise ordered by the Bankruptcy Court and agreed to by the Buyer, the related cure amount shall be \$0. To the extent any of the Oil and Gas Leases constitute contracts or other property rights not assumable under Bankruptcy Code § 365, such Oil and Gas Leases shall be transferred and assigned to the appropriate Newco Entity pursuant to Section 6.02 and 6.03 of this Plan. Except for the defaults of a kind specified in Bankruptcy Code §§ 365(b)(2) and 541(c)(1) (which defaults the Debtors and the appropriate Newco Entity will not be required to cure), or as otherwise provided herein, the legal, equitable and contractual rights of the counterparties to such Oil and Gas Leases shall be unaltered by the Plan.

6.06 Satisfaction of DIP Claim and Lender Secured Claim; Newco Entities Operations; Working Interests in Certain Transferred Properties.

(a) **DIP Facility.** On the Effective Date, (i) one-quarter of the outstanding balance of the DIP Claim shall be assumed by Section 6 Newco; and (ii) one-quarter of the outstanding balance of the DIP Claim shall be assumed by Non-Section 6 Newco. Non-Section 6 Newco shall guarantee the repayment and satisfaction of the DIP Claim assumed by Section 6 Newco under this Section 6.06(a), and Section 6 Newco shall guarantee the repayment and satisfaction of the DIP Claim assumed by Non-Section 6 Newco under this Section 6.06(a).

(b) **Sidetrack Drilling Operations with Respect to the Pat Howell #1 Well.** Section 6 Newco shall commence the Sidetrack Drilling Operations on or before the expiration of ninety days after Effective Date and diligently pursue the completion and production of the Sidetrack Drilling Operations and maintain operations and production as a prudent operator in accordance with industry standards and non-bankruptcy law. The Plan Administrator shall be entitled to assess to all books, records, reports and employees of Section 6 Newco for the purpose of monitoring compliance with the provisions hereof. Section 6 Newco is required to generate and provide the Plan Administrator with a third party audited reserve report with a reputable engineering firm mutually agreed upon by the parties. The Bankruptcy Court shall retain jurisdiction to hear and resolve any and all disputes related the parties' rights and obligations hereunder.

(c) **Section 6 Newco's Working Interests in the Pat Howell #1 Well and the A.G. Hill #1 Well.** Section 6 Newco's share of net proceeds of production from the operations of the Pat Howell #1 Well and the A.G. Hill #1 Well shall be paid as follows: (i) first, to the DIP Agent to satisfy the DIP Claim associated with Tranche B under the DIP Credit Agreement; (ii) second, to Section 6 Newco to reimburse it for that portion of the Sidetrack Costs that it paid (excluding that portion that was funded by Pat Howell LLC or under the DIP Credit Agreement); (iii) third, to the DIP Agent to satisfy the outstanding DIP Claim that was assumed by it pursuant to Section 6.06(a) of this Plan; (iv) fourth, to CIT Capital to satisfy any outstanding Allowed Lender Bridge Secured Claim (after application as provided under Section 4.02(a)(iii) and 4.02(b)(iii) of this Plan); (v) fifth, to Standard to satisfy the unpaid amount of the Allowed Standard Secured Claim; and (vi) sixth, to Section 6 Newco upon satisfaction in full of the DIP Claim, other Sidetrack Costs paid by Section 6 Newco as provided in this Section 6.06(c), the Allowed Lender Bridge Secured Claim, and the Allowed Standard Secured Claim. The obligation to pay the unpaid Allowed Standard Secured Claim is non-recourse and secured by the Section 6 Assets, and Section 6 Newco shall not have any liability or obligation to the holder of the Allowed Standard Secured Claim if Section 6 Newco's share of net proceeds of production from the Section 6 Assets (including the production from the operations of the Pat Howell #1 Well and A.G. Hill #1 Well) are insufficient to pay the Allowed Standard Secured Claim in full. Section 6 Newco is required to generate and provide the Plan Administrator with a third party audited reserve report with a reputable engineering firm mutually agreed upon by the parties.

(d) **Pat Howell LLC's Working Interest in the Pat Howell #1 Well.** Section 6 Newco acknowledges that Pat Howell LLC holds an 18.75% working interest in the Pat Howell #1 Well, and Pat Howell LLC shall be entitled to its share of net proceeds of

production from the operation of the Pat Howell #1 Well subject to the Pat Howell JOA. Before commencing the Sidetrack Drilling Operations, Section 6 Newco shall issue an authority for expenditure to Pat Howell LLC and such other working interest owners that are party to the Pat Howell JOA. Pat Howell LLC shall timely pay its share of the authority for expenditure relating to the Sidetrack Drilling Operations pursuant to the terms of the Pat Howell JOA. Pat Howell LLC's share of proceeds from the operation of the Pat Howell #1 Well shall be paid as follows: (i) first, to Pat Howell LLC to reimburse it for that portion of the Sidetrack Costs that it paid to Section 6 Newco; (ii) second, to Standard to satisfy the unpaid Allowed Standard Secured Claim; (iii) third, to holders of Allowed General Unsecured Claims until all such Allowed General Unsecured Claims are paid or reserved in full, and (iv) fourth to Pat Howell LLC upon the satisfaction in full of all allowed claims of the estates.

(e) **Reorganized Consolidated's Working Interest in the Non-Section 6 Assets and the Section 6 Assets.** After the Payout Date, the Newco Entities shall assign to Reorganized Consolidated the Working Interest Back-In on the terms provided under the Purchase and Sale Agreement or the Alternative Transaction Agreement (as applicable).

(f) **Litigation Recoveries.** The net proceeds from settlements, proceeds from judgment and other recoveries associated with the Apollo Litigation and Pathfinder Litigation shall be applied and/or paid as follows: (i) first, to Reorganized Standard to satisfy the Allowed Claims (excluding Subordinated Claims) against Standard's Estate; and (ii) once the Allowed Claims (excluding Subordinated Claims) against Standard's Estate are satisfied in full pursuant to Section 4.02(b) of this Plan, 50% to Section 6 Newco and 50% to Reorganized Standard. The Plan Administrator shall be the appointed representative of Reorganized Standard and Section 6 Newco with respect to the Apollo Litigation and the Pathfinder Litigation. Except as otherwise ordered by the Bankruptcy Court, the Plan Administrator, on behalf of Reorganized Standard and Section 6 Newco, shall be vested with authority and standing to prosecute the Apollo Litigation and Pathfinder Litigation. The Causes of Action relating to the Eunice Litigation shall be a Vested Asset which shall vest in the respective Reorganized Debtors under Section 6.07 of this Plan.

(g) **Relationship with Disposal and Gathering.** On the Effective Date, one or more of the Newco Entities and Disposal shall execute the Salt Water Disposal Agreement in substantially the form attached hereto as **Exhibit 4-A**. On the Effective Date, one or more of the Newco Entities and Gathering shall execute the Transportation Agreement in substantially the form attached hereto as **Exhibit 4-B**.

6.07 Vesting of the Vested Assets. Except as otherwise set forth in this Plan or the Confirmation Order, on the Effective Date, the Vested Assets shall vest in the Reorganized Debtors which currently has an interest in such Vested Assets Free and Clear to the extent of such interest in such Vested Assets.

After the Effective Date, the Reorganized Debtors may present such Order(s) or assignment(s) to the Bankruptcy Court, suitable for filing in the records of every county or governmental agency where the Vested Assets is or were located, which provide that such property is conveyed to and vested in the respective Reorganized Debtor. The Order(s) or assignment(s) may designate all Liens, Claims, encumbrances, or other interests which appear of

record and/or from which the property is being transferred and assigned. This Plan shall be conclusively deemed to be adequate notice that such Lien, Claim, encumbrance, or other interest is being extinguished, and no notice, other than by this Plan, shall be given prior to the presentation of such Order(s) or assignment(s). Any Person having a Lien, Claim, encumbrance, or other interest against any Vested Assets shall be conclusively deemed to have consented to the vesting of such Vested Assets Free and Clear to the applicable Reorganized Debtor by failing to object to confirmation of this Plan, except as otherwise provided in this Plan; provided, however, nothing herein shall be deemed to be a release of any Lien, Claim, encumbrance or other interest on, in or against property that is not a Vested Asset or that is a Permitted Encumbrance.

6.08 Cancellation of Equity Interests and Issuance of New Equity Interests. On the Effective Date, all Equity Interests in the Debtors (including those Equity Interests held in treasury by any of the Debtors) shall be terminated and extinguished and the certificates that previously evidenced ownership of those Equity Interests shall be deemed cancelled (all without further action by any Person or the Bankruptcy Court) and shall be null and void and such certificates shall evidence no rights or interests in any of the Debtors. On the Effective Date, Reorganized Consolidated shall issue a New Consolidated Membership Interest to each holder of Equity Interests in Consolidated for each Equity Interest that shall be cancelled and extinguished, and Reorganized Standard shall issue one New Standard Equity Interests to each holder of Equity Interests in Standard for each Equity Interest that shall be cancelled and extinguished, and in each case such membership interests and equity interests shall be Free and Clear.

6.09 Issuance of New Equity Interests. It is an integral and essential element of this Plan that the offer and issuance of New Consolidated Membership Interests and the New Standard Equity Interests pursuant to this Plan, to the extent such New Consolidated Membership Interests and the New Standard Equity Interests constitute securities under the 1933 Act, shall be exempt from registration under the 1933 Act and any State or local law, pursuant to Bankruptcy Code § 1145 or other applicable exemptions, without limitation. The Confirmation Order shall include a finding and conclusion, binding upon all parties to the Cases, the Debtors, the Reorganized Debtors, the U.S. Securities and Exchange Commission and all other federal, state and local regulatory enforcement agencies, to the effect that such offer and issuance, to the extent such New Consolidated Membership Interests and the New Standard Equity Interests constitute securities under the 1933 Act, fall within the exemption from registration under the 1933 Act and any State or local law pursuant to Bankruptcy Code § 1145. In lieu of certificates evidencing the New Consolidated Membership Interests and the New Standard Equity Interests, the respective Reorganized Debtors may maintain a register of the names, addresses, and interest percentages of the holders of the New Consolidated Membership Interests and the New Standard Equity Interests.

6.10 Termination of Directors, Officers, and/or Managers of the Debtor. Effective as of the Effective Date, all of the directors, officers, and/or managers of the Debtors shall be deemed terminated. On the Effective Date, Michael B. Wisenbaker shall be appointed as the sole manager of Reorganized Consolidated and as the sole director and officer of Reorganized Standard.

6.11 Amendment of Debtor's Certificates and Agreements. On the Effective Date, the Reorganized Debtors' certificates of incorporation or formation, articles of incorporation or

organization, operating agreements, bylaws, and limited liability company agreements (as applicable) shall be amended and filed (both only as required) with the appropriate secretary of state's office on the Effective Date or as soon thereafter as is reasonably practicable. All necessary action will be taken to prohibit the issuance of non-voting equity securities of the Reorganized Debtors to the extent required by Bankruptcy Code § 1123; provided that any such prohibition shall apply only for so long as Bankruptcy Code § 1123 is in effect and applicable to the Reorganized Debtors and will have no force and effect beyond that required by Bankruptcy Code § 1123. Copies of the proposed form of the amendments to the Reorganized Debtors' certificates of incorporation or formation, articles of incorporation or organization, operating agreements, and limited liability company agreements shall be included in the Plan Supplement.

6.12 No Recourse to the Buyer and the Newco Entities. Except as otherwise provided in this Plan and the Purchase and Sale Agreement, the Buyer, and the Newco Entities shall not have, and do not assume, any liability or obligation for any Claims or Liens and are not required or obligated to pay any such Claims or Liens under the Plan.

6.13 Release of Liens. On the Effective Date, all Liens (except any Permitted Encumbrances) on the Transferred Properties, and any property of one or more of the Debtors (including the property transferred to one or more of the Newco Entities or vested in the respective Reorganized Debtors) that are asserted on account of or relating to one or more Claims against one or more of the Debtors shall automatically terminate, all Collateral or other property or interests in property subject to such Liens shall be automatically released, and all guarantees of the Debtors shall be automatically discharged and released. For the avoidance of doubt, this provision shall release any and all Liens against a non-debtor's working interest in the Non-Section 6 Assets and the Section 6 Assets when the alleged Liens are on account of or relating to one or more Claims against one or more of the Debtors.

6.14 Preservation of Rights of Action; Settlement of Litigation Claims.

(a) **Preservation of Rights of Action.** The Plan Administrator shall be appointed representative of the respective Estates pursuant to Bankruptcy Code § 1123(b)(3)(B) with respect to the Causes of Action which are Vested Assets, including the Apollo Litigation, the Pathfinder Litigation and the Eunice Litigation, and, except as otherwise ordered by the Bankruptcy Court and subject to any releases in this Plan, on the Effective Date, all Causes of Action shall vest in the respective Reorganized Debtors who may enforce, sue on, and, subject to Bankruptcy Court approval (except as otherwise provided herein) settle or compromise (or decline to do any of the foregoing) any or all of the Causes of Action that are Vested Assets. Except as otherwise ordered by the Bankruptcy Court, the Plan Administrator, on behalf of the applicable Reorganized Debtors, shall be vested with authority and standing to prosecute any Causes of Action that are Vested Assets. The Plan Administrator and his or her attorneys and other professional advisors shall have no liability for pursuing or failing to pursue any such Causes of Action.

(b) **Settlement of Litigation Claims and Disputed Claims.** At any time after the Confirmation Date and before the Effective Date, notwithstanding anything in this Plan to the contrary, the Debtors, with the consent of the Lender, may settle some or all of the Causes of Action that would be Vested Assets or the Disputed Claims subject to obtaining any necessary

Bankruptcy Court approval. The proceeds from the settlement of a Cause of Action shall constitute a Vested Asset that shall vest in the applicable Reorganized Debtor on the Effective Date in accordance with this Plan.

6.15 Authority. All actions and transactions contemplated under this Plan including, but not limited to, any certificates, agreements or other documents to be executed in connection with the transfer and assignment of the Transferred Properties to one or more of the Newco Entities shall be authorized upon Confirmation of this Plan without the need of further approvals, notices or meetings of the Debtors' directors, officers, managers, and/or members, other than the notice provided by serving this Plan on (a) all known holders of Claims against the Debtors' Estates; and (b) all current holders of Equity Interests in the Debtors. Specifically, all amendments to the certificates of incorporation or formation, articles of incorporation or organization, operating agreements, limited liability company agreements, and/or bylaws of the Debtors and all other corporate action on behalf of the Debtors or the Reorganized Debtors as may be necessary to put into effect or carry out the terms and intent of this Plan may be effected, exercised, and taken without further action by the Debtors' directors, officers, managers, and/or members with like effect as if effected, exercised, and taken by unanimous action of the directors, officers, managers, and/or members of the Debtors or the Reorganized Debtors (as applicable). The Confirmation Order shall include provisions dispensing with the need of further approvals, notices or meetings of the Debtors or holders of Equity Interests and authorizing and directing any director, officer, manager, or member of each respective Debtor to execute any document, certificate or agreement necessary to effectuate this Plan on behalf of such Debtor, which documents, certificates and agreements shall be binding on the Debtors, the Creditors, and all holders of Equity Interests.

6.16 Dissolution of Committee. The Committee shall continue in existence until the Effective Date to exercise those powers and perform those duties specified in Bankruptcy Code § 1103. Unless otherwise ordered by the Bankruptcy Court, on the Effective Date, (a) the Committee shall be dissolved and its members shall be released of all their duties, responsibilities and obligations in connection with the Cases, this Plan and the implementation of the same; and (b) the retention or employment of the Committee's Professionals and other agents shall terminate.

ARTICLE VII

THE PLAN ADMINISTRATOR

7.01 The Plan Administrator. On the Effective Date, the Plan Administrator shall be appointed. The Plan Administrator shall retain and have all the rights, powers and duties necessary to carry out his or her responsibilities under this Plan, and as otherwise provided in the Confirmation Order. The Plan Administrator shall be the representative of the Estates appointed pursuant to Bankruptcy Code § 1123(b)(3)(B) and shall be required to perform his or her duties as set forth in this Plan.

7.02 Retention of Professionals. The Plan Administrator shall have the right to retain the services of attorneys, accountants, and other professionals that, in the discretion of the Plan Administrator, are necessary to assist the Plan Administrator in the performance of his or her

duties. The reasonable fees and expenses of such professionals shall be paid by the Plan Administrator from the Reorganized Debtors' Expense Reserves upon the monthly submission of statements to the Plan Administrator. The payment of the reasonable fees and expenses of the Plan Administrator's retained professionals shall be made in the ordinary course of business from the Reorganized Debtors' respective Expense Reserve, and shall not be subject to the approval of the Bankruptcy Court. Professionals of, among others, the Debtors and the Committee, shall be eligible for retention by the Plan Administrator, and former employees of the Debtors shall be eligible for retention by the Plan Administrator.

7.03 Compensation of the Plan Administrator. The Plan Administrator's compensation, on a post-Effective Date basis, shall be determined by the Debtors and Lender and disclosed in the Plan Supplement. The payment of the fees of the Plan Administrator and any professionals retained by the Plan Administrator shall be made by the Reorganized Debtors from the Expense Reserve.

7.04 Plan Administrator Expenses. All costs, expenses and obligations incurred by the Plan Administrator in administering this Plan or in any manner connected, incidental or related thereto, in effecting Distributions from the Reorganized Debtors thereunder (including the reimbursement of reasonable expenses) shall be a charge against the respective Reorganized Debtor's property. Such expenses shall be paid as they are incurred without the need for Bankruptcy Court approval.

7.05 Liability; Indemnification. The Plan Administrator shall not be liable for any act or omission taken or omitted to be taken in his or her capacity as the Plan Administrator, other than acts or omissions resulting from such Person's willful misconduct, gross negligence or fraud. The Plan Administrator may, in connection with the performance of his or her functions, and in his or her sole, absolute discretion, consult with attorneys, accountants and agents, and shall not be liable for any act taken, omitted to be taken, or suffered to be done in accordance with advice or opinions rendered by such professionals. Notwithstanding such authority, the Plan Administrator shall be under no obligation to consult with attorneys, accountants or his or her agents, and his or her determination to not do so should not result in imposition of liability on the Plan Administrator unless such determination is based on willful misconduct, gross negligence or fraud. The Reorganized Debtors shall indemnify and hold harmless the Plan Administrator and his or her agents, representatives, professionals, and employees from and against and in respect to any and all liabilities, losses, damages, claims, costs and expenses, including, but not limited to attorneys' fees and costs arising out of or due to their actions or omissions, or consequences of such actions or omissions, with respect to the Reorganized Debtors or the implementation or administration of this Plan; provided, however, that no such indemnification will be made to such Persons for such actions or omissions as a result of willful misconduct, gross negligence or fraud.

7.06 Termination. The duties, responsibilities and powers of the Plan Administrator shall terminate after all Claims against the Debtors' Estates are fully resolved or satisfied in accordance with this Plan.

ARTICLE VIII

PROVISIONS GOVERNING DISTRIBUTIONS

8.01 Waterfall. Distributions of Cash of the respective Reorganized Debtors shall be made to holders of Allowed Claims in Classes 1, 2, 5, 6 (with respect to Reorganized Standard), 7, and 8 against the respective Reorganized Debtors as follows:

- first, to holders of Allowed Ad Valorem Tax Claims (or, with respect to Ad Valorem Tax Claims that are Disputed Claims, to the Senior Claim Distribution Reserve as provided in Section 9.03 of this Plan) until all such Allowed Ad Valorem Tax Claims are paid or reserved in full;
- second, to holders of Allowed Priority Claims (or, with respect to Priority Claims that are Disputed Claims, to the Senior Claim Distribution Reserve as provided in Section 9.03 of this Plan) until all such Allowed Priority Claims are paid or reserved in full;
- third, to holders of Allowed Other Secured Claims (or, with respect to Other Secured Claims that are Disputed Claims, to the Senior Claim Distribution Reserve as provided in Section 9.03 of this Plan) until all such Allowed Other Secured Claims are paid or reserved in full;
- fourth, to holders of Allowed M&M Secured Claims (or, with respect to M&M Secured Claims that are Disputed Claims, to the Senior Claim Distribution Reserve as provided in Section 9.03 of this Plan) until all such Allowed M&M Secured Claims are paid or reserved in full;
- fifth, to holders of Allowed General Unsecured Claims (or, with respect to General Unsecured Claims that are Disputed Claims, to the Senior Claim Distribution Reserve as provided in Section 9.03 of this Plan) until all such Allowed General Unsecured Claims are paid or reserved in full;
- sixth, to holders of Allowed Subordinated Claims (or, with respect to Subordinated Claims that are Disputed Claims, to the Senior Claim Distribution Reserve as provided in Section 9.03 of this Plan) until all such Allowed Subordinated Claims are paid or reserved in full;

Only after the Allowed Claims against the respective Reorganized Debtors' Estates as set forth in this Section 8.01 are paid in Cash in full as provided under this Plan shall the holders of the New Consolidated Membership Interests and New Standard Equity Interests be entitled to any Distributions, transfers, or other payments by the respective Reorganized Debtors.

8.02 Cash Distributions. At any time that the Plan Administrator determines that sufficient Cash exists in the Distribution Reserve Accounts and the General Account to make a Distribution to holders of Allowed Claims pursuant to the provisions of this Plan, including

Section 8.01 of this Plan, the Plan Administrator shall make such Cash Distribution Pro Rata to holders of Allowed Claims on a Class-by-Class basis.

8.03 Distributions by Agent or Servicer. The Plan Administrator or either of the Newco Entities (as applicable) shall make all Distributions required under this Plan, except with respect to a Claim whose Distribution is governed by an agreement and is administered by an agent or servicer, which Distributions shall be deposited with the appropriate agent or servicer, who shall deliver such Distributions to the holders of Claims in accordance with the provisions of this Plan.

8.04 Means of Cash Payment. Cash payments made pursuant to this Plan shall be in U.S. funds, by appropriate means, including by check or wire transfer.

8.05 Delivery of Distribution. Distributions to holders of Allowed Claims shall be made (a) at the addresses set forth on the Proofs of Claim Filed by such holders (or at the last known address of such holders if no Proof of Claim is Filed or if the Debtor has been notified of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Debtors, Plan Administrator, or the Newco Entities (as applicable) after the date of any related Proof of Claim; or (c) if no Proof of Claim has been Filed and the Debtors, Plan Administrator, or the Newco Entities (as applicable) have not received a written notice of a change of address, at the addresses reflected in the Bankruptcy Schedules, if any.

8.06 Fractional Dollars; De Minimis Distributions. Notwithstanding any other provision of this Plan, payments of fractions of dollars shall not be made. Whenever any payment of a fraction of a dollar under this Plan would otherwise be called for, actual payment made shall reflect a rounding of such fraction to the nearest whole dollar (up or down). No payment of less than \$25.00 with respect to any Claim shall be made unless a request therefor is made in writing to Reorganized Consolidated or Reorganized Standard (as applicable). Notwithstanding the foregoing, the Plan Administrator may, in his or her discretion, make payments of fractions of dollars and/or of less than \$25.00.

8.07 Withholding and Reporting Requirements. In connection with this Plan and all Distributions hereunder, the Plan Administrator or the Newco Entities (as applicable) shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions hereunder shall be subject to any such withholding and reporting requirements. The Plan Administrator or the Newco Entities (as applicable) shall be authorized to take any and all actions that may be reasonably necessary or appropriate to comply with such withholding and reporting requirements.

8.08 Setoffs. The Plan Administrator or the Newco Entities (as applicable) may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to this Plan in respect of such Claim, claims of any nature whatsoever that Reorganized Consolidated, Reorganized Standard, or the Newco Entities (as applicable) may have against the holder of such Claim; provided, however, neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Plan Administrator or the Newco Entities (as applicable) of any such Claim that Reorganized Consolidated,

Reorganized Standard, or the Newco Entities (as applicable) may have against such holder, unless otherwise agreed to in writing by such holder and the Plan Administrator or the Newco Entities (as applicable).

8.09 Duty to Disgorge Overpayments. To the extent that a Claim may be an Allowed Claim in more than one Class, the holder of such Claim shall not be entitled to recover more than the full amount of its Allowed Claim. The holder of an Allowed Claim that receives more than payment in full of its Allowed Claim shall immediately return any excess payments to the Plan Administrator or the Newco Entities (as applicable). In the event that the holder of an Allowed Claim fails to return an excess payment, the Plan Administrator or the Newco Entities (as applicable) may bring suit against such holder for the return of the overpayment in the Bankruptcy Court or any other court of competent jurisdiction.

ARTICLE IX

RESERVES ADMINISTERED BY THE REORGANIZED DEBTORS

9.01 Establishment of Reserve Accounts. The Plan Administrator shall establish an Undeliverable Distribution Reserve, Senior Claim Distribution Reserve, Expense Reserve, and General Account (which, notwithstanding anything to the contrary contained in this Plan, may be effected by either establishing a segregated account or establishing book entry accounts, in the sole discretion of the Plan Administrator) for each Reorganized Debtor.

9.02 Undeliverable Distribution Reserve.

(a) **Deposits.** If a Distribution to any holder of an Allowed Claim is returned to the Plan Administrator as undeliverable or is otherwise unclaimed, such Distribution shall be deposited in a segregated, interest-bearing account, designated as an “Undeliverable Distribution Reserve,” for the benefit of such holder until such time as such Distribution becomes deliverable, is claimed or is deemed to have been forfeited in accordance with Section 9.02(b) of this Plan.

(b) **Forfeiture.** Any holder of an Allowed Claim that does not assert a claim pursuant to this Plan for an Undeliverable or Unclaimed Distribution within one year after the first Distribution is made to such holder shall be deemed to have forfeited its claim for such Undeliverable or Unclaimed Distribution and shall be forever barred and enjoined from asserting any such claim for the Undeliverable or Unclaimed Distribution against any Debtor, any Reorganized Debtor, any Estate, the Plan Administrator, or their respective properties or assets. In such cases, any Cash or other property held in the Undeliverable Distribution Reserve for distribution on account of such claims for Undeliverable or Unclaimed Distributions, including the interest that has accrued on such Undeliverable or Unclaimed Distribution while in the Undeliverable Distribution Reserve, shall become the property of the applicable Reorganized Debtor, notwithstanding any federal or state escheat laws to the contrary, and shall be available for immediate distribution by the applicable Reorganized Debtor according to the terms of this Plan.

(c) **Disclaimer.** The Plan Administrator and his or her respective agents and attorneys are under no duty to take any action to either (i) attempt to locate any Claim holder, or (ii) obtain an executed Internal Revenue Service Form W-9 from any Claim holder.

(d) **Distribution from Reserve.** Within fifteen Business Days after the holder of an Allowed Claim satisfies the requirements of this Plan, such that the distribution(s) attributable to its Claim is no longer an Undeliverable or Unclaimed Distribution (provided that satisfaction occurs within the time limits set forth in Section 9.02(b) of this Plan), the Plan Administrator shall distribute out of the Undeliverable Distribution Reserve the amount of the Undeliverable or Unclaimed Distribution attributable to such Claim, including the interest that has accrued on such Undeliverable or Unclaimed Distribution while in the Undeliverable Distribution Reserve to the General Account.

9.03 Senior Claim Distribution Reserve. The Plan Administrator shall establish the Senior Claim Distribution Reserve by depositing Cash received by the applicable Reorganized Debtors in the amount estimated by the Bankruptcy Court to be necessary to satisfy all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Ad Valorem Tax Claims, Allowed Priority Claims, Allowed Other Secured Claims, Allowed M&M Secured Claims, Allowed General Unsecured Claims, and the U.S. Trustee Fees payable or to be paid. The Plan Administrator shall use the Senior Claim Distribution Reserve to pay Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Ad Valorem Tax Claims, Allowed Priority Claims, Allowed Other Secured Claims, Allowed M&M Secured Claims, Allowed General Unsecured Claims, and the U.S. Trustee Fees payable or to be paid. If all or any portion of an Administrative Claim, Priority Tax Claim, Ad Valorem Tax Claim, Priority Claim, Other Secured Claim, Allowed M&M Secured Claims, or General Unsecured Claim shall become a Disallowed Claim, the amount on deposit in the Senior Claim Distribution Reserve attributable to such Disallowed Claim, including the interest that has accrued on said amount while on deposit in the Senior Claim Distribution Reserve, shall remain in the Senior Claim Distribution Reserve or be transferred out of the Senior Claim Distribution Reserve, as determined by the Plan Administrator, as follows:

(a) it shall remain in the Senior Claim Distribution Reserve to the extent that the Plan Administrator determines necessary to ensure that the Cash remaining in the Senior Claim Distribution Reserve is sufficient to ensure that all Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Ad Valorem Tax Claims, Allowed Priority Claims, Allowed Other Secured Claims, Allowed M&M Secured Claims, Allowed General Unsecured Claims, and U.S. Trustee Fees payable or to be paid will be paid in accordance with the Plan;

(b) to the extent not required to remain in the Senior Claim Distribution Reserve pursuant to clause (a), it shall be transferred to the General Account.

Beginning on the Effective Date and thereafter, on each anniversary of the Effective Date, the Plan Administrator shall evaluate, deposit or remove Cash in or from the Senior Claim Distribution Reserve in an amount that he or she estimates will be sufficient to pay U.S. Trustee Fees incurred during each twelve-month period beginning on the Effective Date or the anniversary thereof, as applicable.

9.04 Expense Reserve.

(a) The Plan Administrator shall establish the Expense Reserve by depositing Cash received by the applicable Reorganized Debtors in the amount of at least \$600,000.00. The Expense Reserve shall be funded prior to the funding of the Senior Claim Distribution Reserve. The funds constituting the Expense Reserve are to be used by the Plan Administrator solely to satisfy the expenses of the Plan Administrator and applicable Reorganized Debtor to comply with its obligations and duties under this Plan. In no event shall the Plan Administrator be required or permitted to use his or her personal funds or assets for such purposes.

(b) Periodically, the Plan Administrator shall evaluate, deposit or remove from the General Account and deposit in or from the Expense Reserve Cash in an amount that he or she estimates will be sufficient to pay expenses of the Plan Administrator and applicable Reorganized Debtor to comply with its obligations and duties under this Plan incurred during each twelve (12) month period following such anniversary, as applicable.

ARTICLE X

**PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT,
AND UNLIQUIDATED CLAIMS**

10.01 Objection Deadline; Prosecution of Objections. The Plan Administrator shall File objections to Claims and serve such objections upon the holders of each of the Claims to which objections are made. Subject to the limitations set forth in this Plan, the Plan Administrator shall be authorized to resolve all Disputed Claims by withdrawing or settling such objections thereto, or by litigating to judgment in the Bankruptcy Court or such other court having competent jurisdiction the validity, nature, and/or amount thereof. If the Plan Administrator and the holder of a Disputed Claim agree to compromise, settle, and/or resolve a Disputed Claim by granting such holder an Allowed Claim in the amount of \$50,000 or less, then the Plan Administrator may compromise, settle, and/or resolve such Disputed Claim without further Bankruptcy Court approval; provided, however, that the Plan Administrator shall File a notice with the Bankruptcy Court advising that the Allowed Claim has been compromised, settled, and/or resolved. Otherwise, the Plan Administrator may only compromise, settle, and/or resolve such Disputed Claim with Bankruptcy Court approval.

Any Proofs of Claim that are Filed after the applicable Bar Date, including amendments to existing Proofs of Claim, or applications for the allowance of an Administrative Claim that are Filed after the Post-Confirmation Bar Date shall be deemed invalid and Disallowed unless consented to by the Reorganized Debtors or authorized by Order of the Bankruptcy Court.

10.02 No Distributions Pending Allowance. Notwithstanding any other provision of this Plan, no payments or Distribution by the Plan Administrator, Reorganized Consolidated, Reorganized Standard, or the Newco Entities (as applicable) shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Non-Appealable Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

ARTICLE XI

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Except to the extent (a) the Debtor previously has assumed or rejected an executory contract or unexpired lease, (b) prior to the Effective Date, the Bankruptcy Court has entered an Order assuming an executory contract or unexpired lease, (c) at the Confirmation Hearing, the Bankruptcy Court approves the assumption of any executory contracts or unexpired leases, or (d) the executory contract or unexpired lease is set forth on **Exhibit 5** to this Plan, the Debtors' executory contracts and unexpired leases shall be deemed rejected on the Effective Date, pursuant to Bankruptcy Code §§ 365 and 1123. The executory contracts and unexpired leases identified on Exhibit 5, which shall be the Designated Contracts, shall be assumed by the applicable Reorganized Debtor and assigned to one or more of the Newco Entities pursuant to the terms of the applicable Purchase and Sale Agreement or Alternative Transaction Agreement (as applicable) and this Plan.

This Plan shall serve as, and shall be deemed to be, a motion for entry of an order approving the assumption of the Designated Contracts and the transfer of the Designated Contracts to one or more of the Newco Entities, both as of the Effective Date. Except as otherwise set by Order of the Court, any objection to the assumption and vesting of, or the proposed cure amount under, the Designated Contracts must be made as an objection to Confirmation of this Plan. If no objection to the assumption and vesting of, or the proposed cure amount under, any particular Designated Contract is Filed and timely served, an Order (which may be the Confirmation Order) that approves the assumption and assignment of, and the proposed cure amount under, each respective Designated Contract may be entered by the Bankruptcy Court. If any such objections are Filed and timely served, a hearing with respect to the assumption and assignment or cure of any of the Designated Contracts, and the objections thereto, shall be scheduled by the Bankruptcy Court, which hearing may, but is not required to, coincide with the Confirmation Hearing.

If the Bankruptcy Court approves the assumption and assignment of one or more Designated Contracts, those Designated Contracts shall be deemed Assumed Contracts, and they shall be assumed by the applicable Debtor and assigned to the applicable Newco Entity effective as of the Effective Date. Any Cure Claims relating to the assumption and transfer of an executory contract or unexpired lease and ordered to be paid by the Bankruptcy Court shall be paid by the applicable Newco Entity on or as soon as reasonably practicable after the Effective Date. Such Cure Claims shall be satisfied in full and final satisfaction of all defaults, including arrearages, under the Assumed Contracts as of the Effective Date. As of the Effective Date, the Newco Entities shall be relieved and discharged from any liability arising before or on the Effective Date under the Assumed Contracts other than the obligation to satisfy Cure Claims.

In the event that any of the Non-Section 6 JOAs or the Pat Howell JOA is not an Assumed Contract, then Standard and Consolidated agree to execute one or more new joint operating agreements naming Operator Newco as the operator on terms reasonably acceptable to Operator Newco, which new joint operating agreements shall constitute Transferred Properties which shall be assigned and transferred to Operator Newco on the Effective Date. The

Confirmation Order shall contain findings and conclusions that Operator Newco has been elected and/or designated as operator under such joint operating agreement(s), and those findings and conclusions shall be binding on all parties to the joint operating agreement(s). The form of joint operating agreement shall be included in the Plan Supplement.

ARTICLE XII

EFFECTS OF CONFIRMATION

12.01 Discharge. On the Effective Date, the Debtors, their Estates, the Reorganized Debtors and their respective assets and properties are automatically and forever discharged and released from all Claims and vested Free and Clear to the fullest extent permitted under Bankruptcy Code § 1141. Except as otherwise set forth in this Plan or the Confirmation Order, the rights afforded under this Plan and the treatment of Claims and Equity Interests under this Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims, including any interest accrued on any Claims, against the Debtors, the Estates and the Reorganized Debtors. Except as set forth in this Plan or the Confirmation Order, Confirmation shall discharge the Debtors and the Reorganized Debtors from all Claims or other debts that arose before the Effective Date, and all debts of a kind specified in Bankruptcy Code §§ 502(g), (h), or (i), whether or not (i) a Proof of Claim based on such debt is Filed or deemed Filed under Bankruptcy Code § 501; (ii) a Claim based on such debt is Allowed; or (iii) the holder of a Claim based on such debt has accepted this Plan.

12.02 Legal Binding Effect. The provisions of this Plan shall bind all holders of Claims and Equity Interests and their respective successors and assigns, whether or not they accept this Plan. On and after the Effective Date, except as expressly provided in this Plan, all holders of Claims, Liens and Equity Interests shall be precluded from asserting any Claim, Cause of Action or Liens against the Debtors, the Estates, the Reorganized Debtors, CIT Capital, the Lender, Cross Canyon, the Buyer (if the Permian Entities are not the Successful Bidder), the Newco Entities, Gathering, Disposal and any of their affiliates or their respective property and assets based on any act, omission, event, transaction or other activity of any kind that occurred or came into existence prior to the Effective Date.

12.03 Moratorium, Injunction and Limitation of Recourse For Payment. **EXCEPT AS OTHERWISE PROVIDED IN THIS PLAN OR BY SUBSEQUENT ORDER OF THE BANKRUPTCY COURT, UPON CONFIRMATION OF THIS PLAN (AND FROM AND AFTER THE EFFECTIVE DATE) ALL PERSONS WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR LIENS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS OR THEIR PROPERTIES ARE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST THE DEBTORS, THE ESTATES, THE REORGANIZED DEBTORS, THE PLAN ADMINISTRATOR, CIT CAPITAL, THE LENDER, CROSS CANYON, THE BUYER (IF THE PERMIAN ENTITIES ARE NO THE SUCCESSFUL BIDDER), THE PERMIAN ENTITIES, THE NEWCO ENTITIES, GATHERING, DISPOSAL OR ANY OF THEIR RESPECTIVE MANAGERS, FORMER AND CURRENT OFFICERS (EXCEPT LONNIE MCDADE), FORMER AND CURRENT DIRECTORS, AFFILIATES AGENTS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS, FINANCIAL ADVISORS, OR OTHER**

PROFESSIONALS, OR ANY OF THEIR RESPECTIVE PROPERTY OR OTHER ASSETS ON ACCOUNT OF ANY SUCH CLAIMS OR EQUITY INTERESTS: (A) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION OR OTHER PROCEEDING; (B) ENFORCING, ATTACHING, COLLECTING OR RECOVERING IN ANY MANNER ANY JUDGMENT, AWARD, DECREE OR ORDER; (C) CREATING, PERFECTING OR ENFORCING ANY LIEN OR ENCUMBRANCE; (D) ASSERTING A SETOFF, RIGHT OF SUBROGATION, NETTING OR RECOUPMENT OF ANY KIND AGAINST ANY DEBT, LIABILITY OR OBLIGATION DUE TO THE DEBTORS, THE REORGANIZED DEBTORS, OR THE NEWCO ENTITIES; AND (E) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THIS PLAN; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN OR IN THE CONFIRMATION ORDER SHALL ENJOIN OR PRECLUDE (Y) SUCH PERSONS FROM EXERCISING THEIR RIGHTS PURSUANT TO AND CONSISTENT WITH THE TERMS OF THIS PLAN; AND (Z) THE REORGANIZED DEBTORS, THE LENDER, CIT CAPITAL, CROSS CANYON, THE BUYER (IF THE PERMIAN ENTITIES ARE NOT THE SUCCESSFUL BIDDER), OR THE NEWCO ENTITIES IN ANY MANNER FROM ENFORCING OR EXERCISING THEIR RIGHTS OR REMEDIES PURSUANT TO OR ARISING OUT OF THIS PLAN, THE CONFIRMATION ORDER, THE PURCHASE AND SALE AGREEMENT OR THE PLAN DOCUMENTS. SUCH INJUNCTION SHALL EXTEND TO AND FOR THE BENEFIT OF ANY SUCCESSORS OR ASSIGNEES OF THE DEBTORS, REORGANIZED DEBTORS, THE LENDER, CIT CAPITAL, CROSS CANYON, THE BUYER (IF THE PERMIAN ENTITIES ARE NOT THE SUCCESSFUL BIDDER), THE NEWCO ENTITIES, AND THEIR RESPECTIVE PROPERTIES AND INTEREST IN PROPERTIES. SUCH INJUNCTION SHALL NOT PRECLUDE ANY RIGHT OF AN ENTITY TO ASSERT A SEPARATE AND DIRECT CLAIM THAT IS NOT PROPERTY OF THE ESTATE AGAINST A PARTY THAT IS NOT A DEBTOR OR A REORGANIZED DEBTOR.

THE CONFIRMATION ORDER SHALL, AMONG OTHER THINGS, CONTAIN, DIRECT AND PROVIDE FOR THE FOREGOING INJUNCTION.

12.04 Term of Injunction or Stays. ANY INJUNCTION OR STAY ARISING UNDER OR ENTERED DURING THE CASE UNDER BANKRUPTCY CODE §§ 105 AND 362 OR OTHERWISE THAT IS IN EXISTENCE ON THE CONFIRMATION DATE SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE LATER OF THE EFFECTIVE DATE AND THE DATE INDICATED IN THE ORDER PROVIDING FOR SUCH INJUNCTION OR STAY.

12.05 Exculpation and Limitation of Liability. NOTWITHSTANDING ANYTHING SET FORTH HEREIN, NO HOLDER OF ANY CLAIM OR EQUITY INTEREST SHALL HAVE ANY RIGHT OF ACTION AGAINST THE DEBTORS, THE ESTATES, THE REORGANIZED DEBTORS, THE PLAN ADMINISTRATOR, CIT CAPITAL, THE LENDER, CROSS CANYON, THE BUYER (IF THE PERMIAN ENTITIES ARE NOT THE SUCCESSFUL BIDDER), THE PERMIAN ENTITIES, AND THE NEWCO ENTITIES, DISPOSAL, GATHERING OR ANY OF THEIR

RESPECTIVE MANAGERS, FORMER AND CURRENT OFFICERS (EXCEPT LONNIE MCDADE), FORMER AND CURRENT DIRECTORS, AFFILIATES, AGENTS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS, FINANCIAL ADVISORS, OTHER PROFESSIONALS, OR ANY OF THEIR RESPECTIVE PROPERTY AND ASSETS FOR ANY ACT OR OMISSION IN CONNECTION WITH, RELATING TO OR ARISING OUT OF THE ADMINISTRATION OF THE CASES, THE PURSUIT OF CONFIRMATION OF THIS PLAN, THE CONSUMMATION OF THIS PLAN, THE PREPARATION AND DISTRIBUTION OF THE DISCLOSURE STATEMENT, THE PURCHASE AND SALE AGREEMENT, THE ALTERNATIVE TRANSACTION AGREEMENT (AS APPLICABLE), THE ADMINISTRATION OF THIS PLAN, OR THE OFFER, ISSUANCE, SALE, OR PURCHASE OF A SECURITY OFFERED OR SOLD UNDER THIS PLAN, PROVIDED SUCH EXCULPATED PERSON DID NOT AND DOES NOT ENGAGE IN WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR FRAUD AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE AND PROVIDED FURTHER THAT SUCH EXCULPATION SHALL NOT EXTEND TO SUCH EXCULPATED PERSON'S RIGHTS AND OBLIGATIONS UNDER THIS PLAN, THE PURCHASE AND SALE AGREEMENT, THE ALTERNATIVE TRANSACTION AGREEMENT (AS APPLICABLE), OR THE PLAN DOCUMENTS.

12.06 Release and Covenant Not to Sue.

(a) NOTWITHSTANDING ANYTHING SET FORTH HEREIN, ON THE EFFECTIVE DATE, EACH OF THE RELEASED PARTIES SHALL BE DEEMED TO HAVE IRREVOCABLY RELEASED AND DISCHARGED THE OTHER RELEASED PARTIES AND ALL MANAGERS, FORMER AND CURRENT OFFICERS (EXCEPT LONNIE MCDADE), CURRENT AND FORMER DIRECTORS, AFFILIATES, AGENTS, ATTORNEYS, ACCOUNTANTS, INVESTMENT BANKERS, FINANCIAL ADVISORS, AND PROFESSIONALS, IF ANY, EMPLOYED BY ANY OF THE RELEASED PARTIES (BUT SOLELY IN THE CAPACITIES SO EMPLOYED) OF AND FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, ASSERTED OR NOT ASSERTED, SCHEDULED OR NOT SCHEDULED, NOW EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE, AND WHETHER ARISING UNDER THE BANKRUPTCY CODE OR OTHER APPLICABLE LAW, ARISING FROM OR RELATED TO ACTS OR OMISSIONS OCCURRING ON OR BEFORE THE EFFECTIVE DATE IN CONNECTION WITH, BASED ON, RELATING TO OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THE DEBTORS' RESTRUCTURING, THE CASES, THE NEGOTIATION OF ANY SETTLEMENT OR AGREEMENT IN THE CASES, THE PURCHASE, SALE OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THIS PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY RELEASED PARTY RELATING TO THE RESTRUCTURING OF CLAIMS AND EQUITY INTERESTS PRIOR TO OR IN THE CASES, THE NEGOTIATION, FORMULATION, PREPARATION OR

DISTRIBUTION OF THIS PLAN AND THE DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENTS OR OTHER DOCUMENTS, AND THE RELEASED PARTIES COVENANT NOT TO SUE ANY OF THE OTHER PARTIES IDENTIFIED IN THIS SECTION 12.06(A) WITH RESPECT TO THE CLAIMS AND CAUSES OF ACTION RELEASED HEREIN (ALL OF THE FOREGOING BEING HEREIN CALLED THE "RELEASED CLAIMS"); PROVIDED, HOWEVER, THAT (I) NOTWITHSTANDING THE FOREGOING, THE RELEASED PARTIES SHALL NOT RELEASE AND DISCHARGE THE MANAGERS, FORMER AND CURRENT OFFICERS, CURRENT AND FORMER DIRECTORS, AGENTS, AND ACCOUNTANTS, IF ANY, EMPLOYED BY ONE OR MORE OF THE DEBTORS OF AND FROM ANY CLAIM OR CAUSE OF ACTION; AND (II) NO RELEASED PARTIES SHALL BE RELEASED AND DISCHARGED FROM (AND THE RELEASED CLAIMS SHALL NOT INCLUDE) OBLIGATIONS UNDER THIS PLAN, THE PURCHASE AND SALE AGREEMENT, OR ANY CLAIM OR CAUSE OF ACTION ARISING FROM OR RELATED TO ACTS OR OMISSIONS INVOLVING FRAUD OR WILLFUL MISCONDUCT. EACH OF THE RELEASED PARTIES REPRESENTS AND WARRANTS THAT EACH SUCH RELEASED PARTY HAS NOT TRANSFERRED, PLEDGED OR OTHERWISE ASSIGNED TO ANY OTHER PERSON OR ENTITY ALL OR ANY PORTION OF ANY CLAIM RELEASED UNDER THIS SECTION 12.06(A) OR ANY RIGHTS OR ENTITLEMENTS WITH RESPECT THERETO AND THE EFFECTUATION OF THIS RELEASE DOES NOT VIOLATE OR CONFLICT WITH THE TERMS OF ANY CONTRACT TO WHICH SUCH RELEASED PARTY IS A PARTY OR BY WHICH SUCH RELEASED PARTY OTHERWISE IS BOUND.

(b) THE RELEASES IN THIS SECTION 12.06 ARE SPECIFICALLY INTENDED TO OPERATE AND BE APPLICABLE EVEN IF IT IS ALLEGED, CHARGED OR PROVEN THAT ALL OR SOME OF THE CLAIMS OR DAMAGES RELEASED WERE SOLELY AND COMPLETELY CAUSED BY ANY ACTS OR OMISSIONS, WHETHER NEGLIGENT OR GROSSLY NEGLIGENT OF OR BY ONE OR MORE OF THE RELEASED PARTIES.

12.07 Insurance. Except to the extent that an insurance policy is an Assumed Contract or Transferred Property, confirmation and consummation of this Plan shall have no effect on insurance policies of any of the Debtors or their current or former directors and officers (including, but not limited to, director and officer liability policies to the extent that the Debtors or their current or former directors and officers have any rights under such policies) in which any of the Debtors or their current or former directors and officers are or were an insured party. Each insurance company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering or delaying coverage for any Debtors (or their current or former directors and officers) or Reorganized Debtors on any basis regarding or related to any of the Debtors' Cases, this Plan or any provision within this Plan, including the treatment or means of liquidation set out within this Plan for insured Claims.

12.08 Insurance Policies Vested in Reorganized Standard. The Federal Insurance Policies shall be a Vested Asset, which shall vest in Reorganized Standard Free and Clear on the Effective Date under the terms of this Plan. On and after the Effective Date, the Federal

Insurance Policies shall not be subject to any reservation of rights by Federal Insurance Company, and Federal Insurance Company shall be prohibited from commencing any actions to recover benefits previously paid by Federal Insurance Company pursuant to the Federal Insurance Policies. Federal Insurance Company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering or delaying coverage under the Federal Insurance Policies on any basis regarding or related to any of the Debtors' Cases, this Plan or any provision within this Plan, including the treatment or means of liquidation set out within this Plan for insured claims.

ARTICLE XIII

RETENTION OF JURISDICTION

13.01 Retention. Under Bankruptcy Code §§ 105(a) and 1142, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Cases, this Plan, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), and the other Transaction Documents, to the fullest extent permitted by law, including, among other things, jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any application or request for payment of any Administrative Claim, and the resolution of any objections to the allowance or priority of Claims or Equity Interest;

(b) hear and determine all Fee Applications;

(c) determine any and all adversary proceedings, motions, applications, and contested or litigated matters, including, but not limited to, all Causes of Action, and consider and act upon the compromise and settlement of any Claim or Causes of Action;

(d) enter such orders as may be necessary or appropriate to construe, execute, implement, or consummate the provisions of this Plan, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), the other Transaction Documents, and all property, contracts, instruments, releases, and other agreements or documents transferred, vested, or created in connection therewith;

(e) hear and determine disputes arising in connection with the interpretation, implementation, consummation, or enforcement of this Plan, the other Transaction Documents, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), the Confirmation Order, any transactions or payment contemplated hereby, or any disputes arising under agreements, documents or instruments executed in connection therewith;

(f) consider any modifications of this Plan, the Disclosure Statement, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), and the other Transaction Documents, in each case to the extent requiring the approval of the Bankruptcy Court, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

(g) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person with the implementation, consummation, or enforcement of this Plan, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), the Confirmation Order or any other order of the Bankruptcy Court;

(h) hear and determine any matters arising in connection with or relating to this Plan, the Disclosure Statement, the Confirmation Order, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), the other Transaction Documents, or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement, the Confirmation Order, the Purchase and Sale Agreement, the Alternative Transaction Agreement (as applicable), or the other Transaction Documents;

(i) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Cases;

(j) hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code §§ 346, 505 and 1146 (including the expedited determination of taxes under Bankruptcy Code § 505(b));

(k) hear and determine all matters related to the property of the Estates, the Debtors, or the Reorganized Debtors from and after the Effective Date;

(l) hear and determine such other matters as may be provided in the Confirmation Order and as may be authorized under the provisions of the Bankruptcy Code;

(m) hear and determine all matters with respect to the assumption or rejection of executory contracts or unexpired leases and the allowance of cure amounts;

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

(o) hear and determine any other matters related to this Plan and not inconsistent with the Bankruptcy Code;

(p) determine any other matters that may arise in connection with or are related to this Plan, the Disclosure Statement, the Disclosure Statement Order, the Confirmation Order, any of the Plan Documents or any other contract, instrument, release or other agreement or document related to this Plan, the Disclosure Statement or the Plan Supplements;

(q) hear any other matter not inconsistent with the Bankruptcy Code; and

(r) enter final decrees closing the Case.

13.02 Rights of Reorganized Debtors, the Buyer, and the Newco Entities. Nothing contained in this ARTICLE XIII shall be construed so as to limit the rights of the Reorganized Debtor, the Buyer, or the Newco Entities to commence or to prosecute any Cause of Action (in which it has an interest), in any court of competent jurisdiction.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

14.01 Revocation, Withdrawal or Non-Consummation. The Plan Proponents, with the prior written consent of all Plan Proponents, reserve the right to revoke or withdraw this Plan prior to the Confirmation Date and to file any amended or subsequent plans. If Confirmation or Substantial Consummation does not occur, or if the Effective Date does not occur on or prior to 120 days after the Confirmation Date, then (a) this Plan shall be null and void in all respects; (b) settlements or compromises embodied in this Plan (including the fixing or limiting to an amount certain of any Claim or Class of Claims), assumptions or rejections of executory contracts or unexpired leases affected by this Plan, and any documents or agreements executed pursuant to this Plan, shall be deemed null and void; and (c) nothing contained in this Plan or the Disclosure Statement shall (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, any of the Debtors or any other Person; (ii) prejudice in any manner the rights of the Debtors or any other Person; or (iii) constitute an admission of any sort by the Debtors or any other Person.

14.02 Severability of Plan Provisions. If, prior to Confirmation, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void or unenforceable (other than any term or provision of this Plan providing for and addressing the satisfaction of the Allowed DIP Claims, Allowed Lender Secured Claims or any provision for the benefit of the Allowed DIP Claims or Allowed Lender Secured Claims) the Bankruptcy Court, at the request of the Plan Proponents, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may be altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

14.03 Exemption from Transfer Taxes and Recording Fees. In accordance with Bankruptcy Code § 1146(a), none of the issuance, transfer or exchange of any securities under this Plan, the release of any mortgage, deed of trust or other Lien, the making, assignment, filing or recording of any lease or sublease, the vesting or transfer of title to or ownership of any of the Debtor's interests in any property, or the making or delivery of any deed, bill of sale or other instrument of transfer under, in furtherance of, or in connection with this Plan, including the releases of Liens contemplated under this Plan, shall be subject to any document recording tax, stamp tax, conveyance fee, sales or use tax, bulk sale tax, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee or other similar tax or governmental assessment in the United States. The Confirmation Order shall direct the appropriate federal, state and/or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

14.04 Expedited Tax Determination. The Reorganized Debtors may request an expedited determination of taxes under Bankruptcy Code § 505(b) for all returns filed for or on behalf of such Debtors or Reorganized Debtors for all taxable periods through the Effective Date.

14.05 Access and Preservation of Records. To the extent that they are not Transferred Properties, the Newco Entities shall be granted access to, among other things, the offices, books, and records relating to the Debtors or any of their businesses or operations that are in possession of the Reorganized Debtors and the Reorganized Debtors shall preserve records, all to the extent and on the terms set forth in the Purchase and Sale Agreement.

14.06 Interest Accrual. Except as otherwise provided herein or as permitted by bankruptcy law, no post-petition interest shall accrue on any Claim or scheduled liability (including, but not limited to, Allowed Administrative Claims).

14.07 Allocation of Plan Distributions between Principal and Interest. To the extent that any Allowed Claim entitled to a distribution under this Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall, for federal income tax purposes, be allocated to the principal amount of the Claim first, and then, to the extent the consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

14.08 Rules of Interpretation; Computation of Time. For purposes of this Plan, (a) any reference in this Plan to a contract, instrument, release, indenture, or other agreement or document as being in a particular form or containing particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions, (b) any reference in this Plan to an existing document or exhibit Filed or to be Filed means such document or exhibit as it may have been or may be amended, modified, or supplemented, (c) unless otherwise specified, all references in this Plan to Sections, Articles, and Exhibits, if any, are references to Sections, Articles, and Exhibits of or to this Plan, (d) the words “herein” and “hereto” refer to this Plan in its entirety rather than to a particular portion of this Plan, (e) the words “include”, “includes” or “including” shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import, (f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan, and (g) the rules of construction set forth in Bankruptcy Code § 102 and in the Bankruptcy Rules shall apply. In computing any period of time prescribed or allowed by this Plan, unless otherwise specifically designated herein, the provisions of Bankruptcy Rule 9006(a) shall apply. All references to immediately available funds, dollar amounts, or Cash Distributions contained in this Plan shall mean United States dollars.

14.09 The Reorganized Debtor, the Buyer, and the Newco Entities Are Not Successors. Save and except as needed to comply with Bankruptcy Code § 1145, the Reorganized Debtors, the Buyer, the Newco Entities, and their affiliates, successors, or assigns shall not be deemed, as a result of actions taken in connection with this Plan, to be a successor to any of the Debtors or a continuation or substantial continuation of any of the Debtors or any enterprise of any of the Debtors.

14.10 Plan Documents. The Plan Documents are incorporated herein and are a part of this Plan as if set forth in full herein.

14.11 Reservation of Rights. This Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Prior to the Effective Date, none of the filing of this Plan, any statement or provision contained herein or the taking of any action by the Debtors with respect to this Plan shall be or shall be deemed to be an admission or waiver of any rights of the Debtors of any kind, including with respect to the holders of Claims or Equity Interests or as to any treatment or classification of any contract or lease.

14.12 Further Assurances. The Debtors, Reorganized Debtors and all holders of Claims receiving Distributions hereunder and all other parties in interest may and shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of this Plan.

14.13 Successors and Assigns. This Plan and all rights, benefits and obligations of any Person named or referred to in this Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Person.

14.14 Governing Law. Except as otherwise provided under the Purchase and Sale Agreement and unless a rule of law or procedure is supplied by federal law, including the Bankruptcy Code and Bankruptcy Rules, (a) the construction and implementation of this Plan and any agreements, documents, and instruments executed in connection with this Plan; and (b) governance matters shall be governed by the laws of the State of Texas, without giving effect to the principles of conflict of law thereof.

14.15 Abandonment. As part of the Plan Supplement, the Debtors will File a list of property of the Estates to be abandoned, if any. Such property will be deemed abandoned upon entry of the Confirmation Order.

14.16 Notice of Effective Date. On or before five Business Days after the occurrence of the Effective Date, the Plan Administrator shall mail or cause to be mailed to all holders of Claims that are not Disallowed Claims a notice that informs such Persons of (a) the entry of the Confirmation Order; (b) the occurrence of the Effective Date; and (c) such other matters as the Reorganized Debtors deem appropriate or as may be ordered by the Bankruptcy Court.

14.17 Plan Supplement. Any and all documents, forms, exhibits, lists, or schedules specified in this Plan but not Filed with this Plan shall be contained in the Plan Supplement and Filed with the Bankruptcy Court by _____, 2010. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal Bankruptcy Court hours.

14.18 Entire Agreement. This Plan and this Plan Documents set forth the entire agreement and understanding among the parties in interest relating to the subject matter hereof and supersede all prior discussions and documents.

14.19 Waiver of Stay. Notwithstanding Bankruptcy Rules 3002(e), 6004(h), and 6006(d), the Debtors shall be authorized to consummate this Plan and the transactions and transfers contemplated thereby immediately after entry of the Confirmation Order.

ARTICLE XV

MODIFICATION OF THIS PLAN

With the prior, written consent of all Plan Proponents, the Plan Proponents may alter, amend, or modify this Plan or any Plan Documents under Bankruptcy Code § 1127(a) at any time prior to the Confirmation Date. With the prior, written consent of all Plan Proponents, after the Confirmation Date and prior to Substantial Consummation of this Plan, the Plan Proponents may, under Bankruptcy Code § 1127(b), (a) amend this Plan so long as such amendment shall not materially and adversely affect the treatment of any holder of a Claim; (b) commence proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan, the Disclosure Statement, or the Confirmation Order; and (c) amend this Plan as may be necessary to carry out the purposes and effects of this Plan so long as such amendment does not materially or adversely affect the treatment of holders of Claims or Equity Interests under this Plan; provided, however, prior notice of any amendment shall be served in accordance with the Bankruptcy Rules or Order of the Bankruptcy Court.

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DATED: September __, 2010

Respectfully submitted,

HERITAGE CONSOLIDATED, LLC

**HERITAGE STANDARD
CORPORATION**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CIT CAPITAL USA INC., AS AGENT

By: _____
Name: _____
Title: _____

EXHIBIT 1-A

EXHIBIT A-1(b)
Wells
Winkler County, Texas

SECTION SIX WELLS

A.G. HILL #1 WELL
(Before Payout Interests)

Location: Section 6, Block 74, Winkler County, Texas
Working Interest: .79250000
Net Revenue Interest: .59437500

PAT HOWELL #1 WELL

Location: Section 6, Block 74, Winkler County, Texas
Working Interest: .81250000
Net Revenue Interest: .60937500

EXHIBIT 1-B

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

NON-SECTION SIX WELLS

TUBB ESTATE 1-75

Location: Section 1, Block 75, Winkler County, Texas
Working Interest: .52137040
Net Revenue Interest: .40769046

TUBB 1 UNIT 1
(Before Payout Interests)

Location: Section 1, Block C-24, Winkler County, Texas
Working Interest: .43902300
Net Revenue Interest: .32974738
Overriding Royalty Interest: .03447237

TUBB UNIT 2

Location: Section 1, Block C-24, Winkler County, Texas
Working Interest: .61538450
Net Revenue Interest: .[]

TUBB UNIT 3

Location: Section 1, Block C-24, Winkler County, Texas
Working Interest: .76178020
Net Revenue Interest: .47014510
Overriding Royalty Interest: .00500824

TUBB UNIT 4

Location: Section 1, Block C-24, Winkler County, Texas
Working Interest: .[]
Net Revenue Interest: .[]

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

TUBB ESTATE 1-2

Location: Section 2, Block C-24, Winkler County, Texas

Working Interest: .32035340

Net Revenue Interest: .24367000

Royalty Interest: .00244140

Overriding Royalty Interest: .01133333

TUBB 9 UNIT 1

Location: Section 9, Block 74, Winkler County, Texas

Working Interest: .46002810

Net Revenue Interest: .34864624

Royalty Interest: .00520833

Overriding Royalty Interest: .02573194

TUBB 9 UNIT 2
(Before Payout Interests)

Location: Section 9, Block 74, Winkler County, Texas

Working Interest: .66856820

Net Revenue Interest: .56707949

Royalty Interest : .02083333

TUBB ESTATE 1-21

Location: Section 21, Block C-23, Winkler County, Texas

Working Interest: .54314870

Net Revenue Interest: .38445416

Royalty Interest: .00015129

Overriding Royalty Interest: .01698488

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

TUBB ESTATE 2-21
(Before Payout Interests)

Location: Section 21, Block C-23, Winkler County, Texas

Working Interest: .82883150

Net Revenue Interest: .60926349

Overriding Royalty Interest: .00200000

TUBB ESTATE 1-22
(Before Payout Interests)

Location: Section 22, Block C-23, Winkler County, Texas

Working Interest: .79456000

Net Revenue Interest: .57145444

Royalty Interest: .01436362

Overriding Royalty Interest: .00525574

TUBB 22 UNIT 1R
(Before Payout Interests)

Location: Section 22, Block C-23, Winkler County, Texas

Working Interest: .78262240

Net Revenue Interest: .57191524

Royalty Interest: .04101563

Overriding Royalty Interest: .00539367

TUBB ESTATE 22-2
(Before Payout Interests)

Location: Section 22, Block C-23, Winkler County, Texas

Working Interest: .67201570

Net Revenue Interest: .49322037

Royalty Interest: .04101562

Overriding Royalty Interest: .00226452

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

TUBB ESTATE 22-3

Location: Section 22, Block C-23, Winkler County, Texas

Working Interest: .67844300

Net Revenue Interest: .48177409

Royalty Interest: .09520264

Overriding Royalty Interest: .00691996

TUBB 23 UNIT 1R

Location: Section 23, Block C-23, Winkler County, Texas

Working Interest: .81854140

Net Revenue Interest: .60414037

Royalty Interest: .00234250

Overriding Royalty Interest: .00200000

TUBB ESTATE 1-23

Location: Section 23, Block C-23, Winkler County, Texas

Working Interest: .62508890

Net Revenue Interest: .46812828

Overriding Royalty Interest: .00200000

WOLFE UNIT 1

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .47406050

Net Revenue Interest: .38608412

Royalty Interest: .01673542

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

WOLFE UNIT 2

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .61749300

Net Revenue Interest: .49067731

Overriding Royalty Interest: .00520459

WOLFE UNIT 3

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .45768990

Net Revenue Interest: .34375268

Royalty Interest: .02039342

Overriding Royalty Interest: .00328490

WOLFE UNIT 4

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .62741650

Net Revenue Interest: .50000000

Overriding Royalty Interest: .00520459

WOLFE UNIT 5

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .66491690

Net Revenue Interest: .51196278

Royalty Interest: .07031250

Overriding Royalty Interest: .00520459

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

WOLFE UNIT 6

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .67476430

Net Revenue Interest: .53946278

Overriding Royalty Interest: .00520459

WOLFE UNIT 7

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .74600640

Net Revenue Interest: .58545013

Overriding Royalty Interest: .00375990

WOLFE UNIT 8

Location: Section 24, Block C-23, Winkler County, Texas

Working Interest: .63376662

Net Revenue Interest: .[]

TUBB ESTATE 1 (SEC 25)
(Before Payout Interests)

Location: Section 25, Block C-23, Winkler County, Texas

Working Interest: .63636960

Net Revenue Interest: .51880071

TUBB ESTATE 2 (SEC 25)

Location: Section 25, Block C-23, Winkler County, Texas

Working Interest: .46429790

Net Revenue Interest: .38046994

EXHIBIT A-2(b)
Wells
Winkler and Loving Counties, Texas

TUBB ESTATE 3 (SEC 25)
(Before Payout Interests)

Location: Section 25, Block C-23, Winkler County, Texas

Working Interest: .85781050

Net Revenue Interest: .69842955

MEXICO "P" FEDERAL 1

Location: Section 21, Township 26 South, Range 35 East,
N.M.P.M., Lea County, New Mexico

Working Interest: .95725870

Net Revenue Interest: .76098441

Overriding Royalty Interest: .00500000

EXHIBIT 2
[reserved]

EXHIBIT 3

EXHIBIT 3

Identified Subordinated Claims

Party	Amount
Chase Avenue	\$1,550,758
Heritage Disposal	\$43,329
Heritage Gathering	\$219,310
Heritage Resource	\$335,324
Jean J. Wisenbaker	\$96,927
Kalani Place	\$1,848,729
Michael B. Wisenbaker	\$927,506
Rancho Hielo Brazos	\$8

EXHIBIT 4-A

SALT WATER DISPOSAL AGREEMENT

This **SALT WATER DISPOSAL AGREEMENT** (the "**Agreement**"), which shall become effective the Effective date of Plan by and between **HERITAGE DISPOSAL CORPORATION** ("**Disposal**"), **PERMIAN ATLANTIS LLC and PERMIAN PHOENIX LLC** (each may be referred to individually as "**Operator**" and when referred to collectively as "**Operators**"). Each party to this Agreement is hereinafter referred to individually as "**Party**" and collectively as "**Parties**."

WHEREAS, Operators own or control salt water produced in association with oil and gas operations in acreage located in Loving County, Texas and Winkler County, Texas (the "**Operators' Fields**") as more particularly described on **Exhibit A**;

WHEREAS, Disposal will utilize its existing Salt Water Disposal System consisting of storage and injection facilities at the delivery points, injection wells and other equipment (the "**Disposal System**") located in Section 7, Block 74, PSL Survey, and Section 16, Block C-23, PSL Survey Winkler County, Texas (the "**Disposal Location**") for the purpose of accepting, transporting and disposing of Operators' salt water in the salt water injection well (the "**Disposal Well**") at the Disposal Location; and

WHEREAS, Disposal has the ability to accept and dispose of all of Operators' salt water in the Disposal Well through its Disposal System.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Parties hereto covenant and agree as follows:

ARTICLE I **DEFINITIONS**

Except as otherwise herein provided, the following words and/or terms as used in this Agreement shall have the following scope and meaning:

- 1.1 The term "**barrel**" shall mean 42 U. S. gallon equivalents.
- 1.2 The term "**day**" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Time.
- 1.3 The term "**month**" shall mean the period beginning at 9:00 A.M. Central Time on the first day of the calendar month and ending at 9:00 A.M. Central Time on the first day of the next succeeding calendar month.
- 1.4 The term "**Contract Year**" shall mean one-year periods with the first such contract year (i) beginning at 9:00 A.M. Central Time, on the In Service Date if such date is on the first of a month or (ii) beginning at 9:00 A.M. Central Time, on the first day of the month following date of Effective Date.
- 1.5 The term "**Delivery Point(s)**" shall mean the tanks and facilities located at the two Disposal wells, being The Black Kettle #1W located 1420' FEL & 2180' FSL of Section 7 and the Little Wolf #1W located 1660' FEL & 223' FNL of Section 16, and to such other points as to which the Parties hereto may mutually agree.

1.6 The term "***Primary Term***" shall mean a term commencing on [the Effective date of Plan], the "Effective Date" and ending on the date two (2) years and zero (0) months thereafter.

1.7 The term "***Water***" shall mean any and all salt water produced in association with Operators' oil and gas operations in and around the Delivery Points.

1.8 The term "***Environmental Laws***" shall mean all applicable local, state, and federal laws, rules, regulations, and orders regulating or otherwise pertaining to (a) the use, generation, migration, storage, removal, treatment, remedy, discharge, release, transportation, disposal, or cleanup of pollutants, contamination, hazardous wastes, hazardous substances, hazardous materials, toxic substances or toxic pollutants, (b) the soil, surface waters, ground waters, land, stream sediments, surface or subsurface strata, ambient air and any other environmental medium on or off any Property or (c) the environment or health and safety related matters, including the following as from time to time amended and all others whether similar or dissimilar: the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984, the Hazardous Materials Transportation Act, as amended, the Toxic Substance Control Act, as amended, the Clean Air Act, as amended, the Clean Water Act, as amended, and all regulations promulgated pursuant thereto.

ARTICLE II **FACILITIES**

2.1 **Delivery of Water by Operators to Pipeline.** Operators shall deliver all Water generated for disposal from the wells in the Operators' Fields through Operators' pipelines and meters to the Delivery Points. Operators shall maintain and be responsible for their delivery lines and meters.

2.2 **Pressure.** Operators shall maintain and operate the Pipeline at the following pressure specifications:

- a. Normal operating pressures of the Pipeline shall be 175 psig or less.
- b. Maximum allowable operating pressure will be no greater than 200 psig.

ARTICLE III **DISPOSAL SERVICE DEDICATION & COMMITMENT**

3.1 **Firm Quantity.**

- a. Operators may deliver or cause to be delivered to Disposal for Operators' accounts at the Delivery Points a total or aggregate amount of up to 5,000 barrels of Water per day (the "***Firm Quantity***"), and Disposal shall accept, transport and properly dispose of such Water;
- b. Depending on Disposal's operating capabilities and requirements, Disposal may accept and dispose of quantities greater than the Firm Quantity on any day as Disposal in its sole

discretion determines that acceptance and disposal of such additional quantities at such Delivery points are mechanically feasible;

c. This Section 3.1 constitutes Disposal's agreement and covenant to accept delivery of at least the Firm Quantity of Water from Operators and such additional quantities of Operators' Water as provided in Section 3.1 during the Primary Term and any extension thereof, except for any other provision of this Agreement (including Section 4.6) permitting Disposal to temporarily suspend acceptance of Water. Disposal covenants to promptly remedy any situation requiring a temporary suspension of acceptance of Operators' Water that meets the water quality and pressure requirements set forth in this Agreement.

ARTICLE IV **FACILITIES & MEASUREMENT**

4.1 Testing and Repair of Equipment at Delivery Points. The accuracy of Operators' measuring equipment shall be verified by Operators at reasonable intervals and, if requested, in the presence of Disposal's representatives; provided, however, Operators shall not be required to verify the accuracy of such equipment at its cost and expense more frequently than once in any three (3) month period. Testing will be done by comparing Operators' meters data to Disposal's check meter data over a continuous 24-hour period. In the event either Disposal or an Operator notifies the other Party that it desires a special test of any measuring equipment, Disposal and Operators shall cooperate to secure a prompt verification of the accuracy of such equipment. In the event that a special test is requested, and after such test, the equipment is determined to register no greater than two percent (2%) difference from Disposal's check meter, either high or low, the requesting Party shall pay all costs for said test.

4.2 Correction of Metering Equipment. Any meter found, by test, to register not more than two percent (2%) high or low shall be deemed to be correct as to past measurements but shall be corrected to record accurately. In the event any meter, by test, proves to be more than two percent (2%) high or low, adjustment shall be made to fully correct the readings of such meters; provided, however, that if the period in which the error occurred is not known or cannot be agreed upon, then the period shall be deemed to be the last half of the time elapsed since the last test, or forty-five (45) days, whichever is the lesser period. If an Operator's meter is out of repair or is being tested or in the event that Operator's meter otherwise becomes inoperative, then the quantity of Water delivered to the Delivery Point during the period Operator's meter or meters were inoperative or manifestly in error shall be determined using Disposal's check meter, or if that meter is also in error by two percent (2%) or more or out of service, by estimating as nearly as possible the quantity of Water delivered to the Delivery Point during like periods under similar conditions when such meter was registering accurately or correctly within the tolerance set forth herein. Corrective action will consist of internal inspection to ensure integrity of the meter body, and replacing the internals with a new turbine kit, plus re-calibration of the display/recording equipment to reflect the new kit's meter factor. The meter will be tagged with the new factor.

4.3 Inspection of Charts and Records. The charts and records from the measuring equipment shall remain the property of the Party operating the measuring equipment and shall be kept for a period of two (2) years. At any time within such period, upon written request of the Party not in possession, the Party in possession shall submit records and charts from the measuring equipment, together with calculations there from, for inspection and verification subject to return within twenty (20) days from receipt thereof.

4.4 Water Quality. Operators shall make reasonable efforts to remove oil and other liquid contaminants from the Water by using normal field separation methods prior to pumping it into the Disposal System, but shall not be required to remove one hundred percent of such contaminants.

Operators shall also install filtering equipment (with 100 micron or smaller particle removal capability) between its pump and meter (upstream of Disposal's check meter) at each Delivery Point. Operators shall install industry standard equipment at each Delivery Point to safe guard against over pressuring the Pipeline. Disposal shall not accept water from third parties which would prevent Disposal from accepting all of the Operators' Water. If the Water being produced and delivered by Operators hereunder should, at any time and in the exclusive judgment of Disposal, be unsatisfactory for injection purposes through the Disposal System, then Disposal shall have the right to refuse to accept delivery of any additional Water from Operators until Operators, at their sole risk, cost and expense, make such Water of a quality acceptable to Disposal. If Operators decline or is unable to alter the quality of the Water so as to render it acceptable to Disposal, Disposal may cancel this Agreement by giving thirty (30) days advance written notice to Standard.

ARTICLE V

FEES; COST REIMBURSEMENT

5.1 Fees. Operators shall pay to Disposal each month a fee equal to one dollar (\$1.00) per barrel for each barrel of water delivered to and accepted by Disposal at the Delivery Points during the Primary Term.

5.2 Invoices. Disposal shall invoice Operators on or before the twentieth (20th) day of each month for the Water delivered by Operators in the prior month. The invoice shall include the amount of Water delivered at each Delivery Point as reported to Disposal by Operators, the rate at each Delivery Point, and the total amount owed.

5.3 Payments. Operators agree to make payment hereunder to Disposal for their respective accounts on or before the last day of the month in which the invoice is received the address indicated on the billing, or such other address as Disposal may designate in writing to Operators from time to time.

5.4 Purchase of Transportation Line. Disposal currently owns pipeline, rights of way, and equipment connecting the Pat Howell #1 Well, SE Quarter, Section 6, Block 74, Winkler County, Texas, to the Regency gathering system delivery point ("**Pat Howell Connection**"). Concurrently with the effective date of this Agreement, Disposal will assign, transfer and convey all of its interests in the Pat Howell Connection to the working interest owners in the Pat Howell #1 Well, by assignment in customary form and substance reasonably acceptable to the parties. The purchase price for the pipeline, rights of way and equipment relating to the Pat Howell Connection shall be \$150,000, which amount will be payable as follows:

- (i) From Operator on behalf of its 81.25% working interest, \$121,875 payable in 12 equal installments of \$10,156.25 each on the first day of each of the 12 consecutive months commencing the third month following the effective date of this Agreement; and
- (ii) From Pat Howell LLC on behalf of its 18.75% working interest, \$28,125, the receipt of which is hereby acknowledged by Disposal by its execution and delivery of this Agreement.

ARTICLE VI

TERM

6.1 Term. This Agreement shall become binding on the Parties hereto on the date first hereinabove written, and shall remain in full force and effect until the end of the Primary Term, and year-to-year thereafter, unless Operators provide Disposal ninety (90) days written notice of termination prior to the end of the Primary Term or term year thereafter. In the event Operators choose to renew this Agreement on a year to year basis, the charges hereunder shall adjust annually based on the change in the Consumer Price Index ("CPI") over the rates in effect during the prior year. .

6.2 Regulatory Filings. Each Party reserves the right to pursue any necessary regulatory filings with any governmental or regulatory body having jurisdiction which may be necessary to implement or continue this Agreement.

ARTICLE VII **NOTICES AND ADDRESSES**

7.1 Notices. All notices are required to be given in writing. Any correspondence provided for in this Agreement shall be deemed sufficiently given when deposited in the United States mail, postage prepaid, and addressed to the respective Parties at such address or such other addresses as the Parties respectively shall designate by written notice; provided however, any notice to cancel this Agreement shall be sent by certified mail, postage prepaid.

7.2 Addresses.

a. Notices and Correspondence to Disposal. Until an Operator is otherwise notified in writing by Disposal, notices and payments to Disposal shall be addressed to Disposal at the addresses set forth below or at such other addresses as Disposal may hereafter designate by notifying Operators in writing:

Heritage Disposal Corporation
2911 Turtle Creek Blvd., Suite 850
Dallas, Texas 75219

b. Notices and Correspondence to Operators. Until Disposal is otherwise notified in writing by an Operator, notices and invoices to Operators shall be addressed to Operators at the address set forth below or at such other address as Operators may hereafter designate by notifying Disposal in writing:

Permian Atlantis LLC
6630 Cypresswood Drive, Suite 200
Spring, Texas 77379

or

Permian Phoenix LLC
6630 Cypresswood Drive, Suite 200
Spring, Texas 77379

ARTICLE VIII **WARRANTIES AND INDEMNITIES**

8.1 Warranty of Title. Operators warrant to Disposal that Operators have good title to, or the unqualified right to tender, the Water gathered hereunder. Operators hereby agrees to indemnify Disposal against all suits, actions, debts, accounts, damages, costs (including attorney's fees), losses and expenses arising from or out of any adverse claim of any and all persons to or against title and possession to said Water or any royalties, payments or taxes due thereon arising or accruing prior to or upstream of the Delivery Points. Such indemnification shall be provided to Disposal regardless whether Operators' liability for such suits, actions, debts, accounts, damages, costs (including attorney's fees), losses and expenses arise from joint, sole, concurrent, comparative or contributory fault or negligence, or fault impose by statute, rule or regulation or strict liability of Operators, their officers, agents, and/or employees. Notwithstanding anything in this Section 8.1 to the contrary, the warranty provided herein shall only be granted by Operators to the extent of the warranty, if any, of such warranty granted by Heritage Standard Corporation and Heritage Consolidated LLC to the Operators.

8.2 Liability. From and after the Effective date of Plan, Operators shall have responsibility for the Water upstream of each Delivery Point including responsibility for any spills that occur upstream of a Delivery Point. Water delivered by Operators to Disposal shall pass to Disposal at each Delivery Point. Disposal shall have responsibility for the Water at and downstream of the Delivery Point(s) including the responsibility for properly disposing of the Water and for any spills that occur at or downstream of a Delivery Point. Nothing herein will be construed to make any Party liable for consequential damages which may occur or be asserted by reason of events or occurrences related to this Agreement.

8.3 Operators' Indemnities. From and after the Effective date of Plan, each Operator agrees to defend, indemnify and hold Disposal harmless from and against any and all of its respective claims, demands, losses, damages, liabilities, judgments, causes of action, reasonable costs or expenses (including, without limitation, any and all reasonable costs, expenses, attorneys' fees, consequential damages and other costs incurred in defense of any claim or lawsuit arising therefrom), of whatsoever nature arising out of or relating to such Operators' ownership, operation or administration of the Water upstream of any Delivery Point, including without limitation, damages to persons or property, fines, penalties, monetary sanctions or other amounts payable for failure to comply with applicable Environmental Laws, securities, safety or health, requirements of law (whether federal, state or local) so long as the underlying actions or inactions therefor occurred after the Effective date of Plan. Each Operator shall be responsible **only** for the claims, demands, losses, damages, liabilities, judgments, causes of action, reasonable costs or expenses (including, without limitation, any and all reasonable costs, expenses, attorneys' fees and other costs incurred in defense of any claim or lawsuit arising therefrom) for its properties; and under no circumstance shall one Operator be held to be jointly and severally liability for the other Operators' properties.

8.4 Disposal's Indemnities. Disposal agrees to defend, indemnify and hold Operators harmless from and against any and all claims, demands, losses, damages, liabilities, judgments, causes of action, reasonable costs or expenses (including, without limitation, any and all reasonable costs, expenses, attorneys' fees, consequential damages and other costs incurred in defense of any claim, or lawsuit arising therefrom), of whatsoever nature arising out of or relating to Disposal's ownership, operation or administration of the Disposal System, including, without limitation, damages to persons or property, fines, penalties, monetary sanctions or other amounts payable for failure to comply with applicable Environmental Laws, securities, safety or health law (whether federal, state or local).

8.5 Notification. As soon as reasonably practical after obtaining knowledge thereof, the indemnified party shall notify the indemnifying party of any claim or demand which the indemnified party has determined gives or could give rise to a claim for indemnification under this Article VIII. Such notice shall specify the agreement, representation or warranty with respect to which the claim is made, the facts

giving rise to the claim and the alleged basis for the claim, and the amount (to the extent then determinable) of liability for which indemnity is asserted. In the event any action, suit or proceeding is brought with respect to which a party may be liable under this Article VIII, the defense of the action, suit or proceeding (including all settlement negotiations and arbitration, trial, appeal, or other proceeding) shall be at the discretion of and conducted by the indemnifying party. If an indemnified party shall settle any such action, suit or proceeding without the written consent of the indemnifying party (which consent shall not be unreasonably withheld), the right of the indemnified party to make any claim against the indemnifying party on account of such settlement shall be deemed conclusively denied. An indemnified party shall have the right to be represented by its own counsel at its own expense in any such action, suit or proceeding, and if an indemnified party is named as the defendant in any action, suit or proceeding, it shall be entitled to have its own counsel and defend such action, suit or proceeding with respect to itself at its own expense. Subject to the foregoing provisions of this Article VIII, neither party shall, without the other party's written consent, settle, compromise, confess judgment or permit judgment by default in any action, suit or proceeding if such action would create or attach liability or obligation to the other party. The parties agree to make available to each other, and to their respective counsel and accountants, all information and documents reasonably available to them which relate to any action, suit or proceeding, and the parties agree to render to each other such assistance as they may reasonably require of each other in order to ensure the proper and adequate defense of any such action, suit or proceeding.

ARTICLE IX **CHOICE OF LAW**

9.1 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to principles of conflicts of laws.

ARTICLE X **MISCELLANEOUS**

10.1 Modifications. No modifications of the terms and provisions of this Agreement shall be or become effective except by the execution of a supplementary written agreement executed by the parties.

10.2 Audit Rights. Either Party, upon notice in writing to the other Party, shall have the right to audit the other Party's accounts and records relating to this Agreement for any calendar year within the twenty-four (24) month period following the end of such calendar year. A Party shall bear no portion of the other Party's audit cost. The audits will be conducted during the normal business hours and shall not be conducted more than once each year without prior approval of the other Party. The non-auditing Party shall reply in writing to an audit report within ninety (90) days after receipt of such report with any audit exception to be settled by the mutual agreement of the Parties within thirty (30) days of the date of the delivery of the audit report response. In the event the mutual agreement cannot be reached within the aforesaid time period, the Parties agree to retain the services of an independent accounting/audit firm to review the audit, make such additional investigation as said firm deems necessary with respect to the audit, and within forty-five (45) days after the conclusion of its investigation, _____ (the independent accounting Firm) shall render its determination with respect to the audit issues and the Parties shall be bound for all purposes by said determination.

10.3 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and together a single instrument, with the same effect as if the signatures thereto and hereto were upon the same instrument. A copy transmitted via facsimile of this Agreement, bearing the signature of one or both parties shall be deemed to be of the same legal force and

effect as an original of this Agreement bearing such signature(s) as originally written of such one or more parties.

10.4 Further Assurances. Notwithstanding anything to the contrary contained herein, the Parties agree to execute and file as appropriate, any and all other documents, agreements or other instruments as may be necessary or appropriate to confirm the agreements reached by, and the obligations imposed on each of the Parties hereunder.

10.5 Force Majeure. Neither party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, this Agreement is executed effective as of the date and year first above written.

PERMIAN ATLANTIS LLC

HERITAGE DISPOSAL CORPORATION

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

PERMIAN PHOENIX LLC

By: _____
Printed Name: _____
Title: _____

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me this ____ day of _____, 2010, by Robert P. Munn, the President of Permian Atlantis LLC on behalf of said organization.

Notary Public in and for the State of Texas

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me this ____ day of _____, 2010, by Robert P. Munn, the President of Permian Phoenix LLC on behalf of said organization.

Notary Public in and for the State of Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me this ____ day of _____, 2010, by _____, the _____ of Heritage Disposal Corporation on behalf of Heritage Disposal Corporation.

Notary Public in and for the State of Texas

EXHIBIT 4-B

TRANSPORTATION AGREEMENT

BETWEEN

PERMIAN ATLANTIS LLC

AND

HERITAGE GATHERING CORPORATION

Dated: [Effective date of Plan]

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TRANSPORTATION AGREEMENT

This Agreement, made and entered into this [Effective date of Plan], the Effective Date, by and between **Permian Atlantis LLC**, a Delaware limited liability company, hereinafter collectively referred to as "Shipper", and Heritage **Gathering Corporation**, a Texas Corporation, hereinafter referred to as "Transporter".

WITNESSETH:

WHEREAS, Shipper desires to have natural gas transported from the Points of Delivery to the Points of Redelivery set forth herein; and

WHEREAS, Transporter has constructed, or will construct, a pipeline and appurtenant facilities between the Points of Delivery and the Points of Redelivery set forth herein; and

WHEREAS, Transporter agrees to accept and transport said gas for redelivery for the account of Shipper under the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the parties hereto agree as follows:

*ARTICLE I.
DEFINITIONS*

- A. The terms "gas" and "natural gas" shall mean natural gas produced from oil wells or gas wells or both, and residue gas resulting from the processing of gas well gas, oil well gas, or both.
- B. The term "taxes" shall mean any tax (other than ad valorem, income or excess profits taxes), license, gross receipts tax, fee or charge now or hereafter levied, assessed or made by any governmental authority on the act, right or privilege of transporting, handling, or delivering gas which is measured by the volume, value or sales price of the gas in question.
- C. The term "Contract Acreage" shall mean all of the lands described in Exhibit "A" attached hereto and made part hereof.
- D. The term "BTU" shall mean British Thermal Unit. The term "MMBTU" shall mean one million (1,000,000) Btu.
- E. The term "Gross Heating Value" shall mean the number of Btu's evolved by the complete combustion, at constant pressure, of the amount of gas which would occupy a volume of one (1) cubic foot at a temperature of sixty degrees (60°) Fahrenheit, if saturated with water vapor and under a pressure equivalent to that of thirty (30) inches of mercury at thirty-two degrees (32°) Fahrenheit, and under standard gravitational force (acceleration 980.665 cm per second) with air of the same temperature and pressure as the gas when the products of combustion are cooled to the initial temperature of the gas and air and when the water formed by combustion is condensed

to the liquid state. The gross heating value of the gas thus obtained shall be expressed on the measurement basis set forth in Article 6.A of this Agreement. ***[Conform as necessary to the Enterprise GC L.P. Gas Dedication Agreement (Enterprise Agreement)]***.

- F. The term "Mcf" shall mean one thousand (1,000) cubic feet of gas. The term "Bcf shall mean one billion cubic feet of gas.
- G. The term "Maximum Daily Volume" shall mean the maximum capacity of the Transportation System to transport gas.
- H. The term "Transportation System" or "Transporter's System" shall mean the pipeline and appurtenant facilities constructed, or to be constructed by Transporter, at its expense, between the Points of Delivery and Points of Redelivery set forth in Article III. The pipeline will be initially designed for a maximum allowable operating pressure of 1200 psig. ***[Conform as necessary to the Enterprise Agreement]***
- I. The term "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 7:00 a.m. local time.
- J. The term "Month" shall mean a period beginning at 7:00 a.m. local time on the first day of a calendar month and ending at 7:00 a.m. local time on the first day of the next succeeding calendar month.
- K. The term "Contract Year" shall mean the twelve (12) month period beginning on the Effective Date of this Agreement and each twelve (12) month period thereafter.
- L. The term "Affiliate" shall mean any Person which, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with another Person. The term "Person" shall mean an individual, a corporation, voluntary association, joint stock company, business trust, partnership, proprietorship, or other legal entity (excluding any governmental body) however constituted.

ARTICLE II. **QUANTITY**

A. Subject to the terms and conditions hereof:

1. Shipper will deliver, or cause to be delivered, to Transporter for transportation hereunder all gas that Shipper owns, controls or has the right to market which is produced from the Contract Acreage during the term of this Agreement.

2. Transporter will accept for Shipper's account at the Points of Delivery the daily volume of gas tendered by Shipper up to the Maximum Daily Volume, and, subject to Paragraph 3. and Section B. herein, Transporter shall redeliver to Shipper at the Points of Redelivery, on each day a volume of gas equal to the volume of gas delivered by Shipper to Transporter on such day. Transporter shall not be obligated to maintain a pipeline

connection to any well or central field production facility when in Transporter's sole judgment, the continuation of such connection under the terms and conditions of this Agreement would no longer be profitable for Transporter. If Transporter discontinues the connection of any such well or central field production facility, such action shall immediately effect a release of the well(s) and the lease(s) on which the well(s) are located or which leases contribute to the production from such well(s) from the dedication under this Agreement.

3. *Imbalances*

Gas tendered by Shipper to Transporter for transportation hereunder at the Points of Delivery shall be delivered as nearly as practicable at uniform hourly rates of flow consistent with normal producing and pipeline operations. Gas redelivered at the Points of Redelivery by Transporter to Shipper shall be maintained as nearly as practicable at uniform hourly rates of flow approximately equal to the rates at which gas is received by Transporter from Shipper for transportation hereunder, consistent with normal pipeline operations.

It is recognized that because of dispatching and other variations certain imbalances may occur between the volumes of gas delivered hereunder by shipper and the volumes of gas redelivered hereunder by Transporter. Such imbalances shall be corrected, insofar as practicable, during the month following the month in which they occur.

B. Allocated Volumes

Gas other than Shipper's Gas may be transported through the Transportation System only in the event there is line capacity available on said Transportation System to receive third-party gas. In that event, then the total volume delivered at a Point of Redelivery will be allocated back to each Point of Delivery into the Transportation System based on the following formula:

$$A=B \times C/T$$

Where:

A - Allocated volume (Mcf) at the Point of Delivery

B - Volume (Mcf) measured at the Point of Redelivery

T - Total volume (Mcf) measured at all Points of Redeliver

C - Volume (Mcf) measured at the Point of Delivery

At such time as Shipper requires any portion of the capacity being utilized by a third-party, Transporter shall decrease such third-parties volume so as to accommodate Shipper's requirement, even if such requirement equals the Maximum Daily Volume.

ARTICLE III.
POINTS OF DELIVERY,
POINTS OF REDELIVERY AND CONSTRUCTION OF FACILITIES

A. Points of Delivery

The Points of Delivery for gas delivered by or for the account of Shipper to Transporter hereunder, shall be at the outlet flange of the meter installed at or near each of the wells located on the contract acreage. Shipper shall have no access to the gas beyond the Points of Delivery, and any lease use gas to be used by Shipper shall be taken prior to any Point of Delivery. Notwithstanding the foregoing, Shipper shall have access to gas beyond the Points of Delivery as necessary to operate the compressors used in connection with the Transportation System.

B. Points of Redelivery

The Points of Redelivery for all gas to be redelivered by Transporter to Shipper shall be at the inlet flange of the meter station located at the interconnection of either Enterprise's meter # 50623 and Transporter's pipeline in Section 6, Block 74, PSL Survey, Winkler County, Texas.

C. Construction of Facilities

1. Transporter will construct, operate, and maintain or cause to be constructed, operated, and maintained, at its expense, the Transportation System and all facilities necessary to receive delivery of gas for transportation hereunder at the Points of Delivery and to redeliver gas at the Point of Redelivery. The measurement facilities to be installed at each Point of Delivery and Point of Redelivery are set forth in Article VI.

2. At Shipper's request Transporter will extend its Transportation System to other wells within the Contract Acreage, establishing additional Point(s) of Delivery, subject to the following conditions:

a. Shipper's well must, in Transporter's judgment, be capable of producing at least five hundred (500) Mcf of initial daily deliverability.

b. Shipper's well must, as defined by a third-party engineering report, have at least one-half (0.5) Bcf of recoverable reserves; and

c. In no event will Transporter be allowed to refuse to connect any well in the Contract Acreage drilled by Shipper or a well in which Shipper has a working interest or a net revenue interest. In the event Transporter connects a well that produces less than two hundredths (0.02) Bcf during the economic life of the well, Shipper shall pay to Transporter an amount of money equal to cost of installation for the well.

d. Transporter agrees to furnish invoices to Shipper supporting all costs associated with construction of lines, facilities, equipment, etc., associated with each well connected.

3. Upon completion and testing of any well in the Contract Acreage, Shipper will furnish Transporter, as available, all information not considered confidential by Shipper, concerning third-party engineering reports and test data. If requested Shipper will supply copies of support data used in the third-party engineering analysis, subject to Transporter executing a confidentiality agreement covering the data provided and the Contract Area. Such data shall include, but is not limited to, all core analyses, sample logs, well logs, drilling and completion reports, pressure data, production data, flow potential data and acreage information. Within five (5) business days after receipt of such well data, Transporter will notify Shipper that either:

a. Such well meets the criteria set forth above with an estimate by Transporter as to when Transporter expects its facilities will be completed; or

b. Such well does not meet the criteria set forth above and the amount of aid-in-construction Shipper must pay Transporter for Transporter to proceed with the construction of such facilities. If Shipper agrees to pay Transporter the aid-in-construction, Transporter shall commence construction of such facilities upon receipt of such payment from Shipper. Upon payout of Transporters initial investment, the gathering fee will be reduced to five cents (\$0.05) per mcf until Shippers aid-in-construction cost is fully recouped. At which time the full "Gathering Fee" will be reinstated and Transporter will have full ownership of the new line and facilities. If Shipper chooses not to pay Transporter the required aid-in-construction, then such well and each of the leases contributing to such well shall be released from this Agreement by written request from Shipper to Transporter.

4. In the event Transporter required new easements and rights-of-way not currently in existence on Shipper's leases in the Contract Acreage for the addition of pipelines and related equipment to take Shipper's gas, to the extent it has the legal authority to do so, Shipper will grant such rights of ingress and egress to and from said premises as necessary for the carrying out of the terms of this Agreement.

D. Indemnification

Transporter shall indemnify and hold Shipper harmless against any and all claims, demands, costs, expenses, losses and causes or suits for damages or otherwise arising out of the operations conducted hereunder by Transporter. Shipper shall indemnify and hold Transporter harmless against any and all claims, demands, costs, expenses, losses and causes or suits for

damages or otherwise arising out of the operations conducted hereunder by Shipper. As between Shipper and Transporter, Shipper shall be deemed to be in control and possession of the gas and responsible for damages or injuries caused thereby, prior to delivery of the gas hereunder to Transporter at the Point of Delivery and after redelivery of the gas to Shipper at the Point of Redelivery. Transporter shall be deemed to be in control and possession of the gas and responsible for damages or injuries caused thereby after delivery of said gas hereunder to Transporter at the Point of Delivery and prior to redelivery of the gas to Shipper at the Point of Redelivery.

ARTICLE IV.
DELIVERY PRESSURE

All gas delivered hereunder by Shipper shall be delivered at a pressure sufficient to permit the gas to enter the Transportation System at the operating pressure maintained therein from time to time, such operating pressure not to exceed twelve hundred (1200) pounds per square inch gauge. Transporter shall not be obligated to receive gas hereunder at pressures exceeding the maximum allowable operating pressures for the Transportation System prescribed under any applicable governmental regulations.

Subject to the foregoing, gas will be delivered by Transporter at the Points of Redelivery provided herein at such pressures as may exist in Transporter's System at that point from time to time.

Nothing herein shall be construed to obligate Transporter to install compression facilities in order to receive, transport or redeliver gas.

ARTICLE V.
RATES

A. Shipper shall pay Transporter monthly thirty-seven and one-half cents (\$0.375) per Mcf transportation fee for all volumes (Mcf) transported pursuant to this Agreement.

B. Transporter agrees to pay all taxes which may be levied with respect to the transportation service performed hereunder or the business of performing such service.

C. Shipper agrees that it shall be solely responsible for any and all compression needed to transport its Gas through Transporter's gathering system to the Points of Redelivery; and Shipper will negotiate all compression contracts to be in Shipper's name, maintain and operate compressors and agree to pay all compression costs associated with transporting Shipper's Gas through Transporter's gathering system from the Points of Delivery to the Points of Redelivery.

D. The parties understand that the rate provided herein is freely negotiated between the parties and no party during the existence of this Agreement will seek to have the rate amended, modified, revised or otherwise changed by any regulatory authority.

ARTICLE VI.
MEASUREMENT

A. The unit of volume for measurement of gas delivered hereunder shall be the quantity of gas contained in one (1) cubic foot of space at a base temperature of sixty degrees (60f°) Fahrenheit and at a pressure of fourteen and sixty-five hundredths (14.65) psia, and otherwise, as provided by the Standard Gas Measurement Law of Texas. Except as provided by that law, all fundamental constants, observations, records, and procedures involved in determining and/or verifying the quantity and other characteristics of gas delivered hereunder shall, unless otherwise specified herein, be in accordance with the standards prescribed in Report No. 3 of the American Gas Association (ACGA) as reprinted and revised June 1991, and with any subsequent amendments or revisions thereto which may be acceptable to Shipper and Transporter. All measurements of gas shall be determined by calculation into terms of such unit. All quantities given herein, unless otherwise expressly stated, are in terms of such unit.

B. Transporter, or its designee, shall install, maintain and operate, or cause to be done, at its own expense, a measuring station located at each new Point of Redelivery. The measuring station shall be so equipped with orifice meters, recording gauges, or other types of meter or meters of standard make and design commonly acceptable in the industry, as to accomplish the accurate measurement of gas delivered hereunder.

C. Shipper, or its designee, shall install, maintain and operate, or cause to be done, at its own expense, measuring stations located at each new Point of Delivery. Each measuring station shall be so equipped with orifice meters, recording gauges, or other types of meter or meters of standard make and design commonly acceptable in the industry, as to accomplish the accurate measurement of gas delivered hereunder. The changing of the charts and calibrating and adjusting of meters shall be done by Shipper or Shipper's representative. .

D. The temperature of gas flowing through the meter or meters shall be determined by the continuous use of a recording thermometer installed so that it will properly record the temperature of the gas flowing through the meter or meters, or at Transporter's option, by periodic tests conducted by Transporter with a mercury thermometer. The arithmetical average of the hourly temperature recorded each day during the time that gas was actually flowing through the meter shall be used in computing measurements for that day.

E. Each party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspection, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request, each will submit to the other its records and charts, together with calculations therefrom subject to return within fifteen (15) days after receipt thereof, after which the charts shall be kept on file for five (5) years.

F. At least once each quarter, Shipper shall calibrate the meters and instruments or cause the same to be calibrated. Shipper shall give Transporter sufficient notice in advance of such tests so that Transporter may, at its election, be present in person or by its representative, to

observe adjustments, if any, which are made. For the purpose of measurement and meter calibration, the atmospheric pressure shall be assumed to be thirteen and two-tenths (13.2) psia, irrespective of variations in natural atmospheric pressure from time to time. Such information will be supplied to Transporter by Shipper, or by Shipper's representative monthly by the 20th day of the month following the month of delivery.

G. If, upon any tests, the metering equipment in the aggregate is found to be inaccurate by two percent (2%) or more, registration thereof and any payment based upon such registration, shall be corrected at the rate of such inaccuracy for any period of inaccuracy which is definitely known or agreed upon, or if not known or agreed upon, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration. Following any tests, any metering equipment found to be inaccurate to any degree shall be adjusted immediately to measure accurately. If, for any reason, Transporter's meters are out of service or out of repair so that the amount of gas delivered cannot be ascertained or computed from the readings thereof or corrected, the gas delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto by using the registration of any check meter if installed and accurately registering or, in the absence of a check meter, by estimating the quantity based upon deliveries during periods under similar conditions when the meter was registering accurately, including, but not limited to individual meters at each well from which shipper is producing gas into Transporters' gas gathering system.

H. The measurement hereunder shall be corrected for deviation from Boyle's Law at the pressure and temperatures under which gas is delivered hereunder.

ARTICLE VII. *QUALITY*

The gas delivered at the Points of Delivery and Points of Redelivery shall be merchantable gas which shall: [**Conform as necessary to the Enterprise Gas Dedication Agreement**].

1. Contain not more than five (5) grains of total sulfur per one hundred (100) cubic feet, and shall not contain more than one-fourth (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet;

2. Have a gross heating value not less than nine hundred and fifty (950) British Thermal Units (BTU) per cubic foot of gas when saturated with water vapor. Transporter shall have the right, not the obligation, to accept deliveries of gas with a heating value less than nine hundred and fifty (950) BTU per cubic foot;

3. Contain not more than three percent (3%) by volume of carbon dioxide;

4. Have a temperature not greater than one hundred and ten degrees Fahrenheit (110°F.) or less than forty degrees Fahrenheit (40°F.);

5. Contain no detectable oxygen;

6. Be commercially free of all liquids, suspended matter, dust, all gums and gum forming constituents, and other objectionable substances and not exceed seven percent (7%) by volume of water content.

ARTICLE VIII.
BILLING AND PAYMENT

A. On or before the twentieth (20th) day of each month, Transporter shall render to Shipper its bill for all gas transported hereunder during the preceding month.

B. Shipper shall pay Transporter, at Transporter's address designated herein, in good funds on or before the last day of each month; provided, however, that if Transporter renders a bill after the twentieth (20th) day of the month, that due date shall be extended to ten (10) days after the bill is rendered for the gas transported for Shipper hereunder during the preceding month.

C. Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due, interest on the unpaid portion of the bill shall accrue and be payable at the rate of JP Morgan Chase Bank, NA prime plus two percent (2%) from the due date until the date of payment; provided, however, that no interest rates or charges provided in this Agreement are intended to exceed the maximum allowed by law and any such rates or charges stated herein shall be conformed, if necessary, to the maximum rates or charges allowed by law. If such failure to pay continues for thirty (30) days after payment is due, Transporter in addition to any other remedy it may have under this Agreement, may suspend further transportation until such amount is paid; provided, however, that if Shipper in good faith shall dispute the amount of any such bill or part thereof and shall pay to Transporter such amounts as it concedes to be correct, and, at any time thereafter within thirty (30) days of a demand made by Transporter, shall furnish good and sufficient corporate undertaking acceptable to legal counsel for Transporter of the amount ultimately found due upon such bill after a final determination, which may be reached either by agreement or judgment of court, as the case may be, then no interest will be due on the unpaid portion of the bill.

D. In the event an error is discovered in the amount billed in any statement rendered by Transporter, such error shall be adjusted within thirty (30) days of the determination thereof the amount of the discrepancy plus any interest accrued thereon or paid, provided that claim therefore shall have been made within twenty-four (24) months from date of payment.

E. Transporter and Shipper shall each have the right to examine, at all reasonable times, the books, records, and charts of the other to the extent necessary to verify or audit the accuracy of any statement, bill, chart, or computation made under or pursuant to this Agreement.

ARTICLE IX.
WARRANTY

Shipper hereby warrants that at the time of delivery of gas to Transporter it will have good title or the good right to deliver such gas, and that such gas shall be free and clear of all liens and adverse claims; and agrees, with respect to the gas delivered by it, to indemnify Transporter against all suits, actions, debts, accounts, damages, costs (including attorneys' fees), losses and expenses arising from or out of any adverse claims of any and all persons to or against said gas.

ARTICLE X.
DULY CONSTITUTED AUTHORITIES

This Agreement and all operations hereunder are subject to the applicable federal and state laws and the applicable ordinances, orders, rules and regulations of any local, state or federal governmental authority having or asserting jurisdiction; but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule or regulation in any forum having jurisdiction in the premises. If any regulatory authority or governmental entity by statute, rule, regulation, or order dictates any action or requirement which prevents or materially impedes the performance of the transportation service, then Transporter shall not be liable to Shipper to the extent of such prevention or impedance. If, due to any governmental or regulatory agency action, Transporter is required to incur major unanticipated expenditures in connection with the transportation service to be rendered hereunder. Shipper agrees to enter into good faith negotiations with Transporter to determine the appropriate transportation fees to be paid in order to reflect such additional costs.

ARTICLE XI.
TERM

This Agreement shall be effective from the date first set forth herein and shall continue in full force and effect for a primary term of two (2) Contract Years, and year-to-year thereafter, unless Shipper provides Transporter ninety (90) days written notice of termination prior to the end of the primary term or term year thereafter. In the event Shipper chooses to renew this Agreement on a year to year basis, any adjustment to the transportation fee shall be based on the change in the Consumer Price Index ("CPI") over the rate in effect during the previous year. Notwithstanding the above, if an imbalance exists on the date of termination hereof between the total quantities of gas theretofore delivered hereunder, the term hereof shall be extended for a period sufficient to allow the party whose deliveries or redeliveries are in arrears to eliminate any deficit.

At the end of the term of this Agreement, either party has the right to cease operations and neither party will assert before any regulatory authority the right to service not explicitly provided for under the terms and condition of this Agreement.

ARTICLE XII.
FORCE MAJEURE

In the event of either party hereto being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payments due hereunder, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party as soon as possible after the occurrence of the cause relied on, then the obligations of the party giving such notice as far as they are affected by such force majeure, shall be suspended from the commencement of and during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.

The term "force majeure" as employed herein shall mean acts of God, governmental action, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs to or alterations of machinery of lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome; such term shall likewise include: (a) in those instances where either party hereto is required to obtain servitudes, rights-of-way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way grants, permits or licenses, and (b) in those instances where either party hereto is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies, permits and permissions.

It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of any opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE XIII. *SHIPPER'S REPRESENTATIVE*

Shipper shall appoint its chief financial officer to serve as its representative hereunder for the purpose of giving and receiving notices and requests, paying the transportation fees specified in Article V, delivering the quantities of gas deliverable hereunder, and doing and receiving all things provided for concerning Shipper in this Agreement. Transporter may act, and shall be fully protected in acting, in reliance upon any and all acts and things done and performed by or agreement made with respect to all matters dealt with herein by such representative on behalf of the parties Shipper as fully and effectively as though each had done, performed, made

or executed the same. Shipper may change its representative and designate a new representative from time to time by delivery of written notice of change of designation to Transporter.

ARTICLE XIV.
NOTICES AND MISCELLANEOUS

A. Notices

Any notice, request, demand, statement or payment provided for in this Agreement, or any notice which either Transporter or Shipper may desire to give to the other, shall be in writing and shall be considered as duly delivered when received by the party to whom addressed at the following addresses:

SHIPPER

Permian Atlantis LLC
6630 Cypresswood Dr., Suite 200
Spring, Texas 77379
Fax: (832) 559-6088

TRANSPORTER

Heritage Gathering Corporation
2911 Turtle Creek Blvd., Suite 850
Dallas, Texas 75219
Fax: (214) [_____]

B. Miscellaneous Provisions

1. No modification of the terms and provisions of this Agreement shall be made except by the execution of written agreements.
2. No waiver by either Transporter or Shipper of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or different character.
3. Any party which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entity of Transporter or of Shipper, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a company with which it is an Affiliate, but otherwise no assignment of this Agreement, or any of the rights or obligations hereunder shall be made by Transporter or Shipper unless there first shall have been obtained a consent thereto by the other party, which shall not be unreasonably withheld. Any attempted assignment in violation of this provision shall be void. it is agreed,

however, that the restriction on assignments contained in this paragraph shall not in any way prevent either party to this Agreement from pledging or mortgaging its rights hereunder as security for its indebtedness, without the assumption of obligations hereunder by the pledge or mortgagee.

4. This Agreement may be executed in any number of counterparts, no one of which need be executed by all parties, or may be ratified, adopted, or consented to by separate instrument, in writing specifically referring hereto, and it shall be binding upon all parties who execute a counterpart, ratification, adoption, or consent with the same force and effect, and to the same extent as if all such parties had executed and signed the same document, with each separate counterpart, ratification, adoption or consent deemed to be an original.

5. This Agreement contains the entire contract between the parties and there are no oral promises, agreements, or warranties affecting it.

6. The descriptive headings of these general provisions are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any such provisions.

7. This Agreement was prepared and negotiated jointly by both parties and shall not be construed as prepared by one party to the exclusion of the other.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

9. Neither party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the party whose performance is affected.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in duplicate originals, as of the date hereinabove written.

SHIPPER

Permian Atlantis LLC

By: Robert P. Munn

Title: President

TRANSPORTER

Heritage Gathering Corporation

By: Michael B. Wisenbaker

Title:

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me this ____ day of _____, 2010, by Robert P. Munn, President of Permian Atlantis LLC on behalf of said organization.

My Commission Expires: _____
Notary for the State of Texas

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me this ____ day of _____, 2010, by Michael B. Wisenbaker, _____ of Heritage Gathering Corporation on behalf of said corporation.

My Commission Expires: _____
Notary for the State of Texas

EXHIBIT "A"

Attached to that certain Transportation Agreement dated [Effective date of the Plan], between Permian Atlantis LLC, et al, Shipper, and Heritage Gathering Corporation, Transporter.

The Contract Acreage committed to this Transportation Agreement includes the acreage located in Loving County and Winkler County, Texas described below:

PSL SURVEY, BLOCK C-23, Sections 21, 22, 23, 24 and 25

PSL SURVEY, BLOCK C-24, Sections 1 and 2

PSL SURVEY, BLOCK 74, Section 9

PSL SURVEY, BLOCK 75, Section 1

EXHIBIT 5
[to be supplemented]