

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

IN RE: §
HALLWOOD ENERGY, L.P., § CASE NO. 09-31253-11
a Delaware Limited Partnership, §
Debtors.¹ § JOINTLY ADMINISTERED
§

GLOBAL NOTES AND STATEMENT OF LIMITATIONS, METHODOLOGY
AND DISCLAIMER REGARDING DEBTORS' STATEMENTS OF FINANCIAL
AFFAIRS AND SCHEDULES²

¹ The remaining debtors and debtors-in-possession include: (i) *In re Hallwood Energy Management, LLC*, a Delaware Limited Liability Company, Case No. 09-31254-11; (ii) *In re Hallwood Gathering, L.P.*, a Delaware Limited Partnership, Case No. 09-31255-11; (iii) *In re HG II Management, LLC*, Case No. 09-31256-11; (iv) *In re Hallwood Petroleum, LLC*, Case No. 09-31257-11; and (v) *In re Hallwood SWD, LLC*, Case No. 09-31258-11. The bankruptcy cases for all the above-referenced debtors and debtors-in-possession shall be jointly administered under the bankruptcy case and style referenced above.

² A Statement of Financial Affairs and Schedules of Assets and Liabilities for a particular Debtor begins immediately after these Global Notes.

The Schedules of Assets and Liabilities and Statements of Financial Affairs (the “Schedules and Statements”) filed herewith by Hallwood Energy, L.P. (“HELP”) and certain of its subsidiaries, as debtors and debtors-in-possession (collectively the “Debtors”) in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Bankruptcy Court”) were prepared pursuant to 11 U.S.C. § 521 and Federal Rule of Bankruptcy Procedure 1007 by management of the Debtors and are unaudited. The Schedules and Statements remain subject to further review and verification by the Debtors. Subsequent information may result in material changes in financial and other data contained in the Schedules and Statements. The Debtors have used their best efforts to compile the information set forth in the Schedules and Statements from their books and records maintained in the ordinary course of their business. While those members of management responsible for preparation of the Schedules and Statements have made reasonable efforts to ensure that the Schedules and Statements are accurate and complete based upon information known to them at the time of the preparation after reasonable inquiries, inadvertent errors or omissions may exist and/or the subsequent receipt of information may result in material changes in financial and other data contained in the Schedules and Statements which may warrant amendment of the same. The Debtors reserve their right to amend their Schedules and Statements from time to time as may be necessary or appropriate. These Global Notes and Statement of Limitations, Methodology, and Disclaimer Regarding Debtors’ Statements of Financial Affairs and Schedules (the “Global Notes”) are incorporated by reference in, and comprise an integral part of, the Schedules and Statements, and should be referred to and reviewed in connection with any review of the Schedules and Statements.

1. Description of the Cases and “As Of” Information Date. On March 1, 2009 (the “Petition Date”), the Debtors each filed a voluntary petition with the Bankruptcy Court for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, *et seq.* (the “Bankruptcy Code”) under case numbers 09-031253, 09-031254, 09-031255, 09-031956, 09-031957, and 09-031958. The cases were consolidated for procedural purposes only under Case No. 09-031253. Except as noted in the Schedules and Statements, all asset and liability data contained in the Schedules and Statements are stated in United States currency as of December 31, 2008. In some instances, the Debtors have used estimated amounts when actual data as of December 31, 2008 was not available.

2. Basis of Presentation. For financial reporting purposes, the Debtors generally prepare consolidated financial statements, which include financial information for all subsidiaries and affiliates (including the Debtors, the “Company”), which in the past have been audited annually. Unlike the consolidated financial information included in the Company’s audited financial statements, the Schedules and Statements reflect the assets and liabilities of each Debtor based on their unaudited books and tax records. Each Debtor generally maintains its accounting records in accordance with Generally Accepted Accounting Principles (“GAAP”) used in the United States. However, these Schedules and Statements do not purport to represent financial statements prepared in accordance with GAAP.

3. Summary of Significant Reporting Policies. The following conventions were adopted by the Debtors in preparation of the Schedules and Statements:

(a) Debtors. Separate Schedules and Statements have been filed for each of the Debtors.

(b) Reporting Date. Except as otherwise noted, the Debtors' Schedules and Statements are prepared as of close of business on December 31, 2008. In some instances, the Debtors have used estimates where actual data as of December 31, 2008 was not available.

(c) Book Value. Except as otherwise noted, each asset and liability of each Debtor is shown on the basis of the net book value of the asset or liability in accordance with the Debtor's accounting and/or tax books and records as of December 31, 2008. Unless otherwise noted, the Schedules reflect the carrying value of the assets and liabilities as listed in the Debtors' books and records, and are not based upon any estimate of current market values, which may not correspond to book values. All intercompany balances are shown at the book values set forth in the books and records of the Debtors. Accounts receivable are shown net of any bad debt allowances which the Debtors carry on their books and records.

(d) Property and Equipment – Owned. Unless otherwise noted, owned property and equipment are stated at net book value. Depreciation and amortization are provided principally on the straight-line method over a period of three to five years for furniture, fixtures and equipment, and fifteen to twenty-seven years for buildings. Although accelerated depreciation methods are used for tax reporting purposes, the Schedules and Statements reflect straight-line methods.

(e) Schedule A. The value of the assets listed on Schedule A is noted if based on an appraisal or reserve report. Appraised values are based on the date provided and the Company is unable to verify the market value as of December 31, 2008. If an appraised value was unavailable, the book values are listed. The Debtors upon request will provide copies of actual leases and/or further details regarding any lease listed. In addition, with respect to Debtor Hallwood Gathering, L.P., there are certain real property interests owned and/or rights of way relating to the gathering lines. The Debtors will provide additional information related to these matters upon request.

(f) Schedule B.

(i) Bank account balances listed in item 2 are bank balances as of March 1, 2009. Accounts receivable listed in Item 16 are listed at net book value (unless otherwise noted), and the Company does not represent that this is the actual value of these assets or represent future collections. Schedule B includes all assets (other than real property listed in Schedule A) included in the Debtors' books and records and no representations are made as to the market value of any listed asset other than cash.

(ii) The Debtors maintain certain bank accounts which are more particularly described on the Schedules. The Account at Chase Bank is utilized for petty cash. The Debtors maintain several accounts at Wells Fargo and are generally utilized as follows: (a) Hallwood Energy Account (balance approximately \$2,996,230.85) is where the revenues from the production of Debtors' Oil & Gas Properties are deposited and pre-petition interest payments to Hall Phoenix were made from this account; (b) Hallwood Petroleum Account (balance approximately \$417,334.93) is used as the Debtors operating account and bills are generally paid from this account; (c) FEI Shale Account (the "Project Account") (balance approximately \$6.7 million) was an account created in connection with the Farmout Agreement; and (d) Escrow Account (balance approximately \$49,108.73) is an account created pursuant to a new Arkansas law and holds royalty in suspense that is over one year old.

(iii) As of February 28, 2009, the Debtors were holding \$492,418.90 of royalty payments in suspense (the "Royalty Suspense Amount"). The Royalty Suspense Amount is in the Hallwood Energy Account described above, except for \$49,108.73 that resides in the Escrow Account.

(iv) Pursuant to the Court's order of March 25, 2009, the Debtors were authorized to pay up to \$198,478.83 representing royalty interest and working interest payments for February 2009. These amounts will be paid out of the Hallwood Petroleum Account.

(v) Causes of Action. The Debtors have not set forth all causes of action against third parties as assets on Schedule B. The Debtors reserve all of their rights with respect to any causes of action that they may have, and neither these Global Notes nor the Schedules and Statements shall be deemed a waiver of any such causes of action.

(vi) Executory Contracts. The Debtors have not set forth executory contracts as assets on Schedule B. The Debtors' executory contracts are set forth in Schedule G.

(g) Schedule D.

(i) The collateral subject to the liens granted to Hall/Phoenix Inwood, Ltd. under the \$100,000,000 Advancing Term Loan dated as of April 19, 2007, as amended, (the "Senior Secured Facility") and the Second Lien Credit and Guaranty Agreement dated as of January 18, 2008, as amended (the "Junior Secured Facility") (collectively the "Hall Phoenix Facilities") is comprised of liens on and security interests in all of the Debtors personal property as more fully described in the Hall Phoenix Facilities. A copy of the Hall Phoenix Facilities is available upon request from Debtors' Counsel.

(ii) The collateral subject to the liens granted to FEI Shale, L.P. pursuant to that certain "Acquisition and Farmout Agreement" (the "Farmout

Agreement") dated June 9, 2008, is comprised of the liens granted in Section 2.2(b) of the Farmout Agreement. A copy of the Farmout Agreement is available upon request from Debtors' Counsel.

(iii) Except as otherwise agreed pursuant to a stipulation or order of the Bankruptcy Court, the Debtors reserve their rights to dispute or challenge the validity, perfection or immunity from avoidance, of any lien purported to be granted or perfected in any specific asset to a secured creditor listed on Schedule D. Moreover, although the Debtors may have scheduled claims of various creditors as secured claims, the Debtors reserve all rights to dispute or challenge the secured nature of any such creditor's claim or the characterization of the structure of any such creditor's claim or the characterization of the structure of any such transaction or any document or instrument related to such creditor's claim. The descriptions provided in Schedule D are intended only to be a summary.

(iv) Reference to the applicable loan agreements and/or Farmout Agreement and related documents is necessary for a complete description of the collateral and the nature, extent and priority of any liens. Nothing in the General Notes shall be deemed a modification or interpretation of the terms of such agreements.

(h) Schedule F. The claims of individual creditors as listed on the Debtors' books and records may not reflect credits or allowances due from such creditor. The Debtors reserve all of their rights respecting such credits and allowances.

(i) Schedule G

(i) While the Debtors have made reasonable efforts to ensure the accuracy of the executory contracts and unexpired leases listed on Schedule G, inadvertent errors or omissions may have occurred. The Debtors hereby reserve all of their rights to dispute the validity, status or enforceability of any contracts, agreements, or leases set forth in Schedule G and to amend or supplement such Schedule as necessary.

(ii) The presence of a contract or agreement on this schedule does not constitute an admission that such contract or agreement is an executory contract or unexpired lease. The Debtors reserve all of their rights, claims, and causes of action with respect to the contracts and agreements listed on these Schedules.

(j) Schedule H. Certain of the Debtors' are guarantors of certain debt, including the debts under the Hall Phoenix Facilities. In addition, certain of the Debtors are parties to the Farmout Agreement with FEI Shale. The precise nature of their liability under each such agreement requires review and reference to applicable loan agreements and related documents. Nothing in the General Notes shall be deemed a modification or interpretation of the terms of such agreements.

(k) Statement of Financial Affairs.

(i) Inventory. Inventory is calculated through inventories conducted by third-party vendors who store the Debtors' inventory. The inventories are generally conducted monthly.

(ii) Litigation. Certain of the Debtors are parties to various lawsuits. The Debtors are evaluating the claims in these matters, including any counter-claims asserted by the Debtors. In certain litigation, the Debtors entered into settlements pre-petition that the Debtors believe require approval of the Bankruptcy Court to consummate. The Debtors anticipate filing such motions promptly.

(iii) Assignments. Pursuant to a certain agreement entitled "Acquisition and Farmout Agreement" dated June 9, 2008 (the "Farmout Agreement"), the Debtors may assign up to 33.33% of their oil and gas assets to FEI Shale, L.P. ("FEI Shale") in exchange for up to \$125 million of payments by FEI Shale. The Debtors have assigned 20% of its oil and gas properties in accordance with the terms of the Farmout Agreement and made certain other assignments in accordance with the Farmout Agreement. FEI Shale and the Debtors continue to work through any issues regarding outstanding assignments due under the Farmout Agreement. Upon request, the Debtors will provide information regarding assignments made under the Farmout Agreement and issues related to any such assignments and outstanding issues between FEI Shale and the Debtors.

(iv) Payments to Counsel Related to Bankruptcy. The Debtors entered into an engagement letter with Rochelle McCullough, LLP that provided for an evergreen \$100,000.00 retainer (the "Retainer"). On February 27, 2009, the Debtor paid \$59,066.50 for services rendered and replenished the Retainer. On March 1, 2009, prior to filing, Rochelle McCullough LLP was paid an additional \$36,472.00 for services rendered up to the time of filing. As of the filing of the Petition, \$63,528.00 remains in the Retainer and is held in Rochelle McCullough LLP's IOLTA account. In addition, the Debtors' executed an engagement letter with Blackhill Partners, LLC and provided a \$100,000.00 retainer. Prior to the Petition Date, Blackhill Partners, LLC was paid from the retainer \$5,400.00. Blackhill Partners, LLC is holding the remaining balance of \$94,600.00.

(i) Interests in Subsidiaries. The Debtors are affiliated entities. The Debtors are owned as follows: (a) Hallwood Energy Management, LLC: (i) Stratford Group I, LLC owns 50% of membership interests and (ii) The Hallwood Group, Inc. owns 50% of membership interests; (b) Hallwood Gathering, L.P. is owned as follows: (i) HG II Management, LLC owns 0.01% general partnership interest and (ii) Hallwood Energy, L.P. owns a 99.99% limited partnership interest; (c) HG II Management, LLC: 100% membership interest owned by Hallwood Energy Management LLC; (d) Hallwood Petroleum LLC: 100% of membership interest owned by Hallwood Energy, L.P.; (e) Hallwood Energy, L.P.: (i) Hallwood Energy Management, LLC owns 0.01% general partnership interest and (ii) 99.99% of the limited partnership interests are held by various parties described in the Statement of Financial Affairs.

4. Disputed, Contingent, and/or Unliquidated Claims. Schedules D, E, and F permit each of the Debtors to designate a claim as disputed, contingent, and/or unliquidated. A failure to designate a claim on any of these schedules as disputed, contingent, and/or unliquidated does not constitute an admission that such claim is not subject to objection. The Debtors reserve their right to dispute, or assert offsets or defenses to any claim reflected on these Schedules as to the nature, amount, liability, or status. Moreover, the Debtors reserve the right to amend their Schedules and Statements as necessary and appropriate.

5. Undetermined Claim Amounts. Claim amounts that could not be fairly quantified by the Debtors are scheduled as "unknown," and with a disputed, contingent and/or unliquidated notation, as appropriate.

6. Global Notes Control. In the event that the Schedules and Statements differ from the foregoing Global Notes, the Global Notes shall control.

7. Reservation of Rights and Exculpation. The Debtors reserve all their rights to amend the Schedules and Statements in all respects, as may be necessary or appropriate, including, but not limited to, the right to dispute or to assert offsets or defenses to any claim reflected on the Schedules as to amount, liability, or classification or to otherwise subsequently designate any claim as "disputed," "contingent," or "unliquidated." Any failure to designate a claim as "contingent," "unliquidated," or "disputed," does not constitute an admission by the Debtors that such claim is not "contingent," "unliquidated," or "disputed." Furthermore, nothing contained in the Schedules shall constitute a waiver of the Debtors' rights with respect to the chapter 11 cases and, specifically, with respect to any issues involving equitable subordination, recharacterization, and/or causes of action arising under the provisions of chapter 5 of the Bankruptcy Code and other relevant nonbankruptcy laws to recover assets or avoid transfers. Moreover, although the Debtors may have scheduled claims of various creditors as priority claims, the Debtors reserve all rights to dispute or challenge the priority treatment of any such creditor's claim (or portion thereof) of the characterization of the structure of any such transaction or any document or instrument related to such creditor's claim. The Debtors and their agents, attorneys, and advisors do not guarantee or warrant the accuracy, completeness or currentness of the data that is provided herein and shall not be liable for any loss or injury arising out of or caused in whole or in part by the acts, errors or omissions, whether negligent or otherwise, in procuring, compiling, collecting, interpreting, reporting, communicating or delivering the information contained herein. While reasonable effort has been made to provide accurate and complete information herein, inadvertent errors or omissions may exist. The Debtors and their agents, attorneys, and advisors expressly do not undertake any obligation to update, modify, revise, or re-categorize the information provided herein, or to notify any third party should the information be updated, modified, revised, or re-categorized. In no event shall the Debtors or its agents, attorneys, and advisors be liable to any third party for any direct, indirect, incidental, consequential, or special damages (including, but not limited to, damages arising from the disallowance of a potential claim against the Debtors

or damages to business reputation, lost business, or lost profits), whether foreseeable or not and however caused, even if the Debtors or their agents, attorneys, and advisors are advised of the possibility of such damages.

END OF GLOBAL NOTES

SCHEDULES AND STATEMENTS BEGIN ON FOLLOWING PAGE

United States Bankruptcy Court
Northern District of Texas

In re Hallwood SWD, LLC

Debtor

Case No. 09-31258Chapter 11

SUMMARY OF SCHEDULES

Indicate as to each schedule whether that schedule is attached and state the number of pages in each. Report the totals from Schedules A, B, D, E, F, I, and J in the boxes provided. Add the amounts from Schedules A and B to determine the total amount of the debtor's assets. Add the amounts of all claims from Schedules D, E, and F to determine the total amount of the debtor's liabilities. Individual debtors must also complete the "Statistical Summary of Certain Liabilities and Related Data" if they file a case under chapter 7, 11, or 13.

| NAME OF SCHEDULE | ATTACHED (YES/NO) | NO. OF SHEETS | ASSETS | LIABILITIES | OTHER |
|---|----------------------|------------------|--------|---------------|-------|
| A - Real Property | Yes | 1 | 0.00 | | |
| B - Personal Property | Yes | 3 | 0.00 | | |
| C - Property Claimed as Exempt | No | 0 | | | |
| D - Creditors Holding Secured Claims | Yes | 1 | | 15,000,000.00 | |
| E - Creditors Holding Unsecured Priority Claims (Total of Claims on Schedule E) | Yes | 1 | | 0.00 | |
| F - Creditors Holding Unsecured Nonpriority Claims | Yes | 1 | | 0.00 | |
| G - Executory Contracts and Unexpired Leases | Yes | 1 | | | |
| H - Codebtors | Yes | 2 | | | |
| I - Current Income of Individual Debtor(s) | No | 0 | | | N/A |
| J - Current Expenditures of Individual Debtor(s) | No | 0 | | | N/A |
| Total Number of Sheets of ALL Schedules | | 10 | | | |
| | Total Assets | | 0.00 | | |
| | Total Liabilities | | | 15,000,000.00 | |

In re Hallwood SWD, LLCCase No. 09-31258

Debtor

SCHEDULE A - REAL PROPERTY

Except as directed below, list all real property in which the debtor has any legal, equitable, or future interest, including all property owned as a cotenant, community property, or in which the debtor has a life estate. Include any property in which the debtor holds rights and powers exercisable for the debtor's own benefit. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor holds no interest in real property, write "None" under "Description and Location of Property."

Do not include interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If an entity claims to have a lien or hold a secured interest in any property, state the amount of the secured claim. See Schedule D. If no entity claims to hold a secured interest in the property, write "None" in the column labeled "Amount of Secured Claim." If the debtor is an individual or if a joint petition is filed, state the amount of any exemption claimed in the property only in Schedule C - Property Claimed as Exempt.

| Description and Location of Property | Nature of Debtor's Interest in Property | Husband, Wife, Joint, or Community | Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption | Amount of Secured Claim |
|--------------------------------------|---|------------------------------------|--|-------------------------|
|--------------------------------------|---|------------------------------------|--|-------------------------|

None

| | | |
|-------------|-------------|----------------------|
| Sub-Total > | 0.00 | (Total of this page) |
| Total > | 0.00 | |

0 continuation sheets attached to the Schedule of Real Property

(Report also on Summary of Schedules)

In re Hallwood SWD, LLCCase No. 09-31258

Debtor

SCHEDULE B - PERSONAL PROPERTY

Except as directed below, list all personal property of the debtor of whatever kind. If the debtor has no property in one or more of the categories, place an "x" in the appropriate position in the column labeled "None." If additional space is needed in any category, attach a separate sheet properly identified with the case name, case number, and the number of the category. If the debtor is married, state whether husband, wife, both, or the marital community own the property by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the debtor is an individual or a joint petition is filed, state the amount of any exemptions claimed only in Schedule C - Property Claimed as Exempt.

Do not list interests in executory contracts and unexpired leases on this schedule. List them in Schedule G - Executory Contracts and Unexpired Leases.

If the property is being held for the debtor by someone else, state that person's name and address under "Description and Location of Property." If the property is being held for a minor child, simply state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

| Type of Property | N O N E | Description and Location of Property | Husband, Wife, Joint, or Community | Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption |
|--|------------------|--------------------------------------|---|---|
| 1. Cash on hand | X | | | |
| 2. Checking, savings or other financial accounts, certificates of deposit, or shares in banks, savings and loan, thrift, building and loan, and homestead associations, or credit unions, brokerage houses, or cooperatives. | X | | | |
| 3. Security deposits with public utilities, telephone companies, landlords, and others. | X | | | |
| 4. Household goods and furnishings, including audio, video, and computer equipment. | X | | | |
| 5. Books, pictures and other art objects, antiques, stamp, coin, record, tape, compact disc, and other collections or collectibles. | X | | | |
| 6. Wearing apparel. | X | | | |
| 7. Furs and jewelry. | X | | | |
| 8. Firearms and sports, photographic, and other hobby equipment. | X | | | |
| 9. Interests in insurance policies. Name insurance company of each policy and itemize surrender or refund value of each. | X | | | |
| 10. Annuities. Itemize and name each issuer. | X | | | |

Sub-Total > 0.00
(Total of this page)

2 continuation sheets attached to the Schedule of Personal Property

In re Hallwood SWD, LLCCase No. 09-31258

Debtor

SCHEDULE B - PERSONAL PROPERTY

(Continuation Sheet)

| Type of Property | N O N E | Description and Location of Property | Husband, Wife, Joint, or Community | Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption |
|---|------------------|--------------------------------------|---|---|
| 11. Interests in an education IRA as defined in 26 U.S.C. § 530(b)(1) or under a qualified State tuition plan as defined in 26 U.S.C. § 529(b)(1). Give particulars. (File separately the record(s) of any such interest(s). 11 U.S.C. § 521(c).) | X | | | |
| 12. Interests in IRA, ERISA, Keogh, or other pension or profit sharing plans. Give particulars. | X | | | |
| 13. Stock and interests in incorporated and unincorporated businesses. Itemize. | X | | | |
| 14. Interests in partnerships or joint ventures. Itemize. | X | | | |
| 15. Government and corporate bonds and other negotiable and nonnegotiable instruments. | X | | | |
| 16. Accounts receivable. | X | | | |
| 17. Alimony, maintenance, support, and property settlements to which the debtor is or may be entitled. Give particulars. | X | | | |
| 18. Other liquidated debts owed to debtor including tax refunds. Give particulars. | X | | | |
| 19. Equitable or future interests, life estates, and rights or powers exercisable for the benefit of the debtor other than those listed in Schedule A - Real Property. | X | | | |
| 20. Contingent and noncontingent interests in estate of a decedent, death benefit plan, life insurance policy, or trust. | X | | | |
| 21. Other contingent and unliquidated claims of every nature, including tax refunds, counterclaims of the debtor, and rights to setoff claims. Give estimated value of each. | X | | | |

Sub-Total >
(Total of this page)

0.00

Sheet 1 of 2 continuation sheets attached
to the Schedule of Personal Property

In re Hallwood SWD, LLC,
DebtorCase No. 09-31258**SCHEDULE B - PERSONAL PROPERTY**
(Continuation Sheet)

| Type of Property | N O N E | Description and Location of Property | Husband, Wife, Joint, or Community | Current Value of Debtor's Interest in Property, without Deducting any Secured Claim or Exemption |
|---|------------------|--------------------------------------|---|---|
| 22. Patents, copyrights, and other intellectual property. Give particulars. | X | | | |
| 23. Licenses, franchises, and other general intangibles. Give particulars. | X | | | |
| 24. Customer lists or other compilations containing personally identifiable information (as defined in 11 U.S.C. § 101(41A)) provided to the debtor by individuals in connection with obtaining a product or service from the debtor primarily for personal, family, or household purposes. | X | | | |
| 25. Automobiles, trucks, trailers, and other vehicles and accessories. | X | | | |
| 26. Boats, motors, and accessories. | X | | | |
| 27. Aircraft and accessories. | X | | | |
| 28. Office equipment, furnishings, and supplies. | X | | | |
| 29. Machinery, fixtures, equipment, and supplies used in business. | X | | | |
| 30. Inventory. | X | | | |
| 31. Animals. | X | | | |
| 32. Crops - growing or harvested. Give particulars. | X | | | |
| 33. Farming equipment and implements. | X | | | |
| 34. Farm supplies, chemicals, and feed. | X | | | |
| 35. Other personal property of any kind not already listed. Itemize. | X | | | |

| | |
|----------------------|------|
| Sub-Total > | 0.00 |
| (Total of this page) | |
| Total > | 0.00 |

Sheet 2 of 2 continuation sheets attached
to the Schedule of Personal Property

(Report also on Summary of Schedules)

In re Hallwood SWD, LLC

Case No. 09-31258

Debtor

SCHEDULE D - CREDITORS HOLDING SECURED CLAIMS

State the name, mailing address, including zip code, and last four digits of any account number of all entities holding claims secured by property of the debtor as of the date of filing of the petition. The complete account number of any account the debtor has with the creditor is useful to the trustee and the creditor and may be provided if the debtor chooses to do so. List creditors holding all types of secured interests such as judgment liens, garnishments, statutory liens, mortgages, deeds of trust, and other security interests.

List creditors in alphabetical order to the extent practicable. If a minor child is a creditor, the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m). If all secured creditors will not fit on this page, use the continuation sheet provided.

If any entity other than a spouse in a joint case may be jointly liable on a claim, place an "X" in the column labeled "Codebtor", include the entity on the appropriate schedule of creditors, and complete Schedule H - Codebtors. If a joint petition is filed, state whether the husband, wife, both of them, or the marital community may be liable on each claim by placing an "H", "W", "J", or "C" in the column labeled "Husband, Wife, Joint, or Community".

If the claim is contingent, place an "X" in the column labeled "Contingent". If the claim is unliquidated, place an "X" in the column labeled "Unliquidated". If the claim is disputed, place an "X" in the column labeled "Disputed". (You may need to place an "X" in more than one of these three columns.)

Total the columns labeled "Amount of Claim Without Deducting Value of Collateral" and "Unsecured Portion, if Any" in the boxes labeled "Total(s)" on the last sheet of the completed schedule. Report the total from the column labeled "Amount of Claim" also on the Summary of Schedules and, if the debtor is an individual with primarily consumer debts, report the total from the column labeled "Unsecured Portion" on the Statistical Summary of Certain Liabilities and Related Data.

Check this box if debtor has no creditors holding secured claims to report on this Schedule D.

| CREDITOR'S NAME AND MAILING ADDRESS INCLUDING ZIP CODE, AND ACCOUNT NUMBER (See instructions above.) | CODE DEBTOR H W J C | Husband, Wife, Joint, or Community | DATE CLAIM WAS INCURRED, NATURE OF LIEN, AND DESCRIPTION AND VALUE OF PROPERTY SUBJECT TO LIEN | CONTINGENT | UNLIQUIDATED | DISPUTED | AMOUNT OF CLAIM WITHOUT DEDUCTING VALUE OF COLLATERAL | UNSECURED PORTION, IF ANY |
|--|------------------------------------|------------------------------------|---|---|--------------|----------|--|---------------------------------|
| | | | | | | | | |
| Account No. | | | | | | | | |
| FEI Shale, L.P. 2000 888 3d Street S.W. Calgary, Alberta Canada T2P 5C5 | | | June 9, 2008 FEI Shale asserts perfected security interests in Debtor's property pursuant to that certain Acquisition and Farmout Agreement by and between the Debtor and FEI Shale. See Global Notes for more information. | | X | X | X | |
| Account No. | | | Value \$ Unknown | | | | Unknown | Unknown |
| Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 | | | April 19, 2007 Hall Phoenix Inwood Ltd. asserts perfected security interest in substantial portions of property of the Debtor and its affiliates. See Global Notes. | | | | | |
| Account No. | | | Value \$ 0.00 | | | | 0.00 | 0.00 |
| Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 | | | January 18, 2008 | | | | | |
| Account No. | | | Value \$ 0.00 | | | | 15,000,000.00 | 15,000,000.00 |
| 0 continuation sheets attached | | | Value \$ | | | | | |
| | | | | Subtotal (Total of this page) | | | 15,000,000.00 | 15,000,000.00 |
| | | | | Total (Report on Summary of Schedules) | | | 15,000,000.00 | 15,000,000.00 |

In re **Hallwood SWD, LLC**Case No. 09-31258

Debtor

SCHEDULE E - CREDITORS HOLDING UNSECURED PRIORITY CLAIMS

A complete list of claims entitled to priority, listed separately by type of priority, is to be set forth on the sheets provided. Only holders of unsecured claims entitled to priority should be listed in this schedule. In the boxes provided on the attached sheets, state the name, mailing address, including zip code, and last four digits of the account number, if any, of all entities holding priority claims against the debtor or the property of the debtor, as of the date of the filing of the petition. Use a separate continuation sheet for each type of priority and label each with the type of priority.

The complete account number of any account the debtor has with the creditor is useful to the trustee and the creditor and may be provided if the debtor chooses to do so. If a minor child is a creditor, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

If any entity other than a spouse in a joint case may be jointly liable on a claim, place an "X" in the column labeled "Codebtor," include the entity on the appropriate schedule of creditors, and complete Schedule H-Codebtors. If a joint petition is filed, state whether the husband, wife, both of them, or the marital community may be liable on each claim by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community." If the claim is contingent, place an "X" in the column labeled "Contingent." If the claim is unliquidated, place an "X" in the column labeled "Unliquidated." If the claim is disputed, place an "X" in the column labeled "Disputed." (You may need to place an "X" in more than one of these three columns.)

Report the total of claims listed on each sheet in the box labeled "Subtotals" on each sheet. Report the total of all claims listed on this Schedule E in the box labeled "Total" on the last sheet of the completed schedule. Report this total also on the Summary of Schedules.

Report the total of amounts entitled to priority listed on each sheet in the box labeled "Subtotals" on each sheet. Report the total of all amounts entitled to priority listed on this Schedule E in the box labeled "Totals" on the last sheet of the completed schedule. Individual debtors with primarily consumer debts report this total also on the Statistical Summary of Certain Liabilities and Related Data.

Report the total of amounts not entitled to priority listed on each sheet in the box labeled "Subtotals" on each sheet. Report the total of all amounts not entitled to priority listed on this Schedule E in the box labeled "Totals" on the last sheet of the completed schedule. Individual debtors with primarily consumer debts report this total also on the Statistical Summary of Certain Liabilities and Related Data.

Check this box if debtor has no creditors holding unsecured priority claims to report on this Schedule E.

TYPES OF PRIORITY CLAIMS (Check the appropriate box(es) below if claims in that category are listed on the attached sheets) **Domestic support obligations**

Claims for domestic support that are owed to or recoverable by a spouse, former spouse, or child of the debtor, or the parent, legal guardian, or responsible relative of such a child, or a governmental unit to whom such a domestic support claim has been assigned to the extent provided in 11 U.S.C. § 507(a)(1).

 Extensions of credit in an involuntary case

Claims arising in the ordinary course of the debtor's business or financial affairs after the commencement of the case but before the earlier of the appointment of a trustee or the order for relief. 11 U.S.C. § 507(a)(3).

 Wages, salaries, and commissions

Wages, salaries, and commissions, including vacation, severance, and sick leave pay owing to employees and commissions owing to qualifying independent sales representatives up to \$10,950* per person earned within 180 days immediately preceding the filing of the original petition, or the cessation of business, whichever occurred first, to the extent provided in 11 U.S.C. § 507(a)(4).

 Contributions to employee benefit plans

Money owed to employee benefit plans for services rendered within 180 days immediately preceding the filing of the original petition, or the cessation of business, whichever occurred first, to the extent provided in 11 U.S.C. § 507(a)(5).

 Certain farmers and fishermen

Claims of certain farmers and fishermen, up to \$5,400* per farmer or fisherman, against the debtor, as provided in 11 U.S.C. § 507(a)(6).

 Deposits by individuals

Claims of individuals up to \$2,425* for deposits for the purchase, lease, or rental of property or services for personal, family, or household use, that were not delivered or provided. 11 U.S.C. § 507(a)(7).

 Taxes and certain other debts owed to governmental units

Taxes, customs duties, and penalties owing to federal, state, and local governmental units as set forth in 11 U.S.C. § 507(a)(8).

 Commitments to maintain the capital of an insured depository institution

Claims based on commitments to the FDIC, RTC, Director of the Office of Thrift Supervision, Comptroller of the Currency, or Board of Governors of the Federal Reserve System, or their predecessors or successors, to maintain the capital of an insured depository institution. 11 U.S.C. § 507 (a)(9).

 Claims for death or personal injury while debtor was intoxicated

Claims for death or personal injury resulting from the operation of a motor vehicle or vessel while the debtor was intoxicated from using alcohol, a drug, or another substance. 11 U.S.C. § 507(a)(10).

* Amounts are subject to adjustment on April 1, 2010, and every three years thereafter with respect to cases commenced on or after the date of adjustment.

In re Hallwood SWD, LLCCase No. 09-31258

Debtor

SCHEDULE F - CREDITORS HOLDING UNSECURED NONPRIORITY CLAIMS

State the name, mailing address, including zip code, and last four digits of any account number, of all entities holding unsecured claims without priority against the debtor or the property of the debtor, as of the date of filing of the petition. The complete account number of any account the debtor has with the creditor is useful to the trustee and the creditor and may be provided if the debtor chooses to do so. If a minor child is a creditor, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m). Do not include claims listed in Schedules D and E. If all creditors will not fit on this page, use the continuation sheet provided.

If any entity other than a spouse in a joint case may be jointly liable on a claim, place an "X" in the column labeled "Codebtor," include the entity on the appropriate schedule of creditors, and complete Schedule H - Codebtors. If a joint petition is filed, state whether the husband, wife, both of them, or the marital community may be liable on each claim by placing an "H," "W," "J," or "C" in the column labeled "Husband, Wife, Joint, or Community."

If the claim is contingent, place an "X" in the column labeled "Contingent." If the claim is unliquidated, place an "X" in the column labeled "Unliquidated." If the claim is disputed, place an "X" in the column labeled "Disputed." (You may need to place an "X" in more than one of these three columns.)

Report the total of all claims listed on this schedule in the box labeled "Total" on the last sheet of the completed schedule. Report this total also on the Summary of Schedules and, if the debtor is an individual with primarily consumer debts, report this total also on the Statistical Summary of Certain Liabilities and Related Data.

Check this box if debtor has no creditors holding unsecured claims to report on this Schedule F.

| CREDITOR'S NAME, MAILING ADDRESS INCLUDING ZIP CODE, AND ACCOUNT NUMBER (See instructions above.) | CODE H E B W J T O R C | Husband, Wife, Joint, or Community | DATE CLAIM WAS INCURRED AND CONSIDERATION FOR CLAIM. IF CLAIM IS SUBJECT TO SETOFF, SO STATE. | | | | AMOUNT OF CLAIM |
|---|---|------------------------------------|---|--------------|----------|--|---|
| | | | CONTINGENT | UNLIQUIDATED | DISPUTED | | |
| Account No. | | | | | | | |
| Account No. | | | | | | | |
| Account No. | | | | | | | |
| Account No. | | | | | | | |
| 0 continuation sheets attached | | | | | | | Subtotal (Total of this page) |
| | | | | | | | Total (Report on Summary of Schedules) 0.00 |

In re **Hallwood SWD, LLC**Case No. 09-31258

Debtor

SCHEDULE G - EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Describe all executory contracts of any nature and all unexpired leases of real or personal property. Include any timeshare interests. State nature of debtor's interest in contract, i.e., "Purchaser", "Agent", etc. State whether debtor is the lessor or lessee of a lease. Provide the names and complete mailing addresses of all other parties to each lease or contract described. If a minor child is a party to one of the leases or contracts, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

Check this box if debtor has no executory contracts or unexpired leases.

Name and Mailing Address, Including Zip Code,
of Other Parties to Lease or Contract

Description of Contract or Lease and Nature of Debtor's Interest.
State whether lease is for nonresidential real property.
State contract number of any government contract.

FEI Shale, L.P.
2000 888 3d Street S.W.
Calgary, Alberta Canada T2P 5C5

Acquisition and Farmout Agreement dated June
9, 2008, by and between Hallwood Energy, L.P.,
Hallwood Gathering, L.P., Hallwood Petroleum,
LLC, and Hallwood SWD, LLC.

In re **Hallwood SWD, LLC**Case No. 09-31258

Debtor

SCHEDULE H - CODEBTORS

Provide the information requested concerning any person or entity, other than a spouse in a joint case, that is also liable on any debts listed by debtor in the schedules of creditors. Include all guarantors and co-signers. If the debtor resides or resided in a community property state, commonwealth, or territory (including Alaska, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Puerto Rico, Texas, Washington, or Wisconsin) within the eight year period immediately preceding the commencement of the case, identify the name of the debtor's spouse and of any former spouse who resides or resided with the debtor in the community property state, commonwealth, or territory. Include all names used by the nondebtor spouse during the eight years immediately preceding the commencement of this case. If a minor child is a codebtor or a creditor, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See, 11 U.S.C. §112 and Fed. R. Bankr. P. 1007(m).

Check this box if debtor has no codebtors.

| NAME AND ADDRESS OF CODEBTOR | NAME AND ADDRESS OF CREDITOR |
|---|---|
| *See Global Notes | |
| Hallwood Energy Management, LLC 3710 Rawlins Street Suite 1500 Dallas, TX 75219 Co-guarantor on \$100,000,000 and \$15,000,000 notes by and between Hall Phoenix and Hallwood Energy, L.P., dated April 19, 2007, and January 18, 2008. | Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 |
| Hallwood Energy, L.P. 3710 Rawlins Street Suite 1500 Dallas, TX 75219 Party to that certain Acquisition and Farmout Agreement dated June 9, 2008, by and between FEI Shale, L.P., and Hallwood Energy, L.P., et al. | FEI Shale, L.P. 2000 888 3d Street S.W. Calgary, Alberta Canada T2P 5C5 |
| Hallwood Energy, L.P. 3710 Rawlins Street Suite 1500 Dallas, TX 75219 Primary obligor on \$100,000,000 and \$15,000,000 notes by and between Hall Phoenix and Hallwood Energy, L.P., dated April 19, 2007, and January 18, 2008. | Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 |
| Hallwood Gathering, L.P. 3710 Rawlins Street Suite 1500 Dallas, TX 75219 Party to that certain Acquisition and Farmout Agreement dated June 9, 2008, by and between FEI Shale, L.P., and Hallwood Energy, L.P., et al. | FEI Shale, L.P. 2000 888 3d Street S.W. Calgary, Alberta Canada T2P 5C5 |
| Hallwood Gathering, L.P. 3710 Rawlins Street Suite 1500 Dallas, TX 75219 Co-guarantor on \$100,000,000 and \$15,000,000 notes by and between Hall Phoenix and Hallwood Energy, L.P., dated April 19, 2007, and January 18, 2008. | Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 |

Debtor

SCHEDULE H - CODEBTORS
(Continuation Sheet)

| NAME AND ADDRESS OF CODEBTOR | NAME AND ADDRESS OF CREDITOR |
|--|---|
| Hallwood Petroleum, LLC 3710 Rawlins St. Suite 1500 Dallas, TX 75219 Party to that certain Acquisition and Farmout Agreement dated June 9, 2008, by and between FEI Shale, L.P., and Hallwood Energy, L.P., et al. | FEI Shale, L.P. 2000 888 3d Street S.W. Calgary, Alberta Canada T2P 5C5 |
| Hallwood Petroleum, LLC 3710 Rawlins St. Suite 1500 Dallas, TX 75219 Co-guarantor on \$100,000,000 and \$15,000,000 notes by and between Hall Phoenix and Hallwood Energy, L.P., dated April 19, 2007, and January 18, 2008. | Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 |
| HG II Management, LLC 3710 Rawlins St. Ste. 1500 Dallas, TX 75219 Co-guarantor on \$100,000,000 and \$15,000,000 notes by and between Hall Phoenix and Hallwood Energy, L.P., dated April 19, 2007, and January 18, 2008. | Hall Phoenix Inwood, Ltd. 6801 Gaylord Parkway Suite 100 Frisco, TX 75034 |

United States Bankruptcy Court
Northern District of Texas

In re Hallwood SWD, LLC

Debtor(s)

Case No. 09-31258
Chapter 11

DECLARATION CONCERNING DEBTOR'S SCHEDULES

DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP

I, the Chief Financial Officer & Secretary of the corporation named as debtor in this case, declare under penalty of perjury that I have read the foregoing summary and schedules, consisting of 12 sheets, and that they are true and correct to the best of my knowledge, information, and belief.

Date March 30, 2009

Signature /s/ Tony Strehlow

Tony Strehlow
Chief Financial Officer & Secretary

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C. §§ 152 and 3571.